

**BCS Bank
AO**

**Interim Condensed Consolidated Financial Statements
in Accordance with IAS
for Six Months Ended 30 June 2020**

MOSCOW CITY

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INDEPENDENT AUDITORS' REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders and Board of Directors of BCS Bank AO

Introduction

We have reviewed the attached interim condensed consolidated statement of financial position of BCS Bank AO and its subsidiary (hereinafter referred to as the Group) as of 30 June 2020 and the corresponding interim condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for six months then ended, as well as notes to the interim condensed consolidated financial statements (hereinafter referred to as the Interim Condensed Consolidated Financial Statements). The Group management is responsible for preparation and presentation of these Interim Condensed Consolidated Financial Statements as provided for by International Accounting Standard (IAS) 34, Interim Financial Statements. Our responsibility is to draw a conclusion on these Interim Condensed Consolidated Financial Statements based on our review.

Scope of Review

We have conducted our review in accordance with International Standard on Review Engagements (ISRE) 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. The review involves making inquiries, primarily to those responsible for financial and accounting issues, as well as conducting analytical and other review procedures. The review has a significantly narrower scope than the audit carried out in accordance with the International Standards on Auditing and, therefore, it does not give us certainty that we have become aware of all significant circumstances that could be identified during the audit. Consequently, we do not express an audit opinion.

Entity audited: BCS Bank AO

Included in the Unified State Register of Legal Entities under No. 1055400000369.

Moscow, Russia.

Independent auditor: KPMG AO, a company incorporated under the laws of the Russian Federation, a member of the KPMG network of independent firms affiliated with KPMG International Cooperative (KPMG International) incorporated under the laws of Switzerland.

Included in the Unified State Register of Legal Entities under No. 1027700125628.

Member of Sodruzhestvo Association, Self-Regulatory Auditors' Organisation (SRO AAS). Primary Registration Number in the Register of Auditors and Audit Organisations 12006020351.



BCS Bank AO

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

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Conclusion

Based on our review, no facts have come to our attention that would cause us to believe that the attached Interim Condensed Consolidated Financial Statements as of 30 June 2020 and for six months then ended have not been prepared, in all material respects, in accordance with IAS 34, Interim Financial Statements.

/signature/

A.E. Kolosov
KPMG AO
Moscow, Russia

13 August 2020

Seal:

Joint-stock company
Primary State Registration Number
(OGRN) 1027700125628
Moscow
КПМГ
KPMG

BCS Bank AO
Interim Condensed Consolidated Financial Statement of Financial Position as of 30 June 2020
(in RUB thousand, unless stated otherwise)

	Notes	30 June 2020 (unaudited data)	31 December 2019
Assets			
Cash and cash equivalents	5	19,158,142	7,065,221
Mandatory reserve deposits with the Bank of Russia		518,405	545,478
Financial assets at fair value through profit or loss	6.23	5,565,222	12319
Due from banks and other financial institutions	7	29,153,141	43,811,355
Loans to customers	8	9,552,846	9,890,743
Financial assets at fair value through other comprehensive income	9	4,270,429	9,039,124
Fixed assets, intangible assets, and right-of-use assets		1,193,961	991,947
Current profit tax requirements		77,955	77,955
Deferred tax asset		54,260	39,405
Long-term assets classified as “held for sale”	10	14,772	14,794
Other assets	11	265,094	434,750
Total assets		69,824,227	71,923,091
Liabilities			
Due to banks and other financial institutions	12	2,775,757	12,181,750
Due to customers	13	56,752,923	49,608,615
Financial liabilities held for trading	23	7,778	16,279
Current profit tax liabilities		-	4,289
Other liabilities	14	871,696	1,039,410
Total liabilities		60,408,154	62,850,343
Equity			
Share capital	15	2,332,129	2,332,129
Share premium	15	1,586,571	1,586,571
Retained earnings		1,920,664	2 016421
Perpetual subordinated loan		3,497,565	3,095,285
Reserve for changes in fair value of financial assets at fair value through other comprehensive INCOME		79,580	42,342
Total equity due to shareholders of the parent company		9,416,509	9,072,748
Share of non-controlling shareholders		(436)	-
Total equity		9,416,073	9,072,748
Total liabilities and equity		69,824,227	71,923,091

/signature/ **Deputy Chairperson of the Management Board**
M. G. Rodionova
13 August 2020

Seal:
BCS Bank AO
Moscow
BCS
Bank
General License No. 101

/signature/ **Chief Accountant**
N.V. Kamoyan
13 August 2020

The Interim Condensed Consolidated Statement of Financial Position shall be read in conjunction with the notes to these Interim Condensed Consolidated Financial Statements that are an integral part hereof.

BCS Bank AO
Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for Six Months Ended
30 June 2020
(in RUB thousand, unless stated otherwise)

	Notes	Six months ended 30 June 2020 (unaudited data)	Six months ended 30 June 2019 (revised unaudited data)
Interest income calculated using the effective interest method	16	1,112,779	1,691,794
Other interest income	16	40,240	-
Interest expenses	16	(611,638)	(823,230)
Net interest income	16	541,381	868,564
Change in reserve for expected credit losses on financial assets	5,7,8,9	(137,924)	(17,741)
Net interest income after reserve for losses on financial assets		403,457	850,823
Net profit from purchase and sale of financial assets at fair value through other comprehensive income	17	9,373	176,342
Net (loss) profit from transactions in financial assets at fair value through profit or loss		(2,309)	2,716
Net loss from transactions in foreign currency	18	(978,859)	(1,284,458)
Net profit from foreign currency revaluation	18	1,668,140	1,095,987
Dividend income		-	460
Fee and commission income	19	693,903	416,801
Fee and commission expenses	19	(186,709)	(247,980)
Changes in other provisions	11,14,22	3,905	(4,029)
Other operating income		24,569	34,127
Operating income		1,635,470	1,040,789
Administrative and other operating expenses	20	(1,267,996)	(1,188,782)
Profit (loss) before tax		367,474	(147,993)
Profit tax (expense) refund		(80,013)	44,289
Profit (loss) for the period		287,461	(103,704)
Due to:			
- shareholders of the parent company		287,897	(103,704)
- non-controlling shareholders		(436)	-
Total profit (loss) for the period		287,461	(103,704)

The Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income shall be read in conjunction with the notes to these Interim Condensed Consolidated Financial Statements that are an integral part hereof.

BCS Bank AO

Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for Six Months Ended
30 June 2020
(in RUB thousand, unless stated otherwise)

Notes	Six months ended 30 June 2020 (unaudited data)	Six months ended 30 June 2019 (revised unaudited data)
<i>Other comprehensive income</i>		
<i>Items that are or may subsequently be reclassified to profit or loss:</i>		
<i>Reserve for change in fair value (debt instruments):</i>		
- Change in fair value	64,779	315,448
- Amount transferred to profit or loss	(18,231)	(127,797)
Profit tax reflected within other comprehensive income	(9,310)	(40,930)
<i>Other comprehensive income less profit tax</i>	37,238	146,721
<i>Total comprehensive income for the period</i>	324,699	72,229
<i>Due to:</i>		
- shareholders of the parent company	325,135	72,229
- non-controlling shareholders	(436)	-
<i>Total comprehensive income for the period</i>	324,699	72,229

/signature/ **Deputy Chairperson of the
Management Board
M. G. Rodionova
13 August 2020**

Seal: BCS Bank AO Moscow BCS Bank General License No. 101
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/signature/ **Chief Accountant
N.V. Kamoyan
13 August 2020**

The Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income shall be read in conjunction with the notes to these Interim Condensed Consolidated Financial Statements that are an integral part hereof.

BCS Bank AO

Interim Condensed Consolidated Cash Flow Statement for Six Months Ended 30 June 2020
(in RUB thousand, unless stated otherwise)

	Note	Six months ended 30 June 2020 (unaudited data)	Six months ended 30 June 2019 (revised unaudited data)
Cash from operating activities			
Interest received		1,180,456	1,732,242
Interest paid		(813,033)	(951,434)
Expenses less income from transactions in foreign currency		(1,111,510)	(1,278,540)
Commission fees received		782,172	457,009
Commission fees paid		(93,252)	(247,980)
Other operating income		24,569	9,793
Operating expenses paid		(1,135,207)	(1,052,436)
Non-interest expenses for financial assets at fair value through profit or loss		(7,697)	-
Profit tax paid		(8,314)	(61,281)
Cash used in operating activities before changes in operating assets and liabilities		(1,181,816)	(1,392,627)
Net decrease (increase) in mandatory reserve deposits with the Bank of Russia		27,073	(22,304)
Net increase in financial assets at fair value through profit or loss		(5,637,634)	-
Net decrease (increase) in due from banks and other financial institutions		15,282,535	(15,858,002)
Net increase in loans to customers		354,828	(3,440,215)
Net decrease (increase) in other assets		57,220	(191,512)
Net decrease in due to banks and other financial institutions		(9,415,326)	(4,890,581)
Net increase in due to customers		3,226,384	17,477,096
Net (decrease) increase in other liabilities		(137,911)	1,294,433
Net cash generated from (used in) operating activities		2,575,353	(9,612,578)
Cash from investment activities			
Revenues from sale of financial assets at fair value through other comprehensive income		7,684,029	49,255,853
Acquisition of financial assets at fair value through other comprehensive income		(2,307,970)	(44,074,281)
Acquisition of fixed and intangible assets		(255,194)	(53,912)
Revenues from property sale		-	46,000
Dividends received		-	460
Net cash generated from investment activities		5,120,865	5,174,120

The Interim Condensed Consolidated Cash Flow Statement shall be read in conjunction with the notes to these Interim Condensed Consolidated Financial Statements that are an integral part hereof.

BCS Bank AO

Interim Condensed Consolidated Cash Flow Statement for Six Months Ended 30 June 2020
(in RUB thousand, unless stated otherwise)

	Note	Six months ended 30 June 2020 (unaudited data)	Six months ended 30 June 2019 (revised unaudited data)
Cash from financial activities			
Cash outflow related to lease liabilities		(51,082)	(30,744)
Perpetual subordinated loan interest payment		(77,287)	(156,290)
Net cash used in financing activities		(128,369)	(187,034)
Effect of changes in the Bank of Russia official exchange rate on cash and cash equivalents		4,529,096	(667,656)
Net increase (decrease) in cash and cash equivalents		12,096,945	(5,293,148)
Cash and cash equivalents, before deduction of the expected credit loss reserve at the beginning of the period	5	7,106,001	12,588,603
Cash and cash equivalents, before deduction of the expected credit loss reserve at the end of the period	5	19,202,946	7,295,455

_____/signature/ **Deputy Chairperson of the
Management Board
M. G. Rodionova
13 August 2020**

Seal: BCS Bank AO Moscow BCS Bank General License No. 101
--

_____/signature/ **Chief Accountant
N.V. Kamoyan
13 August 2020**

The Interim Condensed Consolidated Cash Flow Statement shall be read in conjunction with the notes to these Interim Condensed Consolidated Financial Statements that are an integral part hereof.

