

PJSC “BANK SAINT PETERSBURG” Group

**International Financial Reporting Standards
Condensed Consolidated Interim Financial
Information and Independent Auditors’ Report
on Review**

30 June 2019

CONTENTS

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

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

Condensed Consolidated Interim Statement of Financial Position	1
Condensed Consolidated Interim Statement of Comprehensive Income	2
Condensed Consolidated Interim Statement of Changes in Equity	4
Condensed Consolidated Interim Statement of Cash Flows	6

Notes to the Condensed Consolidated Interim Financial Information

1	Background	8
2	Operating Environment of the Group	9
3	Basis of preparation of the condensed consolidated interim financial information and summary of significant accounting policies	10
4	Significant Accounting Estimates and Judgments in Applying Accounting Policies	10
5	Transition to New or Amended Standards and Interpretations	13
6	Trading securities including those pledged under repurchase agreements	14
7	Reverse Sale and Repurchase Agreements	17
8	Due from banks	18
9	Loans and Advances to Customers	21
10	Investment Securities, including Securities Pledged under Repurchase Agreements	29
11	Customer Accounts	34
12	Bonds issued	36
13	Other borrowed funds	36
14	Share capital	37
15	Interest Income and Expense	38
16	Earnings per share	39
17	Dividends	39
18	Segment analysis	40
19	Risk Management, Corporate Governance and Internal Control	45
20	Capital management	56
21	Fair value of financial instruments	58
22	Related party transactions	65
23	Consolidation of Companies	68
24	Subsequent events	69



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

To the Shareholders and Supervisory Board PJSC "Bank Saint Petersburg"

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of PJSC "Bank Saint Petersburg" (public joint-stock company) and its subsidiaries (the Group) as at 30 June 2019, and the related condensed consolidated interim statements of other comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes to the condensed consolidated interim financial information (the condensed consolidated interim financial information). Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

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

Reviewed entity PJSC "Bank Saint Petersburg"
Registration No. in the Unified State Register of Legal Entities
1027800000140
Saint Petersburg Russian Federation

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

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

Member of the Self-regulated organization of auditors "Russian Union of auditors" (Association). The Principal Registration Number of the Entry in the Register of Auditors and Audit Organisations No. 11603053203



PJSC "Bank Saint Petersburg"

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

Page 2

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial information as at 30 June 2019, and for the six-month period then ended is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.



Lukashova N.V.

Director

JSC "KPMG"

Moscow, Russian Federation

26 August 2019

PJSC "Bank Saint Petersburg" Group
Condensed Consolidated Interim Statement of Financial Position as at 30 June 2019

<i>(in thousands of Russian roubles)</i>	Note	30 June 2019 (unaudited)	31 December 2018
ASSETS			
Cash and cash equivalents		59 950 782	37 189 219
Mandatory reserve deposits with the Central Bank of the Russian Federation		3 643 716	3 705 423
Trading securities including pledged under repurchase agreement	6	48 669 465	80 647 485
Reverse sale and repurchase agreements	7	87 719 658	88 118 488
Derivative financial assets		4 331 765	6 877 095
Due from banks	8	20 155 455	32 368 148
Loans and advances to customers	9		
- loans and advances to legal entities		234 258 989	252 761 437
- loans and advances to individuals		95 144 251	86 022 149
Investment securities, including those pledged under repurchase agreements	10	76 173 462	56 772 409
Investment property		7 408 274	7 311 932
Premises, equipment, intangible assets and assets in the form of right of use		14 504 392	14 182 855
Other assets		4 541 894	7 036 447
Long-term assets held-for-sale		1 045 447	410 402
TOTAL ASSETS		657 547 550	673 403 489
LIABILITIES			
Due to banks		158 870 153	147 818 484
Customer accounts	11	393 252 525	406 788 833
Financial liabilities at fair value		4 135 279	12 116 372
Derivative financial liabilities		5 396 978	2 939 196
Bonds issued	12	6 103 637	13 806 545
Promissory notes and deposit certificates issued		6 559 715	7 977 065
Other borrowed funds	13	1 466 450	1 465 719
Other liabilities		5 048 696	4 837 620
TOTAL LIABILITIES		580 833 433	597 749 834
EQUITY			
Share capital	14	3 781 734	3 781 734
Share premium		24 513 878	24 513 878
Treasury shares repurchased from shareholders		(659 991)	(659 991)
Revaluation reserve for premises		3 542 519	3 651 455
Revaluation reserve for investment securities		584 287	374 497
Foreign currency translation reserve		(18 898)	2 047
Retained earnings		44 611 612	42 903 490
TOTAL EQUITY ATTRIBUTABLE TO:			
SHAREHOLDERS OF THE BANK		76 355 141	74 567 110
NON-CONTROLLING INTEREST		358 976	1 086 545
TOTAL EQUITY		76 714 117	75 653 655
TOTAL LIABILITIES AND EQUITY		657 547 550	673 403 489

Approved for issue and signed on behalf of the Management Board on 26 August 2019.

A.V. Savelyev
Chairman of the Management Board

N.V. Tumasyan
Acting Chief Accountant

PJSC "Bank Saint Petersburg" Group
Condensed Consolidated Interim Statement of Comprehensive Income for 6 months ended 30 June 2019

<i>(in thousands of Russian roubles)</i>	Notes	6 months ended 30 June 2019 (unaudited)	6 months ended 30 June 2018 (unaudited)
Interest income calculated using the effective interest method	15	22 249 844	20 009 123
Other interest income	15	2 170 919	2 286 440
Interest expense	15	(12 481 619)	(11 386 649)
Contributions to the deposit insurance system	15	(881 383)	(598 900)
Net interest income		11 057 761	10 310 014
Allowance for expected credit losses on debt financial assets		(3 206 796)	(3 616 527)
Net interest income after allowance for expected credit losses on debt financial instruments		7 850 965	6 693 487
Net losses from trading securities		(648 236)	(714 623)
Net gains from investment securities		49 549	480 428
Net gains from trading in foreign currencies, foreign exchange revaluation and from transactions with derivatives		487 021	2 081 300
Fee and commission income		4 062 774	3 407 564
Fee and commission expense		(764 620)	(681 172)
Allowance for credit related commitments and non-financial liabilities		(90 744)	(112 975)
Net loss from reflection of financial assets at fair value on initial recognition		(255 529)	-
Net gain on revaluation of loans at fair value through profit or loss		-	382 234
Other net operating income		542 852	654 558
Administrative and other operating expenses:			
- staff costs		(3 383 080)	(3 276 361)
- costs related to premises and equipment		(1 023 510)	(860 367)
- other administrative and operating expenses		(2 550 455)	(2 540 103)
Profit before tax		4 276 987	5 513 970
Income tax expense		(805 310)	(1 124 018)
Profit for the period attributable to:			
Shareholders of the Bank		3 471 958	4 344 838
Non-controlling interest		(281)	45 114
Profit for the period		3 471 677	4 389 952

PJSC "Bank Saint Petersburg" Group
Condensed Consolidated Interim Statement of Comprehensive Income for 6 months ended 30 June 2019

<i>(in thousands of Russian roubles)</i>	Note	6 months ended 30 June 2019 (unaudited)	6 months ended 30 June 2018 (unaudited)
Other comprehensive income (loss)			
<i>Items of comprehensive income (loss) that are or will be reclassified subsequently to profit or loss</i>			
Revaluation result and allowance for expected credit losses from investment securities measured at fair value through other comprehensive income transferred to profit or loss upon disposal		(22 945)	(533 450)
Net result from revaluation of investment securities measured at fair value through other comprehensive income		297 900	252 373
Deferred income tax recognized in equity related to components of other comprehensive income		(65 165)	45 611
Exchange differences on translation		(20 945)	(2 124)
<i>Components of comprehensive income (loss) that are not or will not be reclassified to profit or loss</i>			
Result of disposal of equity securities measured through other comprehensive income		91 244	-
Other comprehensive income (loss) for the period after tax		280 089	(237 590)
Total comprehensive income for the period attributable to:			
Shareholders of the Bank		3 752 047	4 107 248
Non-controlling interest		(281)	45 114
Total comprehensive income for the period		3 751 766	4 152 362
Basic and diluted earnings per share (in Russian roubles per share)	16	7,12	8,69


A.V. Savelyev
Chairman of the Management Board




N.V. Tumasyan
Acting Chief Accountant

PJSC "Bank Saint Petersburg" Group
Condensed Consolidated Interim Statement of Changes in Equity for 6 months ended 30 June 2019

