CREDIT BANK OF MOSCOW
(public joint-stock company)

Consolidated Interim Condensed
Financial Statements
for the six-month period ended
30 June 2020

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Independent Auditors' Report on Review of Consolidated Interim Condensed Financial Information

To the Shareholders and Supervisory Board

CREDIT BANK OF MOSCOW (public joint-stock company)

Introduction

We have reviewed the accompanying consolidated interim condensed statement of financial position of CREDIT BANK OF MOSCOW (public joint-stock company) and its subsidiaries (the Group) as at 30 June 2020, and the related consolidated interim condensed statements of profit or loss and other comprehensive income for the three- and six-month periods ended 30 June 2020, and the related consolidated interim condensed statements of changes in equity and cash flows for the six-month period ended 30 June 2020, and notes to the consolidated interim condensed financial information (the consolidated interim condensed financial information). Management is responsible for the preparation and presentation of this consolidated interim condensed financial information in accordance with IAS 34 *Interim Financial Reporting.* Our responsibility is to express a conclusion on this consolidated interim condensed 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 consolidated interim condensed 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.

Reviewed entity: CREDIT BANK OF MOSCOW (public joint-stock company).

Registration No. in the Unified State Register of Legal Entities 1027739555282.

Moscow, Russian Federation.

Audit Firm: JSC "KPMG", a company incorporated under the Laws of the Russian Federation, a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Registration No. in the Unified State Register of Legal Entities 1027700125628.

Member of the Self-regulatory Organization of Auditors Association "Sodruzhestvo" (SRO AAS). The Principal Registration Number of the Entry in the Register of Auditors and Audit Organisations: No. 12006020351.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim condensed financial information as at 30 June 2020 and for the three- and six-month periods ended 30 June 2020 is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

Tatarinova E.V.

JSC "KPMG"

Moscow, Russia

29 August 2020

(in millions of Russian Roubles unless otherwise stated)

	Notes	Six-month period ended 30 June 2020 (Unaudited)	Six-month period ended 30 June 2019 (Unaudited)	Three-month period ended 30 June 2020 (Unaudited)	Three-month period ended 30 June 2019 (Unaudited)
Interest income calculated using the effective interest method	5	74 177	68 511	36 909	34 329
Other interest income	5	3 947	2 038	2 331	1 014
Interest expense	5	(50 625)	(51 512)	(24 400)	(25 953)
Net interest income	5	**27 499**	**19 037**	**14 840**	**9 390**
Charge for credit losses on debt financial assets	11, 12, 14, 15	(12 941)	(5 555)	(5 417)	(335)
Net interest income after credit losses on debt financial assets		**14 558**	**13 482**	**9 423**	**9 055**
Fee and commission income	6	6 397	7 461	2 850	4 016
Fee and commission expense	6	(1 682)	(1 865)	(790)	(911)
Net gain or (loss) on loans to customers at FVTPL		702	(396)	409	(396)
Net gain or (loss) on financial assets at FVTPL		4 757	(61)	5 055	476
Net gain or (loss) from sale and redemption of Investment financial assets at FVOCI		944	(201)	919	(459)
Net realised gain or (loss) on Investment financial assets at amortised cost		136	300	136	290
Net gain or (loss) on Investment financial assets at FVTPL		2 805	114	153	114
Net foreign exchange gains or (losses)	9	(3 613)	(7 851)	(5 526)	(3 112)
Net gain on change in financial liabilities measured at fair value through profit or loss		234	-	(485)	-
Impairment gain or (loss) on other non-financial assets, credit gain or (losses) on other financial assets and credit related commitments and other provisions	8	(282)	3 403	(157)	282
State deposit insurance scheme contributions		(1 348)	(1 215)	(558)	(666)
Operating lease income		12	20	4	9
Other net operating income or (expense)		(1 444)	6	(772)	86
Non-interest income or (expense)		**7 618**	**(285)**	**1 238**	**(271)**
Operating income		**22 176**	**13 197**	**10 661**	**8 784**
Salaries and employment benefits	7	(7 435)	(7 767)	(3 804)	(4 715)
Administrative expenses	7	(2 241)	(2 018)	(1 208)	(1 310)
Depreciation of premises and equipment and right-of-use assets		(1 003)	(952)	(530)	(482)
Operating expense		**(10 679)**	**(10 737)**	**(5 542)**	**(6 507)**
Profit before income taxes		**11 497**	**2 460**	**5 119**	**2 277**
Income tax	10	(2 373)	(299)	(1 147)	(354)
Profit for the period		**9 124**	**2 161**	**3 972**	**1 923**

The consolidated interim condensed statements of profit or loss and other comprehensive income is to be read in conjunction with the Notes, forming an integral part of the consolidated interim condensed financial statements.

(in millions of Russian Roubles unless otherwise stated)

	Notes	Six-month period ended 30 June 2020 (Unaudited)	Six-month period ended 30 June 2019 (Unaudited)	Three-month period ended 30 June 2020 (Unaudited)	Three-month period ended 30 June 2019 (Unaudited)
Profit for the period		**9 124**	**2 161**	**3 972**	**1 923**
Other comprehensive income or (loss)					
Items that are or may be reclassified subsequently to profit or loss:					
Movement in fair value reserve (debt instruments):					
- net change in fair value		(252)	2 563	146	(520)
- net amount transferred to profit or loss		(944)	212	(919)	705
- income tax related to movement in fair value reserve		238	(555)	153	(37)
Change in fair value of financial liability attributable to changes in credit risk		202	-	(8)	-
Income tax related to change in fair value of financial liability attributable to changes in credit risk		(16)	-	-	-
Other comprehensive income or (loss) for the period, net of income tax		**(772)**	**2 220**	**(628)**	**148**
Total comprehensive income for the period		**8 352**	**4 381**	**3 344**	**2 071**
Basic and diluted earnings (loss) per share (in RUB per share)	27	**0,25**	**0,02**	**0,11**	**0,04**

Chairman of the Management Board Vladimir A. Chubar

Chief Accountant Svetlana V. Sass

The consolidated interim condensed statements of profit or loss and other comprehensive income is to be read in conjunction with the Notes, forming an integral part of the consolidated interim condensed financial statements.

(in millions of Russian Roubles unless otherwise stated)

	Notes	30 June 2020 (Unaudited)	31 December 2019
ASSETS			
Cash and cash equivalents	11	848 306	953 645
Obligatory reserves with the Central bank of the Russian Federation		18 375	16 944
Due from credit and other financial institutions	12	523 035	348 794
Trading financial assets	13	68 299	38 550
- *held by the Group*	*13*	*65 050*	*37 920*
- *pledged under sale and repurchase agreements*	*13*	*3 249*	*630*
Loans to customers	14	877 370	788 655
- *loans to corporate clients*	*14*	*773 230*	*685 372*
- *loans to individuals*	*14*	*104 140*	*103 283*
Investment financial assets	15	397 114	258 168
- *held by the Group*	*15*	*347 747*	*206 844*
- *pledged under sale and repurchase agreements*	*15*	*49 367*	*51 324*
Investments in associates		2 369	2 350
Property and equipment		9 408	9 515
Deferred tax asset		115	113
Assets held for sale		1 244	1 177
Other assets		6 654	5 586
Total assets		**2 752 289**	**2 423 497**
LIABILITIES AND EQUITY			
Deposits by the Central Bank of the Russian Federation	17	10 056	-
Due to credit institutions	16	906 732	677 936
Due to customers	18	1 416 214	1 339 535
- *due to corporate customers*	*18*	*912 630*	*853 353*
- *due to individuals*	*18*	*503 584*	*486 182*
Financial liabilities measured at fair value through profit or loss	20	16 068	9 874
Debt securities issued	19	170 505	168 549
Deferred tax liability		3 047	3 370
Other liabilities		12 765	13 801
Total liabilities		**2 535 387**	**2 213 065**
Equity			
Share capital	21	30 692	30 692
Additional paid-in capital		58 210	58 210
Perpetual debt issued	21	40 757	37 871
Revaluation surplus for buildings		407	407
Fair value reserve for securities		188	1 146
Change in fair value of financial liability attributable to changes in the credit risk		250	64
Retained earnings		86 398	82 042
Total equity		**216 902**	**210 432**
Total liabilities and equity		**2 752 289**	**2 423 497**

Chairman of the Management Board — Vladimir A. Chubar

Chief Accountant — Svetlana V. Sass

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

(in millions of Russian Roubles unless otherwise stated)

	Notes	Six-month period ended 30 June 2020 (Unaudited)	Six-month period ended 30 June 2019 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest receipts		74 294	64 966
Interest payments		(59 649)	(46 677)
Fees and commission receipts		6 389	7 631
Fees and commission payments		(1 423)	(1 622)
Net receipts (payments) from operations with securities		5 989	(483)
Net receipts (payments) from foreign exchange		12 463	(15 441)
State deposit insurance scheme contributions payments		(1 267)	(1 135)
Net other operating (expense) income (payments) receipts		(1 109)	(314)
Salaries and employment benefits paid		(7 260)	(7 352)
Administrative expenses paid		(2 513)	(2 057)
Income tax paid		(2 892)	(609)
Operating cash flows before changes in operating assets and liabilities		**23 022**	**(3 093)**
(Increase) decrease in operating assets			
Obligatory reserves with the Central bank of the Russian Federation		(1 353)	(2 503)
Due from credit and other financial institutions		(149 865)	(470 466)
Trading financial assets		(19 966)	334
Loans to customers		(76 333)	(4 828)
Other assets		(1 794)	1 090
Increase (decrease) in operating liabilities			
Deposits by the Central Bank of the Russian Federation		10 002	-
Due to credit institutions except syndicated loans		207 405	30 480
Due to customers except subordinated loans		19 432	(16 835)
Other liabilities		218	(2 736)
Net cash (used in) from operations		**10 768**	**(468 557)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investment financial assets		(503 963)	(158 369)
Proceeds from disposal and redemption of investment financial assets		378 584	144 448
Net payment on acquisition of subsidiary		(105)	-
Purchase of property and equipment and intangible assets		(196)	(1 377)
Sale of investment property		-	90
Net cash used in investing activities		**(125 680)**	**(15 208)**

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

(in millions of Russian Roubles unless otherwise stated)

	Notes	Six-month period ended 30 June 2020 (Unaudited)	Six-month period ended 30 June 2019 (Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from placement and issuance of perpetual debt		2 861	325
Repayment and redemption of perpetual debt issued		(3 989)	(818)
Interest on perpetual debt paid		(1 943)	(1 951)
Proceeds from syndicated borrowings		17 653	28 120
Repayments of syndicated borrowings		(27 998)	(19 920)
Proceeds from placement and issuance of subordinated bonds including subordinated debt		82	263
Partial redemption of subordinated bonds		(2 317)	(423)
Proceeds from placement and issuance of other bonds		94 847	81 462
Repayments of other bonds		(105 223)	(23 523)
Cash outflow from lease liabilities		(590)	(355)
Dividends paid	21	-	(2 979)
Net cash from (used in) financing activities		**(26 617)**	**60 201**
Effect of exchange rates changes on cash and cash equivalents		**35 339**	**(37 445)**
Effect of changes in ECL on cash and cash equivalents	11	851	696
Change in cash and cash equivalents		**(105 339)**	**(460 313)**
Cash and cash equivalents, beginning of the period		953 645	1 162 779
Cash and cash equivalents, end of the period	11	**848 306**	**702 466**

Chairman of the Management Board — Vladimir A. Chubar

Chief Accountant — Svetlana V. Sass

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

(in millions of Russian Roubles unless otherwise stated)

	Share capital	Additional paid-in capital	Perpetual debt issued	Revaluation surplus for buildings	Fair value reserve for securities	Change in fair value of financial liability attributable to changes in the credit risk	Retained earnings	Total equity
Balance as at 1 January 2019	**27 942**	**46 247**	**46 691**	**490**	**(1 834)**	-	**71 637**	**191 173**
Total comprehensive income for the period (Unaudited)	-	-	-	-	2 220	-	2 161	**4 381**
Perpetual debt redemption (Unaudited)	-	-	(818)	-	-	-	-	**(818)**
Issuance of perpetual debt (Unaudited)	-	-	325	-	-	-	-	**325**
Interest paid on perpetual debt issued (Unaudited)	-	-	-	-	-	-	(1 951)	**(1 951)**
Foreign exchange translation of perpetual debt issued (Unaudited)	-	-	(3 813)	-	-	-	3 813	**-**
Tax effect on perpetual debt issued (Unaudited)	-	-	-	-	-	-	(466)	**(466)**
Dividends paid (Unaudited)	-	-	-	-	-	-	(2 979)	**(2 979)**
Balance as at 30 June 2019 (Unaudited)	**27 942**	**46 247**	**42 385**	**490**	**386**	**-**	**72 215**	**189 665**
Balance as at 31 December 2019	**30 692**	**58 210**	**37 871**	**407**	**1 146**	**64**	**82 042**	**210 432**
Balance as at 1 January 2020	**30 692**	**58 210**	**37 871**	**407**	**1 146**	**64**	**82 042**	**210 432**
Total comprehensive income for the period (Unaudited)	-	-	-	-	(958)	186	9 124	**8 352**
Perpetual debt redemption (Unaudited)	-	-	(3 989)	-	-	-	-	**(3 989)**
Issuance of perpetual debt (Unaudited)	-	-	2 861	-	-	-	-	**2 861**
Interest paid on perpetual debt issued (Unaudited)	-	-	-	-	-	-	(1 943)	**(1 943)**
Foreign exchange translation of perpetual debt issued (Unaudited)	-	-	4 014	-	-	-	(4 014)	**-**
Tax effect on perpetual debt issued (Unaudited)	-	-	-	-	-	-	1 189	**1 189**
Balance as at 30 June 2020 (Unaudited)	**30 692**	**58 210**	**40 757**	**407**	**188**	**250**	**86 398**	**216 902**

Chairman of the Management Board Vladimir A. Chubar Chief Accountant Svetlana V. Sass

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

(in millions of Russian Roubles unless otherwise stated)

1 Background

Principal activities

These consolidated interim condensed financial statements include the financial statements of CREDIT BANK OF MOSCOW (public joint-stock company) (the Bank) and its subsidiaries (together referred to as the Group).