BCS Bank AO

Interim Condensed Consolidated Statement of Changes in Equity for Six Months Ended 30 June 2020
(in RUB thousand, unless stated otherwise)

	Share capital	Share premium	Reserve for revaluation of securities	Perpetual subordinated loan	Retained earnings	Total equity due to shareholders of the parent company	Share of non- controlling shareholders	Total equity
Balance as of 31 December 2018	1,558,500	60,200	(139,073)	3,473,530	2,438,369	7,391,526	-	7,391,526
Loss for the period (revised unaudited data)	-	-	-	-	(103,704)	(103,704)	-	(103,704)
Other comprehensive income (revised unaudited data)								
Net change in fair value	-	-	315,448	-	-	315,448	-	315,448
Amount transferred to profit or loss	-	-	(127,797)	-	-	(127,797)	-	(127,797)
Transfer of change in fair value within equity	-	-	16,998	-	(16,998)	-	-	-
Profit tax reflected within other comprehensive income	-	-	(40,930)	-	-	(40,930)	-	(40,930)
Total comprehensive income (unaudited data)	-	-	163,719	-	(120,702)	43,017	-	43,017
Perpetual subordinated loan revaluation	-	-	-	(319,750)	319,750	-	-	-
Perpetual subordinated loan interest payment	-	-	-	-	(156,290)	(156,290)	-	(156,290)
Profit tax related to subordinated loan	-	-	-	-	(32,692)	(32,692)	-	(32,692)
Balance as of 30 June 2019 (revised unaudited data)	1,558,500	60,200	24,646	3,153,780	2,448,435	7,245,561	-	7,245,561

BCS Bank AO

Interim Condensed Consolidated Statement of Changes in Equity for Six Months Ended 30 June 2020
(in RUB thousand, unless stated otherwise)

	Share capital	Share premium	Reserve for revaluation of securities	Perpetual subordinated loan	Retained earnings	Total equity due to shareholders of the parent company	Share of non-controlling shareholders	Total equity
Balance as of 31 December 2019	2,332,129	1,586,571	42,342	3,095,285	2,016,421	9,072,748	-	9,072,748
Profit for the period (unaudited data)	-	-	-	-	287,897	287,897	(436)	287,461
Other comprehensive income (unaudited data)								
Net change in fair value	-	-	64,779	-	-	64,779	-	64,779
Amount transferred to profit or loss	-	-	(18,231)	-	-	(18,231)	-	(18,231)
Profit tax reflected within other comprehensive income	-	-	(9,310)	-	-	(9,310)	-	(9,310)
Total comprehensive INCOME (unaudited data)	-	-	37,238	-	287,897	325,135	(436)	324,699
Perpetual subordinated loan revaluation	-	-	-	402,280	(402,280)	-	-	-
Perpetual subordinated loan interest payment	-	-	-	-	(77,287)	(77,287)	-	(77,287)
Profit tax related to perpetual subordinated loan	-	-	-	-	95,913	95,913	-	95,913
Balance as of 30 June 2020 (unaudited data)	2,332,129	1,586,571	79,580	3,497,565	1,920,664	9,416,509	(436)	9,416,073

/signature/ **Deputy Chairperson of the Management Board**
M. G. Rodionova
13 August 2020

Seal:
BCS Bank AO
Moscow
BCS
Bank
General License No. 101

/signature/ **Chief Accountant**
N.V. Kamoyan
13 August 2020

The Interim Condensed Consolidated Statement of Changes in Equity shall be read in conjunction with the notes to these Interim Condensed Consolidated Financial Statements that are an integral part hereof.

1. Introduction

Core activities

Full name	BCS Bank AO
Abbreviated name	BCS Bank AO
Location address	69 Mira Prospect, bld. 1, Moscow, 129110, Russia
Date of registration by the Central Bank of the Russian Federation	01 June 1989
Registration number	101

The core business of BCS Bank AO (hereinafter referred to as the Bank) is banking transactions in the Russian Federation.

The Bank is a bank with a general license, it carries out its activities based on General License No. 101 for Performance of Banking Operations with Roubles and Foreign Currency (with the Right to Take Individuals' Monetary Funds on Deposits) and for Performance of Banking Operations with Precious Metals issued by the Central Bank of the Russian Federation (hereinafter referred to as the CBR) on 29 November 2018 for an unlimited period and operates in accordance with the Federal Law "On Banks and Banking Activities" and other legislative acts of the Russian Federation.

Apart from the general license issued by the CBR, the Bank operates under the following licenses and permits:

- License of Professional Securities Market Participant No. 045-13349-100000 issued by the Federal Service for Financial Markets on 14 October 2010 and enabling to perform broker activities;
- License of Professional Securities Market Participant No. 045-13351-010000 issued by the Federal Service for Financial Markets on 14 October 2010 and enabling to perform dealer activities;
- License of Professional Securities Market Participant No. 045-13878-000100 issued by the Bank of Russia on 27 June 2014 and enabling to perform depositary activities.

The Bank is a member of the compulsory private deposit insurance system implemented at the banks of the Russian Federation (included in the Register of Banks Participating in the Deposit Insurance System on 03 February 2005 under No. 583).

The core activities of the Bank are as follows: taking deposits, opening and maintaining customer accounts, providing loans and guarantees, rendering settlement and cash services, conducting transactions in securities and foreign currency. The Bank's activities are regulated by the CBR.

The Bank's head office is located in Moscow, with 52 lending and cash services offices in seven federal districts of the Russian Federation.

Shareholders

As of 30 June 2020 and 31 December 2019, Siberian Investments OOO is the direct parent (head) organisation of the Bank, and as of 30 June 2020 and 31 December 2019, the stock of the Bank's placed shares can be represented as follows:

	30 June 2020 (%) (unaudited data)	31 December 2019 (%)
Shareholder		
Siberian Investments OOO	100.00	100.00
Total	100.00	100.00

Banking Group information

As of 30 June 2020 and 31 December 2019, BCS Bank AO is the head credit institution of a banking group (hereinafter referred to as the Group) that includes the only subsidiary, BCS Fintech OOO:

Name	Country of incorporation	Core activities	Ownership interest, %	
			30 June 2020 (%) (unaudited data)	31 December 2019 (%)
BCS Fintech OOO	Russian Federation	PC software development	99.0	99.0

These Interim Condensed Consolidated Financial Statements of the banking group are posted on the website of the head credit institution (Bank) <http://bcs-bank.com/about/document/> within the period established by the Bank of Russia.

These Interim Condensed Consolidated Financial Statements include data for the only member of the banking group as of 30 June 2020 and for six months ended 30 June 2020.

The ultimate controlling party for the Group is an individual, Oleg Vladimirovich Mikhasenko, who is authorised to direct the Bank's activities at his own discretion and in his own interests.

Business Environment in the Russian Federation

The Group operates primarily in the Russian Federation. Therefore, the Group is exposed to economic and financial risks in the markets of the Russian Federation that show certain features characteristic of emerging markets. Despite the ongoing improvement, the regulatory framework and tax laws allow for different interpretations and are prone to frequently made changes. Coupled with deficiencies of legal and fiscal systems, these revisions create additional difficulties for enterprises operating in the Russian Federation.

The current economic and political issues, including those related to the situation in Ukraine and imposition of sanctions against the Russian Federation by certain countries, as well as imposition of retaliatory sanctions against certain countries by the Russian Federation, create risks associated with the Group operations. The Group management believes that it takes appropriate measures to maintain the Group economic stability in the current environment.

Economic downturn, depreciation of the national currency, and slowdown in the economic growth may lead to a decrease in the business activity of enterprises operating in the Russian Federation and in the consumer purchasing power. The Group believes that this situation may result in reduced loan amounts and growth rates, with the financial performance of borrowers being deteriorated. However, this is unlikely to significantly affect the financial performance of the Group due to the low-risk business model.

On 01 March 2020, the World Health Organisation announced that the outbreak of a new coronavirus disease had become a pandemic. In response to the potentially serious threat posed to public health by COVID-19 virus, the state authorities of the Russian Federation have taken measures to contain the coronavirus outbreak, including restrictions on crossing the borders of the Russian Federation, restrictions on entry of foreign citizens, as well as recommendations for transitioning employees to remote work. In March 2020, local authorities were progressively implementing additional measures to ensure social distance, including the closure of schools, higher education institutions, restaurants, cinemas, theatres, museums, and sports facilities. In order to ensure the sanitary and epidemiological welfare of the population, President of the Russian Federation declared the period from 30 March to 11 May 2020 as non-working days with wages to be preserved for all categories of employees, excluding employees of medical and pharmacy organisations, emergency services, companies providing the population with food and essential goods, and businesses with pressing continuity.

Due to the business disturbance and lockdown imposed in many countries, there was a dramatic drop in global oil demand leading to oversupply and sharp fall in oil prices. On 12 April 2020, the world's largest oil producers, including Russia, agreed upon an unprecedented cut in crude oil production for stabilising the oil market. However, these steps did not reduce the downward pressure on oil prices. A sharp decline in oil prices and production volumes leads to a corresponding drop in oil companies' revenues and contributions to the federal budget, which is likely to have serious economic and social consequences and cause a decrease in public sector expenses.

These events will have a more significant negative impact on the economy, including:

- Disturbed business and economic activities leading to disruption of supplies and breach of contracts;
- Significant disruption of certain businesses operating in the domestic market, as well as export-oriented businesses with high reliance on foreign markets. The most seriously affected industries include retail, tourism, entertainment and hotel sector, transportation, oil industry, construction, car industry, insurance, and financial sector;
- Significant decrease in demand for non-essential goods and services;
- Higher economic uncertainty resulting in more volatile asset prices and currency exchange rates.

In March 2020, the Government of the Russian Federation announced a package of measures to support industries most heavily affected by the coronavirus infection outbreak. The programme includes, but is not limited to, deferral of taxes and fees for small and medium-sized businesses, loan deferments, deferred lease payments for federal and municipal property, and state support for loan refinancing and restructuring for businesses operating in especially troubled industries. Besides, social contribution 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 economic changes.

The banking sector has not been significantly affected by the rapid coronavirus infection outbreak. Over the last few months, the volume of the Group operations has remained stable, and its activities have not been interrupted. In general, a deterioration in the quality of corporate borrowers and a decrease in the creditworthiness of the population are expected. The Group has introduced more stringent criteria for granting new loans and conducted stress testing to investigate the impact of additional regulatory reserves on capital adequacy ratios, as well as the impact of negative scenarios for the outflow of liabilities on the liquidity position. These stress tests have demonstrated that the Group has sufficient margins of capital adequacy and liquidity ratios.

Despite a possible reduction in the Group profitability at the end of 2020, the management believes that the measures taken will provide sufficient resources to continue the Group operations without significant disruptions. The Group analyses negative development scenarios and is ready to adapt its operational plans accordingly. The management continues to closely monitor the

development of the situation and will take the necessary measures to mitigate the consequences of possible negative events and circumstances as they occur.

The attached Interim Condensed Consolidated Financial Statements reflect the management's assessment of potential influence of the existing financial and business environment on the performance results and financial position of the Group. Subsequent developments in the financial and business environment may differ from the management's assessment.

2. Basis of Preparation of Consolidated Financial Statements

Applicable Standards

The attached Interim Condensed Consolidated Financial Statements have been prepared in accordance with IAS 34, Interim Financial Statements, and shall be read in conjunction with the Group's Consolidated Financial Statements as of 31 December 2019 and for the year then ended (hereinafter referred to as the Last Annual Consolidated Financial Statements). They do not include all the information required to present a complete set of financial statements in accordance with IAS. However, separate explanatory notes are included to clarify the events and operations that are necessary to understand the changes that have taken place in the Group's financial position and performance since the issuance of the last Annual Consolidated Financial Statements.