<i>(in thousands of Russian roubles)</i>	Note	Share capital	Share premium	Revaluation reserve for premises and equipment	Revaluation reserve for investment securities	Foreign currency translation reserve	Retained earnings	Total equity attributable to the shareholders of the Bank	Non-controlling interest	Total equity
Balance as at 1 January 2018, restated with the consideration of the effect of transition to IFRS 9		3 781 734	24 513 878	3 651 455	1 422 218	(1 451)	34 777 937	68 145 771	590 392	68 736 163
Other comprehensive loss recognised directly in equity (unaudited)		-	-	-	(235 466)	(2 124)	-	(237 590)	-	(237 590)
Profit for the period (unaudited)		-	-	-	-	-	4 344 838	4 344 838	45 114	4 389 952
Total comprehensive income for 6 months of 2018 (unaudited)		-	-	-	(235 466)	(2 124)	4 344 838	4 107 248	45 114	4 152 362
Dividends declared (unaudited)										
- ordinary shares	17	-	-	-	-	-	(809 277)	(809 277)	-	(809 277)
- preference shares	17	-	-	-	-	-	(2 211)	(2 211)	-	(2 211)
Sale of subsidiary		-	-	-	-	-	-	-	(46 491)	(46 491)
Balance as at 30 June 2018 (unaudited)		3 781 734	24 513 878	3 651 455	1 186 752	(3 575)	38 311 287	71 441 531	589 015	72 030 546

PJSC "Bank Saint Petersburg" Group
Condensed Consolidated Interim Statement of Changes in Equity for 6 months ended 30 June 2019

<i>(in thousands of Russian roubles)</i>	Note	Share capital	Share premium	Treasury shares repurchased from shareholders	Revaluation reserve for premises and equipment	Revaluation reserve for investment securities	Foreign currency translation reserve	Retained earnings	Total equity attributable to the shareholders of the Bank	Non-controlling interest	Total equity
Balance as at 1 January 2019		3 781 734	24 513 878	(659 991)	3 651 455	374 497	2 047	42 903 490	74 567 110	1 086 545	75 653 655
Other comprehensive income (loss) recognised directly in equity (unaudited)		-	-	-	(108 936)	209 790	(20 945)	200 180	280 089	-	280 089
Profit for the period (unaudited)		-	-	-	-	-	-	3 471 958	3 471 958	(281)	3 471 677
Total comprehensive income for 6 months of 2019 (unaudited)		-	-	-	(108 936)	209 790	(20 945)	3 672 138	3 752 047	(281)	3 471 766
Dividends declared (unaudited)											
- ordinary shares	17	-	-	-	-	-	-	(1 808 826)	(1 808 826)	-	(1 808 826)
- preference shares	17	-	-	-	-	-	-	(2 211)	(2 211)	-	(2 211)
Redistribution of minority interest due to share repurchase from shareholders		-	-	-	-	-	-	(152 979)	(152 979)	(727 288)	(880 267)
Balance as at 30 June 2019 (unaudited)		3 781 734	24 513 878	(659 991)	3 542 519	584 287	(18 898)	44 611 612	76 355 141	358 976	76 714 117

A.V. Savelyev
Chairman of the Management Board



N.V. Tumasyan
Acting Chief Accountant

PJSC "Bank Saint Petersburg" Group**Condensed Consolidated Interim Statement of Cash Flows for 6 months ended 30 June 2019**

	6 months ended 30 June 2019 (unaudited)	6 months ended 30 June 2018 (unaudited)
<i>(in thousands of Russian roubles)</i>		
Cash flows from operating activities		
Interest received on loans and correspondent accounts	17 907 126	15 612 023
Interest received on securities	4 185 299	3 979 362
Interest received on reverse sale and repurchase agreements	2 019 286	1 499 590
Interest paid on due to banks	(4 087 430)	(4 490 673)
Interest paid on customer accounts	(7 226 988)	(6 502 753)
Contributions to the deposit insurance system	(881 383)	(598 900)
Interest paid on other debt securities issued	(204 844)	(135 267)
Net losses from securities trading	(179 536)	(315 418)
Net gains (losses) from trading in foreign currencies and from transactions with derivatives	10 308 971	(1 842 205)
Fees and commissions received	4 172 863	3 419 021
Fees and commissions paid	(764 620)	(681 172)
Other operating income	894 465	726 206
Expenses under loyalty programs	(223 124)	(185 352)
Staff costs	(3 305 184)	(3 339 465)
Premises and equipment costs	(525 105)	(369 054)
Administrative and other operating expenses	(2 518 278)	(2 469 726)
(Paid) recovered income tax	(593 023)	88 084
Cash flows received from operating activities before changes in operating assets and liabilities	18 978 495	4 394 301
Changes in operating assets and liabilities		
Net decrease (increase) in mandatory reserve deposits with the Central Bank of the Russian Federation	61 707	(181 167)
Net decrease (increase) under trading securities including pledged under repurchase agreement	30 914 625	(46 317 256)
Net (increase) decrease under reverse sale and repurchase agreements	(4 861 103)	34 247 476
Net decrease in due from banks	12 180 743	11 090 392
Net (increase) decrease in loans and advances to customers	(466 160)	1 658 085
Net decrease (increase) in other assets	1 371 695	(114 571)
Net increase (decrease) in due to banks	14 136 377	(168 315)
Net decrease in customer accounts	(4 320 763)	(3 613 272)
Net decrease in financial liabilities at fair value	(7 981 093)	(7 630 568)
Net decrease in other debt securities issued	(964 883)	(330 396)
Net decrease in other liabilities	(760 892)	(1 435 914)
Net cash received from (used in) operating activities	58 288 748	(8 401 205)
Cash flows from investing activities		
Acquisition of premises and equipment and intangible assets	(317 548)	(369 107)
Proceeds from disposal of premises and equipment and intangible assets	163 253	9 998
Net (increase) decrease in investment securities, including pledged under repurchase agreement	(21 603 655)	10 917 717
Net proceeds from disposal of investment securities	49 046	414 058
Proceeds from sale of investment property	-	820 611
Acquisition of long-term assets held-for-sale	(610 434)	-
Proceeds from sale of a subsidiary	-	17 949
Dividends received	2 015	1 591
Net cash (used in) received from investing activities	(22 317 323)	11 812 817

PJSC "Bank Saint Petersburg" Group

Condensed Consolidated Interim Statement of Cash Flows for 6 months ended 30 June 2019

	6 months ended 30 June 2019 (unaudited)	6 months ended 30 June 2018 (unaudited)
<i>(in thousands of Russian roubles)</i>		
Cash flows from financing activities		
Repayment of other borrowed funds	-	(444 556)
Redemption of bonds issued	(8 284 455)	(854 599)
Interest paid on bonds issued	(673 536)	(470 691)
Interest paid on other borrowed funds	(46 731)	(51 620)
Dividends paid	(1 800 712)	(808 748)
Lease commitments	(187 941)	-
Net cash used in financing activities	(10 993 375)	(2 630 214)
Effects of exchange rate changes on cash and cash equivalents	(2 216 487)	772 417
Net increase in cash and cash equivalents	22 761 563	1 553 815
Cash and cash equivalents at the beginning of the period	37 189 219	39 198 510
Cash and cash equivalents at the end of the period	59 950 782	40 752 325

A.V. Savelyev
Chairman of the Management Board



N.V. Tumasyan
Acting Chief Accountant

1 Background

This condensed consolidated interim financial information for the six-month period ended 30 June 2019 for PJSC “Bank “Saint Petersburg” (the “Bank”) and its subsidiaries, together referred to as the “Group” or PJSC “Bank “Saint Petersburg” Group is prepared in accordance with International Financial Reporting Standards. A list of subsidiaries is provided in Note 23.

The Bank was formed in 1990 as an open joint stock company under the Laws of the Russian Federation as a result of the corporatization of the former Leningrad regional office of Zhilsotsbank. In 2014 the Bank was reorganised from Open Joint-Stock Company “Bank “Saint Petersburg” to Public Joint-Stock Company “Bank “Saint Petersburg” following the decision made at the extraordinary General Shareholders' Meeting.

As at 30 June 2019, management of the Bank controls 50.66% of the ordinary shares of the Bank (31 December 2018: 50.61%), of which: 24.95% of the Bank's ordinary shares are controlled by Mr. A.V. Savelyev (31 December 2018: 24.95%), 25.71% are controlled by the management of the Bank, including 25.53% of the Bank's ordinary shares controlled by LLC “Vernye Druzya” Management Company” (31 December 2018: 25.66% were controlled by management of the Bank, including 25.53% of the ordinary shares of the Bank controlled by “Vernye Druzya” Management Company”, LLC). NOROYIA ASSETS LIMITED, ZERILOD HOLDINGS LIMITED and CARISTAS LIMITED companies own 26.58% of the share capital of LLC “Vernye Druzya” Management Company” each (31 December 2018: NOROYIA ASSETS LIMITED, ZERILOD HOLDINGS LIMITED and CARISTAS LIMITED owned 26.58% of the share capital of LLC “Vernye Druzya” Management Company” each).