The Bank was formed on 5 August 1992 as an open joint-stock company, then re-registered as a limited liability company under the legislation of the Russian Federation. On 18 August 1999 the Bank was reorganised as an open joint-stock company. On 16 May 2016 the Bank was re-registered as a public joint-stock company under the legislation of the Russian Federation. The Bank's registered legal address is 2 (bldg. 1), Lukov pereulok, Moscow, Russia. The Bank operates under a general banking license from the Central bank of the Russian Federation (the CBR), renewed on 21 January 2013. In December 2004 the Bank was admitted to the state program for individual deposit insurance.

The Bank is among the 10 largest banks in Russia by assets and conducts its business in Russia with a branch network comprising 137 branches, 1 055 ATMs and 6 663 payment terminals.

The principal subsidiaries of the Group are as follows:

Name	Country of incorporation	Principal activities	Degree of control, %	
			30 June 2020 (Unaudited)	**31 December 2019**
"CBOM Finance p.l.c."	Ireland	Raising finance	100%	100%
JSC NCO "INKAKHRAN"	Russia	Cash handling	100%	100%
LLC "Inkakhran-Servis"	Russia	Cash handling	100%	100%
LLC "MKB-Invest"	Russia	Transactions with securities	100%	100%
LLC "Bank SKS"	Russia	Investment banking	100%	100%
LLC "Mortgage Agent MKB 2"	Russia	Raising finance	100%	100%
Investment Bank VESTA (LLC)	Russia	Investment banking	100%	0%
JSC «RUSNARBANK»	Russia	Investment banking	100%	0%

The Bank does not have any direct or indirect shareholdings in the subsidiaries "CBOM Finance p.l.c.", LLC "MKB Invest" and LLC "Mortgage Agent MKB 2". "CBOM Finance p.l.c." was established to raise capital by the issue of debt securities and to use the proceeds of each such issuance to advance loans to the Bank LLC "Mortgage Agent MKB 2" was established for the purposes of the mortgage loans securitisation program launched by the Bank in 2016.

In May 2020 the Group acquired 100% of the equity interests of Investment Bank VESTA (LLC) and JSC «RUSNARBANK», see Note 28.

Shareholders

The Bank's shareholders as at 30 June 2020 (Unaudited) are:

- LLC Concern Rossium – 59,78%*
- Region FinanceResurs JSC – 8,56%
- LLC IC Algoritm – 6,64%
- Other shareholders – 25,02%

The majority participant of LLC Concern Rossium, is Roman I. Avdeev, who is the ultimate controlling party of the Group.

Related party transactions are detailed in Note 23.

Russian business environment

The Group's operations are primarily located in the Russian Federation. Consequently, the Group is exposed to the

* The ownership share of PJSC "CREDIT BANK OF MOSCOW", which includes the direct ownership share of LLC Concern Rossium for 56,07% and the ownership share of the Company's subsidiaries for 3,57%

economic and financial risks in the markets of the Russian Federation, which display emerging-market characteristics. Legal, tax and regulatory frameworks continue to be developed, but are subject to varying interpretations and frequent changes that, together with other legal and fiscal impediments, contribute to the challenges faced by entities operating in the Russian Federation.

The conflict in Ukraine and related events has increased the perceived risks of doing business in the Russian Federation. The imposition of economic sanctions on Russian individuals and legal entities by the European Union, the United States of America, Japan, Canada, Australia and others, as well as retaliatory sanctions imposed by the Russian government, has resulted in increased economic uncertainty including more volatile equity markets, a depreciation of the Russian Rouble, a reduction in both local and foreign direct investment inflows and a significant tightening in the availability of credit. In particular, some Russian entities, including banks, may be experiencing difficulties in accessing international equity and debt markets and may become increasingly dependent on Russian state banks to finance their operations. The longer term effects of recently implemented sanctions, as well as the threat of additional future sanctions, are difficult to determine. Management of the Group believes that it takes all the necessary efforts to support the economic stability of the Group in the current environment.

In addition, the first months of 2020 have seen significant global market turmoil triggered by the outbreak of the coronavirus. On 11 March 2020, the World Health Organization declared the coronavirus outbreak a pandemic. Responding to the potentially serious threat the COVID-19 presents to public health, the Russian government authorities have taken measures to contain the outbreak, including imposing restrictions on the cross-borders movement of people, entry restrictions for foreign visitors and instructing business community to transfer employees to working from home. During March 2020, regional authorities gradually introduced additional measures to enhance social distancing, including closing schools, universities, restaurants, cinemas, theaters and museums and sport facilities. In order to ensure the sanitary and epidemiological well-being of the population, the President of the Russian Federation declared paid non-working days from 30 March to 30 April 2020 for all employees except for medical and pharmacy organizations, emergency services, food and essential goods providers and continuous operating cycle entities.

Due to lockdown and business disruption in many countries, global oil demand has drastically decreased leading to oversupply and sharp fall in oil prices. On 12 April 2020, major global oil producers including Russia agreed to a record cut in crude oil production for stabilizing the oil market, which, however, has not been able to reverse the downward pressure on the oil market. Sharp decrease in oil prices and production volumes results in corresponding decrease of oil producers' income and payments to the budget, which is likely to have major economic and social consequences and unavoidably affect public sector spending.

These events will have wider adverse effects on the economy, including:

- Disruption to business operations and economic activity, with a negative impact on supply chains and breach of contracts;
- Significant disruption to businesses in certain sectors, both operating on domestic market and export-oriented businesses with high reliance on foreign markets. Mostly affected sectors include retail, travel and tourism, entertainment and hospitality sector, transportation, oil industry, construction, automotive, insurance and financial sector;
- Significant decrease in demand for non-essential goods and services;
- An increase in economic uncertainty, reflected in more volatile asset prices and currency exchange rates.

In March 2020, the Russian government announced a package of measures to support industries most heavily affected by the outbreak of COVID-19. The program includes, among other, deferral of tax and fee payments for small and medium-sized businesses, postponement of loans repayment, suspension of lease payments on federal and municipal property, state support on loans refinancing and restructuring for businesses in hard-hit industries. Besides, social contribution tax rate was lowered for all small and medium-sized businesses. The list of heavily affected industries is closely monitored and may be adjusted based on further developments.

The Group operates in a financial sector that has not been significantly affected by the outbreak of COVID-19. Over the last few weeks the Group's business remained stable and its operations were not interrupted. Based on the publicly available information at the date these financial statements were authorized for issue, management has considered the potential development of the outbreak and its expected impact on the Group and economic environment, in which the Group operates, including the measures already taken by the Russian government and governments in other countries, where the Group's major business partners and customers are located.

Taking into account the Group's current operational and financial performance along with other currently available public information, management does not anticipate an immediate significant adverse impact of the COVID-19 outbreak on the Group's financial position and operating results. However, management cannot preclude the possibility that extended lockdown periods, an escalation in severity of such measures, or a consequential adverse impact of such measures on the economic environment will have an adverse effect on the Group in the medium and longer term. The Group also considers negative development scenarios and is ready to adapt its operational plans accordingly. Management continues to monitor the situations closely and will respond to mitigate the impact of such events and circumstances as they occur.

(in millions of Russian Roubles unless otherwise stated)

The consolidated interim condensed financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

2 Basis of preparation

Statement of compliance

The accompanying consolidated interim condensed financial statements are prepared in accordance with IAS 34 'Interim Financial Reporting', and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 31 December 2019 ("last annual financial statements"). They do not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements

Basis of measurement

The consolidated interim condensed financial statements are prepared on the historical cost basis except that financial instruments at fair value through profit or loss and through other comprehensive income are stated at fair value and buildings are stated at revalued amounts.

Functional and presentation currency

The functional currency of the Bank and the majority of its subsidiaries is the Russian Rouble (RUB) as, being the national currency of the Russian Federation, it reflects the economic substance of the majority of underlying events and circumstances relevant to them.

The RUB is also the presentation currency for the purposes of these consolidated interim condensed financial statements.

Financial information presented in RUB is rounded to the nearest million.

Foreign currencies, particularly USD, play significant role in determination of economic parameters for many business operations conducted in the Russian Federation. The table below sets out exchange rates for USD against RUB, defined by the CBR:

	30 June 2020	31 December 2019	30 June 2019
USD	69,9513	61,9057	63,0756

Use of estimates and judgments

The preparation of consolidated interim condensed financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results could differ from those estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In preparing these consolidated interim condensed financial statements the critical judgments made by management in applying the accounting policies and the key sources of estimation uncertainty are the same as those that applied to the consolidated financial statements for the year ended 31 December 2019, except for those disclosed in below.

Following recent recommendations of the International Accounting Standards Board regarding the application of IFRS 9 'Financial Instruments' during the period of enhanced economic uncertainty arising from the COVID-19 pandemic the Group re-assessed ECLs by changing Macro-adjustment models in order to reflect the current economic conditions. ECLs on loans assessed on individual basis were also recalculated using the most recent information of the effect of current environment on clients' business. The increase in average macro-adjustment is as follows:

- for due from credit and other financial institutions, investment financial assets and corporate loans - from 10,3% to 34,1%
- for loans to individuals except for mortgage loans - from 4,5% to 17,9%
- for mortgage loans - from 5,8% to 12,8%

3 Significant accounting policies

The accounting policies applied in these consolidated interim condensed financial statements are the same as those applied in the last annual financial statements.

A number of new amendments to standards are effective from 1 January 2020 and they have no significant impact on the Group's consolidated interim condensed financial statements:

– Amendments to References to Conceptual Framework in IFRS Standards.
– Definition of a Business (Amendments to IFRS 3).
– Definition of Material (Amendments to IAS 1 and IAS 8).
– Interest rate benchmark reform" (Amendments to IFRS 9, IAS 39 and IFRS 7).

Standards issued but not yet effective.

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted. However, the Group has not early adopted them in preparing these consolidated interim condensed financial statements:

– IFRS 17, "Insurance contracts".

4 Financial risk review

This Note presents information about the Group's exposure to financial risks.

Credit risk - Amounts arising from ECL

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and expert credit assessment and including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

Credit risk grades

The Group allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

Each exposure is allocated to a credit risk grade at initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves use of the following data.

Corporate exposure	**All exposures (corporate and retail exposures)**
• Information obtained during periodic review of customer files – e.g. audited financial statements, management accounts, budgets and projections	• Payment record – this includes overdue status as well as a range of variables about payment ratios
• Data from credit reference agencies, press articles, changes in external credit ratings	• Requests for and granting of forbearance
• Quoted bond and credit default swap (CDS) prices for the borrower where available	• Existing and forecast changes in business, financial and economic conditions
• Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities	

Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Group collects performance and default information about its credit risk exposures analysed by jurisdiction or region and by type of product and borrower as well as by credit risk grading.

The Group employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

This analysis includes the identification and calibration of relationships between changes in default rates and changes in key macro-economic factors as well as in-depth analysis of the impact of certain other factors (e.g. forbearance experience) on the risk of default. For most exposures, key macro-economic indicator is likely to be GDP growth.

The Group uses expert judgment in assessment of forward-looking information. This assessment is based also on external information (see discussion below on incorporation of forward-looking information). The Group then uses these forecasts to adjust its estimates of PDs.

Determining whether credit risk has increased significantly

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in PDs and qualitative factors, including a backstop based on delinquency.

Quantitative criteria for significant changes in credit risk includes rating downgrade of 3 or more notches in relation to the rating for this requirement on initial recognition, if the rating on initial recognition is higher than C1; rating downgrade by 2 or more notches in relation to the rating for this requirement on initial recognition, if the rating on initial recognition is lower or equal to C1.

Using its expert credit judgement and, where possible, relevant historical experience, the Group may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.

As a backstop, the Group considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined taking into account grace period that might be available to the borrower.