Changes in the Group's principal accounting policies are described in Note 3.

Basis of Measurement

The attached Interim Condensed Consolidated Financial Statements have been prepared in accordance with the historical cost principle, except for the following items: derivative financial instruments, financial assets at fair value through profit or loss, financial liabilities held for trading, and financial assets at fair value through other comprehensive income.

Functional and Presentation Currency

The functional currency of the Group is the Russian rouble. Being the national currency of the Russian Federation, it reflects in the best possible way the economic substance of majority of the Group's transactions and related circumstances affecting its activities.

The Russian rouble is also used as a presentation currency for the purposes of these Interim Condensed Consolidated Financial Statements.

All values presented in these Interim Condensed Consolidated Financial Statements have been rounded to the nearest thousand roubles.

Foreign currencies, such as USD and EUR, play a significant role in determining the economic parameters for many business operations conducted in the Russian Federation. The table below shows exchange rates of RUB to USD and EUR established by the CBR:

	30 June 2020	31 December 2019	30 June 2019
US dollar	69.9513	61.9057	63.0756
EUR	78.6812	69.3406	71.8179

Use of Estimates and Judgements

Critical judgements used by the management in applying the Group's accounting policy and considered to be the main sources of estimates associated with uncertainty have been the same as those employed in the Consolidated Financial Statements as of 31 December 2019 and for the year then ended, except for the impact of the COVID-19 pandemic.

3. Basic Principles of Accounting Policy

These Interim Condensed Consolidated Financial Statements have been prepared by the Group using the same accounting policies as in the last annual financial statements of the Group.

Comparative Data Presentation

In the Consolidated Financial Statements for 2019, the Bank reclassified, as of 31 December 2018, a perpetual subordinated loan nominated in USD (the perpetual subordinated loan interest rate was 4.5% as of 31 December 2019 and 9.0% as of 31 December 2018), with the possibility of the Bank's unilateral refusal to pay the interest, to equity. Accordingly, the foreign currency revaluation of the subordinated loan has been reclassified from profit or loss to equity, together with the tax effect thereon. Since the Bank has the right to unilaterally refuse to pay the interest on the loan, the Bank has recovered the perpetual loan interest previously accrued but not declared due for payment. At the same time, the Bank reflects the actual payment of interest on the perpetual subordinated loan within the equity.

The effect of the perpetual subordinated loan reclassification on the amounts presented in the statement of profit or loss and other comprehensive income for six months ended 30 June 2019 and in the cash flow statement for six months ended 30 June 2019 is shown in the tables below:

Statement of profit or loss and other comprehensive income for six months of 2019	Before revision	Recovery of accrued interest expenses and reclassification of accrued interest payment from profit or loss to equity	Reclassification of perpetual subordinated loan revaluation	Deferred tax accrual	Revised data
Interest expenses	(969,288)	146,058	-	-	(823,230)
Net profit from foreign currency revaluation	1,415,737	-	(319,750)	-	1,095,987
Operating income	1,214,481	146,058	(319,750)	-	1,040,789
Profit (loss) before tax	25,699	146,058	(319,750)	-	(147,993)
Profit tax refund	9,550	-	-	34,739	44,289
Profit (loss) for the period	35,249	146,058	(319,750)	34,739	(103,704)

Cash flow statement for six months of 2019	Before revision	Reclassification of interest paid on perpetual subordinated loan	Revised data
Cash used in operations	(9,768,868)	156,290	(9,612,578)
Cash generated from investment activities	5,174,120	-	5,174,120
Cash used in financial activities	(30,744)	(156,290)	(187,034)

4. Dividends

At the annual general meeting of shareholders of the head credit institution held in May 2020, it was decided not to distribute the profit received in 2019 but to invest it in the development of the Bank. During six months of 2020 and six months of 2019, no dividends were accrued or paid to the shareholder, and no allocations were made to the reserve fund from the profit.

5. Cash and cash equivalents

	30 June 2020 (unaudited data)	31 December 2019
Correspondent accounts with non-resident banks	9,562,209	279,932
Balances on accounts with the Bank of Russia (other than mandatory reserve deposits)	4,846,391	2,590,002
Cash	3,982,032	2,768,088
Correspondent accounts with banks of the Russian Federation	475,297	1,197,707
Interbank deposit	172,710	138,669
Balances on clearing accounts and funds at the exchange with NCC Bank (AO)	67,957	69,430
Transfer settlements	67,012	43,770
Plastic card settlements	29,338	18,403
Cash and cash equivalents, before deduction of the expected credit loss reserve	19,202,946	7,106,001
Reserve for expected credit losses	(44,804)	(40,780)
Cash and cash equivalents, after deduction of the expected credit loss reserve	19,158,142	7,065,221

Cash and cash equivalents include cash on hand and on the Group's current accounts, as well as cash equivalents representing balances on correspondent accounts with banks that are, in terms of credit quality, unsecured demand deposits of only top-category banks. The balance on accounts with clearing institutions was measured using the same method. In the reporting period, the Bank did not engage in any investment or financial transactions that did not require using cash or cash equivalents. There are no restricted cash assets.

The following table provides information on the credit quality of cash and cash equivalents as of 30 June 2020 and 31 December 2019. The values presented in the table reflect the gross book values.

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	30 June 2020 (unaudited data)	31 December 2019
Correspondent account with the Central Bank of the RF	4,846,391	2,590,002
Cash on hand	3,982,032	2,768,088
<i>Correspondent accounts with credit and non-banking institutions</i>		
Rated from A+ to A-	7,017,632	230,808
Rated from BBB+ to BBB-	3,246,395	1,433,355
Rated from BB+ to BB-	65,738	42,970
Not rated	44,758	40,778
Total correspondent accounts with credit and non-banking institutions	10,374,523	1,747,911
Total cash and cash equivalents, before deduction of the expected credit loss reserve	19,202,946	7,106,001
Reserve for expected credit losses	(44,804)	(40,780)
Total cash and cash equivalents, after deduction of the expected credit loss reserve	19,158,142	7,065,221

Ratings of counterparties are based on Standard&Poor's, Moody's, RAEX, and Fitch rating systems.

As of 30 June 2020 and 31 December 2019, the reserve for expected credit losses of cash and cash equivalents was created for balances on the Group's correspondent accounts and for other funds with banks. All balances for the purposes of calculating expected credit losses come under Stage 1, except for the balance on the correspondent account of Master-Bank (OAO) amounting to RUB 44,758 thousand (as of 31 December 2019: RUB 40,778 thousand) that comes under Stage 3, the reserve for expected credit losses was created in the amount of 100% (the correspondent bank's license was revoked).

Loss allowance

The table below provides a reconciliation of the opening and closing loss allowance balances for cash and cash equivalents.

	Six months ended 30 June 2020 (unaudited data)		
	Stage 1	Stage 3	Total
Cash and cash equivalents			
Balance as of 01 January 2020	(2)	(40,778)	(40,780)
Net change in loss allowance	(44)	(3,980)	(4,024)
Balance as of 30 June 2020	(46)	(44,758)	(44,804)

Comparative data for six months ended 30 June 2019:

	Six months ended 30 June 2019 (unaudited data)		
	Stage 1	Stage 3	Total
Cash and cash equivalents			
Balance as of 01 January 2019	(7)	(44,536)	(44,543)
Net change in loss allowance	(1)	3,167	3,166
Balance as of 30 June 2019	(8)	(41,369)	(41,377)

6. Financial assets at fair value through profit or loss

	30 June 2020 (unaudited data)	31 December 2019
Debt securities	5,553,176	-
Shares	7,746	8,381
Derivative financial instruments	4,300	3,938
Total financial assets at fair value through profit or loss	5,565,222	12,319

The analysis of debt securities by their types is presented below:

	30 June 2020 (unaudited data)
Held by the Bank:	
Corporate bonds	5,553,176
<i>Bonds of Russian companies</i>	<i>5,553,176</i>
- rated from BBB- to BBB+	2,754,618
- rated from BB- to BB+	2,751,481
- rated below B+	47,077
	5,553,176

Corporate bond ratings are based on Standard&Poor's, Moody's, and Fitch rating systems.

As of 30 June 2020, corporate bonds include Eurobonds issued by SPV of Russian companies for the total amount of RUB 3,486,640 thousand (unaudited data).

As of 31 December 2019, there are no debt securities under this item.

As of 30 June 2020 and 31 December 2019, financial assets at fair value through profit or loss include equity securities with quoted prices represented by ordinary quoted shares of Russian issuers (Sberbank of Russia) nominated in Russian roubles. Details of derivative financial instruments are disclosed below, in Note 23.

The following is the structure of the debt securities portfolio by the issuers' economic activity types (the classification does not include Eurobonds of the Russian Federation and federal loan bonds):

	30 June 2020 (unaudited data)	
	Amount	%
Financial sector	2,359,982	42.5
Gold mining	888,671	16.0
Oil and gas sector	616,596	11.1
Trade	502,800	9.1
Ferrous industry	481,216	8.7
Communications and data transmission	381,710	6.9
Chemical industry	244,943	4.4
Manufacturing industry	47,077	0.8
Transport	30,181	0.5
Total debt securities at fair value through profit or loss	5,553,176	100.0

As of 30 June 2020 and 31 December 2019, there are no securities at fair value transferred without derecognition.

As of 30 June 2020 and 31 December 2019, all financial assets at fair value through profit or loss are current, there are no overdue financial assets at fair value through profit or loss. Methods for measuring these assets at fair value are disclosed below, in Note 9.

As of 30 June 2020, financial assets at fair value through profit or loss include corporate Eurobonds amounting to RUB 820,555 thousand (unaudited data) that were issued to secure the conditions for obtaining overnight and intraday loans from the Bank of Russia.

As of 31 December 2019, there is no encumbrance of financial assets at fair value through profit or loss.

7. Due from banks and other financial institutions

	30 June 2020 (unaudited data)	31 December 2019
Purchase and reverse sale agreements (reverse REPO) with commercial banks and other financial institutions	28,767,552	43,811,355
Interbank loans	391,839	-
Total due from banks and other financial institutions, before deduction of the expected credit loss reserve	29,159,391	43,811,355
Expected credit losses	(6,250)	-
Total due from banks and other financial institutions, after deduction of the expected credit loss reserve	29,153,141	43,811,355

In terms of their economic substance, funds due from banks and other financial institutions available as of the reporting date represent funds allocated under exchange reverse REPO transactions with NCC and financial companies (acting as related parties), as well as an interbank credit to a non-resident bank.

As of 30 June 2020 and 31 December 2019, all funds due from banks and other financial institutions come under Stage 1 in accordance with IFRS 9.

As of 30 June 2020, funds due from banks and other financial institutions amounting to RUB 28,767,552 thousand (unaudited data) were actually collateralised with securities purchased under reverse REPO agreements with a fair value of RUB 31,812,416 thousand.

As of 31 December 2019, funds due from banks and other financial institutions amounting to RUB 43,811,355 thousand were actually collateralised with securities purchased under reverse REPO agreements with a fair value of RUB 46,551,436 thousand. Some securities received under reverse REPO transactions were transferred as collateral for direct REPO transactions in the form of clearing participation certificates amounting to RUB 9,500,000 thousand (for up to 30 days).