Mrs O.A. Savelyeva owns indirectly 19.95% in LLC “Vernye Druzya” Management Company” and has a perpetual option to purchase a 100% interest in NOROYIA ASSETS LIMITED, ZERILOD HOLDINGS LIMITED, CARISTAS LIMITED companies (31 December 2018: Mrs. O.A. Savelyeva owned indirectly 19.95% in LLC “Vernye Druzya” Management Company” and had a perpetual option to purchase a 100% interest in the share capital of NOROYIA ASSETS LIMITED, ZERILOD HOLDINGS LIMITED, CARISTAS LIMITED companies). The ultimate owners of NOROYIA ASSETS LIMITED, ZERILOD HOLDINGS LIMITED, CARISTAS LIMITED are the following representatives of the Bank's Management: K.B. Mironova, P.V. Filimonenok, V.G. Reutov (31 December 2018: the ultimate owners of NOROYIA ASSETS LIMITED, ZERILOD HOLDINGS LIMITED, CARISTAS LIMITED were the following representatives of the Bank's Management: K.B. Mironova, P.V. Filimonenok, V.G. Reutov).

The remaining ordinary shares of the Bank are owned as follows: 5.52% of the ordinary shares are owned by East Capital Group (31 December 2018: 5.84%), 4.83% of the ordinary shares are owned by the EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT (EBRD) (31 December 2018: 4.83%).

The remaining 36.59% of the ordinary shares are widely held (31 December 2018: 36.32%).

As at 30 June 2019, the Bank's own ordinary shares acquired by the Decision of the Supervisory Board dated 2 August 2018 in accordance with Article 72 of the Federal Law “On Joint Stock Companies” represented 2.40% of the total number of ordinary shares (31 December 2018: 2.40%). Shares acquired by the Bank do not give the right to vote and are not taken into account when counting votes.

Principal activity. The Bank's principal business activity is commercial banking operations within the Russian Federation. The Bank has been operating under a general banking license issued by the Central Bank of the Russian Federation (the “CBRF”) since 1997. The Bank takes part in the state deposit insurance system introduced by Federal Law No.177-FZ dated 23 December 2003 *On Retail Deposit Insurance in the Russian Federation*. The state deposit insurance system guarantees payment in the amount of 100% of total deposits placed with the bank, but limited to RUR 1 400 000, in the event the bank's license is revoked or the CBRF imposes a moratorium on payments.

1 Background (continued)

As at 30 June 2019, the Bank had 4 branches within the Russian Federation: 3 branches in the North-West region of Russia and 1 branch in Moscow, 59 outlets (31 December 2018: 4 branches within the Russian Federation; 3 branches in the North-West region of Russia and 1 branch in Moscow, 60 outlets).

Registered address and place of business. The Bank's registered address and place of business is: 64A Malookhtinskiy prospekt, Saint-Petersburg, Russia 195112.

Presentation currency of the condensed consolidated interim financial information. This condensed consolidated interim financial information is presented in thousands of Russian roubles (hereinafter — RUB thousand).

2 Operating Environment of the Group

The first half of 2019 for the Russian economy was characterized by a slowdown in economic growth. Low investment activity and restrained consumer growth were observed in Russia due to the decline in real disposable income of the population. Decrease in economic activity in the country in the first quarter is due to, among other things, the increase in the VAT rate from 18% to 20% from 1 January 2019, as well as the acceleration of inflation. At the same time, there was a pause in the normalization of monetary policy of key central banks of the world and growing expectations of its mitigation, and the slowdown in growth in developing countries was suspended. At the same time, the risks of slowing down the global economy due to trade conflicts remained. According to the Ministry of Economic Development, the Russian economy grew by 0.7% per annum in January-May 2019 (2018: 2.3%).

Inflation in Russia accelerated in the first quarter of the year, reaching a maximum in March (5.3% YoY), after which it began to decline, slowing down to 4.7% YoY at the end of June. Decrease in consumer price growth rates was facilitated by the strengthening of the Russian currency against the US dollar, exhaustion of the effect of VAT increase, as well as stabilization of fuel prices. At the same time, food inflation was growing, while inflation expectations remained high.

With inflation falling faster than forecast, inflation risks decreasing and the ruble strengthening, the Central Bank of the Russian Federation in June 2019 switched to the easing of the monetary policy, reducing the key rate by 25 b.p. to 7.5%.

In the first quarter of 2019, a number of draft laws introducing new sanctions against Russia were submitted to the U.S. Congress for consideration, but initiatives in the first half of the year did not develop. Despite the continuing sanctions threat, the volume of foreign investors' investments in Russian assets increased significantly. Thus, in the first quarter, the Ministry of Finance placed federal loan bonds in the amount of RUB 514 billion, in the second quarter the Ministry of Finance placed federal loan bonds in the amount of RUB 888 billion. The actual volume of placements surpassed the plan, and in these conditions the agency returned to setting limits on the supply of federal loan bonds.

All this time, the budget rule remained in force, under which the Central Bank of the Russian Federation in the interests of the Ministry of Finance buys foreign currency in the amount of additional oil and gas revenues of the federal budget in excess of the URALS oil price of 41.6 dollars per barrel. From August to December 2018, the Central Bank of the Russian Federation did not buy foreign currency and within the framework of the budget rule gave it to the Ministry of Finance from its own reserves. From February 2019, in order to compensate for the volume of currency transactions from August to December, the Central Bank of the Russian Federation increased the planned volume of currency purchases for the Ministry of Finance by RUB 2.8 billion per day. However, due to the seasonally strong current account of the balance of payments and high demand for Russian assets, this did not exert a significant pressure on the Russian currency.

The situation in the domestic financial markets stabilized after an episode of significant increase in volatility in December 2018. The US dollar exchange rate in the first half of 2019 was in the range of RUB/USD 62.6-68.6, the average price of URALS oil was USD 65.7 per barrel. Due to the increase in oil prices, the Moscow Exchange index for January-June 2019 increased by 16.7% and the RTS index increased by 29.2%.

2 Operating Environment of the Group (continued)

The legal, tax and regulatory frameworks continue to develop, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Russian Federation. The recent declines in the capital and credit markets have also led to further economic uncertainty. In general, the current state of the economic environment in which the Group operates is characterized by a significant increase in risks of various nature and general uncertainty limiting the strategic horizon of economic entities and the aggregate appetite for risk.

The condensed consolidated interim financial information reflects management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. Subsequent changes in the business environment may differ from management's assessment.

The Group management believes it is taking appropriate measures to support the Group in maintaining its economic stability in current circumstances.

3 Basis of preparation of the condensed consolidated interim financial information and summary of significant accounting policies

Basis of preparation. As permitted by IAS 34 *Interim Financial Reporting*, an entity may decide to provide less information at interim dates as compared to its annual financial statements. This condensed consolidated interim financial information is prepared in accordance with IAS 34.

The accounting policies and methods of calculation applied in the preparation of this condensed consolidated interim financial information are consistent with those disclosed in the Group's annual consolidated financial statements for the year ended 31 December 2018, except as described in Note 4, which relates to the application of IFRS 16. This condensed consolidated interim financial information of the Group does not contain all the information required for complete annual consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS).

The preparation of this condensed consolidated interim financial information in conformity with IAS 34 requires management of the Group to make estimates and exercise professional judgement. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to this condensed consolidated interim financial information are disclosed in Note 4.

This condensed consolidated interim financial information is prepared under the historical cost accounting, with exception on initial recognition of financial instruments at fair value and revaluation of premises, trading securities, investment securities and derivative financial instruments measured at fair value.

The Group's operations are not of a seasonal or cyclical nature.

As at 30 June 2019, the official exchange rates used for translating foreign currency balances are 63.0756 RUB/USD and 71.8179 RUB/EUR (31 December 2018: 69.4706 RUB/USD and 79.4605 RUB/EUR).

4 Significant Accounting Estimates and Judgments in Applying Accounting Policies

The Group makes estimates and assumptions that affect the amounts of assets and liabilities recognised in the condensed consolidated interim financial information. Estimates and judgments are continually reassessed and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes professional judgments and estimates in the process of applying the accounting policies.

Judgements that have the most significant effect on the amounts recognised in the condensed consolidated interim financial information and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the current financial year were similar to those applied in the Group's consolidated financial statements for the year ended 31 December 2018, except for the aspects described below. These changes in accounting policies are also expected to be recognised in the Group's consolidated financial statements as at 31 December 2019. A number of new standards, which became effective from 1 January 2019, do not have a significant impact on the condensed consolidated interim financial information of the Group.

The Group has adopted **IFRS 16 Leases** from 1 January 2019.