The Group monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;

- the criteria do not align with the point in time when an asset becomes 30 days past due;
- the average time between the identification of a significant increase in credit risk and default appears reasonable;
- exposures are not generally transferred directly from 12-month ECL measurement to credit-impaired; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month ECL (stage 1) and lifetime ECL measurements (stage 2).

Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value in accordance with the accounting policy set out in Note 3.

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

- its remaining lifetime PD at the reporting date based on the modified terms; with
- the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms.

The Group renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities') to maximise collection opportunities and minimise the risk of default. Under the Group's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy.

For financial assets modified as part of the Group's forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Group's ability to collect interest and principal and the Group's previous experience of similar forbearance action. As part of this process, the Group evaluates the borrower's payment performance against the modified contractual terms and considers various behavioral indicators.

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired (see Note 3)/in default. A customer needs to demonstrate consistently good payment behavior over a period of time before the exposure is no longer considered to be credit-impaired in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECL.

Definition of default

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the borrower is past due more than 90 days on any material credit obligation to the Group. Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding.

In assessing whether a borrower is in default, the Group considers indicators that are:

- qualitative – e.g. breaches of covenant;
- quantitative – e.g. overdue status and non-payment on another obligation of the same issuer to the Group; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Incorporating of forward-looking information

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. The Group uses expert judgment in assessment of forward-looking information. This assessment is based also on external information.

The Group has identified and documented key drivers of credit risk and credit losses, using an analysis of historical data, has estimated relationships between macro-economic variable and credit risk and credit losses. This key driver is GDP forecasts.

Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD);
- exposure at default (EAD).

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

PD estimates are estimates at a certain date, which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for large corporate counterparties. If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates.

The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim and recovery costs of any collateral that is integral to the financial asset. For loans secured by retail property, LTV ratios are a key parameter in determining LGD. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. For lending commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts.

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Group measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Group considers a longer period. The maximum contractual period extends to the date at which the Group has the right to require repayment of an advance or terminate a loan commitment or guarantee.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include:

- instrument type;
- credit risk gradings;
- collateral type;
- date of initial recognition;
- remaining term to maturity.

Credit quality analysis

Credit quality is based on the following scale developed internally by the Group:

- "Low credit risk" – assets with counterparties with low probability of default with high ability to fulfil financial obligations in time.
- "Moderate credit risk" – assets with counterparties with average probability of default and with moderate ability to fulfil financial obligations in time; more detailed consideration is required during monitoring.
- "High credit risk" – assets with higher probability of default; specific attention is required during monitoring.
- "Distressed assets" – assets that are qualified as defaulted considering all available signs of impairment.

(in millions of Russian Roubles unless otherwise stated)

5 Net interest income

	Six-month period ended 30 June 2020 (Unaudited)	Six-month period ended 30 June 2019 (Unaudited)	Three-month period ended 30 June 2020 (Unaudited)	Three-month period ended 30 June 2019 (Unaudited)
Interest income calculated using the effective interest method				
Financial assets measured at amortised cost				
Due from credit and other financial institutions and the CBR	33 962	31 735	16 200	15 706
Loans to customers	32 034	30 086	16 780	15 143
Debt financial assets measured at FVOCI	7 312	5 830	3 456	3 074
Other financial assets	869	860	473	406
Interest income calculated using the effective interest method	**74 177**	**68 511**	**36 909**	**34 329**
Loans to customers at FVTPL	2 326	1 716	1 141	855
Other financial instruments at fair value through profit or loss	1 621	322	1 190	159
Other interest income	**3 947**	**2 038**	**2 331**	**1 014**
	78 124	**70 549**	**39 240**	**35 343**
Interest expense				
Due to customers	(32 566)	(32 341)	(15 492)	(16 871)
Due to credit institutions	(12 437)	(14 635)	(6 330)	(6 853)
Debt securities issued	(5 504)	(4 405)	(2 519)	(2 162)
Lease liabilities	(118)	(131)	(59)	(67)
	(50 625)	**(51 512)**	**(24 400)**	**(25 953)**
Net interest income	**27 499**	**19 037**	**14 840**	**9 390**

6 Net fee and commission income

	Six-month period ended 30 June 2020 (Unaudited)	Six-month period ended 30 June 2019 (Unaudited)	Three-month period ended 30 June 2020 (Unaudited)	Three-month period ended 30 June 2019 (Unaudited)
Fee and commission income				
Guarantees and letters of credit	1 944	963	1 078	494
Plastic cards	1 146	1 318	490	697
Other cash operations	865	1 452	354	790
Settlements and wire transfers	651	1 068	245	609
Insurance contracts processing	588	969	177	560
Currency exchange and brokerage commission	530	472	212	288
Cash handling	494	917	205	419
Opening and maintenance of bank accounts	164	271	79	132
Other	15	31	10	27
	6 397	**7 461**	**2 850**	**4 016**
Fee and commission expense				
Plastic cards	(1 031)	(1 459)	(451)	(698)
Settlements and wire transfers	(324)	(120)	(157)	(75)
Guarantees and other credit related facilities received	(241)	(189)	(121)	(99)

(in millions of Russian Roubles unless otherwise stated)

	Six-month period ended 30 June 2020 (Unaudited)	Six-month period ended 30 June 2019 (Unaudited)	Three-month period ended 30 June 2020 (Unaudited)	Three-month period ended 30 June 2019 (Unaudited)
Other	(86)	(97)	(61)	(39)
	(1 682)	**(1 865)**	**(790)**	**(911)**
Net fee and commission income	**4 715**	**5 596**	**2 060**	**3 105**

Depending on the type of the service commission income when not an integral part of the effective interest rate on a financial asset or liability is recognized either at a point of time or over time according to the pattern the Group fulfills a performance obligation under the contract:

- commission fee for settlement transactions and wire transfers, cash operations, plastic cards, insurance contracts processing, cash handling, currency exchange and brokerage commission, opening and maintenance of bank accounts commission are charged for the execution of payment order in accordance with tariffs depending on the type of the transaction and recognised as income at the moment of the transaction execution;
- commission fee on guarantees and letters of credit issued is paid in advance and is recognized as income over the time of the relevant guarantee or letter of credit.

7 Salaries, employment benefits and administrative expenses

	Six-month period ended 30 June 2020 (Unaudited)	Six-month period ended 30 June 2019 (Unaudited)	Three-month period ended 30 June 2020 (Unaudited)	Three-month period ended 30 June 2019 (Unaudited)
Salaries	6 262	6 368	3 358	4 033
Social security costs	1 173	1 399	446	682
Salaries and employment benefits	**7 435**	**7 767**	**3 804**	**4 715**
Advertising and business development	523	255	275	247
Operating taxes	354	351	201	245
Property maintenance	327	329	199	190
Legal and consulting services	151	172	39	121
Security	189	294	88	151
Write-off of low-value fixed assets	173	120	82	78
Computer maintenance and software expenses	195	83	124	57
Communications	153	162	88	98
Insurance	100	76	63	38
Occupancy	52	105	26	60
Other	24	71	23	25
Administrative expenses	**2 241**	**2 018**	**1 208**	**1 310**

The Group does not have pension arrangements separate from the State pension system of the Russian Federation. The Russian Federation system requires current contributions by the employer calculated as a percentage of current gross salary payments; such expense is charged to profit or loss in the period the related compensation is earned by the employee.

(in millions of Russian Roubles unless otherwise stated)

8 Impairment gain or (loss) on other non-financial assets, credit gain or (losses) on other financial assets and credit related commitments and other provisions

Movements in the impairment allowance and credit loss allowance for the six-month period ended 30 June 2020 are as follows:

	Other financial assets	Non-financial assets	Provisions for financial guarantees and credit related commitments	Provisions for claims and other provisions	Total
Balance at the beginning of the period	**761**	**210**	**601**	**1 481**	**3 053**
Net charge or (recovery) (unaudited)	4	36	198	44	**282**
Net foreign exchange gain (unaudited)	-	-	28	35	**63**
Write-offs (unaudited)	-	(24)	-	(184)	**(208)**
Balance at the end of the period (Unaudited)	**765**	**222**	**827**	**1 376**	**3 190**

Movements in the impairment allowance for the six-month period ended 30 June 2019 are as follows:

	Other financial assets	Non-financial assets	Provisions for financial guarantees and credit related commitments	Provisions for claims and other provisions	Total
Balance at the beginning of the period	**457**	**55**	**173**	**5 969**	**6 654**
Net charge or (recovery) (unaudited)	291	148	94	(3 936)	**(3 403)**
Write-offs (unaudited)	-	(104)	-	(50)	**(154)**
Balance at the end of the period (Unaudited)	**748**	**99**	**267**	**1 983**	**3 097**

9 Net foreign exchange gains or (losses)

Net foreign exchange losses for the six-month period ended 30 June 2020 include realized profit from derivatives transactions in the amount of RUB 12 463 million (unaudited) (three-month period ended 30 June 2020 : loss RUB 54 407 million (unaudited)), unrealized profit from derivatives transactions in the amount of RUB 8 044 million (unaudited) (three-month period ended 30 June 2020: profit RUB 21 414 million (unaudited)) and loss from revaluation of foreign currency balances in the amount of RUB 24 120 million (unaudited)) (three-month period ended 30 June 2020: profit RUB 27 467 million (unaudited)).

10 Income tax

	Six-month period ended 30 June 2020 (Unaudited)	Six-month period ended 30 June 2019 (Unaudited)
Current tax charge	1 686	1 889
Deferred taxation	687	(1 590)
Income tax (recovery) expense	**2 373**	**299**

(in millions of Russian Roubles unless otherwise stated)

Russian legal entities must report taxable income and remit income taxes thereon to the appropriate authorities. The statutory income tax rate is 20% in 2020 and 2019.

11 Cash and cash equivalents

	30 June 2020 (Unaudited)	**31 December 2019**
Cash on hand	15 858	17 478
Correspondent account with the Central bank of the Russian Federation	111 818	85 001
Nostro accounts with other banks		
rated from AA+ to AA-	1 287	5 289
rated from A+ to A-	2 121	1 529
rated from BBB+ to BBB-	15 174	3 006
rated from BB+ to BB-	191	515
rated from B+ to B-	2	-
not rated	2 832	1 093
Total nostro accounts with other banks	**21 607**	**11 432**
Deposits in credit and other financial institutions with maturity of less than 1 month		
Deposits with the Central bank of the Russian Federation	1 765	1 510
rated from AA+ to AA-	-	9 285
rated from BBB+ to BBB-	7 941	33 790
rated from BB+ to BB-	845	19 256
rated from B+ to B-	33 187	51 509
not rated	656 011	725 961
Total deposits in credit and other financial institutions with maturity of less than 1 month	**699 749**	**841 311**
Total gross cash and cash equivalents	**849 032**	**955 222**
Credit loss allowance	(726)	(1 577)
Total net cash and cash equivalents	**848 306**	**953 645**

Ratings are based on Fitch, Moody's and Standard & Poor's rating system.

The correspondent account with the Central bank of the Russian Federation represents balances held with the Central bank of the Russian Federation related to settlement activity, and was available for withdrawal at the period end.

As at 30 June 2020, not rated Cash and cash equivalents include counterparties with ratings equivalent to Low credit risk for amount of RUB 2 687 million (31 December 2019: RUB 418 million), counterparties with ratings equivalent to Moderate credit risk for amount of RUB 656 156 million (31 December 2019: RUB 726 636 million).

As at 30 June 2020, deposits in not rated credit and other financial institutions with maturity of less than 1 month include term deposits in the amount of RUB 656 011 million secured by liquid securities under agreements to resell (reverse repo): bonds with rating from BBB- to BBB+ (97,2%) and stocks (2,8%).

As at 31 December 2019, deposits in not rated credit and other financial institutions with maturity of less than 1 month include term deposits in the amount of RUB 725 961 million secured by liquid securities under agreements to resell (reverse repo): bonds with rating from BB- to BBB (85,8%), stocks (10,7%), global depositary receipts (3,0%) and American depositary receipts (0,5%).

As at 30 June 2020, receivables under reverse sale and repurchase agreements included in cash and cash equivalents are RUB 697 984 million (31 December 2019: RUB 824 634 million).

As at 30 June 2020, the fair value of securities that serve as collateral under reverse sale and repurchase agreements is RUB 752 163 million (31 December 2019: RUB 919 322 million).

As at 30 June 2020, Cash and cash equivalents for which external benchmark information represents a significant input into measurement of ECL are RUB 175 428 million (31 December 2019: RUB 189 185 million).

(in millions of Russian Roubles unless otherwise stated)

Movements in cash and cash equivalents credit loss allowance for the six-month period ended 30 June 2020 and six-month period ended 30 June 2019 are as follows:

	Six-month period ended 30 June 2020 (Unaudited)	Six-month period ended 30 June 2019 (Unaudited)
Balance at the beginning of the period	**1 577**	**1 298**
Net (recovery) charge	(851)	(696)
Balance at the end of the period	**726**	**602**

As at 30 June 2020 and 30 June 2019 the Group recognises expected loss allowance in the amount of 12-month expected credit losses.