During the reporting period, no funds were issued to other banks at above-market rates. There are no revised (restructured) balances.

Credit quality analysis

	30 June 2020 (unaudited data)	31 December 2019
Rated from BBB+ to BBB-	23,040,201	43,811,355
Rated from BB+ to BB-	391,839	-
Rated from B+ to B-	5,727,351	-
Total due from banks and other financial institutions, before deduction of the expected credit loss reserve	29,159,391	43,811,355
Reserve for expected credit losses	(6,250)	-
Total due from banks and other financial institutions, after deduction of the expected credit loss reserve	29,153,141	43,811,355

Ratings of counterparties are based on Standard&Poor's, Moody's, and Fitch rating systems.

Loss allowance

The table below provides a reconciliation of the opening and closing loss allowance balances for funds due from banks and other financial institutions for six months ended 30 June 2020 (unaudited data).

	Stage 1	Total
Due from banks and other financial institutions		
Balance as of 31 December 2019	-	-
Net change in loss allowance	(6,250)	(6,250)
Balance as of 30 June 2020	(6,250)	(6,250)

As of 30 June 2019 and 31 December 2018, no reserves were created for expected credit losses on funds due from banks and other financial institutions.

8. Loans to customers

	30 June 2020 (unaudited data)	31 December 2019
Corporate customers	9,759,077	9,981,145
Retail customers	306,192	337,935
Total loans to customers, before deduction of expected credit losses	10,065,269	10,319,080
Reserve for expected credit losses	(512,423)	(428,337)
Total loans to customers, after deduction of the expected credit loss reserve	9,552,846	9,890,743

Loss allowance

The following tables show reconciliations of the opening and closing loss allowance balances by types of loans.

	Six months ended 30 June 2020 (unaudited data)			
	Stage 1	Stage 2	Stage 3	Total
<i>Loans to customers at amortised cost</i>				
Balance as of 01 January 2020	(30,470)	(3,559)	(394,308)	(428,337)
Transition to Stage 2	201	(201)	-	-
Transition to Stage 3	110	72	(182)	-
Net change in expected credit loss allowance	(16,026)	(23,337)	(53,501)	(92,864)
Newly created or acquired financial assets	(3,375)	-	-	(3,375)
Write-off	-	-	12,153	12,153
Expected credit loss allowance balance at the end of the period	(49,560)	(27,025)	(435,838)	(512,423)
<i>Loans to customers at amortised cost: corporate customers</i>				
Balance as of 01 January 2020	(27,502)	(3,432)	(352,240)	(383,174)
Transition to Stage 2	195	(195)	-	-
Net change in expected credit loss allowance	(17,241)	(22,940)	(51,955)	(92,136)
Newly created or acquired financial assets	(3,110)	-	-	(3,110)
Expected credit loss allowance balance at the end of the period	(47,658)	(26,567)	(404,195)	(478,420)

	Six months ended 30 June 2020 (unaudited data)			
	Stage 1	Stage 2	Stage 3	Total
<i>Loans to customers at amortised cost: retail customers</i>				
Balance as of 01 January 2020	(2,968)	(127)	(42,068)	(45,163)
Transition to Stage 2	6	(6)	-	-
Transition to Stage 3	110	72	(182)	-
Net change in expected credit loss allowance	1,215	(397)	(1,546)	(728)
Newly created or acquired financial assets	(265)	-	-	(265)
Write-offs	-	-	12,153	12,153
Expected credit loss allowance balance at the end of the period	(1,902)	(458)	(31,643)	(34,003)

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Six months ended 30 June 2019
(unaudited data)

	Stage 1	Stage 2	Stage 3	Total
<i>Loans to customers at amortised cost</i>				
Balance as of 01 January 2019	(13,532)	(10,794)	(176,681)	(201,007)
Transition to Stage 1	(1,958)	5	1,953	-
Transition to Stage 2	-	(123)	123	-
Transition to Stage 3	-	410	(410)	-
Net change in loss allowance	6,600	8,062	(5,664)	8,998
Newly created or acquired financial assets	(2,983)	-	-	(2,983)
Balance as of 30 June 2019	(11,873)	(2,440)	(180,679)	(194,992)

Six months ended 30 June 2019
(unaudited data)

	Stage 1	Stage 2	Stage 3	Total
<i>Loans to customers at amortised cost: corporate customers</i>				
Balance as of 01 January 2019	(12,300)	(10,377)	(126,496)	(149,173)
Net change in loss allowance	6,626	8,260	96	14,982
Newly created or acquired financial assets	(2,071)	-	-	(2,071)
Balance as of 30 June 2019	(7,745)	(2,117)	(126,400)	(136,262)

Six months ended 30 June 2019
(unaudited data)

	Stage 1	Stage 2	Stage 3	Total
<i>Loans to customers at amortised cost: individuals</i>				
Balance as of 01 January 2019	(1,232)	(417)	(50,185)	(51,834)
Transition to Stage 1	(1,958)	5	1,953	-
Transition to Stage 2	-	(123)	123	-
Transition to Stage 3	-	410	(410)	-
Net change in loss allowance	(26)	(198)	(5,760)	(5,984)
Newly created or acquired financial assets	(912)	-	-	(912)
Balance as of 30 June 2019	(4,128)	(323)	(54,279)	(58,730)

Credit Quality Analysis

The credit quality disclosure provided below is based on the internal ratings of the Bank's borrowers. The rating scale presented below corresponds to the international S&P rating scale.

	30 June 2020 (unaudited data)			
	Stage 1	Stage 2	Stage 3	Total
Loans to customers at amortised cost: corporate customers				
Rated from BB+ to BB-	6,838,464	50,000	-	6,888,464
Rated from B+ to B-	837,464	746,700	-	1,584,164
Rated from CCC+ to CCC-	-	107,374	-	107,374
Rated D	-	-	1,172,968	1,172,968
Not rated	2,857	-	3,250	6,107
	7,678,785	904,074	1,176,218	9,759,077
Loss allowance	(47,658)	(26,567)	(404,195)	(478,420)
Book value	7,631,127	877,507	772,023	9,280,657
Loans to customers at amortised cost: individuals				
Without payment delay	246,529	627	19,844	267,000
With payment delay				
- of less than 30 days	60	2	-	62
- of more than 30 days but less than 90 days	2	63	-	65
- of more than 90 days but less than 180 days	20	31	128	179
- of more than 180 days but less than 360 days	9	-	843	852
- of more than 360 days	203	-	37,831	38,034
Total loans to individual customers with payment delay	294	96	38,802	39,192
	246,823	723	58,646	306,192
Loss allowance	(1,902)	(458)	(31,643)	(34,003)
Book value	244,921	265	27,003	272,189

	31 December 2019			
	Stage 1	Stage 2	Stage 3	Total
Loans to customers at amortised cost: corporate customers				
Rated from BB+ to BB-	4,434,145	-	-	4,434,145
Rated from B+ to B-	4,291,781	110,574	-	4,402,355
Rated D	-	-	1,143,752	1,143,752
Not rated	263	-	630	893
	8,726,189	110,574	1,144,382	9,981,145
Loss allowance	(27,502)	(3,432)	(352,240)	(383,174)
Book value	8,698,687	107,142	792,142	9,597,971
Loans to customers at amortised cost: individuals				
Without payment delay	267,701	168	29,930	297,799
With payment delay				
- of less than 30 days	84	-	-	84
- of more than 30 days but less than 90 days	-	26	4	30
- of more than 90 days but less than 180 days	-	-	708	708
- of more than 180 days but less than 360 days	-	-	8,905	8,905
- of more than 360 days	152	-	30,257	30,409
Total loans to individual customers with payment delay	236	26	39,874	40,136
	267,937	194	69,804	337,935
Loss allowance	(2,968)	(127)	(42,068)	(45,163)
Book value	264,969	67	27,736	292,772

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The following table provides information on the credit quality of financial assets at amortised cost as of 30 June 2020 (unaudited data) and 31 December 2019. The values for financial assets in the table reflect the gross book values.

	30 June 2020 (unaudited data)			Total
	Stage 1	Stage 2	Stage 3	
<i>Loans to customers at amortised cost:</i>				
<i>corporate customers</i>				
Without payment delay	7,678,785	904,074	8,410	8,591,269
With payment delay:				
- of more than 30 days but less than 90 days	-	-	316	316
- of more than 90 days but less than 180 days	-	-	483	483
- of more than 180 days but less than 360 days	-	-	889,473	889,473
- of more than 360 days	-	-	277,536	277,536
Total loans to customers at amortised cost:	7,678,785	904,074	1,176,218	9,759,077
corporate customers				
Allowance for expected credit losses	(47,658)	(26,567)	(404,195)	(478,420)
Book value	7,631,127	877,507	772,023	9,280,657

	31 December 2019			Total
	Stage 1	Stage 2	Stage 3	
<i>Loans to customers at amortised cost:</i>				
<i>corporate customers</i>				
Without payment delay	8,726,189	110,574	7,635	8,844,398
With payment delay:				
- of less than 30 days	-	-	70,675	70,675
- of more than 90 days but less than 180 days	-	-	785,130	785,130
- of more than 360 days	-	-	280,942	280,942
Total loans to customers at amortised cost:	8,726,189	110,574	1,144,382	9,981,145
corporate customers				
Allowance for expected credit losses	(27,502)	(3,432)	(352,240)	(383,174)
Book value	8,698,687	107,142	792,142	9,597,971

Loan Analysis by Economic Sectors

The following is the structure of the loan portfolio by economic sectors (before deduction of the loss reserve):

	30 June 2020		31 December 2019	
	(unaudited data)			
	Amount	%	Amount	%
Financial sector	2,822,382	28.0	2,772,863	26.9
Manufacturing	2,389,222	23.7	2,197,944	21.3
Real estate	1,489,860	14.8	1,779,714	17.2
Trade	1,273,116	12.7	1,217,490	11.8
Construction	752,366	7.5	1,064,778	10.3
Transport	572,721	5.7	504,240	4.9
Retail loans	306,192	3.0	337,935	3.3
Other	459,410	4.6	444,116	4.3
Total loans to customers, before deduction of the expected credit loss reserve	10,065,269	100.0	10,319,080	100.0
Reserve for expected credit losses	(512,423)		(428,337)	
Total loans to customers, after deduction of the reserve for expected credit losses	9,552,846		9,890,743	

As of 30 June 2020 (unaudited data), the Group has three borrowers with a total amount of granted loans exceeding RUB 735,762 thousand (a large credit risk exceeding 10% of the regulatory capital). The aggregate amount of such loans is RUB 3,258,478 thousand or 56.9% of total granted loans before deduction of the expected credit loss reserve.

As of 31 December 2019, the Group has four borrowers with a total amount of granted loans exceeding RUB 760,264 thousand (a large credit risk exceeding 10% of the regulatory capital). The aggregate amount of such loans is RUB 4,004,565 thousand or 38.8% of total granted loans before deduction of the expected credit loss reserve.

Information on loans to related parties is given in Note 25.

9. Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income:

Financial assets at fair value through other comprehensive income, held by the Bank	30 June 2020 (unaudited data)	31 December 2019
Corporate Eurobonds	3,101,947	4,706,508
Eurobonds of the Russian Federation	942,069	-
Corporate bonds, the Russian Federation	226,413	-
Bonds of the Bank of Russia	-	4,034,294
Bonds of Russian banks	-	287,456
Federal loan bonds	-	10,866
Total financial assets at fair value through other comprehensive income	4,270,429	9,039,124

As of 30 June 2020 and 31 December 2019, debt securities at fair value through other comprehensive income come under Stage 1 in accordance with IFRS 9.

Securities were not reclassified from one category to another during the reporting period.

As of 30 June 2020, corporate Eurobonds amounting to RUB 3,101,947 thousand (unaudited data) include Eurobonds issued by SPV of Russian companies (as of 31 December 2019: RUB 4,706,508 thousand).

As of 30 June 2020 (unaudited data), financial assets at fair value through other comprehensive income include corporate Eurobonds amounting to RUB 1,026,941 thousand (unaudited data) and Eurobonds of the Russian Federation amounting to RUB 942,069 thousand (unaudited data) that were issued to secure the conditions for obtaining overnight and intraday loans from the Bank of Russia. As of 31 December 2019, financial assets at fair value through other comprehensive income include corporate Eurobonds amounting to RUB 1,278,541 thousand and bonds of the Bank of Russia amounting to RUB 2,763,805 thousand that were issued to secure the conditions for obtaining overnight and intraday loans from the Bank of Russia.

As of 30 June 2020 and 31 December 2019, there are no overnight loans from the Bank of Russia.

The following is the structure of the security portfolio by types of economic activities of issuers (the classification does not include Eurobonds of the Russian Federation and federal loan bonds):

	30 June 2020 (unaudited data)		31 December 2019	
	Amount	%	Amount	%
Financial sector	1,120,176	33.7	6,665,927	73.8
Communications and data transmission	760,946	22.9	677,531	7.5
Transport	660,348	19.8	601,445	6.6
Non-ferrous industry	560,477	16.8	790,618	8.8
Trade	226,413	6.8	-	-
Manufacturing industry	-		150,446	1.7
Gold mining	-		142,291	1.6
Total financial assets at fair value through other comprehensive income	3,328,360	100.0	9,028,258	100.0

As of 30 June 2020 and 31 December 2019, there are no securities at fair value through other comprehensive income transferred without derecognition.

The Group lends and sells securities under sale agreements with a reverse purchase obligation and purchases securities under purchase agreements with a reverse sale obligation. REPO deals are transactions in which the Group sells a security and concurrently agrees to repurchase it (or an asset, which is essentially the same) at a fixed price on a particular date in the future. Securities lending agreements are transactions in which the Group lends securities for remuneration and receives cash as collateral.

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Securities lent or sold under sale agreements with the reverse purchase obligation are transferred to a third party, and the Group receives cash. These financial assets may be repledged or sold by counterparties, including when the Group is not in default of its obligations, but the counterparty shall return the securities upon expiration of the agreement. The Group has determined that it retains substantially all the risks and rewards arising from the ownership of these securities and thus continues recognising them. These securities are presented as “pledged under REPO transactions”. Cash received is reflected as a financial asset, and a financial liability is recognised in relation to the obligation to reimburse the purchase price of this collateral and is included in amounts due to credit institutions (see Note 12).

Since the Group sells contractual rights to receive cash flows from securities, the Group is unable to use the transferred assets during the term of the agreement. These transactions are carried out under the terms and conditions typical for standard extension of loans and transactions for borrowing and lending of securities.

Methods for measuring these assets at fair value are disclosed below, in Note 24.

Credit Quality Analysis

Information on the credit quality of debt instruments at fair value through other comprehensive income as of 30 June 2020 and 31 December 2019 is presented below. Unless otherwise stated, the values for financial assets in the table reflect the gross book values.

	30 June 2020 (unaudited data)	
	Stage 1	Total
<i>Debt investment securities at fair value through other comprehensive income</i>		
Rated from BBB+ to BBB-	1,910,492	1,910,492
Rated from BB+ to BB-	1,799,460	1,799,460
Rated from B+ to B-	560,477	560,477
Book value—fair value	4,270,429	4,270,429
Allowance for expected credit losses	(51,919)	(51,919)

	31 December 2019	
	Stage 1	Total
<i>Debt investment securities at fair value through other comprehensive income</i>		
Rated from BBB+ to BBB-	4,718,541	4,718,541
Rated from BB+ to BB-	3,092,063	3,092,063
Rated from B+ to B-	1,228,520	1,228,520
Book value—fair value	9,039,124	9,039,124
Allowance for expected credit losses	(22,750)	(22,750)

Loss allowance

The following tables show reconciliations of the opening and closing loss allowance balances.

	Six months ended 30 June 2020 (unaudited data)	
	Stage 1	Total
Credit loss reserve as of 31 December 2019	(22,750)	(22,750)
Derecognised financial assets	15,432	15,432
Newly created or acquired financial assets	(6,513)	(6,513)
Net change in loss allowance	(38,088)	(38,088)
Credit loss reserve as of 30 June 2020	(51,919)	(51,919)

	Six months ended 30 June 2019 (unaudited data)	
	Stage 1	Total
Credit loss reserve as of 31 December 2018	(11,846)	(11,846)
Net change in loss allowance	723	723
Credit loss reserve as of 30 June 2019	(11,123)	(11,123)

10. Long-term assets classified as “held for sale”

Long-term assets classified as held for sale are measured at the lower of their book value and fair value less costs to sell. As of 30 June 2020 and 31 December 2019, the composition of long-term assets classified as held for sale can be presented as follows:

	30 June 2020 (unaudited data)	31 December 2019
Other assets (fixed assets)	14,772	14,794
Total long-term assets held for sale after deduction of the impairment reserve	14,772	14,794

Flows of long-term assets classified as held for sale for six months ended 30 June 2020 and six months ended 30 June 2019 can be presented as follows:

	Six months ended 30 June 2020 (unaudited data)	Six months ended 30 June 2019 (unaudited data)
Long-term assets classified as “held for sale” at the beginning of the period	14,794	75,441
Costs to sell	(22)	-
Disposal of other assets	-	(29,248)
Total long-term assets classified as “held for sale” at the end of the period	14,772	46,193

As of 30 June 2020 (unaudited data), there is one real estate asset reflected under this item: non-residential premises in the city of Perm amounting to RUB 14,772 thousand (31 December 2019: RUB 14,794 thousand). These non-residential premises are being prepared for sale.

11. Other assets

	30 June 2020 (unaudited data)	31 December 2019
<i>Financial assets</i>		
Requirements for settlement and cash transactions	65,845	154,114
Change in fair value of assets attributable to sale and purchase of foreign currency on standard terms	60,678	10,831
Requirements for refund of brokerage fee and overpaid interest	38,070	93,457
Plastic card settlements	29,702	43,366
Prepayment for services	3,930	22,634
Requirements to payment infrastructure organisations	2,400	4,500
Guarantee settlements	225	692
Other	2,269	604
Total financial assets, before deduction of the expected credit loss reserve	203,119	330,198
Reserve for expected credit losses	(93,528)	(96,582)
Total financial assets, after deduction of the expected credit loss reserve	109,591	233,616
<i>Non-financial assets</i>		
Prepayment for services	102,012	153,845
Guarantee expenses	71,629	47,532
Inventories	10,938	9,475
Tax prepayment excluding profit tax	1,444	2,331
Payroll settlements	190	19
Other	1,376	422
Total non-financial assets, before reserve deduction	187,589	213,624
Reserve for non-financial assets	(32,086)	(12,490)
Total non-financial assets, after reserve deduction	155,503	201,134
Total other assets, after reserve deduction	265,094	434,750

Other assets are measured at amortised cost. A simplified approach is used when calculating the impairment (expected credit losses) reserve for other assets.

Loss allowance

The table below provides a reconciliation of the opening and closing loss allowance balances for other financial assets.

	Six months ended 30 June 2020 (unaudited data)		
	Stage 1	Stage 3	Total
Other financial assets			
Balance as of 31 December 2019	(4)	(96,578)	(96,582)
Net change in loss allowance	4	(2,246)	(2,242)
Write-off	-	5,296	5,296
Balance as of 30 June 2020	-	(93,528)	(93,528)

	Six months ended 30 June 2019 (unaudited data)			
	Stage 1	Stage 2	Stage 3	Total
Other financial assets				
Balance as of 01 January 2019	(6)	(3,835)	(47,690)	(51,531)
Transition to Stage 3	-	3,835	(3,835)	-
Net change in loss allowance	6	(6,334)	(21,317)	(27,645)
Balance as of 30 June 2019	-	(6,334)	(72,842)	(79,176)

The table below shows a reconciliation of the opening and closing balances of reserve for other non-financial assets.

	Six months ended 30 June 2020 (unaudited data)	Six months ended 30 June 2019 (unaudited data)
Other non-financial assets		
Balance as of 01 January	(12,490)	(3,730)
Net change in loss reserve	(19,596)	(5,097)
Balance as of 30 June	(32,086)	(8,827)

12. Due to banks and other financial institutions

	30 June 2020 (unaudited data)	31 December 2019
Loans and deposits with banks	2 761 011	2,672,513
Correspondent (LORO) accounts with Russian banks	14,746	7,649
Funds raised under REPO transactions	-	9,501,588
Total due to banks and other financial institutions	2,775,757	12,181,750

All accounts of customers being credit institutions are measured at amortised cost.

As of 30 June 2020 (unaudited data), the Group has one counterparty (as of 31 December 2019: one counterparty) accounting for more than 10% of the regulatory capital. As of 30 June 2020 (unaudited data), the aggregate balances of the aforesaid counterparty are RUB 2,761,011 thousand. (31 December 2019: RUB 2,672,513).

As of 31 December 2019, the fair collateral value for the obligation to return borrowed securities to the lender being a credit institution amounted to RUB 9,500,000 thousand.

As of 30 June 2020 and 31 December 2019, there were no funds raised from the Bank of Russia.

During the reporting period, no funds were raised from other banks at below-market rates.

13. Due to customers

	30 June 2020 (unaudited data)	31 December 2019
<i>Legal entities</i>		
• Current accounts	24,831,773	16,476,024
• Fixed-term and demand deposits	1,464,750	2,380,905
• Other borrowed funds	92,944	-
• Brokerage deposits	271	680
<i>Individuals</i>		
• Current accounts	14,804,985	12,615,562
• Fixed-term and demand deposits	15,558,092	18,135,444
• Other funds raised	108	-
Total due to customers	56,752,923	49,608,615

Individuals' and legal entities' funds taken on fixed-term holdings and deposits, as well as current accounts and other funds raised are shown at amortised cost.

As of 30 June 2020 (unaudited data), the Group has four customers (as of 31 December 2019: two customers) each of which accounts for more than 10% of the regulatory capital. As of 30 June 2020 (unaudited data), the aggregate balances of these customers are RUB 20,621,597 thousand (as of 31 December 2019: RUB 11,900,685 thousand).

During the reporting period, there was no income from fixed-term deposits taken at above/below-market rates.