Right of use assets and lease liabilities. IFRS 16 introduced a single, on-balance sheet accounting model for lessees. According to this model, the lessee shall recognise right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments.

The Group applied IFRS 16 using a modified approach and, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations.

Definition of a lease. Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 *Determining Whether an Arrangement Contains a Lease*. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease.

Under IFRS 16, a contract is a lease or contains a lease relationship if the contract conveys the right to control the use of an identified asset for a specified period of time in exchange for consideration.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

Changes in accounting policy introduced by IFRS 16 Leases. The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

However, the Group has elected not to recognise right-of-use assets and lease liabilities for some leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Right-of-use assets and lease liabilities are disclosed in lines “Premises, equipment, intangible assets and assets in the form of right of use” and “Other liabilities” in the relevant condensed consolidated interim statement of financial position of the Group.

The carrying amounts of right-of-use assets (before amortisation) are as below (unaudited).

(in thousands of Russian rubles)

Balance at 1 January 2019	776 855
Balance at 30 June 2019	775 906

The Group leases a number of properties classified as investment property. The Group classified these leases as operating leases.

The accounting policies applicable to the Group as a lessor do not differ from those applicable to IAS 17.

5 Transition to New or Amended Standards and Interpretations

The Group is not required to make any adjustments when transitioning to IFRS 16 for leases in which it acts as a lessor.

Transition to IFRS 16 Leases. The Group has adopted IFRS 16 Leases from 1 January 2019.

The main adjustments to the accounting policy of the Group related to the application of IFRS 16 are as follows:

At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019.

Right-of-use assets are measured at an amount equal to the lease liability less any previous lease payments. The approach is applied to all real estate leases.

The Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term;
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application;
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

On transition to IFRS 16, the Group recognised additional right-of-use assets, and additional lease liabilities, without recognising the impact on retained earnings.

In estimating lease liabilities for leases classified as operating leases, the Group discounted the lease payments using its incremental borrowing rate as at 1 January 2019. The weighted average rate applied is 8.75%.

Below is the comparison of contractual obligations under operating lease with recognised obligation under IFRS 16:

<i>(in thousands of Russian rubles)</i>	(unaudited)
Future lease payments under operating leases as at 31 December 2018	974 519
Future lease payments discounted using the incremental borrowing rate	792 255
Recognition exemption for leases of low-value assets and for leases with less than 12 months of lease term	(15 400)
Lease liabilities recognised at 1 January 2019	776 855

6 Trading securities including those pledged under repurchase agreements

<i>(in thousands of Russian roubles)</i>	30 June 2019 (unaudited)	31 December 2018
Debt trading securities		
Coupon bonds of the Bank of Russia	10 509 073	22 083 220
Corporate bonds	3 752 833	5 307 043
Corporate Eurobonds	2 852 921	2 419 246
Federal loan bonds	339 569	68 124
Municipal bonds	11 467	-
Eurobonds of the Russian Federation	-	159 468
Total debt trading securities	17 465 863	30 037 101
Equity securities	551 104	749 329
Total trade securities	18 016 967	30 786 430
Debt trading securities pledged under repurchase agreements		
Coupon bonds of the Bank of Russia	16 784 517	25 276 629
Corporate bonds	12 099 078	19 580 485
Corporate Eurobonds	1 004 153	4 910 791
Federal loan bonds	764 750	-
Total debt trading securities pledged under repurchase agreements	30 652 498	49 767 905
Equity securities	-	93 150
Total trading securities pledged under repurchase agreements	30 652 498	49 861 055
Total trading securities including those pledged under repurchase agreements	48 669 465	80 647 485

As at 30 June 2019, debt trading securities, including those pledged under repurchase agreements, are measured at fair value, which also reflects the credit risk associated with these securities (31 December 2018: at fair value).

The Group's debt securities are divided by the level of credit risk on the basis of averaging the values of credit ratings of issuers (in their absence - the credit ratings of debt securities issues), assigned by the international rating agencies Moody's, S&P and Fitch, in the absence of ratings from international rating agencies for Russian issuers ratings from ACRA are used:

Group A - securities of issuers with an average credit rating not lower than "BBB-".

Group B - securities of issuers with an average credit rating between "BB-" and "BB+".

6 Trading securities including those pledged under repurchase agreements (continued)

Group C - securities of issuers with an average credit rating between "B-" and "B+".

Group D - non-default securities of issuers with an average credit rating lower than "B-" or not rated.

The following table provides an analysis of debt trading securities and debt trading securities pledged under repurchase agreements by credit quality as at 30 June 2019 (unaudited):

<i>(in thousands of Russian roubles)</i>	Coupon bonds of the Bank of Russia	Corporate bonds	Corporate Eurobonds	Federal loan bonds	Municipal bonds	Total
Debt trading securities						
Not overdue or impaired						
Group A	10 509 073	3 583 282	2 115 449	339 569	11 467	16 558 840
Group B	-	169 551	737 472	-	-	907 023
Total debt trading securities	10 509 073	3 752 833	2 852 921	339 569	11 467	17 465 863
Debt trading securities pledged under repurchase agreements						
Not overdue or impaired						
Group A	16 784 517	4 876 584	1 004 153	764 750	-	23 430 004
Group B	-	7 222 494	-	-	-	7 222 494
Total debt trading securities pledged under repurchase agreements	16 784 517	12 099 078	1 004 153	764 750	-	30 652 498
Total debt trading securities, including those pledged under repurchase agreements	27 293 590	15 851 911	3 857 074	1 104 319	11 467	48 118 361

6 Trading securities including those pledged under repurchase agreements (continued)

The following table provides an analysis of debt trading securities and debt trading securities pledged under repurchase agreements by credit quality as at 31 December 2018:

<i>(in thousands of Russian roubles)</i>	Coupon bonds of the Bank of Russia	Corporate bonds	Corporate Eurobonds	Eurobonds of the Russian Federation	Federal loan bonds	Total
Debt trading securities						
Not overdue or impaired						
Group A	22 083 220	3 461 953	2 176 508	159 468	68 124	27 949 273
Group B	-	1 658 280	-	-	-	1 658 280
Group C	-	33 290	-	-	-	33 290
Group D	-	153 520	242 738	-	-	396 258
Total debt trading securities	22 083 220	5 307 043	2 419 246	159 468	68 124	30 037 101
Debt trading securities pledged under repurchase agreements						
Not overdue or impaired						
Group A	25 276 629	6 436 442	4 492 707	-	-	36 205 778
Group B	-	13 144 043	418 084	-	-	13 562 127
Total debt trading securities pledged under repurchase agreements	25 276 629	19 580 485	4 910 791	-	-	49 767 905
Total debt trading securities, including those pledged under repurchase agreements	47 359 849	24 887 528	7 330 037	159 468	68 124	79 805 006

The Bank is licensed by the Federal Financial Markets Service of the Russian Federation to carry out operations with securities.

Securities provided or sold under sale agreements with an obligation to repurchase are transferred to a third party as collateral for the funds raised. These financial assets may be re-pledged or sold by counterparties in the absence of a case of non-fulfillment by the Group of their obligations, but the counterparty undertakes to return the securities upon expiration of the contract. The Group determined that it retains virtually all the risks and rewards of ownership of these securities, and thus does not derecognise them.

These transactions are conducted under conditions that are common and customary for standard lending, borrowing and lending of securities, as well as in accordance with the requirements set by the exchanges, where the Group acts as an intermediary.

Analysis of trading securities, including those pledged under repurchase agreements, by currency structure, maturity is presented in Note 19.

7 Reverse Sale and Repurchase Agreements

<i>(in thousands of Russian roubles)</i>	30 June 2019 (unaudited)	31 December 2018
Reverse sale and repurchase agreements with banks	71 378 778	74 719 249
Reverse sale and repurchase agreements with customers	16 340 880	13 399 239
Total reverse sale and repurchase agreements	87 719 658	88 118 488

As at 30 June 2019, securities purchase agreements subject to repurchase were agreements concluded with customers and banks that were secured with federal loan bonds, corporate Eurobonds, corporate bonds (31 December 2018: federal bonds, corporate Eurobonds, corporate bonds).

As at 30 June 2019, the Group had 3 counterparties with aggregated balances under sale and repurchase agreements exceeding 10% of equity of the Group (31 December 2018: 4 counterparties). As at 30 June 2019, the aggregate amount under these agreements with these counterparties was RUB 69 966 617 thousand (31 December 2018: RUB 86 825 624 thousand).