12 Due from credit and other financial institutions

	30 June 2020 (Unaudited)	31 December 2019
Term deposits		
rated from AA+ to AA-	1 714	73
rated from A+ to A-	761	670
rated from BBB+ to BBB-	18 565	2 816
rated from BB+ to BB-	14	1 965
rated from B+ to B-	5 430	2 304
not rated	496 990	341 274
Total gross due from credit and other financial institutions	**523 474**	**349 102**
Credit loss allowance	(439)	(308)
Total net due from credit and other financial institutions	**523 035**	**348 794**

Ratings are based on Fitch, Moody's and Standard & Poor's rating system.

As at 30 June 2020, not rated due from credit and other financial institutions include counterparties with ratings equivalent to Moderate credit risk for amount of RUB 496 990 million (31 December 2019: RUB 341 274 million).

As at 30 June 2020, deposits included in not rated credit and other financial institutions are receivables in the amount of RUB 496 990 million secured by liquid securities under agreements to resell (reverse repo): bonds (92,2%) with rating BBB- and stocks (7,8%).

As at 31 December 2019, deposits included in not rated credit and other financial institutions are receivables in the amount of RUB 341 274 million secured by liquid securities under agreements to resell (reverse repo): bonds with investment grade rating (95,9%), stocks (3,0%) and American depositary receipts (1,1%).

As at 30 June 2020, receivables under reverse sale and repurchase agreements included in due from credit and other financial institutions are RUB 499 907 million (31 December 2019: RUB 344 025 million).

As at 30 June 2020, the fair value of securities that serve as collateral under reverse sale and repurchase agreements is RUB 575 193 million (31 December 2019: RUB 378 289 million).

As at 30 June 2020, Deposits due from credit and other financial institutions for which external benchmark information represents a significant input into measurement of ECL are RUB 25 723 million (31 December 2019: RUB 7 155 million).

(in millions of Russian Roubles unless otherwise stated)

Movements in due from credit and other financial institutions credit loss allowance for the six-month period ended 30 June 2020 and six-month period ended 30 June 2019 are as follows:

	Six-month period ended 30 June 2020 (Unaudited)	Six-month period ended 30 June 2019 (Unaudited)
Balance at the beginning of the period	**308**	**135**
Net charge	160	530
Write-offs	(29)	-
Balance at the end of the period	**439**	**665**

As at 30 June 2020 and 30 June 2019 the Group recognises expected loss allowance in the amount of 12-month expected credit losses.

13 Trading financial assets

	30 June 2020 (Unaudited)	31 December 2019
<u>Held by the Group</u>		
Government and municipal bonds		
Russian Government Federal bonds	15 387	-
Regional authorities and municipal bonds	-	205
Corporate bonds		
rated from A+ to A-	890	87
rated from AA+ to AA-	18	22
rated from BBB+ to BBB-	15 381	8 610
rated from BB+ to BB-	7 920	6 846
rated from B+ to B-	1 580	817
not rated	6 209	12 870
Equity investments		
rated from AA+ to AA-	860	704
Derivative financial instruments	16 805	7 759
Total held by the Group	**65 050**	**37 920**
<u>Pledged under sale and repurchase agreements</u>		
Corporate bonds		
rated from BBB+ to BBB-	1 135	547
rated from BB+ to BB-	2 114	83
Total pledged under sale and repurchase agreements	**3 249**	**630**
Total trading financial assets	**68 299**	**38 550**

Ratings are based on Fitch, Moody's and Standard & Poor's rating system.

As at 30 June 2020, trading financial assets in the amount of RUB 25 470 million (31 December 2019: RUB 1 399 million) are qualified to be pledged against borrowings from the Central bank of the Russian Federation.

(in millions of Russian Roubles unless otherwise stated)

14 Loans to customers

	30 June 2020 (Unaudited)	31 December 2019
Loans to customers at amortised cost		
Loans to corporate clients	741 887	642 179
Credit loss allowance	(39 239)	(33 982)
Total loans to corporate clients at amortised cost, net	**702 648**	**608 197**
Loans to individuals		
Cash loans	82 186	82 402
Mortgage loans	26 260	23 692
Credit card loans	3 478	3 713
Auto loans	3 346	34
Credit loss allowance	(12 438)	(6 558)
Total loans to individuals at amortised cost, net	**102 832**	**103 283**
Total gross loans to customers at amortised cost	**857 157**	**752 020**
Credit loss allowance	**(51 677)**	**(40 540)**
Total net loans to customers at amortised cost	**805 480**	**711 480**
Loans to customers at FVTPL		
Loans to corporate clients	70 582	77 175
Loans to individuals	1 308	-
Total loans to customers at amortised cost and FVTPL	**877 370**	**788 655**

Credit quality of loan portfolio

The following table provides information on credit quality of the loan portfolio as at 30 June 2020 and 31 December 2019:

	30 June 2020 (Unaudited)	31 December 2019
Loans to customers		
- Not past due	887 782	795 445
- Not past due but impaired	61	-
- Overdue less than 31 days	2 275	2 905
- Overdue 31-60 days	2 665	581
- Overdue 61-90 days	5 115	592
- Overdue 91-180 days	4 072	2 194
- Overdue 181-360 days	2 391	12 485
- Overdue more than 360 days	24 686	14 993
Total gross loans to customers	**929 047**	**829 195**
Credit loss allowance	**(51 677)**	**(40 540)**
Total net loans to customers	**877 370**	**788 655**

As at 30 June 2020, the gross amount of overdue loans with payments that are overdue at least for one day totals RUB 41 204 million, which represents 4,4% of the gross loan portfolio (31 December 2019: RUB 33 750 million and 4,1%, respectively).

As at 30 June 2020, non-performing loans (NPLs), or loans with payments that are overdue over ninety days, amount to RUB 31 149 million or 3,4% of the gross loan portfolio (31 December 2019: RUB 29 672 million and 3,6%, respectively).

As at 30 June 2020, the ratio of total credit loss allowance to overdue loans equals 125,4%, the ratio of total credit loss allowance to NPLs equals 165,9% (31 December 2019: 120,1%, 136,6%, respectively).

(in millions of Russian Roubles unless otherwise stated)

Credit quality of loans to corporate clients portfolio

The following table provides information on credit quality of loans to corporate clients as at 30 June 2020 and 31 December 2019:

	30 June 2020 (Unaudited)	31 December 2019
Loans to corporate clients		
- Not past due	783 607	693 660
- Not past due but impaired	61	-
- Overdue less than 31 days	4	-
- Overdue 31-60 days	41	-
- Overdue 61-90 days	5 024	-
- Overdue 91-180 days	187	1 195
- Overdue 181-360 days	144	10 425
- Overdue more than 360 days	23 401	14 074
Total gross loans to corporate clients	**812 469**	**719 354**
Credit loss allowance	**(39 239)**	**(33 982)**
Total net loans to corporate clients	**773 230**	**685 372**

Credit quality analysis

	30 June 2020 (Unaudited)				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Originated credit-impaired	Total
Loans to corporate clients at amortised cost					
Low credit risk	259 267	52	-	-	259 319
Moderate credit risk	374 615	370	-	-	374 985
High credit risk	38 461	33 261	61	1 146	72 929
Distressed assets	-	-	29 080	5 574	34 654
Total	**672 343**	**33 683**	**29 141**	**6 720**	**741 887**
Credit loss allowance	**(11 894)**	**(3 564)**	**(23 706)**	**(75)**	**(39 239)**
Carrying amount	**660 449**	**30 119**	**5 435**	**6 645**	**702 648**
Loan commitments					
Low credit risk	5 050	-	-	-	5 050
Undrawn loan commitments to individuals	9 701	85	4	-	9 790
Credit loss allowance	**(165)**	**(9)**	**(3)**	**-**	**(177)**
Carrying amount (allowance)	**(165)**	**(9)**	**(3)**	**-**	**(177)**
Financial guarantee contracts					
Low credit risk	20 522	-	-	-	20 522
Moderate credit risk	38 026	1 073	45	-	39 144
High credit risk	624	1 440	-	-	2 064
Total	**59 172**	**2 513**	**45**	**-**	**61 730**
Credit loss allowance	**(509)**	**(83)**	**(44)**	**-**	**(636)**
Carrying amount	**(1 064)**	**(83)**	**(45)**	**-**	**(1 192)**

(in millions of Russian Roubles unless otherwise stated)

	31 December 2019				
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**Originated credit-impaired**	**Total**
Loans to corporate clients at amortised cost					
Low credit risk	217 622	-	-	-	217 622
Moderate credit risk	327 506	-	-	-	327 506
High credit risk	48 312	13 722	-	-	62 034
Distressed assets	-	-	29 788	5 229	35 017
Total	**593 440**	**13 722**	**29 788**	**5 229**	**642 179**
Credit loss allowance	**(10 610)**	**(2 468)**	**(20 904)**	-	**(33 982)**
Carrying amount	**582 830**	**11 254**	**8 884**	**5 229**	**608 197**
Loan commitments					
Low credit risk	300	-	-	-	300
Undrawn loan commitments to individuals	8 362	104	-	-	8 466
Credit loss allowance	**(16)**	**-**	**-**	-	**(16)**
Carrying amount (allowance)	**(16)**	**-**	**-**	**-**	**(16)**
Financial guarantee contracts					**-**
Low credit risk	8 558	-	-	-	8 558
Moderate credit risk	18 653	-	6 416	-	25 069
High credit risk	2 131	70	175	-	2 376
Total	**29 342**	**70**	**6 591**	**-**	**36 003**
Credit loss allowance	**(442)**	**(20)**	**(105)**	-	**(567)**
Carrying amount	**(599)**	**(20)**	**(160)**	-	**(779)**

As at 30 June 2020, Loans to customers for which external benchmark information represents a significant input into measurement of ECL are RUB 26 862 million (31 December 2019: RUB 36 885 million).

Analysis of movements in the credit loss allowance

Movements in the credit loss allowance for loans to corporate clients by three ECL stages* for the six-month period ended 30 June 2020 and 30 June 2019 are as follows:

	Six-month period ended 30 June 2020 (Unaudited)				
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**Originated credit-impaired**	**Total**
Loans to corporate clients					
Balance at the beginning of the period	**10 609**	**2 468**	**20 905**	**-**	**33 982**
Transfer to 12-month ECL	494	(494)	-	-	-
Transfer to lifetime ECL not credit-impaired	(992)	992	-	-	-
Transfer to lifetime ECL credit-impaired	(65)	-	65	-	-
Net remeasurement of loss allowance	343	719	3 025	-	4 087
Financial assets originated or purchased	5 425	440	103	75	6 043

* The estimated amount of ECL allowance includes ECL on loan commitments for certain corporate clients.

(in millions of Russian Roubles unless otherwise stated)

	Six-month period ended 30 June 2020 (Unaudited)				
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**Originated credit-impaired**	**Total**
Financial assets that have been fully repaid	(3 760)	(1)	(347)	-	(4 108)
Financial assets that have been derecognised due to modification	-	-	-	-	-
Write-offs and cessions	(659)	(609)	(1 219)	-	(2 487)
Recoveries of amounts previously written-off	-	-	556	-	556
Unwinding of discount	-	-	349	-	349
Acquisition of subsidiaries	129	3	112	-	244
Foreign exchange and other movements	370	46	157	-	573
Balance at the end of the period	**11 894**	**3 564**	**23 706**	**75**	**39 239**

During the six-month period ended 30 June 2020 the Group recognised loss on initial recognition of purchased or originated credit impaired loans in the amount of RUB 119 million (30 June 2019 RUB 355 million).

The total amount of undiscounted ECL on initial recognition on purchased credit-impaired financial assets that were initially recognised during the six-month period ended 30 June 2020 was RUB 116 million.

During the six-month period ended 30 June 2020 the Group recognised gain on non-substantial modification in the amount of RUB 18 million (30 June 2019 no such amounts).

	Six-month period ended 30 June 2019 (Unaudited)				
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**Originated credit-impaired**	**Total**
Loans to corporate clients					
Balance at the beginning of the period	**10 289**	**5 937**	**9 392**	**-**	**25 618**
Transfer to 12-month ECL	39	(39)	-	-	-
Transfer to lifetime ECL not credit-impaired	(25)	25	-	-	-
Transfer to lifetime ECL credit-impaired	(27)	(3 307)	3 334	-	-
Net remeasurement of loss allowance	(544)	825	6 098	(7 470)	(1 091)
Financial assets originated or purchased	5 502	253	-	-	5 755
Financial assets that have been fully repaid	(3 240)	(41)	(19)	-	(3 300)
Financial assets that have been derecognised due to modification	(839)	-	-	-	(839)
Write-offs and cessions	(92)	(490)	(54)	-	(636)
Recoveries of amounts previously written-off	-	-	461	-	461
Unwinding of discount	-	-	529	-	529
Foreign exchange and other movements	(378)	-	(757)	-	(1 135)
Repayment of originated credit-impaired assets in the amount exceeding expected cash flows including ECL at origination	-	-	-	7 851	7 851
Balance at the end of the period	**10 685**	**3 163**	**18 984**	**381**	**33 213**

(in millions of Russian Roubles unless otherwise stated)

Significant changes in the gross carrying amount of loans to corporate clients during the period that contributed to changes in loss allowance were as follows:

Repayment of loans to corporate clients which are fully repaid in the amount of RUB 195 811 million during six-month period ended 30 June 2020 (30 June 2019: RUB 209 449 million) resulted in decrease of ECL in the amount of RUB 4 108 million (30 June 2019: RUB 3 300 million).