14. Other liabilities

	30 June 2020 (unaudited data)	31 December 2019
<i>Financial liabilities</i>		
Lease liabilities	363,272	351,912
Guarantee settlements	287,127	197,757
Expected credit losses for financial guarantees and others	16,685	40,186
contingent liabilities		
Amounts till clarification	3,626	122,265
Other	18,921	110,644
Total other financial liabilities	689,631	822,764
<i>Non-financial liabilities</i>		
Payroll settlements	173,089	119,967
Tax disbursements to the budget	4,565	3,315
Settlements with suppliers, contractors, and buyers	4,293	93,033
Other	118	331
Total other non-financial liabilities	182,065	216,646
Total other liabilities	871,696	1,039,410

15. Share capital and share premium

The share capital has been paid in full as of the reporting date. Information on shareholders is given in Note 1. The authorised share capital, issued and paid in full, includes the following components:

	30 June 2020 (unaudited data)		31 December 2019	
	Number of shares	Par value	Number of shares	Par value
Ordinary shares	233,212,933	0.01	233,212,933	0.01
Total share capital		2,332,129		2,332,129

The last additional issue of 77,362,933 shares was registered in 2019, with a par value of RUB 0.01 thousand for the total amount of RUB 773,629 thousand.

All ordinary shares have a par value of RUB 0.01 thousand. Each share confers the right to cast a single vote. Each ordinary share provides the same scope of rights to its holder. In accordance with the Federal Law "On Joint-Stock Companies" and the Bank's Charter, the shareholders of the Bank's ordinary shares may participate in the General Meeting of Shareholders with the right to vote on all issues within its competence and receive dividends. Such rights are only granted by fully paid shares.

Share premium is the amount by which capital contributions resulting from prior issues exceeded the par value of issued shares. As of 30 June 2020 (unaudited data) and 31 December 2019, the share premium amounted to RUB 1,586,571 thousand.

16. Interest income and expenses

	Six months ended 30 June 2020 (unaudited data)	Six months ended 30 June 2019 (revised unaudited data)
Interest income calculated using the effective interest method		
Due from banks and other financial institutions	500,860	979,583
Loans to customers	529,992	280,835
Financial assets at fair value through other comprehensive income	81,927	431,376
Total interest income calculated using the effective interest method	1,112,779	1,691,794
Other interest income		
Financial assets at fair value through profit or loss	40,240	-
Total other interest income	40,240	-
Total interest income	1,153,019	1,691,794
Interest expenses		
Fixed-term holdings and current accounts of individuals	(436,239)	(489,498)
Fixed-term deposits and funds of legal entities	(61,705)	(193,619)
Fixed-term deposits and funds of banks	(96,908)	(131,482)
Expenses for lease liabilities	(16,786)	(8,631)
Total interest expenses	(611,638)	(823,230)
Net interest income	541,381	868,564

17. Net profit from purchase and sale of financial assets at fair value through other comprehensive income

	Six months ended 30 June 2020 (unaudited data)	Six months ended 30 June 2019 (unaudited data)
Bonds of other non-residents	6,132	69,721
Bonds of resident banks	2,459	1,048
Bonds of the Russian Federation	651	95,082
Bonds of the Bank of Russia	195	(552)
Bonds of other residents	(64)	(11,747)
Shares of other residents	-	22,790
Total net income from transactions in financial assets at fair value through other comprehensive income	9,373	176,342

18. Net profit (loss) from transactions in foreign currency

During the reporting period, foreign exchange transactions involved purchases and sales of cash and non-cash foreign currency, transactions in the interbank and stock markets, transactions in derivative financial instruments with the foreign currency as the underlying asset (forwards, swaps, futures, and options). Net profit (loss) from transactions in foreign currency is presented as follows:

	Six months ended 30 June 2020 (unaudited data)	Six months ended 30 June 2019 (revised unaudited data)
Trading transaction, net	(982,283)	(1,544,717)
Exchange differences, net	1,668,140	1,095,987
Income (expenses) from derivative financial instruments	3,424	260,259
Net profit (loss) from transactions in foreign currency	689,281	(188,471)

19. Fee and commission income and expenses

	Six months ended 30 June 2020 (unaudited data)	Six months ended 30 June 2019 (unaudited data)
Fee and commission income		
Commission fees for issuing bank guarantees	226,650	83,464
Commission fee on settlement transactions	162,754	156,699
Commission fees under brokerage agreements	133,538	99,095
Commission fees for opening and maintaining accounts	113,844	41,048
Commission fee for settlement and cash services	52,791	34,444
Other	4,326	2,051
Total fee and commission income	693,903	416,801
Fee and commission expenses		
Transfer fee	(80,410)	(70,664)
Agency fee for customer acquisition	(58,584)	(39,248)
Commission fee for settlement and cash services	(16,182)	(15,279)
Stock exchange fee	(12,009)	(17,267)
Cash transportation fee	(9,244)	(10,994)
Commission fee under brokerage agreements	(2,850)	(62,207)
Other	(7,430)	(32,321)
Total fee and commission expenses	(186,709)	(247,980)
Net fee and commission income	507,194	168,821

Fee and commission income that is not an integral part of the effective interest rate for a financial asset or liability is measured based on the reimbursement specified in the contract and is recognised when or as (depending on the type of service) the Group fulfils its performance obligation under the contract, depending on the moment when the Group places the service under the customer's control:

- commission fee for issuing bank guarantees is charged monthly based on an agreement and is recognised over time as the Group provides the corresponding service;
- commission fee for maintaining an account is charged monthly based on fixed tariffs, depending on the type of counterparty, and is recognised over time as the Group provides the corresponding service;
- commission fees for settlement transactions, settlement and cash services, and opening of accounts are charged and recognised as income at the time of the corresponding transaction execution;
- commission fee under brokerage agreements is established in accordance with the Group's tariffs, charged on a monthly basis, and recognised over time as the Group provides the corresponding service.

20. Administrative and other operating expenses

	Six months ended 30 June 2020 (unaudited data)	Six months ended 30 June 2019 (unaudited data)
Staff expenses	786,357	746,379
Loyalty programme expenses	75,610	9,517
Depreciation	84,859	47,285
Charge for the right to use intellectual property assets	64,640	40,731
Insurance	38,608	83,411
Professional services (communication, IT services, maintenance of computers, etc.)	35,252	31,357
IT services	32,173	11,028
Property retirement and inventories write-off	28,438	18,791
Taxes and fees, excluding profit tax	25,414	40,258
Advertising	13,080	77,798
Repair and maintenance of fixed assets	9,754	11,174
Operating lease expenses	7,367	4,342
Security	5,181	2,583
Audit and publication of statements	4,750	3,443
Other expenses for business support	821	864
Official entertainment expenses	307	3,439
Other operating expenses	55,385	56,382
Total operating expenses	1,267,996	1,188,782

The total employee remunerations included in administrative and other operating expenses for six months ended 30 June 2020 (unaudited data) and six months ended 30 June 2019 (unaudited data) can be presented as follows:

	Six months ended 30 June 2020 (unaudited data)	Six months ended 30 June 2019 (unaudited data)
Short-term remunerations	786,357	746,379
Employee salaries	622,598	585,429
Payroll taxes and deductions	161,520	157,623
Other short-term employee remunerations	2,239	3,327
	786,357	746,379

21. Capital management

In accordance with the Capital Adequacy Management Strategy adopted by the Bank, the goal of capital management is to ensure that the Bank is able to achieve strategic asset growth objectives in full compliance with capital adequacy requirements. The Capital Management Policy is aimed at ensuring compliance of the capital management procedures with the Bank's development strategy, nature and scope of its activities.

The Internal Capital Adequacy Assessment Process (hereinafter, ICAAP) has been developed in accordance with Directive of the Bank of Russia No. 3624-Y “On Requirements for the Risk and Capital Management System of a Credit Institution or a Banking Group”, comprises different procedures for assessing adequacy of the available capital, i.e. the capital to cover assumed and potential risks, and also includes capital planning procedures based on the established development strategy, business growth targets, and results of comprehensive current risk assessment and stress testing of resistance to internal and external risk factors. As of 30 June 2020 (unaudited data), the amount of regulatory capital managed by the Bank is RUB 7,357,615 thousand. (As of 31 December 2019: RUB 7,602,635).

Under the current capital requirements set by the Bank of Russia, including Instruction of the Central Bank of the Russian Federation No. 199-И, banks shall maintain a ratio of capital to risk weighted assets (capital adequacy ratio H1.0) above the mandatory minimum level of 8% in 2020.

The capital is established by the Bank based on the items constituting the equity (capital) of credit institutions in accordance with the legislation of the Russian Federation. The capital value is calculated in accordance with Regulation of the Central Bank of the Russian Federation No. 646-II “On Methods of Measuring Equity (Capital) of Credit Institutions (Basel III)” dated 04 July 2018 (hereinafter referred to as Regulation No. 646-II). The Bank's authorised capital, share premium, and reserve fund formed out of profits of previous years, a perpetual subordinated loan, as well as profits of previous years confirmed by an audit organisation, less the investments into intangible assets and deferred tax liabilities are the sources of the Bank's fixed capital.

Supplementary capital includes retained earnings of the current year before its confirmation by auditors. The Bank's fixed capital consists of the authorised capital and capital surplus. The capital surplus includes the perpetual subordinated loan. The Bank's approaches to capital adequacy assessment aimed at ensuring the current and future activities are as follows: limiting the volumes of transactions or sizes of portfolios and modelling an impact of the size of transactions on the capital adequacy.

The following table presents regulatory capital, based on the Bank's reports (Form No. 0409808) prepared in compliance with the Russian legislation:

	30 June 2020 (unaudited data)	31 December 2019
Sources of base capital	4,849,044	5,059,389
Deductions from capital	(988,994)	(552,039)
Capital surplus	3,497,565	3,095,285
Total regulatory capital	7,357,615	7,602,635

As of 30 June 2020 (unaudited data) and 31 December 2019, all external requirements to the capital level have been met. As of 30 June 2020 (unaudited data), equity (capital) adequacy ratio H1.0 is 18.76% (as of 31 December 2019: 19.22%).

22. Contingent liabilities

Litigation

In the ordinary course of business, the Group is subject to different legal actions. The management believes that the ultimate liabilities arising from such legal proceedings (if any) will have no material adverse effect on the Group's financial position or future operations. During the reporting period, the Bank continued to act as a plaintiff in proceedings not resulting in creation of obligations to anyone. There are no material litigations at the moment. Litigation and arbitration costs for six months ended 30 June 2020 (unaudited data) amounted to RUB 63 thousand (for six months ended 30 June 2019 (unaudited data): RUB 30 thousand).

Credit-related commitments

The main purpose of credit-related commitments is to ensure the funds are available to customers as necessary. Financial guarantees are irrevocable liabilities of the Group to make payments in the event that a customer fails to fulfil its obligations to third parties.

Performance guarantees are contracts that provide for a compensation if the other party fails to perform its contractual obligation. Such contracts do not transfer a credit risk. The risk under a performance guarantee contract is the risk of the contractual obligation non-performance by the other party. Claims shall be made prior to the expiration of the contract, and most claims are settled within a short time. This enables the Group to achieve a high degree of certainty concerning the settlement payments and, consequently, future cash flows. The Group manages these risks by continuously monitoring the volume of payments for such products and is able to adjust its remuneration in the future to reflect changes in the reimbursement of claims. The existing process for handling claim reimbursement requests includes the right to investigate claims and reject fraudulent claims or the ones not complying with the prescribed rules.