As at 30 June 2019, the fair value of securities pledged under securities purchase agreements subject to repurchase was RUB 93 578 755 thousand (31 December 2018: 98 942 480 thousand), of which pledged under sale and repurchase agreements are securities with a fair value of RUB 13 665 526 thousand (31 December 2018: RUB 36 582 884 thousand), as at 30 June 2019, the Group sold securities with the fair value of RUB 4 135 279 thousand (31 December 2018: the Group sold securities with the fair value of RUB 12 116 372 thousand). In all cases, the amount of collateral for individual transactions is equal to or exceeds the amount of debt under the transaction.

Securities reverse sale and repurchase agreements are not overdue or impaired.

An analysis of securities purchase contracts subject to resale by currency structure and maturity is presented in Note 19.

8 Due from banks

<i>(in thousands of Russian roubles)</i>	30 June 2019 (unaudited)	31 December 2018
Term placements with banks	20 166 885	32 423 081
Allowance for expected credit losses	(11 430)	(54 933)
Total due from banks	20 155 455	32 368 148

As at 30 June 2019, the Group had 1 counterparty with aggregated loan balances each exceeding 10% of equity of the Group (31 December 2018: 2 counterparties). As at 30 June 2019, the aggregate amount of loans issued to this counterparty was RUB 16 110 109 thousand (31 December 2018: RUB 22 452 022 thousand).

During 6 months ended 30 June 2019 and during 6 months ended 30 June 2018, there were no transfers between the stages of impairment of due from banks.

Below is the analysis of changes in allowance for expected credit losses during 6 months ended 30 June 2019 (unaudited):

<i>(in thousands of Russian roubles)</i>	12-month ECLs	Lifetime expected credit losses- non-impaired assets	Lifetime expected credit losses- impaired assets	Purchased or originated credit impaired assets	Total
Allowance for expected credit losses as at 1 January	54 933	-	-	-	54 933
New assets received or acquired	28 231	-	-	-	28 231
Disposal of the allowance due to the repayment of loans	(71 734)	-	-	-	(71 734)
Total allowance for expected credit losses as at 30 June	11 430	-	-	-	11 430

8 Due from banks (continued)

Below is the analysis of changes in allowance for expected credit losses during 6 months ended 30 June 2018 (unaudited):

<i>(in thousands of Russian roubles)</i>	12-month ECLs	Lifetime expected credit losses - non-impaired assets	Lifetime expected credit losses - impaired assets	Purchased or originated credit impaired assets	Total
Allowance for expected credit losses as at 1 January	729	-	-	-	729
New assets received or acquired	47 756	-	-	-	47 756
Disposal of the allowance due to the repayment of loans	(729)	-	-	-	(729)
Total allowance for expected credit losses as at 30 June	47 756	-	-	-	47 756

As at 30 June 2019 and 31 December 2018, term deposits are divided by credit quality depending on the credit rating of the credit institution assigned by Moody's, S&P and Fitch rating agencies (in their absence for Russian credit institutions the ratings from ACRA are used):

Group A - credit institutions with an average credit rating not lower than "BBB-".

Group B - credit institutions with an average credit rating between "BB-" and "BB+."

Group C - credit institutions with an average credit rating between "B-" and "B+."

Group D - non-default credit institutions with an average rating lower than "B-" or without ratings.

The table below contains the analysis by credit quality of amounts due from banks measured at amortised cost and the related allowances for expected credit losses as at 30 June 2019 (unaudited):

<i>(in thousands of Russian roubles)</i>	12-month ECLs	Lifetime expected credit losses - non- impaired assets	Lifetime expected credit losses - impaired assets	Purchased or originated credit impaired assets	Total
Group A	16 630 311	-	-	-	16 630 311
Group B	2 525 363	-	-	-	2 525 363
Group D	1 011 211	-	-	-	1 011 211
Total gross carrying value of due from banks	20 166 885	-	-	-	20 166 885
Expected credit losses allowance	(11 430)	-	-	-	(11 430)
Total due from banks	20 155 455	-	-	-	20 155 455

8 Due from banks (continued)

The table below contains the analysis by credit quality of amounts due from banks measured at amortised cost and the related allowances for expected credit losses as at 31 December 2018:

<i>(in thousands of Russian roubles)</i>	12-month ECLs	Lifetime expected credit losses - non- impaired assets	Lifetime expected credit losses - impaired assets	Purchased or originated credit impaired assets	Total
Group A	8 970 642	-	-	-	8 970 642
Group B	20 194 201	-	-	-	20 194 201
Group C	2 856 956	-	-	-	2 856 956
Group D	401 282	-	-	-	401 282
Total gross carrying value of due from banks	32 423 081	-	-	-	32 423 081
Expected credit losses allowance	(54 933)	-	-	-	(54 933)
Total due from banks	32 368 148	-	-	-	32 368 148

Loans to banks are unsecured. Loans to banks are not past due or impaired.

The analyses of due from banks by currency structure and maturity is presented in Note 19.

9 Loans and Advances to Customers

<i>(in thousands of Russian roubles)</i>	30 June 2019 (unaudited)	31 December 2018
<i>Loans measured at amortised cost</i>		
Loans to legal entities		
- loans to finance working capital	157 359 826	166 532 253
- investment loans	84 167 686	97 325 766
- loans to entities financed by the government	23 018 678	20 594 945
Loans to individuals		
- mortgage loans	65 911 161	59 978 042
- car loans	4 374 446	3 539 665
- consumer loans to VIP clients	5 065 566	5 381 120
- other consumer loans	23 683 171	20 837 495
Allowance for expected credit losses	(36 278 425)	(36 500 280)
<i>Loans to legal entities measured at fair value</i>		
Loans to corporate customers	2 101 131	1 094 580
Total loans and advances to customers	329 403 240	338 783 586

9 Loans and Advances to Customers (continued)

Below is the analysis of changes in allowance for expected credit losses during 6 months ended 30 June 2019 (unaudited):

<i>(in thousands of Russian roubles)</i>	12-month ECLs	Lifetime expected credit losses - non-impaired assets	Lifetime expected credit losses - impaired assets	Purchased or originated credit impaired assets	Total
Allowance for expected credit losses as at 1 January	4 733 948	3 711 739	27 459 601	594 992	36 500 280
Transfer to 12-month expected credit losses	109 114	(25 192)	(83 922)	-	-
Transfer to lifetime expected credit losses - non-impaired assets	(612 662)	637 563	(24 901)	-	-
Transfer to lifetime expected credit losses - impaired assets	(4 587)	(132 419)	137 006	-	-
New assets received or acquired	1 015 356	-	-	-	1 015 356
Net charge for creation/(recovery) of allowance for expected credit losses	(559 864)	2 683 853	1 289 894	468 785	3 882 668
Disposal of the allowance due to the repayment of loans	(1 118 813)	(49 068)	(432 823)	-	(1 600 704)
Disposal of discount in respect of ECL present value	-	-	588 815	-	588 815
Amounts written-off as non-recoverable during the period	-	-	(4 058 157)	-	(4 058 157)
Loans and advances to customers sold during the period as non-recoverable	-	-	(49 833)	-	(49 833)
Total allowance for expected credit losses as at 30 June	3 562 492	6 826 476	24 825 680	1 063 777	36 278 425

Below is the analysis of changes in allowance for expected credit losses during 6 months ended 30 June 2018 (unaudited) :

<i>(in thousands of Russian roubles)</i>	12-month ECLs	Lifetime expected credit losses - non-impaired assets	Lifetime expected credit losses - impaired assets	Purchased or originated credit impaired assets	Total
Allowance for expected credit losses as at 1 January	6 042 576	4 699 450	24 092 065	277 570	35 111 661
Transfer to 12-month expected credit losses	295 727	(208 052)	(87 675)	-	-
Transfer to lifetime expected credit losses - non-impaired assets	(628 236)	645 578	(17 342)	-	-
Transfer to lifetime expected credit losses - impaired assets	(115 249)	(379 037)	494 286	-	-
New assets received or acquired	1 063 639	-	-	-	1 063 639
Net charge for creation/(recovery) of allowance for expected credit losses	(609 238)	737 810	3 670 369	(142 702)	3 656 239
Disposal of the allowance due to the repayment of loans	(721 809)	(314 108)	(61 439)	-	(1 097 356)
Amounts written-off as non-recoverable during the period	-	-	(1 268 540)	-	(1 268 540)
Loans and advances to customers sold during the period as non-recoverable	-	-	(540 203)	-	(540 203)
Total allowance for expected credit losses as at 30 June	5 327 410	5 181 641	26 281 521	134 868	36 925 440

9 Loans and Advances to Customers (continued)

Economic sector risk concentrations within the customer loan portfolio are as follows:

<i>(in thousands of Russian roubles)</i>	30 June 2019 (unaudited)		31 December 2018	
	Amount	%	Amount	%
Individuals	99 034 344	27,1	89 736 322	23,9
Trade	44 223 198	12,1	38 077 446	10,1
Construction	35 045 097	9,6	40 348 431	10,8
Real estate	32 831 790	9,0	39 535 978	10,5
Production and food industry	31 162 002	8,5	26 288 336	7,0
Leasing and financial services	28 522 463	7,8	26 588 470	7,1
Heavy machinery and shipbuilding	25 487 051	7,0	31 265 466	8,3
Budget-financed entities	23 018 678	6,3	20 594 945	5,5
Transport	11 955 643	3,3	12 143 785	3,2
Oil and gas extraction and transportation	8 470 444	2,3	24 715 300	6,6
Sports and health and entertainment organisations	7 638 131	2,1	6 790 473	1,8
Telecommunications	3 268 403	0,9	3 671 459	1,0
Chemical industry	1 975 364	0,5	1 736 826	0,5
Energy	1 496 156	0,4	1 658 732	0,4
Other	11 552 901	3,1	12 131 897	3,3
Gross carrying amount of loans and advances to customers	365 681 665	100,0	375 283 866	100,0

As at 30 June 2019, the 20 largest groups of the Group's borrowers have aggregated loan amount of RUB 100 569 502 thousand (unaudited) (31 December 2018: RUB 117 743 616 thousand), which is 27.5% (31 December 2018: 31.4%) of the loan portfolio before expected credit losses allowance.