Write-offs and sale of loans to corporate clients in stage 3 in the amount of RUB 1 531 million during six-month period ended 30 June 2020 (30 June 2019: RUB 54 million) resulted in decrease of ECL in the amount of RUB 1 219 million (30 June 2019: RUB 54 million).

Transfers from 12-month ECL to lifetime ECL not credit-impaired and to lifetime ECL credit-impaired in the amount of RUB 18 587 million during six-month period ended 30 June 2020 (30 June 2019: RUB 2 263 million) resulted in increase of ECL in the amount of RUB 289 million (30 June 2019: RUB 985 million).

Transfers from lifetime ECL not credit-impaired to lifetime ECL credit-impaired in the amount of RUB 6 million during six-month period ended 30 June 2020 (30 June 2019: RUB 10 665 million resulted in increase of ECL in the amount of RUB 2 million (30 June 2019: RUB 4 809 million).

Issuance of corporate loans in the amount of RUB 299 779 million during six-month period ended 30 June 2020 (30 June 2019: RUB 229 591 million) resulted in increase of ECL in the amount of RUB 6 043 million (30 June 2019: RUB 5 755 million).

Credit quality of loans to individuals

The following tables provide information on the credit quality of loans to individuals as at 30 June 2020:

	30 June 2020 (Unaudited)				
	Cash loans	**Mortgage loans**	**Credit card loans**	**Auto loans**	**Total**
Loans to individuals					
- Not past due	71 411	26 535	3 030	3 199	104 175
- Overdue less than 31 days	1 798	335	62	76	2 271
- Overdue 31-60 days	2 389	224	-	11	2 624
- Overdue 61-90 days	1	7	61	22	91
- Overdue 91-180 days	3 631	110	129	15	3 885
- Overdue 181-360 days	2 021	74	139	13	2 247
- Overdue more than 360 days	935	283	57	10	1 285
Gross loans to individuals	**82 186**	**27 568**	**3 478**	**3 346**	**116 578**
Credit loss allowance	**(11 595)**	**(281)**	**(515)**	**(47)**	**(12 438)**
Net loans to individuals	**70 591**	**27 287**	**2 963**	**3 299**	**104 140**

	30 June 2020 (Unaudited)			
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**Total**
Loans to individual clients at amortised cost				
- Not past due	97 351	5 249	299	102 899
- Overdue less than 31 days	545	1 702	4	2 251
- Overdue 31-60 days	5	2 609	-	2 614
- Overdue 61-90 days	-	91	-	91
- Overdue 91-180 days	-	1	3 882	3 883
- Overdue 181-360 days	-	-	2 247	2 247
- Overdue more than 360 days	-	-	1 285	1 285
Total	**97 901**	**9 652**	**7 717**	**115 270**
Credit loss allowance	**(2 823)**	**(3 479)**	**(6 136)**	**(12 438)**
Carrying amount	**95 078**	**6 173**	**1 581**	**102 832**

(in millions of Russian Roubles unless otherwise stated)

The following tables provide information on the credit quality of loans to individuals as at 31 December 2019:

	31 December 2019				
	Cash loans	**Mortgage loans**	**Credit card loans**	**Auto loans**	**Total**
Loans to individuals					
- Not past due	75 334	22 993	3 428	30	101 785
- Overdue less than 31 days	2 686	219	-	-	2 905
- Overdue 31-60 days	530	17	34	-	581
- Overdue 61-90 days	529	30	32	1	592
- Overdue 91-180 days	890	44	65	-	999
- Overdue 181-360 days	1 778	172	107	3	2 060
- Overdue more than 360 days	655	217	47	-	919
Gross loans to individuals	**82 402**	**23 692**	**3 713**	**34**	**109 841**
Credit loss allowance	**(6 030)**	**(219)**	**(307)**	**(2)**	**(6 558)**
Net loans to individuals	**76 372**	**23 473**	**3 406**	**32**	**103 283**

	31 December 2019			
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**Total**
Loans to individual clients at amortised cost				
- Not past due	97 923	3 721	141	101 785
- Overdue less than 31 days	802	2 103	-	2 905
- Overdue 31-60 days	-	581	-	581
- Overdue 61-90 days	-	555	37	592
- Overdue 91-180 days	-	-	999	999
- Overdue 181-360 days	-	-	2 060	2 060
- Overdue more than 360 days	-	-	919	919
Total	**98 725**	**6 960**	**4 156**	**109 841**
Credit loss allowance	**(1 157)**	**(1 925)**	**(3 476)**	**(6 558)**
Carrying amount	**97 568**	**5 035**	**680**	**103 283**

Analysis of movements in the credit loss allowance

Movements in the credit loss allowance by classes of loans to individuals and by three ECL stages for the six-month period ended 30 June 2020 are as follows:

	Six-month period ended 30 June 2020 (Unaudited)			
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**Total**
Cash loans				
Balance at the beginning of the period	**1 052**	**1 837**	**3 141**	**6 030**
Transfer to 12-month ECL	324	(288)	(36)	-
Transfer to lifetime ECL not credit-impaired	(248)	295	(47)	-
Transfer to lifetime ECL credit-impaired	(94)	(725)	819	-
Net remeasurement of loss allowance	1 008	2 539	2 999	6 546
Financial assets originated or purchased	688	106	62	856
Financial assets that have been fully repaid	(94)	(488)	(46)	(628)
Write-offs	(3)	-	(1 788)	(1 791)

(in millions of Russian Roubles unless otherwise stated)

	Six-month period ended 30 June 2020 (Unaudited)			
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**Total**
Recoveries of amounts previously written-off	-	-	233	233
Unwinding of discount	-	-	323	323
Acquisition of subsidiary	4	-	19	23
Foreign exchange and other movements	3	-	-	3
Balance at the end of the period	**2 640**	**3 276**	**5 679**	**11 595**
Mortgage loans				
Balance at the beginning of the period	**57**	**20**	**142**	**219**
Transfer to 12-month ECL	26	(9)	(17)	-
Transfer to lifetime ECL not credit-impaired	(2)	3	(1)	-
Transfer to lifetime ECL credit-impaired	(3)	(4)	7	-
Net remeasurement of loss allowance	(26)	11	(11)	(26)
Financial assets originated or purchased	34	5	20	59
Financial assets that have been fully repaid	(2)	(5)	(22)	(29)
Write-offs	-	-	(116)	(116)
Recoveries of amounts previously written-off	-	-	142	142
Unwinding of discount	-	-	15	15
Acquisition of subsidiary	3	-	12	15
Foreign exchange and other movements	-	-	2	2
Balance at the end of the period	**87**	**21**	**173**	**281**
Credit card loans				
Balance at the beginning of the period	**48**	**67**	**192**	**307**
Transfer to 12-month ECL	7	(7)	-	-
Transfer to lifetime ECL not credit-impaired	(14)	14	-	-
Transfer to lifetime ECL credit-impaired	(3)	(25)	28	-
Net remeasurement of loss allowance	31	134	122	287
Financial assets originated or purchased	10	4	2	16
Financial assets that have been fully repaid	(6)	(17)	(6)	(29)
Write-offs	-	-	(112)	(112)
Recoveries of amounts previously written-off	-	-	22	22
Unwinding of discount	-	-	23	23
Foreign exchange and other movements	-	-	1	1
Balance at the end of the period	**73**	**170**	**272**	**515**
Auto loans				
Balance at the beginning of the period	**-**	**1**	**1**	**2**
Transfer to 12-month ECL	1	(1)	-	-
Transfer to lifetime ECL not credit-impaired	(1)	1	-	-
Transfer to lifetime ECL credit-impaired	-	(3)	3	-
Net remeasurement of loss allowance	(4)	10	(5)	1
Financial assets originated or purchased	1	-	-	1
Financial assets that have been fully repaid	(6)	-	-	(6)
Write-offs	-	-	(3)	(3)
Recoveries of amounts previously written-off	-	-	4	4
Acquisition of subsidiary	32	4	12	48
Balance at the end of the period	**23**	**12**	**12**	**47**

(in millions of Russian Roubles unless otherwise stated)

Movements in the credit loss allowance by classes of loans to individuals and by three ECL stages for the six-month period ended 30 June 2019 are as follows:

	Six-month period ended 30 June 2019 (Unaudited)			
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**Total**
Cash loans				
Balance at the beginning of the period	**1 011**	**884**	**3 032**	**4 927**
Transfer to 12-month ECL	200	(139)	(61)	-
Transfer to lifetime ECL not credit-impaired	(92)	136	(44)	-
Transfer to lifetime ECL credit-impaired	(50)	(344)	394	-
Net remeasurement of loss allowance	(247)	652	1 390	1 795
Financial assets originated or purchased	277	81	23	381
Financial assets that have been fully repaid	(85)	(48)	(105)	(238)
Write-offs	-	-	(2 699)	(2 699)
Recoveries of amounts previously written-off	16	5	581	602
Unwinding of discount	-	-	190	190
Foreign exchange and other movements	(2)	(6)	-	(8)
Balance at the end of the period	**1 028**	**1 221**	**2 701**	**4 950**
Mortgage loans				
Balance at the beginning of the period	**51**	**15**	**228**	**294**
Transfer to 12-month ECL	22	(2)	(20)	-
Transfer to lifetime ECL not credit-impaired	(3)	20	(17)	-
Transfer to lifetime ECL credit-impaired	-	(7)	7	-
Net remeasurement of loss allowance	(37)	10	(32)	(59)
Financial assets originated or purchased	19	-	11	30
Financial assets that have been fully repaid	(2)	(2)	(23)	(27)
Write-offs	-	-	(163)	(163)
Recoveries of amounts previously written-off	-	-	176	176
Unwinding of discount	-	-	6	6
Foreign exchange and other movements	(1)	-	(1)	(2)
Balance at the end of the period	**49**	**34**	**172**	**255**
Credit card loans				
Balance at the beginning of the period	**40**	**50**	**153**	**243**
Transfer to 12-month ECL	10	(10)	-	-
Transfer to lifetime ECL not credit-impaired	(5)	6	(1)	-
Transfer to lifetime ECL credit-impaired	(1)	(18)	19	-
Net remeasurement of loss allowance	2	54	81	137
Financial assets originated or purchased	5	3	-	8
Financial assets that have been fully repaid	(4)	(12)	(11)	(27)
Write-offs	-	-	(122)	(122)
Recoveries of amounts previously written-off	-	-	26	26
Unwinding of discount	-	-	15	15
Balance at the end of the period	**47**	**73**	**160**	**280**
Auto loans				
Balance at the beginning of the period	**-**	**1**	**3**	**4**
Net remeasurement of loss allowance	-	-	(10)	(10)
Write-offs	-	-	(3)	(3)
Recoveries of amounts previously written-off	-	-	13	13
Balance at the end of the period	**-**	**1**	**3**	**4**

(in millions of Russian Roubles unless otherwise stated)

Industry and geographical analysis of the loan portfolio

Loans to customers were issued primarily to customers located within the Russian Federation, who operate in the following economic sectors:

	30 June 2020 (Unaudited)	31 December 2019
Loans to individuals	116 578	109 841
Crude oil production and trading	301 174	246 425
Petroleum refining / production and trading	119 997	104 248
Property rental	78 510	67 161
Residential and commercial construction and development	54 544	67 131
Automotive, motorcycles and spare parts	42 466	54 948
Finance	38 046	24 009
Services	37 722	18 270
Equipment leasing	35 428	37 224
Metallurgical	22 440	16 949
Food and farm products	19 298	18 889
Electric utility	11 697	13 217
Industrial equipment and machinery	11 884	7 078
Industrial chemicals	9 132	24 393
Products for home, gifts, jewelry and business accessories	6 809	-
Consumer electronics, appliances and computers	6 394	6 044
Clothing, shoes, textiles and sporting goods	6 137	4 967
Consumer chemicals, perfumes and hygiene products	2 926	1 669
Construction and decorative materials, furniture	2 544	1 649
Industrial and infrastructure construction	2 371	1 898
Paper, stationery and packaging products	981	914
Transport infrastructure contractors	858	2 148
Pharmaceutical and medical products	277	-
Telecommunications	192	-
Books, video, print and copy	134	95
Banking	-	1
Other	508	27
Total gross loans to customers	**929 047**	**829 195**
Credit loss allowance	**(51 677)**	**(40 540)**
Net loans to customers	**877 370**	**788 655**

15 Investment financial assets

	30 June 2020 (Unaudited)	31 December 2019
Investment financial assets measured at fair value through other comprehensive income – debt instruments, including pledged under repurchase agreements	340 722	207 785
Investment financial assets measured at amortized cost, including pledged under repurchase agreements	37 439	34 235
Investment financial assets at fair value through profit or loss	18 953	16 148
Total investment financial assets	**397 114**	**258 168**

As at 30 June 2020, Investment financial assets in the amount of RUB 328 232 million are qualified to be pledged against borrowings from the Central bank of the Russian Federation (31 December 2019: RUB 195 333 million).