Contingent credit-related commitments are presented as follows:

	30 June 2020 (unaudited data)	31 December 2019
Guarantees issued	18,715,787	16,056,723
Unused guarantee limits	5,124,344	3,392,603
Unused loan facilities	3,387,352	3,541,728
Total credit-related commitments	27,227,483	22,991,054
Expected credit losses	(16,685)	(40,186)

As of 30 June 2020 (unaudited data), unused guarantee limits amounted to RUB 5,124,344 thousand. (31 December 2019: RUB 3,392,603 thousand). Unused guarantee limits are a revocable contingent liability, no credit losses are expected and no reserve is created for unused guarantee limits.

The Group also has commitments to grant loans and unused limits of loan facilities and overdrafts. All such commitments are revocable. As of 30 June 2020 (unaudited data), commitments to grant loans amounting to RUB 3,387,352 thousand (31 December 2019: RUB 3,541,728 thousand) represent unused limits of loan facilities of legal entities amounting to RUB 3,294,080 thousand (as of 31 December 2019: unused limits of loan facilities of legal entities amounting to RUB 3,447,964 thousand), unused limits for granting funds of individuals on overdraft amounting to RUB 76,277 thousand (31 December 2019: RUB 77,573 thousand), and unused limits for granting funds to resident banks amounting to RUB 16,995 thousand. (31 December 2019: RUB 16,191 thousand).

Insurance

The Russian insurance market is still developing and, therefore, many forms of insurance coverage used in other countries are not yet available in the Russian Federation. The Group does not have full insurance coverage for its premises and equipment, business interruption, or third party liability in respect of property or environmental damage arising from the use of the Group's property or in other cases related to the Group's activities. Until the Group obtains adequate insurance coverage, there is a risk that the losses or destruction of certain assets could have a material adverse effect on the Group's operations and financial position.

Contingent tax liabilities

In the course of activities, the management shall interpret and apply current laws in relation to transactions with third parties and its own operations. At the moment, the Russian tax legislation is generally based upon the way in which transactions are formalised and reflected in accounting records in accordance with Russian accounting standards. Interpretation of the Russian tax legislation by tax authorities and the relevant judicial practice are continually changing and in the future may be focused not on the form, but rather on the economic substance of transactions.

The fiscal system of the Russian Federation continues to evolve and is characterised by frequent changes in regulatory documents, official regulatory comments, and court decisions that are sometimes retroactive, contradictory, and open to varying interpretations by tax authorities. Correctness of tax calculations is the subject of review and investigation by the authorities empowered to impose substantial fines, penalties, and charges. A fiscal year remains open for review by tax authorities during three consecutive calendar years after the end of the year. However, under certain circumstances, a fiscal year may remain open for a longer period. During this period, any change in the interpretation of legislation or its enforcement practice may be applied retroactively, even if there are no changes in the Russian tax legislation.

Recent events in the Russian Federation demonstrate that tax authorities are taking a tougher line in the interpretation and enforcement of the tax legislation.

In addition, some new laws have recently been adopted to amend the Russian tax legislation, including the amendments introduced on 01 January 2015 and aimed at regulating tax effects of transactions with foreign companies and their activities, such as the concept of beneficial ownership of income, etc. These changes may have a material impact on the Group's tax position and create additional tax risks in the future. This legislation continues to evolve, and the impact of legislative changes shall be considered on the basis of actual circumstances.

These circumstances may create tax risks in the Russian Federation that are substantially higher than similar risks in other countries. According to the management, tax liabilities have been fully reflected in these Annual Consolidated Financial Statements, based on interpretations of the current tax legislation of the Russian Federation, official regulatory comments, and court decisions. However, given the fact that the interpretation of tax legislation by various regulatory authorities may differ from that of the management, should any enforcement measures be taken by regulatory authorities, their impact on the Annual Consolidated Financial Statements may be significant.

According to the Group management, as of 30 June 2020, the relevant provisions of tax legislation have been interpreted correctly, and the Group is highly likely to maintain its position in terms of tax, currency, and customs legislation.

Retirement payments

Under the laws of the Russian Federation, employees are entitled to public pension benefits. As of 30 June 2020 and 31 December 2019, the Group had no obligations to its current or former employees with respect to supplementary retirement payments, post-retirement medical care payments, insurance payments or other retirement benefits.

Loss allowance

The table below shows reconciliations of the opening and closing loss allowance balances for financial guarantee contracts and other contingent liabilities.

	Six months ended 30 June 2020 (unaudited data)	Six months ended 30 June 2019 (unaudited data)
Credit loss reserve as of 01 January	(40,186)	(9,385)
Net change in loss allowance	23,501	1,068
Credit loss reserve at the end of the period	(16,685)	(8,317)

Credit quality analysis

The following table provides information on the credit quality of credit-related commitments at amortised cost as of 30 June 2020. The data are based on the Group's internal ratings with the values equivalent to the S&P scale. The values given in the table for commitments to issue loans and financial guarantee contracts reflect the amounts of commitments assumed and guarantees issued, respectively.

	30 June 2020 (unaudited data)			
	Non-financial guarantee contracts	Stage 1	Stage 3	Total
Non-financial guarantee contracts	17,239,573	-	-	17,239,573
Rated from BBB+ to BBB-	1,566	-	-	1,566
Rated from BB+ to BB-	6,329,033	-	-	6,329,033
Rated from B+ to B-	2,323,528	-	-	2,323,528
Not rated	8,585,446	-	-	8,585,446
Financial guarantee contracts	-	1,476,214	-	1,476,214
Rated from BB+ to BB-	-	1,246,214	-	1,246,214
Rated from B+ to B-	-	230,000	-	230,000
Unused loan facilities of legal entities other than banks	-	3,294,080	-	3,294,080
Rated from BB+ to BB-	-	3,049,515	-	3,049,515
Rated from B+ to B-	-	244,565	-	244,565
Unused loan facilities of banks	-	16,995	-	16,995
Rated from B+ to B-	-	16,995	-	16,995
Unused loan facilities of individuals	-	76,249	28	76,277
Loss reserve	-	(16,673)	(12)	(16,685)
Book value	-	(16,673)	(12)	(16,685)

The following table provides information on the credit quality of credit-related commitments at amortised cost as of 31 December 2019.

31 December 2019				
	Non-financial guarantee contracts	Stage 1	Stage 3	Total
Non-financial guarantee contracts	13,638,823	-	-	13,638,823
Rated from A+ to A-	16,200	-	-	16,200
Rated from BBB+ to BBB-	894,794	-	-	894,794
Rated from BB+ to BB-	3,208,097	-	-	3,208,097
Rated from B+ to B-	3,518,319	-	-	3,518,319
Not rated	6,001,413	-	-	6,001,413
Financial guarantee contracts	-	2,192,133	225,767	2,417,900
Rated from BB+ to BB-	-	1,383,700	-	1,383,700
Rated from B+ to B-	-	808,433	-	808,433
Rated D	-	-	225,767	225,767
Unused loan facilities of legal entities other than banks	-	3,447,964	-	3,447,964
Rated from BB+ to BB-	-	2,790,097	-	2,790,097
Rated from B+ to B-	-	657,867	-	657,867
Unused loan facilities of banks	-	16,191	-	16,191
Rated from B+ to B-	-	16,191	-	16,191
Loss reserve	-	(14,455)	(25,731)	(40,186)
Book value	-	(14,455)	(25,731)	(40,186)

23. Derivative financial instruments

Derivative financial instruments (DFIs) are measured at fair value through profit or loss.

The following table presents fair values of DFIs recognised as assets or liabilities and their nominal contractual values as of 30 June 2020. The nominal contractual value of a DFI is the value of its underlying asset that serves as a basis for changes in the DFI valuation and indicates the volume of transactions that were not settled at the end of the reporting period. DFIs are presented with the underlying asset of foreign currency and other assets.

	30 June 2020 (unaudited data)			
	Nominal value		Fair value	
	Assets	Liabilities	Assets	Liabilities
Total options, incl.:	283,256	284,143	310	306
- with the underlying asset of foreign currency	283,252	284,139	309	305
- with other underlying assets	4	4	1	1
Total forwards, incl.:	49,263	598,247	3,990	7,472
- forwards with the underlying asset of foreign currency	49,263	598,247	3,990	7,472
Total derivative financial assets / liabilities	332,519	882,390	4,300	7,778

As of 30 June 2020, the nominal contractual value of DFIs (assets) amounting to RUB 283,252 thousand (unaudited data) with a fair value of DFIs (liabilities) amounting to RUB 305 thousand is attributable to options with the underlying asset of foreign currency with a non-resident party related to the Group for a period of up to 7 days, and the nominal contractual value of DFIs (assets) amounting to RUB 4 thousand (unaudited data) with a fair value of DFIs (assets) amounting to RUB 1 thousand (unaudited data) is attributable to an option with a party related to the Group for a period of more than 91 days.

The following table presents fair values of DFIs recognised as assets or liabilities and their nominal contractual values as of 31 December 2019. All DFIs are presented with the underlying asset of foreign currency.

	31 December 2019			
	Nominal value		Fair value	
	Assets	Liabilities	Assets	Liabilities
Options	396,162	396,477	2,920	2,923
Forwards	125,835	302,115	1,018	13,356
Swaps	-	123,811	-	-
Total derivative financial assets / liabilities	521,997	822,403	3,938	16,279

As of 31 December 2019, the nominal contractual value of DFIs (assets) amounting to RUB 83,008 thousand and the nominal contractual value of DFIs (liabilities) amounting to RUB 313,420 thousand with a fair value of DFIs (commitments) amounting to RUB 2,923 thousand are attributable to options with a non-resident party related to the Group for a period of up to 30 days.

24. Financial assets and liabilities: fair value and accounting classifications

Fair value is the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date in the principal market, or failing this, in the most advantageous market to which the Group has access at that date.

However, given the uncertainties and the use of subjective judgement, the fair value should not be interpreted as being realisable in an immediate sale of assets or transfer of liabilities.

As far as possible, the Group estimates the fair value of an instrument by using quoted prices for that instrument in an active market. A market is considered to be active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If there are no current quoted prices in an active market, the Group applies valuation techniques that would maximise the use of observable inputs and minimise the use of unobservable inputs. The chosen valuation techniques incorporate all factors that the market participants would take into account in pricing a transaction. The Group reflects the following financial assets and liabilities at fair value:

- derivative financial assets;
- securities at fair value through profit or loss;
- securities at fair value through other comprehensive income;
- derivative financial liabilities.

Fair value of financial assets traded in an active market is based on quoted prices or dealer prices. The Group determines fair value of all other assets by using other valuation techniques.

The objective of valuation techniques is to arrive at a fair value determination reflecting the price at which a transaction to sell an asset or transfer a liability would be conducted in an organised market between the market participants at the measurement date.

The Group measures fair values by means of the following fair value hierarchy that takes into account the significance of inputs used in such measurements.

Level 1: quoted (unadjusted) prices in an active market for identical financial instruments.

Level 2: inputs that are not the quoted prices included in Level 1 and are directly or indirectly observable for the asset or liability:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in markets that are not active;
- inputs, except for quoted prices, that are observable for the asset or liability:
- fee rates and yield curves observable at commonly quoted intervals;
- implied volatility;
- credit spreads;
- market-corroborated inputs.