As at 30 June 2019, in a case of changing the amount of expected credit losses by 1% the effect on the profit before taxes would be RUB 362 784 thousand (31 December 2018: RUB 365 003 thousand).

9 Loans and Advances to Customers (continued)

The table below presents an analysis of loans and advances to customers, measured at amortised cost, by credit quality and by corresponding allowance for expected credit losses as at 30 June 2019 (unaudited):

<i>(in thousands of Russian roubles)</i>	12-month expected credit losses	Lifetime expected credit losses – non-impaired assets	Lifetime expected credit losses - impaired assets	Purchased or originated credit - impaired assets	Total
Loans and advances to corporate customers:					
Minimal credit risk	74 608 004	264 251	-	-	74 872 255
Low credit risk	78 302 923	7 887 120	-	-	86 190 043
Medium credit risk	30 070 272	31 070 285	-	-	61 140 557
High credit risk	-	8 689 672	-	-	8 689 672
Default loans	-	-	30 913 358	2 740 305	33 653 663
Total gross carrying amount of loans and advances to corporate customers	182 981 199	47 911 328	30 913 358	2 740 305	264 546 190
Allowance for expected credit losses	(3 042 937)	(6 582 831)	(21 698 787)	(1 063 777)	(32 388 332)
Total loans and advances to corporate customers	179 938 262	41 328 497	9 214 571	1 676 528	232 157 858
Loans and advances to individuals:					
Not past due	92 350 254	-	696 221	-	93 046 475
Overdue:					
- less than 30 days	1 550 329	80 068	18 825	-	1 649 222
- from 31 to 90 days	-	770 340	17 677	-	788 017
- more than 90 days	-	-	3 550 630	-	3 550 630
Total gross carrying amount of loans and advances to individuals	93 900 583	850 408	4 283 353	-	99 034 344
Allowance for expected credit losses	(519 555)	(243 645)	(3 126 893)	-	(3 890 093)
Total loans and advances to individuals	93 381 028	606 763	1 156 460	-	95 144 251
Total loans and advances to customers at amortised cost	273 319 290	41 935 260	10 371 031	1 676 528	327 302 109

9 Loans and Advances to Customers (continued)

The table below presents an analysis of loans and advances to individual customers, measured at amortised cost, by credit quality and by corresponding allowance for expected credit losses as at 30 June 2019 (unaudited):

<i>(In thousands of Russian roubles)</i>	12-month expected credit losses	Lifetime expected credit losses – non-impaired assets	Lifetime expected credit losses - impaired assets	Purchased or originated credit-impaired assets	Total
Mortgage loans and advances					
Not past due	62 957 835	-	151 400	-	63 109 235
Overdue:					
- less than 30 days	1 069 222	76 089	11 022	-	1 156 333
- from 31 to 90 days	-	447 396	9 566	-	456 962
- more than 90 days	-	-	1 188 631	-	1 188 631
Total gross carrying amount of mortgage loans and advances to customers	64 027 057	523 485	1 360 619	-	65 911 161
Allowance for expected credit losses	(124 838)	(107 713)	(488 056)	-	(720 607)
Total mortgage loans and advances to customers	63 902 219	415 772	872 563	-	65 190 554
Car loans and advances					
Not past due	4 123 248	-	451	-	4 123 699
Overdue:					
- less than 30 days	86 605	952	1 459	-	89 016
- from 31 to 90 days	-	32 387	900	-	33 287
- more than 90 days	-	-	128 444	-	128 444
Total gross carrying amount of car loans and advances to customers	4 209 853	33 339	131 254	-	4 374 446
Allowance for expected credit losses	(18 797)	(8 129)	(76 493)	-	(103 419)
Total car loans and advances to customers	4 191 056	25 210	54 761	-	4 271 027
Consumer loans and advances to VIP clients					
Not past due	3 461 570	-	510 722	-	3 972 292
Overdue:					
- less than 30 days	-	-	-	-	-
- from 31 to 90 days	-	46 562	-	-	46 562
- more than 90 days	-	-	1 046 712	-	1 046 712
Total gross carrying amount of consumer loans and advances to VIP clients	3 461 570	46 562	1 557 434	-	5 065 566
Allowance for expected credit losses	(62 825)	(8 738)	(1 381 144)	-	(1 452 707)
Total consumer loans and advances to VIP clients	3 398 745	37 824	176 290	-	3 612 859
Consumer loans and advances to customers					
Not past due	21 807 601	-	33 648	-	21 841 249
Overdue:					
- less than 30 days	394 502	3 027	6 344	-	403 873
- from 31 to 90 days	-	243 995	7 211	-	251 206
- more than 90 days	-	-	1 186 843	-	1 186 843
Total gross carrying amount of consumer loans and advances to customers	22 202 103	247 022	1 234 046	-	23 683 171
Allowance for expected credit losses	(313 095)	(119 065)	(1 181 200)	-	(1 613 360)
Total consumer loans and advances to customers	21 889 008	127 957	52 846	-	22 069 811

9 Loans and Advances to Customers (continued)

The table below presents an analysis of loans and advances to customers, measured at amortised cost, by credit quality and by corresponding allowance for expected credit losses as at 31 December 2018:

<i>(in thousands of Russian roubles)</i>	12-month ECLs	Lifetime expected credit losses - non-impaired assets	Lifetime expected credit losses - impaired assets	Purchased or originated credit - impaired assets	Total
Loans and advances to legal entities:					
Minimal credit risk	89 831 910	472 601	-	-	90 304 511
Low credit risk	73 991 344	17 180 732	-	-	91 172 076
Medium credit risk	42 668 272	16 324 537	-	-	58 992 809
High credit risk	-	7 762 658	-	-	7 762 658
Default loans	-	-	34 134 374	2 086 536	36 220 910
Total gross carrying amount of loans and advances to corporate customers	206 491 526	41 740 528	34 134 374	2 086 536	284 452 964
Allowance for expected credit losses	(4 369 855)	(3 575 186)	(24 246 074)	(594 992)	(32 786 107)
Total loans and advances to corporate customers	202 121 671	38 165 342	9 888 300	1 491 544	251 666 857
Loans and advances to individuals:					
Not past due	84 217 775	-	771 028	-	84 988 803
Overdue:					
- less than 30 days	830 939	47 507	10 914	-	889 360
- from 31 to 90 days	-	408 755	60 620	-	469 375
- more than 90 days	-	-	3 388 784	-	3 388 784
Total gross carrying amount of loans and advances to individuals	85 048 714	456 262	4 231 346	-	89 736 322
Allowance for expected credit losses	(364 093)	(136 553)	(3 213 527)	-	(3 714 173)
Total loans and advances to individuals	84 684 621	319 709	1 017 819	-	86 022 149
Total loans and advances to customers at amortised cost	286 806 292	38 485 051	10 906 119	1 491 544	337 689 006

9 Loans and Advances to Customers (continued)

The table below presents an analysis of loans and advances to individual customers, measured at amortised cost, by credit quality and by corresponding allowance for expected credit losses as at 31 December 2018:

<i>(In thousands of Russian roubles)</i>	12-month expected credit losses	Lifetime expected credit losses – non-impaired assets	Lifetime expected credit losses - impaired assets	Purchased or originated credit- impaired assets	Total
Mortgage loans and advances					
Not past due	57 934 148	-	166 893	-	58 101 041
Overdue:					
- less than 30 days	584 185	43 347	6 721	-	634 253
- from 31 to 90 days	-	232 015	54 983	-	286 998
- more than 90 days	-	-	955 750	-	955 750
Total gross carrying amount of mortgage loans and advances to customers	58 518 333	275 362	1 184 347	-	59 978 042
Allowance for expected credit losses	(78 043)	(56 137)	(449 277)	-	(583 457)
Total mortgage loans and advances to customers	58 440 290	219 225	735 070	-	59 394 585
Car loans and advances					
Not past due	3 379 624	-	1 879	-	3 381 503
Overdue:					
- less than 30 days	41 898	1 093	-	-	42 991
- from 31 to 90 days	-	22 220	374	-	22 594
- more than 90 days	-	-	92 577	-	92 577
Total gross carrying amount of car loans and advances to customers	3 421 522	23 313	94 830	-	3 539 665
Allowance for expected credit losses	(13 820)	(5 976)	(60 367)	-	(80 163)
Total car loans and advances to customers	3 407 702	17 337	34 463	-	3 459 502
Consumer loans and advances to VIP clients					
Not past due	3 596 443	-	576 095	-	4 172 538
Overdue:					
- less than 30 days	-	-	-	-	-
- from 31 to 90 days	-	-	-	-	-
- more than 90 days	-	-	1 208 582	-	1 208 582
Total gross carrying amount of consumer loans and advances to VIP clients	3 596 443	-	1 784 677	-	5 381 120
Allowance for expected credit losses	(82 385)	-	(1 569 623)	-	(1 652 008)
Total consumer loans and advances to VIP clients	3 514 058	-	215 054	-	3 729 112
Consumer loans and advances					
Not past due	19 307 560	-	26 161	-	19 333 721
Overdue:					
- less than 30 days	204 856	3 067	4 193	-	212 116
- from 31 to 90 days	-	154 520	5 263	-	159 783
- more than 90 days	-	-	1 131 875	-	1 131 875
Total gross carrying amount of consumer loans and advances to customers	19 512 416	157 587	1 167 492	-	20 837 495
Allowance for expected credit losses	(189 845)	(74 440)	(1 134 260)	-	(1 398 545)
Total consumer loans and advances to customers	19 322 571	83 147	33 232	-	19 438 950

9 Loans and Advances to Customers (continued)

As at 30 June 2019 and 31 December 2018, loans and advances to customers are divided by credit quality into five categories of credit risk according to IFRS 9:

- Minimal credit risk - the probability of timely repayment of debt is high, a slight probability of a default.
- Low credit risk - the probability of timely repayment of debt is high, the low probability of default.
- Medium credit risk - the probability of timely repayment of debt is high, but there is a vulnerability in the presence of adverse commercial, financial and economic conditions.
- High credit risk - the possibility of timely repayment of debt depends on favorable commercial, financial and economic conditions.
- Default loans - assets with signs of credit impairment.

As at 30 June 2019, the Group has mortgage loans in the amount of RUB 1 474 126 thousand (unaudited) (31 December 2018: RUB 1 737 275 thousand) transferred to the mortgage agent “MA BSPB” LLC, a structured company founded for the financing purposes. As at 30 June 2019, such mortgage loans are pledged as collateral for the mortgage secured bonds with the gross carrying amount of RUB 1 151 635 thousand issued by the mortgage agent, of which bonds with the carrying amount of RUB 840 591 thousand were repurchased by the Bank (unaudited) (31 December 2018: carrying amount of RUB 1 447 430 thousand issued by the mortgage agent, of which bonds with the carrying amount of RUB 1 056 497 thousand were repurchased by the Bank). Please, see Note 12.

As at 30 June 2019, the Group has mortgage loans in the amount of RUB 6 125 267 thousand (unaudited) (31 December 2018: RUB 7 228 378 thousand), transferred to the mortgage agent “MA BSPB 2” LLC, a structured company founded for the financing purposes. As at 30 June 2019, such mortgage loans are pledged as collateral for the mortgage secured bonds with the carrying amount of RUB 5 792 593 thousand issued by the mortgage agent (unaudited) (31 December 2018: RUB 7 601 137 thousand). Please, see Note 12.

As at 30 June 2019, loans and advances to customers include loans at fair value held by the Group to maturity.

Analysis of loans and advances to customers by currency structure and maturity is presented in Note 19. Information on the fair value of loans and advances to customers is presented in Note 21. Information on related party transactions is presented in Note 22.

10 Investment Securities, including Securities Pledged under Repurchase Agreements

<i>(in thousands of Russian roubles)</i>	30 June 2019 (unaudited)	31 December 2018
Debt investment securities measured at fair value through other comprehensive income		
Corporate bonds	5 544 421	5 106 864
Municipal bonds	902 384	430 192
Corporate Eurobonds	732 046	-
Federal loan bonds	6 440	25 497
Debt investment securities measured at fair value through other comprehensive income, pledged under repurchase agreements		
Corporate bonds	6 338 116	15 149 465
Municipal bonds	3 630 812	4 136 036
Corporate Eurobonds	-	4 135 214
Total debt investment securities measured at fair value through other comprehensive income	17 154 219	28 983 268
Equity securities	771 422	872 519
Total investment securities measured at fair value through other comprehensive income	17 925 641	29 855 787
Debt investment securities measured at amortised cost		
Coupon bonds of the Bank of Russia	16 069 928	-
Corporate Eurobonds	15 254 377	1 957 239
Corporate bonds	1 781 521	4 827 064
Debt investment securities measured at amortised cost, pledged under repurchase agreements		
Corporate Eurobonds	13 747 660	12 044 636
Corporate bonds	11 454 425	8 143 920
Allowance for expected credit losses	(60 090)	(56 237)
Total debt investment securities measured at amortised cost	58 247 821	26 916 622
Total investment securities including securities, pledged under repurchase agreements	76 173 462	56 772 409

10 Investment Securities, including Securities Pledged under Repurchase Agreements (continued)

Debt investment securities, measured at fair value through other comprehensive income, are divided by credit risk level based on averaging the values of issuers' credit ratings (in their absence - the credit ratings of debt securities issues) assigned by international rating agencies Moody's, S&P and Fitch (in the absence of ratings from international rating agencies, for Russian issuers ratings from ACRA are used).

Below is an analysis of debt investment securities measured at fair value through other comprehensive income, including those pledged under repurchase agreements as at 30 June 2019 (unaudited):

<i>(in thousands of Russian roubles)</i>	12-month expected credit losses	Lifetime expected credit losses – non-impaired assets	Lifetime expected credit losses - impaired assets	Total
Debt investment securities measured at fair value through other comprehensive income				
Group A	5 741 772	-	-	5 741 772
Group B	1 397 592	-	-	1 397 592
Group C	-	45 927	-	45 927
Total debt investment securities measured at fair value through other comprehensive income	7 139 364	45 927	-	7 185 291
Debt investment securities measured at fair value through other comprehensive income, pledged under repurchase agreements				
Group A	7 097 910	-	-	7 097 910
Group B	2 871 018	-	-	2 871 018
Total debt investment securities measured at fair value through other comprehensive income, pledged under repurchase agreements	9 968 928	-	-	9 968 928
Total debt investment securities, including securities pledged under repurchase agreements	17 108 292	45 927	-	17 154 219
Allowance for expected credit losses	(25 421)	(680)	-	(26 101)

10 Investment Securities, including Securities Pledged under Repurchase Agreements (continued)

Below is an analysis of debt investment securities measured at fair value through other comprehensive income, including those pledged under repurchase agreements by credit quality as at 31 December 2018:

<i>(in thousands of Russian roubles)</i>	12-month expected credit losses	Lifetime expected credit losses – non-impaired assets	Lifetime expected credit losses - impaired assets	Total
Debt investment securities measured at fair value through other comprehensive income				
Group A	3 829 040	-	-	3 829 040
Group B	952 479	-	-	952 479
Group C	437 715	-	-	437 715
Group D	145 211	198 108	-	343 319
Total debt investment securities measured at fair value through other comprehensive income	5 364 445	198 108	-	5 562 553
Debt investment securities measured at fair value through other comprehensive income, pledged under repurchase agreements				
Group A	8 790 568	-	-	8 790 568
Group B	14 630 147	-	-	14 630 147
Total debt investment securities measured at fair value through other comprehensive income, pledged under repurchase agreements	23 420 715	-	-	23 420 715
Total debt investment securities, including securities pledged under repurchase agreements	28 785 160	198 108	-	28 983 268
Allowance for expected credit losses	(69 991)	(6 984)	-	(76 975)

The definition of groups, please, see in Note 6.