(in millions of Russian Roubles unless otherwise stated)

Investment financial assets measured at fair value through other comprehensive income - debt instruments

	30 June 2020 (Unaudited)	31 December 2019
Held by the Group		
Russian Government Federal bonds (OFZ)	203 519	20 718
Russian Government eurobonds	4 244	16 984
Central Bank of the Russian Federation bonds	56 486	106 896
Corporate bonds	41 457	37 627
Corporate eurobonds	2 449	873
Total held by the Group	**308 155**	**183 098**
Pledged under sale and repurchase agreements		
Russian Government Federal bonds (OFZ)	4 866	3 355
Corporate bonds	26 848	18 881
Corporate eurobonds	853	2 451
Total pledged under sale and repurchase agreements	**32 567**	**24 687**
Total investment financial assets measured at fair value through other comprehensive income – debt instruments	**340 722**	**207 785**

Investment financial assets measured at amortised cost

	30 June 2020 (Unaudited)	31 December 2019
Held by the Group		
Corporate eurobonds	20 480	7 255
Corporate bonds	269	387
Promissory notes	450	450
Total held by the Group	**21 199**	**8 092**
Pledged under sale and repurchase agreements		
Corporate eurobonds	9 830	20 612
Corporate bonds	7 016	6 111
Total pledged under sale and repurchase agreements	**16 846**	**26 723**
Credit loss allowance	(606)	(580)
Investment financial assets measured at amortized cost	**37 439**	**34 235**

Investment financial assets as at fair value through profit or loss

	30 June 2020 (Unaudited)	31 December 2019
Equity investments	18 953	16 148
Total investment financial assets as at fair value through profit or loss	**18 953**	**16 148**

During six-month period ended 30 June 2020 there is no acquisition of shares measured at FVTPL, which are a non-monetary transaction (31 December 2019: RUB 15 875 million).

(in millions of Russian Roubles unless otherwise stated)

Movements in the credit loss allowance of investment financial assets measured at fair value through other comprehensive income by three ECL stages for the six-month periods ended 30 June 2020 and 30 June 2019 are as follows:

	Six-month period ended 30 June 2020 (Unaudited)			
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**Total**
Investment financial assets measured at fair value through other comprehensive income - debt instruments				
Balance at the beginning of the period	**379**	**-**	**-**	**379**
Net charge	428	18	-	446
Balance at the end of the period	**807**	**18**	**-**	**825**

	Six-month period ended 30 June 2019 (Unaudited)			
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**Total**
Investment financial assets measured at fair value through other comprehensive income - debt instruments				
Balance at the beginning of the period	**618**	**-**	**-**	**618**
Net recovery	(158)	-	-	(158)
Balance at the end of the period	**460**	**-**	**-**	**460**

Movements in the credit loss allowance of investment financial assets measured at amortised cost by three ECL stages for the six-month periods ended 30 June 2020 and 30 June 2019 are as follows:

	Six-month period ended 30 June 2020 (Unaudited)			
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**Total**
Investment financial assets measured at amortized cost				
Balance at the beginning of the period	**130**	**-**	**450**	**580**
Net charge	26	-	-	26
Balance at the end of the period	**156**	**-**	**450**	**606**

	Six-month period ended 30 June 2019 (Unaudited)			
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**Total**
Investment financial assets measured at amortized cost				
Balance at the beginning of the period	**175**	**-**	**270**	**445**
Net recovery	(40)	-	-	(40)
Balance at the end of the period	**135**	**-**	**270**	**405**

(in millions of Russian Roubles unless otherwise stated)

Credit quality analysis

The following table sets out information about the credit quality of financial assets measured at amortised cost and FVOCI debt instruments as at 30 June 2020:

	30 June 2020 (Unaudited)			
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**Total**
Debt investment securities at amortised cost				
rated from BBB+ to BBB-	27 862	-	-	27 862
rated from BB+ to BB-	9 733	-	-	9 733
rated from B+ to B-	-	-	-	-
not rated	-	-	450	450
Total	**37 595**	**-**	**450**	**38 045**
Credit loss allowance	**(156)**	**-**	**(450)**	**(606)**
Carrying amount	**37 439**	**-**	**-**	**37 439**
Debt investment securities at FVOCI				
rated from BBB+ to BBB-	307 654	-	-	307 654
rated from BB+ to BB-	11 684	-	-	11 684
rated from B+ to B-	756	-	-	756
not rated	20 384	244	-	20 628
Total	**340 478**	**244**	**-**	**340 722**
Credit loss allowance	**(807)**	**(18)**	**-**	**(825)**
Carrying amount – fair value	**340 478**	**244**	**-**	**340 722**

	31 December 2019			
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**Total**
Debt investment securities at amortised cost				
rated from BBB+ to BBB-	24 585	-	-	24 585
rated from BB+ to BB-	9 724	-	-	9 724
rated from B+ to B-	56	-	-	56
not rated	-	-	450	450
Total	**34 365**	**-**	**450**	**34 815**
Credit loss allowance	**(130)**	**-**	**(450)**	**(580)**
Carrying amount	**34 235**	**-**	**-**	**34 235**
Debt investment securities at FVOCI				
rated from BBB+ to BBB-	176 313	-	-	176 313
rated from BB+ to BB-	15 938	-	-	15 938
rated from B+ to B-	1 702	-	-	1 702
not rated	13 832	-	-	13 832
Total	**207 785**	**-**	**-**	**207 785**
Credit loss allowance	**(379)**	**-**	**-**	**(379)**
Carrying amount – fair value	**207 785**	**-**	**-**	**207 785**

Ratings are based on Fitch, Moody’s and Standard & Poor’s rating system.

(in millions of Russian Roubles unless otherwise stated)

As at 30 June 2020 included in not rated Debt investment securities at FVOCI are counterparties with credit ratings equivalent to Low credit risk category in the amount of RUB 4 851 million (31 December 2019: RUB 4 153 million), to Moderate credit risk category RUB 15 777 million (31 December 2019: RUB 9 679 million).

As at 30 June 2020 Investment financial assets balances for ECL calculation for which external benchmark information represents a significant input into measurement of ECL are RUB 267 929 million (31 December 2019: RUB 154 694 million).

16 Due to credit institutions

	30 June 2020 (Unaudited)	31 December 2019
Payables under repurchase agreements	849 468	629 853
Term deposits	3 243	10 005
Syndicated debt	21 915	26 783
Current accounts	32 106	11 295
Total due to credit institutions	**906 732**	**677 936**

As at 30 June 2020, the fair value of securities that serve as collateral under sale and repurchase agreements is RUB 937 359 million (31 December 2019: RUB 705 617 million).

As at 30 June 2020, the fair value of securities received as collateral under reverse repo deals being pledged for direct repo deals is RUB 870 682 million (31 December 2019: RUB 651 008 million).

17 Deposits by the Central bank of the Russian Federation

	30 June 2020 (Unaudited)	31 December 2019
Term deposits	10 056	-
Total deposits by the Central bank of the Russian Federation	**10 056**	**-**

18 Due to customers

	30 June 2020 (Unaudited)	31 December 2019
Corporate customers		
Term and demand deposits	734 281	711 043
Current accounts	133 559	99 426
Subordinated debt	43 711	41 292
Term notes	1 079	1 592
Total corporate customers	**912 630**	**853 353**
Individuals		
Term and demand deposits	429 880	425 737
Current accounts	73 704	60 445
Total individuals	**503 584**	**486 182**
Total due to customers	**1 416 214**	**1 339 535**

(in millions of Russian Roubles unless otherwise stated)

19 Debt securities issued

	30 June 2020 (Unaudited)	31 December 2019
Bonds	136 636	136 013
Subordinated bonds	33 869	32 536
Total debt securities issued	**170 505**	**168 549**

20 Financial liabilities measured at fair value through profit or loss

	30 June 2020 (Unaudited)	31 December 2019
Structured bonds issued designated at FVTPL	8 072	3 487
Other financial liabilities (derivatives)	7 996	6 387
Total financial liabilities measured at fair value through profit or loss	**16 068**	**9 874**

21 Share capital

Share capital consists of ordinary shares and was contributed by the shareholders in Roubles. The shareholders are entitled to dividends and capital distributions. Issued, outstanding and paid share capital at 30 June 2020 comprises 29 829 709 866 shares (31 December 2019: 29 829 709 866 shares) with par value of 1 RUB per share. In addition, at 30 June 2020 the Bank has 6 446 448 142 authorised but unissued ordinary shares with an aggregate nominal value of RUB 6 446 million. The total hyperinflation adjustment related to equity as at 31 December 2002 was RUB 862 million.

In July 2018 the Bank issued domestic perpetual subordinated bonds in the total amount of RUB 5 billion and a coupon rate of 12,00% per annum during the 1-11 coupon periods. The bonds are callable after 5.5 years of the placement date and then every 5 years. The coupon is paid on semi-year basis and the coupon rate is fixed. Coupon rate is reset every 10 coupon periods. The coupon payment is not cumulative and may be cancelled at the discretion of the Group.

In October 2018 the Group optimised its capital structure with a partial redemption of USD 700 million 8,875% per annum subordinated perpetual Eurobonds at par. Upon the partial redemption of this subordinated perpetual Eurobonds and cancellation of equivalent amounts USD 670 million of the subordinated perpetual Eurobonds remained outstanding.

In October 2019 the Bank issued 2 750 000 000 additional ordinary shares with a par value of 1 RUB per share under secondary public offering. The Bank raised RUB 14 713 million during this offering. In December 2019 the CBR registered the Bank`s share capital increase.

As the Group has discretion in relation to coupon and principal repayment, the Group classified subordinated perpetual Eurobonds and bonds as equity instruments in the consolidated interim condensed statement of financial position. The CBR approved the inclusion of the perpetual subordinated Eurobonds and bonds in the calculation of statutory capital adequacy ratio. The Eurobonds and bonds are Basel-III compliant and eligible for inclusion into the Group's Additional Tier 1 capital upon receiving approval from the CBR (Note 24).

The USD denominated subordinated perpetual Eurobonds are translated to its RUB equivalent at the period-end exchange rate with exchange differences recorded in retained earnings when incurred. Issuance costs are also recorded in retained earnings when incurred.

22 Contingencies

Insurance

The insurance industry in the Russian Federation is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Group does not have full coverage for its premises and equipment, business interruption, or third party liability in respect of property or environmental damage arising from accidents on property or relating to operations. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on operations and financial position.

Litigation

In the ordinary course of business, the Group is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations.

Taxation contingencies

The taxation system in the Russian Federation continues to evolve and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances, a tax year may remain open for a longer period. Recent events in the Russian Federation suggest that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation.

Starting from 1 January 2012 new transfer pricing rules came into force in Russia. These provide the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controllable transactions if their prices deviate from the market range or profitability range. According to the provisions of transfer pricing rules, the taxpayer should sequentially apply five market price determination methods prescribed by the Tax Code.

Tax liabilities arising from transactions between companies are determined using actual transaction prices. It is possible, with the evolution of the interpretation of transfer pricing rules in the Russian Federation and changes in the approach of the Russian tax authorities, that such transfer prices could be challenged. Since the current Russian transfer pricing rules became effective relatively recently, the impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Group.

These circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on the financial position, if the authorities were successful in enforcing their interpretations, could be significant.