Level 3: inputs for the asset or liability:

- historical volatility;
- mid-market consensus (non-binding) price adjustment developed using the data that are not observable and cannot be corroborated by observable market data;
- cash flow or profit or loss forecast developed using the Group's own data, if there is no reasonably available information indicating that the market participants would use different assumptions.

The Group estimates fair values of securities classified as investment financial assets, securities classified as measured at fair value through profit or loss, and exchange-traded derivative financial instruments by using a quoted price technique based on observable Level 1 inputs from an active market, and a technique for similar securities based on Level 2 inputs.

The Group estimates fair values of OTC derivative financial instruments by using present value techniques based on unobservable Level 2 inputs, such as interest rates, yield curves for non-deliverable forwards, and implied volatility surfaces.

Non-deliverable forward yield curves and implied volatility surfaces were obtained from the Bloomberg database. Mosprime, LIBOR, and EUR LIBOR rates of the corresponding term were used as a risk-free interest rate. The official exchange rates established by the Bank of Russia were used as exchange rates to eliminate accounting inconsistencies in the measurement of assets and liabilities.

The following table presents fair value hierarchy levels for assets and liabilities at fair value as of 30 June 2020 (unaudited data):

30 June 2020 (unaudited data)	Level 1	Level 2	Fair value
Financial assets			
Financial assets at fair value through profit or loss, including:	5,560,922	4,300	5,565,222
- Eurobonds	3,486,640	-	3,486,640
- Bonds	2,066,536	-	2,066,536
- Shares	7,746	-	7,746
- Derivative financial instruments	-	4,300	4,300
Financial assets at fair value through other comprehensive income, including:	4,270,429	-	4,270,429
- Eurobonds	4,044,016	-	4,044,016
- Bonds	226,413	-	226,413
Total assets	9,831,351	4,300	9,835,651
Financial liabilities			
Financial liabilities held for trading	-	7,778	7,778
Total financial liabilities	-	7,778	7,778

During the reporting period, the fair value balances of non-financial assets and liabilities using the measurement models with a considerable amount of unobservable data were insignificant.

The following table presents fair value hierarchy levels for assets and liabilities at fair value as of 31 December 2019:

31 December 2019	Level 1	Level 2	Fair value
Financial assets			
Financial assets at fair value through profit or loss, incl.:	8,381	3,938	12,319
- Shares	8,381	-	8,381
- Derivative financial instruments	-	3,938	3,938
Financial assets at fair value through other comprehensive income, including:	9,039,124	-	9,039,124
- Eurobonds	4,706,508	-	4,706,508
- Bonds	4,332,616	-	4,332,616
Total assets	9,047,505	3,938	9,051,443
Financial liabilities			
Financial liabilities held for trading	-	16,279	16,279
Total financial liabilities	-	16,279	16,279

During the reporting period, the fair value balances of non-financial assets and liabilities using the measurement models with a considerable amount of unobservable data were insignificant.

As of 30 June 2020, the estimated fair values of assets and liabilities that are not measured at fair value approximate their book values.

As of 31 December 2019, the estimated fair values of assets and liabilities that are not measured at fair value approximate their book values.

25. Related party transactions

For the purposes of preparing these Consolidated Financial Statements, parties related to a credit institution shall be deemed related parties as defined in IAS 24, Related Party Disclosures. As of 30 June 2020 and 31 December 2019, Siberian Investments OOO is a 100% parent company of the Bank, with actual control over the Group being exercised by the individual (beneficiary), O.V. Mikhasenko.

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In the ordinary course of business, the Group carries out transactions with its principal shareholder, companies that have significant shares of their capital owned by the Group's shareholder (other related parties), individuals related to the Group, and the key management personnel that include members of the Board of Directors, members of the Management Board, the Bank's Chief Accountant and his/her deputy. As of 30 June 2020, the key management personnel comprise 11 employees (as of 31 December 2019: 11 employees) and do not own any shares in the Group. Other parties related to the Group include companies controlled by the person who controls the Group and companies controlled or jointly controlled by the Group's key management personnel and members of the Board of Directors of the parent company. Related party transactions involved making settlements, granting loans, and taking deposits.

The following table presents the balances of related party transactions as of 30 June 2020 and indicates the interest rates on allocation and raising of funds, income and expense items for six months ended 30 June 2020 for related party transactions:

30 June 2020 (unaudited data)	Parent company	Other related parties	Key management personnel	Total
Balances				
Loans to customers	-	523	25,743	26,266
<i>Interest rate, RUB</i>	-	<i>0.1%</i>	<i>8.0%-26.0%</i>	
Expected credit loss reserve for loans to customers	-	-	(106)	(106)
Reverse REPO	-	5,727,351	-	5,727,351
<i>Interest rate, USD</i>	-	<i>0.15% - 1.3%</i>	-	
Fixed assets, intangible assets, and right-of-use assets	-	30,468		30,468
Other assets	-	107,082	-	107,082
Due to customers	27	21,831,191 ¹	80,228	21,911,446
Fixed-term deposits	40,235	468,163	9	508,407
<i>Interest rate, RUB</i>	<i>5.00%</i>	<i>2.00%-7.10%</i>	<i>0.01%-5.60%</i>	
<i>Interest rate, USD</i>		<i>0.60%</i>	<i>0.10%</i>	
<i>Interest rate, EUR</i>			<i>0.01%</i>	
Other borrowed funds	-	92,944	-	92,944
<i>Interest rate, RUB</i>		<i>5.44%</i>		
Other liabilities	-	39,564	3,483	43,047
Six months ended 30 June 2020 (unaudited data)				
Income and expense items				
Interest income calculated using the effective interest method	-	41,930	1,061	42,991
Total interest expenses	(235)	(47,570)	(1,203)	(49,570)
Income less expenses for transactions in foreign currency (except for swap transactions for up to 3 days)	-	180,110	(16)	180,094
Income less expenses for swap transactions in foreign currency for up to 3 days	-	(26,344)	-	(26,344)
Income less expenses for transactions in securities	-	(4,435)	-	(4,435)
Fee and commission income	11	240,442	12	240,465
Fee and commission expenses	-	(527)	(236)	(763)
Net income from reserves	-	52	-	52
Administrative and other operating expenses	-	(17,017)	(32,029)	(49,046)

¹ Amounts due to customers include RUB 8,147,509 thousand belonging to related parties, residents of other countries (Cyprus, etc.)

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The financial result of swap transactions for up to three days amounting to RUB 2,652,104 thousand was excluded from income less expenses for transactions in foreign currency. The indicated financial result has been formed solely due to the specifics of reflection of swap transactions in accounting records and can be observed when there is a significant change in the foreign exchange rate established by the Bank of Russia at the date of settlement of the second part of the transaction relative to the rate established at the date of its first part. The net swap difference for these transactions is RUB 26,344 thousand. These transactions were mostly executed entered into so that to acquire liquidity in the currency of the Russian Federation which was subsequently allocated to swap transactions and reverse REPO transactions with NCC, which together give a positive financial result.

Short-term remunerations to the key management personnel (salary, social security contributions, annual paid leave) for six months ended 30 June 2020 (unaudited data) amounted to RUB 31,636 thousand. During six months ended 30 June 2020, the Group purchased securities amounting to RUB 8,074,385 thousand from other related parties (unaudited data) and sold securities amounting to RUB 3,282,180 thousand (unaudited data).

The following table presents the balances of related party transactions as of 31 December 2019 and indicates the interest rates on allocation and raising of funds, income and expense items for six months ended 30 June 2019 (unaudited data) for related party transactions:

31 December 2019	Parent company	Subsidiary	Other related parties	Key management personnel	Total
Balances					
Loans to customers	-	-	368	26,070	26,438
<i>Interest rate, RUB</i>	-	-	<i>0.1%</i>	<i>8.0%-26.0%</i>	
Expected credit loss reserve for loans to customers	-	-	-	(158)	(158)
Due from banks and other financial institutions	-	-	36,538,211	-	36,538,211
<i>Interest rate, RUB</i>	-	-	<i>6.26%-7.45%</i>	-	
Fixed assets, intangible assets, and right-of-use assets	-	-	29,967	-	29,967
Other assets	-	25,000	212,628	-	237,628
Due to customers	120	57,441	14,951,761 ²	54,446	15,063,768
<i>Interest rate, RUB</i>	-	-	<i>0.00%-7.90%</i>	<i>0.01%-5.70%</i>	-
<i>Interest rate, USD</i>	-	-	<i>1.38%-0.00%</i>	<i>0.10%-1.20%</i>	
<i>Interest rate, EUR</i>	-	-	-	<i>0.01%-0.10%</i>	
Due to banks and other financial institutions	-	-	9,501,588	-	9,501,588
<i>Interest rate, RUB</i>	-	-	<i>6.10%</i>	-	
Other liabilities	-	-	113,297	972	114,269
Six months of 2019 (revised unaudited data)					
	Parent company	Other related parties	Key management personnel	Total	
Income and expense items					
Interest income	1	263,732	2,497	266,230	
Interest expenses	(117,821)	(235,718)	(1,754)	(355,293)	
Income less expenses for transactions in foreign currency (except for swap transactions for up to 3 days)	83	455,035	70	455,188	
Income less expenses for swap transactions in foreign currency for up to 3 days	-	(1,567,039)	-	(1,567,039)	
Expenses less income from transactions in securities	(359)	39,804	-	39,445	
Fee and commission income	30,273	132,192	7	162,472	
Fee and commission expenses	(59,776)	(111)	(189)	(60,076)	

² Amounts due to customers include RUB 9,247,628 thousand belonging to related parties, residents of other countries (Cyprus, etc.)

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Six months of 2019 (revised unaudited data)	Parent company	Other related parties	Key management personnel	Total
Net expenses for expected credit loss reserves	-	(380)	(376)	(756)
Other administrative expenses, incl. lease	(17,845)	(5311)	(21,561)	(44,717)

The financial result of swap transactions for up to three days amounting to RUB 7,536,480 thousand was excluded from income less expenses of transactions in foreign currency. The indicated financial result has been formed solely due to the specifics of reflection of swap transactions in accounting records and can be observed when there is a significant change in the foreign exchange rate established by the Bank of Russia at the date of settlement of the second part of the transaction relative to the rate established at the date of its first part. The net swap difference for these transactions is RUB 1,567,039 thousand. These transactions were mostly executed entered into so that to acquire liquidity in the currency of the Russian Federation which was subsequently allocated to swap transactions and reverse REPO transactions with NCC, which together give a positive financial result.

Short-term remunerations paid to the key management personnel (salary, social security contributions, annual paid leave) for six months ended 30 June 2019 (unaudited data) amounted to RUB 19,839 thousand. Besides, in the reporting period, a retirement benefit of RUB 1,671 thousand was paid (unaudited data).

No uncollectible receivables were written off from related parties.

During six months ended 30 June 2019, the Group sold securities at fair value through other comprehensive income amounting to RUB 391,692 thousand (unaudited data) to the parent company, as well as purchased securities at fair value through other comprehensive income amounting to RUB 37,155,605 thousand (unaudited data) from other related parties and sold securities amounting to RUB 47,356,456 thousand (unaudited data).

Deputy Chairperson of the Management Board	/signature/	M. G. Rodionova
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Chief Accountant	/signature/	N.V. Kamoyan
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Seal:
BCS Bank AO
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