(in millions of Russian Roubles unless otherwise stated)

23 Related party transactions

The outstanding balances with related parties and related average interest rates as at 30 June 2020 are as follows:

(Unaudited)	Parent company		Management		Associated company		Under control of principal beneficiary		TOTAL
	Amount	AER, %	Amount	AER, %	Amount	AER, %	Amount	AER, %	
Cash and cash equivalents	-		-		120		-		**120**
Due from credit and other financial institutions	-		-		-		-		**-**
Trading financial assets	-		-		-		2 922		**2 922**
Loans to customers, gross	-		202	9,4%	775	8,0%	8 293	9,8%	**9 270**
Allowance for credit losses	-		(7)		(18)		(143)		**(168)**
Other assets	1		8		76		47		**132**
Due to credit institutions	-		-		657		2 460	2,8%	**3 117**
Due to customers									
Term deposits by customers	-		712	3,4%	-	0,0%	23 702	5,7%	**24 414**
Demand deposits by customers	22 445		519		5		794		**23 763**
Financial liabilities measured at fair value through profit or loss	-		-		-		652		**652**
Debt securities issued	-		-		-		5 422	15,6%	**5 422**
Guarantees issued	-		-		50		91		**141**

The outstanding balances with related parties and related average interest rates as at 31 December 2019 are as follows:

	Parent company		Management		Associated company		Under control of principal beneficiary		TOTAL
	Amount	AER, %	Amount	AER, %	Amount	AER, %	Amount	AER, %	
Cash and cash equivalents	-		-		585		-		**585**
Due from credit and other financial institutions	-		-		-		3 618		**3 618**
Trading financial assets	-		-		6 100		-		**6 100**
Loans to customers, gross	-		615	8,0%	775	9,8%	15 875	10,1%	**17 265**
Allowance for credit losses	-		(4)		(27)		(183)		**(214)**
Other assets	-		6		5		28		**39**
Due to credit institutions	-		-		1 297		1 029	0,6%	**2 326**
Due to customers									
Term deposits by customers	-		571	5,3%	-		15 929	6,3%	**16 500**
Demand deposits by customers	10 210		1 504		6		802		**12 522**
Financial liabilities measured at fair value through profit or loss	-		-		-		39		**39**
Debt securities issued	-		-		-		15 359	9,9%	**15 359**
Guarantees issued	-		-		55		91		**146**

(in millions of Russian Roubles unless otherwise stated)

As at 30 June 2020, the company under control of principal beneficiary have an investment in perpetual debt issued in the amount of RUB 9 570 million (31 December 2019: RUB 9 072 million).

During the six-month period ended 30 June 2020 the company under control of principal beneficiary received coupon payments on perpetual debt issued from the Group in the amount of RUB 790 million (six-month period ended 30 June 2019: 117 million).

As at 30 June 2020, the undrawn loan commitments under credit line agreements for principal beneficiary and for management are RUB 2 million (31 December 2019: RUB 30 million).

Amounts included in profit or loss and other comprehensive income for the six-month period ended 30 June 2020 in relation to transactions with related parties are as follows:

(Unaudited)	Parent company	Management	Associated company	Under control of principal beneficiary	TOTAL
Interest income	-	17	36	679	**732**
Interest expense	(55)	(30)	(16)	(1 049)	**(1 150)**
Commission income	7	-	62	177	**246**
Commission expense	-	(1)	(218)	-	**(219)**
Net foreign exchange gains (loss)	-	-	-	(1 007)	**(1 007)**

Amounts included in profit or loss and other comprehensive income for the six-month period ended 30 June 2019 in relation to transactions with related parties are as follows:

(Unaudited)	Parent company	Management	Associated company	Under control of principal beneficiary	TOTAL
Interest income	-	26	-	1 814	**1 840**
Interest expense	(205)	(32)	-	(1 073)	**(1 310)**
Commission income	24	-	-	188	**212**
Net foreign exchange gains (loss)	(68)	-	-	5 676	**5 608**

Total remuneration of the Supervisory Board and the Management Board included in employee compensation for the periods ended 30 June 2020 and 30 June 2019 (refer to Note 7) is as follows:

	Six-month period ended 30 June 2020 (Unaudited)	Six-month period ended 30 June 2019 (Unaudited)
Board Members of the Management Board	(522)	(588)
Members of the Supervisory Board	(59)	(49)
	(581)	**(637)**

24 Capital management

The CBR sets and monitors capital requirements for the Group.

The Group defines as capital those items defined by statutory regulation as capital for banking groups. Since 1 January 2016 the Group calculated amount of capital in accordance with Provision of the CBR dated 3 December 2016 No. 509-P ‘*On Calculation of Amount of Own Funds (Capital), Economic Ratios and Amounts (Limits) of Open Currency Positions of Banking Groups’*. As at 30 June 2020 and 31 December 2019, minimum levels of basic capital ratio (ratio N20.1), main capital ratio (ratio N20.2), own funds (capital) ratio (ratio N20.0) are 4,5%, 6,0% and 8,0%, accordingly.

Starting from 1 January 2016 the Group should comply with capital mark-ups: capital conservation mark-up, countercycle mark-up and mark-up for systematical importance. Management believes that the Group maintains capital adequacy at the level appropriate to the nature and volume of its operations.

(in millions of Russian Roubles unless otherwise stated)

The Group provides the territorial CBR office that supervises the Bank with information on mandatory ratios in accordance with regulatory requirements. The Accounting Department controls on a daily basis compliance with capital adequacy ratios.

In case capital adequacy ratios become close to limits set by the CBR and the Group's internal limits this information is communicated to the Management Board and the Supervisory Board. The Group is in compliance with the statutory capital ratios as at 30 June 2020 (unaudited) and 31 December 2019.

The capital adequacy ratio of the Group calculated in accordance with the Basel III requirements as adopted in the Russian Federation, based on the IFRS financial statements as at 30 June 2020 and 31 December 2019 is as follows:

	30 June 2020 (Unaudited)	31 December 2019
Tier 1 capital		
Share capital and additional paid-in capital	88 902	88 902
Retained earnings	86 398	82 042
Intangible assets	(1 052)	(750)
Core tier 1 capital	**174 248**	**170 194**
Additional capital		
Perpetual debt issued	40 757	37 871
Total tier 1 capital	**215 005**	**208 065**
Tier 2 capital		
Revaluation surplus for buildings	407	407
Fair value reserve for securities	188	1 146
Subordinated debt		
Subordinated loans	63 014	61 154
Subordinated bonds	33 372	32 112
Total tier 2 capital	**96 981**	**94 819**
Total capital	**311 986**	**302 884**
Risk-weighted assets		
Banking book	1 139 706	1 063 429
Trading book	327 324	262 540
Operational risk	105 231	105 231
Total risk weighted assets	**1 572 261**	**1 431 200**
Total core tier 1 capital expressed as a percentage of risk-weighted assets (core tier 1 capital ratio) (%)	**11,1**	**11,9**
Total tier 1 capital expressed as a percentage of risk-weighted assets (tier 1 capital ratio) (%)	**13,7**	**14,5**
Total capital expressed as a percentage of risk-weighted assets (total capital ratio) (%)	**19,8**	**21,2**

In June 2015 the State Corporation "Deposit Insurance Agency" provided a subordinated loan of RUB 20 231 million to the Bank in a form of federal loan bonds (OFZ). The Bank has an obligation to return securities received back to the lender at the maturity of the agreement. The Bank pays charges equal to coupons on the bonds transferred plus a fixed margin. The contract also includes certain restrictions on ability of the Bank to sell or pledge securities received. The arrangement is a securities lending transaction.

The Group does not recognise securities received and a subordinated obligation to return them to the lender in the consolidated interim condensed statement of financial position of the Group. The obligation to return securities received to the State Corporation "Deposit Insurance Agency" is subordinated to other ordinary obligations of the Group and the terms of the loan satisfy the criteria for inclusion of the loan into the regulatory capital of the Bank in accordance with Russian banking legislation. As such, the Bank includes the amount of the subordinated loan described above into its tier 2 capital for the purpose of statutory regulatory capital and capital calculated for capital management purposes in accordance with Basel III.

(in millions of Russian Roubles unless otherwise stated)

The risk-weighted assets are measured by means of a hierarchy of risk weights classified according to the nature of – and reflecting an estimate of credit, market and other risks associated with – each asset and counterparty, taking into account any eligible collateral or guarantees.

25 Analysis by segment

The Group has five reportable segments, as described below, which are strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Chairman of the Management Board reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the reportable segments:

- Corporate business comprises corporate lending, overdraft lending, factoring, financial and operating leasing, letters of credit, guarantees, corporate deposit services, settlements and money transfers
- Retail banking comprises retail demand and term deposit services; retail lending, including cashloans, car loans and mortgages, money transfers and private banking services; banking card products, settlements and money transfers
- Investment comprises securities trading and brokerage in securities, repo transactions, foreign exchange services
- Treasury comprises interbank lending and borrowings from banks, issuance of domestic bonds and promissory notes
- Cash operations comprises all operations connected with cash, cash handling, calculation and transportation.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax, which is calculated based on consolidated interim condensed financial information prepared in accordance with IFRS, as included in the internal management reports that are reviewed by the Chairman of the Management Board. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to others who operate within these industries. Inter-segment pricing is determined on an arm’s length basis.

In 2019 the Group revised its approach to allocation of assets, liabilities and financial results between reportable segments. Comparative information was revised accordingly.

The segment breakdown of assets and liabilities is set out below:

	30 June 2020 (Unaudited)	**31 December 2019**
ASSETS		
Corporate banking	796 736	728 691
Retail banking	119 261	123 809
Investment	1 657 932	1 430 515
Treasury	133 504	129 354
Cash operations	10 492	11 112
Subsidiary banks	34 367	16
Total assets	**2 752 289**	**2 423 497**
LIABILITIES		
Corporate banking	916 399	861 222
Retail banking	494 601	488 852
Investment	864 412	648 607
Treasury	224 921	208 229
Cash operations	5 309	6 140
Subsidiary banks	29 745	15
Total liabilities	**2 535 387**	**2 213 065**

(in millions of Russian Roubles unless otherwise stated)

Segment information for the main reportable segments for the six-month period ended 30 June 2020 (unaudited) is set below:

	Corporate banking	**Retail banking**	**Investment**	**Treasury**	**Cash operations**	**Subsidiary banks**	**Total**
Interest income	26 880	7 570	39 257	3 780	13	624	78 124
Interest expense	(18 219)	(14 405)	(11 615)	(6 030)	(6)	(350)	(50 625)
Transfer income / (expense)	(2 119)	15 060	(24 203)	11 262	-	-	-
Net interest income	**6 542**	**8 225**	**3 439**	**9 012**	**7**	**274**	**27 499**
Charge for credit losses on debt financial assets	(6 145)	(7 051)	862	(597)	3	(13)	(12 941)
Net interest income after credit losses on debt financial assets	**397**	**1 174**	**4 301**	**8 415**	**10**	**261**	**14 558**
Fee and commission income	2 975	2 305	(200)	(106)	1 225	198	6 397
Fee and commission expense	(18)	(1 058)	-	(547)	(14)	(45)	(1 682)
Net gain or (loss) on loans to customers at FVTPL	701	-	-	-	-	1	702
Net gain or (loss) on financial assets at FVTPL	(9)	1	1 424	3 341	-	-	4 757
Net gain or (loss) from sale and redemption of Investment financial assets at FVOCI	-	-	909	35	-	-	944
Net gain or (loss) on Investment financial assets at FVTPL	2 805	-	-	-	-	-	2 805
Net realised gain or (loss) on Investment financial assets at amortised cost	-	-	136	-	-	-	136
Net foreign exchange gains or (losses)	(1 057)	(96)	2 554	(5 019)	-	5	(3 613)
Net gain on change in financial liabilities measured at fair value through profit or loss	-	-	-	234	-	-	234
Impairment gain or (loss) on other non-financial assets, credit gain or (losses) on other financial assets and credit related commitments and other provisions	(124)	(154)	-	(37)	33	-	(282)
Other net operating income or (expense)	(172)	(209)	(371)	(643)	(37)	-	(1 432)
Operating income	**5 498**	**1 963**	**8 753**	**5 673**	**1 217**	**420**	**23 524**
General administrative and other expenses	(3 565)	(4 713)	(1 403)	(309)	(1 645)	(392)	(12 027)
Segment result before income taxes	**1 933**	**(2 750)**	**7 350**	**5 364**	**(428)**	**28**	**11 497**

(in millions of Russian Roubles unless otherwise stated)

Segment information for the main reportable segments for the six-month period ended 30 June 2019 (unaudited) is set below:

	Corporate banking	Retail banking	Investment	Treasury	Cash operations	Subsidiary banks	Total
Interest income	24 315	7 496	38 205	215	60	258	**70 549**
Interest expense	(19 499)	(13 033)	(13 027)	(5 766)	(62)	(125)	**(51 512)**
Transfer income / (expense)	4 698	12 274	(15 000)	(2 043)	71	-	**-**
Net interest income	**9 514**	**6 737**	**10 178**	**(7 594)**	**69**	**133**	**19 037**
Charge for credit losses on debt financial assets	(3 888)	(1 990)	121	203	(1)	-	**(5 555)**
Net interest income after credit losses on debt financial assets	**5 626**	**4 747**	**10 299**	**(7 391)**	**68**	**133**	**13 482**
Fee and commission income	2 210	2 623	-	132	2 474	22	**7 461**
Fee and commission expense	(2)	(1 491)	-	(358)	(13)	(1)	**(1 865)**
Net gain or (loss) on loans to customers at FVTPL	(396)	-	-	-	-	-	**(396)**
Net gain or (loss) on financial assets at FVTPL	-	-	398	(459)	-	-	**(61)**
Net gain or (loss) from sale and redemption of Investment financial assets at FVOCI	-	-	(201)	-	-	-	**(201)**
Net gain or (loss) on Investment financial assets at FVTPL	114	-	-	-	-	-	**114**
Net realised gain or (loss) on Investment financial assets at amortised cost	-	-	300	-	-	-	**300**
Net foreign exchange gains or (losses)	-	-	-	(7 851)	-	-	**(7 851)**
Impairment gain or (loss) on other non-financial assets, credit gain or (losses) on other financial assets and credit related commitments and other provisions	3 465	(153)	-	132	(41)	-	**3 403**
Other net operating income or (expense)	(343)	169	-	18	179	3	**26**
Operating income	**10 674**	**5 895**	**10 796**	**(15 777)**	**2 667**	**157**	**14 412**
General administrative and other expenses	(2 816)	(5 134)	(1 229)	(227)	(2 391)	(155)	**(11 952)**
Segment result before income taxes	**7 858**	**761**	**9 567**	**(16 004)**	**276**	**2**	**2 460**

(in millions of Russian Roubles unless otherwise stated)

26 Financial assets and liabilities: fair values and accounting classifications

Accounting classifications and fair values

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 30 June 2020:

	FVTPL	Amortised cost	FVOCI	Total carrying amount	Fair value
Cash and cash equivalents	-	848 306	-	848 306	848 306
Obligatory reserves with the CBR	-	18 375	-	18 375	18 375
Due from credit and other financial institutions	-	523 035	-	523 035	523 035
Trading financial assets	68 299	-	-	68 299	68 299
Loans to customers	71 890	805 480	-	877 370	883 696
Investment financial assets	18 953	37 439	340 722	397 114	399 185
Other financial assets	-	2 527	-	2 527	2 527
	159 142	**2 235 162**	**340 722**	**2 735 026**	**2 743 423**
Due to credit institutions	-	906 732	-	906 732	906 732
Due to customers	-	1 416 214	-	1 416 214	1 418 937
Debt securities issued	-	170 505	-	170 505	176 693
Financial liabilities measured at fair value through profit or loss	16 068	-	-	16 068	16 068
Other financial liabilities	-	6 558	-	6 558	6 558
	16 068	**2 500 009**	**-**	**2 516 077**	**2 524 988**

The main assumptions used by management to estimate the fair values of financial instruments as at 30 June 2020 are:

- discount rates from 4,7% to 10,0% (roubles) and from 1,7% to 9,0% (foreign currency) are used for discounting future cash flows from corporate loans;
- discount rates from 9,0% to 25,0% (roubles) and from 4,5% to 9,3% (foreign currency) are used for discounting future cash flows from loans to individuals;
- discount rates from 4,9% to 5,7% (roubles) and from 0,2% to 3,0% (foreign currency) are used for discounting future cash flows from corporate deposits;
- discount rates from 5,4% to 6,0% (roubles) and from 0,5% to 1,2% (foreign currency) are used for discounting future cash flows from retail deposits.

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 31 December 2019:

	FVTPL	Amortised cost	FVOCI	Total carrying amount	Fair value
Cash and cash equivalents	-	953 645	-	953 645	953 645
Obligatory reserves with the CBR	-	16 944	-	16 944	16 944
Due from credit and other financial institutions	-	348 794	-	348 794	348 794
Trading financial assets	38 550	-	-	38 550	38 550
Loans to customers	77 175	711 480	-	788 655	807 888
Investment financial assets	16 148	34 235	207 785	258 168	260 371
Other financial assets	-	1 883	-	1 883	1 883
	131 873	**2 066 981**	**207 785**	**2 406 639**	**2 428 075**

(in millions of Russian Roubles unless otherwise stated)

	FVTPL	Amortised cost	FVOCI	Total carrying amount	Fair value
Due to credit institutions	-	677 936	-	677 936	677 936
Due to customers	-	1 339 535	-	1 339 535	1 374 091
Debt securities issued	-	168 549	-	168 549	174 850
Financial liabilities measured at fair value through profit or loss	9 874	-	-	9 874	9 874
Other financial liabilities	-	5 770	-	5 770	5 770
	9 874	**2 191 790**	**-**	**2 201 664**	**2 242 521**

The main assumptions used by management to estimate the fair values of financial instruments as at 31 December 2019 are:

- discount rates from 6,9% to 11,9% (roubles) and from 3,0% to 7,1% (foreign currency) are used for discounting future cash flows from corporate loans;
- discount rates from 9,2% to 25,3% (roubles) and from 5,8% to 10,3% (foreign currency) are used for discounting future cash flows from loans to individuals;
- discount rates from 5,8% to 6,1% (roubles) and from 1,3% to 2,1% (foreign currency) are used for discounting future cash flows from corporate deposits;
- discount rates from 4,7% to 6,3% (roubles) and from 0,8% to 1,3%(foreign currency) are used for discounting future cash flows from retail deposits.

The estimates of fair value are intended to approximate the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants at the measurement date. However, given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realisable in an immediate sale of the assets or transfer of liabilities.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Group determines fair values using other valuation techniques.

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market-observable prices exist, Monte Carlo and polynomial-option pricing models and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm’s length.

The Group uses widely recognised valuation models to determine the fair value of common and more simple financial instruments, such as interest rate and currency swaps that use only observable market data and require little management judgment and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange-traded derivatives, and simple over-the-counter derivatives such as interest rate swaps.

There is no active market for loans to customers. The estimation of fair value for loans to customers is based on management’s assumptions.

Fair value hierarchy

The Group measures fair values for financial instruments recorded in the consolidated interim condensed statement of financial position using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived

(in millions of Russian Roubles unless otherwise stated)

from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The following tables show an analysis of financial instruments recorded at fair value and financial instruments recorded at amortised cost for which fair value does not approximate their carrying amount as at 30 June 2020 and 31 December 2019:

30 June 2020 (Unaudited)	Level 1	Level 2	Level 3	Total
Trading financial assets	48 221	20 078		**68 299**
Loans to customers			883 696	**883 696**
Investment financial assets	388 878	10 196	111	**399 185**
Due to customers		1 418 937		**1 418 937**
Financial liabilities measured at fair value through profit or loss	-	16 068	-	**16 068**
Debt securities issued	176 693			**176 693**

31 December 2019	Level 1	Level 2	Level 3	Total
Trading financial assets	21 837	16 713		**38 550**
Loans to customers			807 888	**807 888**
Investment financial assets	256 290	3 970	111	**260 371**
Due to customers		1 374 091		**1 374 091**
Financial liabilities measured at fair value through profit or loss	-	9 874	-	**9 874**
Debt securities issued	174 850			**174 850**

A reconciliation of movements in fair value of loans to customers at FVTPL for the six-month period ended 30 June 2020 and 30 June 2019 is as follows:

	Loans to individuals	Corporate loans	
	30 June 2020 (Unaudited)	**30 June 2020 (Unaudited)**	**30 June 2019 (Unaudited)**
Fair value as at 1 January	-	77 175	63 383
Loan issues	616	3 103	2 059
Loan repayments	(536)	(9 701)	(2 021)
Interest income recognised	20	2 306	1 716
Changes in fair value measurement	1	701	(396)
Acquisition of subsidiary	1 207	-	-
Write-offs and cessions	-	(7 904)	-
Net foreign exchange (loss) gain	-	4 902	(5 536)
Fair value as at 30 June	**1 308**	**70 582**	**59 205**

(in millions of Russian Roubles unless otherwise stated)

The table below sets out information about significant unobservable inputs used in the measuring of financial instruments categorised as Level 3 in the fair value hierarchy as at 30 June 2020:

Type if instrument	Fair values	Valuation technique	Significant unobservable input	Unobservable inputs used
Loans to customers at FVTPL	71 890	Discounted cash flow from operating activities	Risk-adjusted discount rate	RUB: 5,6% - 9,2% USD: 2,8% - 6,7% EUR: 2,4%

The table below sets out information about significant unobservable inputs used in the measuring of financial instruments categorised as Level 3 in the fair value hierarchy as at 31 December 2019:

Type of instrument	Fair values	Valuation technique	Significant unobservable input	Unobservable inputs used
Loans to customers at FVTPL	77 175	Discounted cash flow from operating activities	Risk-adjusted discount rate	RUB: 6,5% - 29,7% USD: 4,5% - 7,1% EUR: 2,7%

If discount rates differ by plus/minus one percent, fair values of these instruments would be RUB 69 953 million and RUB 71 413 million respectively (31 December 2019: RUB 76 822 million – RUB 78 150 million).

27 Earnings per share

Basic earnings per share are calculated by dividing (loss) profit for the six-month period ended 30 June 2020 by the weighted average number of ordinary shares in issue during the period.

Basic earnings per share are calculated as follows:

	Six-month period ended 30 June 2020 (Unaudited)	Six-month period ended 30 June 2019 (Unaudited)	Three-month period ended 30 June 2020 (Unaudited)	Three-month period ended 30 June 2019 (Unaudited)
Profit for the period	9 124	2 161	3 972	1 923
Interest paid on perpetual debt issue, net of tax	(1 554)	(1 561)	(710)	(775)
Total profit for the period	7 570	600	3 262	1 148
Weighted average number of ordinary shares in issue	29 829 709 866	27 079 709 866	29 829 709 866	27 079 709 866
Basic and diluted earnings per share (in RUB per share)	**0,25**	**0,02**	**0,11**	**0,04**

28 Acquisition of subsidiaries

In May 2020 the Group acquired 100% of the equity interests of Investment Bank VESTA (LLC) and JSC «RUSNARBANK».

(in millions of Russian Roubles unless otherwise stated)

For the purpose of determining goodwill on acquisition the fair values of identifiable assets and liabilities of Investment Bank VESTA (LLC) were as follows:

	Amounts on acquisition
ASSETS	
Cash and cash equivalents	1 518
Obligatory reserves with the Central bank of the Russian Federation	23
Due from credit and other financial institutions	13
Investment financial assets	2 336
Loans to customers	1 915
Property and equipment	147
Other assets	35
LIABILITIES	
Due to credit institutions	1 996
Due to customers	2 881
Other liabilities	176
Identifiable net assets acquired	**934**
Consideration given	1 082
less fair value of identifiable net assets acquired	(934)
Excess of fair value of acquired net assets over cost	**148**

The excess of fair value of acquired net assets over cost was written off to profit or loss for the period and presented within the line Other net operating income or (expense).

The amount of net profit of Investment Bank VESTA (LLC) since the acquisition date included in consolidate interim condensed statement of profit or loss is RUB 1 million.

For the purpose of determining goodwill on acquisition the fair values of identifiable assets and liabilities of JSC «RUSNARBANK» were as follows:

	Amounts on acquisition
ASSETS	
Cash and cash equivalents	2 426
Obligatory reserves with the Central bank of the Russian Federation	56
Investment financial assets	1 594
Loans to customers	6 416
Property and equipment	166
Other assets	876
LIABILITIES	
Deposits by the Central Bank of the Russian Federation	54
Due to credit institutions	14
Due to customers	7 690
Other liabilities	916
Identifiable net assets acquired	**2 860**
Consideration given	2 971
less fair value of identifiable net assets acquired	(2 860)
Excess of fair value of acquired net assets over cost	**111**

The excess of fair value of acquired net assets over cost was written off to profit or loss for the period and presented within the line Other net operating income or (expense).

The amount of net profit of JSC «RUSNARBANK» since the acquisition date included in consolidate interim condensed statement of profit or loss is RUB 57 million.

29 Events subsequent to the reporting date

In July 2020, the Bank paid out the 1st coupon in the amount of RUB 13,5 million or RUB 45,12 per bond and the upside return in the amount of RUB 0,3 million or RUB 1,11 per bond on domestic bonds series BSO-P02. The issue was originally placed on 15 July 2019. The nominal value of the issue is RUB 300 million.

In July 2020, the Bank paid out the 1st coupon in the amount of RUB 12 million or RUB 40,11 per bond and the upside return in the amount of RUB 0,3 million or RUB 1,11 per bond on domestic bonds series BSO-P03. The issue was originally placed on 15 July 2019. The nominal value of the issue is RUB 300 million.

In July 2020, CBM placed bond issue series BSO-P14 worth RUB 72,7 million. The bonds were placed by public subscription and have three annual coupons, each paying 0,01% per annum. The nominal value of one bond is RUB 1,000.

In July 2020, the Bank paid out the 4th coupon in the amount of RUB 299,2 million or RUB 59,84 per bond on perpetual subordinated bonds series 15. The issue was originally placed on 24 July 2018. The nominal value of the issue is RUB 5 billion.

In July 2020, S&P Global Ratings affirmed the Bank's BB- long term issuer credit rating with a stable outlook.

In July 2020, the Group paid out the coupon in the amount of USD 13,7 million on 5-year Loan Participation Notes due 2025 with the nominal value of USD 600 million.

In July 2020, CBM placed in full bond issue series BSO-P17 and BSO-P18 worth RUB 400 million each. The bonds were placed by public subscription and have six semi-annual coupons, each paying 0,01% per annum. The nominal value of one bond is RUB 1,000.

In August 2020, the Group paid out the coupon in the amount of USD 12 million on perpetual subordinated Loan Participation Notes with the nominal value of USD 700 million.

In August 2020, the Group paid out the coupon in the amount of USD 8,9 million on 5-year Loan Participation Notes due 2023 with the nominal value of USD 500 million.