10 Investment Securities, including Securities Pledged under Repurchase Agreements (continued)

Below is an analysis of debt investment securities measured at amortised cost, including those pledged under repurchase agreements by credit quality as at 30 June 2019 (unaudited):

<i>(in thousands of Russian roubles)</i>	12-month expected credit losses	Lifetime expected credit losses – non- impaired assets	Lifetime expected credit losses - impaired assets	Total
Debt investment securities measured at amortised cost				
Group A	22 529 596	-	-	22 529 596
Group B	10 576 230	-	-	10 576 230
Total debt investment securities measured at amortised cost	33 105 826	-	-	33 105 826
Debt investment securities measured at amortised cost, pledged under repurchase agreements				
Group A	20 853 350	-	-	20 853 350
Group B	4 348 735	-	-	4 348 735
Total debt investment securities measured at amortised cost, pledged under repurchase agreements	25 202 085	-	-	25 202 085
Allowance for expected credit losses	(60 090)	-	-	(60 090)
Total debt investment securities measured at amortised cost, including those pledged under repurchase agreements	58 247 821	-	-	58 247 821

10 Investment Securities, including Securities Pledged under Repurchase Agreements (continued)

Below is an analysis of debt investment securities measured at amortised cost, including those pledged under repurchase agreements by credit quality as at 31 December 2018:

<i>(in thousands of Russian roubles)</i>	12-month expected credit losses	Lifetime expected credit losses – non- impaired assets	Lifetime expected credit losses - impaired assets	Total
Debt investment securities measured at amortised cost				
Group A	4 503 499	-	-	4 503 499
Group B	2 280 804	-	-	2 280 804
Total debt investment securities measured at amortised cost	6 784 303	-	-	6 784 303
Debt investment securities measured at amortised cost, pledged under repurchase agreements				
Group A	6 768 314	-	-	6 768 314
Group B	13 420 242	-	-	13 420 242
Total debt investment securities measured at amortised cost, pledged under repurchase agreements	20 188 556	-	-	20 188 556
Allowance for expected credit losses	(56 237)	-	-	(56 237)
Total debt investment securities measured at amortised cost, including those pledged under repurchase agreements	26 916 622	-	-	26 916 622

Analysis of investment securities by currency structure and maturity and interest rate analysis are presented in Note 19.

11 Customer Accounts

<i>(In thousands of Russian roubles)</i>	30 June 2019 (unaudited)	31 December 2018
State and public organisations		
- Current/settlement accounts	31 767	15
Other legal entities		
- Current/settlement accounts	73 912 889	61 527 231
- Term deposits	70 930 661	86 818 615
- Securities sale and repurchase agreements	-	9 345 969
Individuals		
- Current accounts/demand deposits	64 461 696	65 669 586
- Term deposits	183 915 512	183 427 417
Total customer accounts	393 252 525	406 788 833

State and public organisations do not include commercial enterprises owned by the state.

As at 30 June 2019 and 31 December 2018, the Group had no customers (group of customers), the total balances on accounts and deposits of which exceeded 10% of equity of the Group.

As at 30 June 2019, customer accounts included no securities sale and repurchase agreements concluded with corporates (31 December 2018: RUB 9 345 969 thousand).

As at 31 December 2018, securities transferred as collateral under these sale and repurchase agreements and lent were represented by the following securities:

- the federal loan bonds with the fair value of RUB 9 818 352 thousand received from the State Corporation “Deposit Insurance Agency” were pledged under securities sale and repurchase agreements with the Federal Treasury;
- received by the Group under contracts for purchase and reverse sale of securities (without initial recognition) with the fair value of RUB 68 375 thousand.

11 Customer Accounts (continued)

Economic sector concentrations within customer accounts are as follows:

<i>(In thousands of Russian roubles)</i>	30 June 2019 (unaudited)		31 December 2018	
	Amount	%	Amount	%
Individuals	248 377 208	63,2	249 097 003	61,2
Construction	31 202 799	7,9	36 519 581	9,0
Trade	22 967 452	5,8	24 806 905	6,1
Manufacturing	19 207 728	4,9	19 888 282	4,9
Real estate	19 034 016	4,8	18 510 774	4,6
Financial services	17 339 971	4,4	18 514 088	4,6
Art, science and education	12 385 235	3,1	12 415 707	3,1
Transport	10 364 218	2,6	12 368 428	3,0
Public utilities	1 627 326	0,4	2 363 399	0,6
Communications	1 534 912	0,4	1 087 946	0,3
Medical institutions	856 949	0,2	752 213	0,2
Energy	541 013	0,1	535 146	0,1
Other	7 813 698	2,2	9 929 361	2,3
Total customer accounts	393 252 525	100,0	406 788 833	100,0

The analysis of customer accounts by currency structure and maturity is presented in Note 19. Information on the fair value of customer accounts is presented in Note 21. Information on related party transactions is presented in Note 22.

12 Bonds issued

<i>(In thousands of Russian Roubles)</i>	30 June 2019 (unaudited)	31 December 2018
Mortgage secured bonds issued by the mortgage agent	6 103 637	7 992 072
Subordinated eurobonds	-	5 814 473
Total bonds issued	6 103 637	13 806 545

In April 2019, 500 interest subordinated eurobonds placed by the Group in October 2013 and denominated in US dollars (one bond – USD 200 000) were paid off as planned. The issue was arranged by JP Morgan and VTB Capital. This issue was registered on the Irish Stock Exchange. As of 31 December 2018, the carrying value of these bonds amounted to USD 83 697 thousand, which is equivalent of RUB 5 814 473 thousand. The maturity of subordinated bonds is April 22, 2019. The nominal coupon rate is 10.75% per annum, the effective interest rate is 11.28% per annum.

The final maturity of mortgage secured bonds may differ from the contractual one in the case of early repayment of mortgages pledged as security for these bonds.

An analysis of issued bonds by currency structure and maturity is presented in a Note 19.

13 Other borrowed funds

<i>(In thousands of Russian roubles)</i>	30 June 2019 (unaudited)	31 December 2018
Subordinated loans	1 466 450	1 465 719
Total other borrowed funds	1 466 450	1 465 719

As at 30 June 2019 and 31 December 2018, subordinated loans of the Group were raised from one counterparty, the total balances on this counterparty does not exceed 10% of equity of the Group.

In the event of the Bank's liquidation, claims for the repayment of subordinated loans is subordinated to the claims of other creditors and depositors of the Bank.

Analysis of other borrowed funds by currency structure and maturity is presented in Note 19.

14 Share capital

<i>(In thousands of Russian roubles)</i>	Number of outstanding ordinary shares (thousand units)	Number of outstanding preference shares (thousand units)	Ordinary shares	Preference shares	Share premium	Treasury shares	Total
As at 1 January 2018	499 554	20 100	3 604 283	177 451	24 513 878	-	28 295 612
Shares buy-back	(12 000)	-	-	-	-	(659 991)	(659 991)
As at 31 December 2018	487 554	20 100	3 604 283	177 451	24 513 878	(659 991)	27 635 621
As at 30 June 2019 (unaudited)	487 554	20 100	3 604 283	177 451	24 513 878	(659 991)	27 635 621

As at 30 June 2019, the nominal registered amount of issued share capital of the Bank prior to restatement of capital contributions made before 1 January 2003 to the purchasing power of the Russian Rouble at 31 December 2002, is RUB 519 654 thousand (31 December 2018: RUB 519 654 thousand). As at 30 June 2019, all of the outstanding shares of the Bank are authorised, issued and fully paid in.

As at 30 June 2019, all ordinary shares have the nominal value of RUB 1 (one) per share (31 December 2018: RUB 1 per share). Each share carries one vote.

As at 30 June 2019, the Bank has one type of preference shares with the nominal value of RUB 1 (one) in the amount of 20 100 000 shares.

Preference shares grant the right to take part in the General Meeting of Shareholders with the right to vote on all issues of its competence, starting with the meeting, following the annual General Meeting of Shareholders, where notwithstanding the reasons, no decision on dividends payment was made or a decision on partial payment of dividends was made. If shareholders do not declare dividends on preference shares, the holders of preference shares are entitled to voting rights similar to ordinary shareholders until the dividends are paid. Preference shares are not cumulative.

Share premium represents the excess of contributions received over the nominal value of shares issued.

In October 2018, the Bank acquired 12 000 thousand outstanding ordinary registered shares of the Bank in book-entry form. The price of acquisition is RUB 55.00 per share. The shares were credited to the treasury account of the Bank in the share register.

15 Interest Income and Expense

	6 months ended 30 June 2019 (unaudited)	6 months ended 30 June 2018 (unaudited)
<i>(In thousands of Russian roubles)</i>		
Interest income calculated using the effective interest method		
Loans and advances to customers	17 562 018	15 709 596
Reverse sale and repurchase agreements	1 792 423	1 422 003
Due from banks	1 060 237	1 238 234
Debt investment securities measured at other comprehensive income	910 380	1 639 290
Debt investment securities measured at amortised cost	924 786	-
Other interest income		
Trading securities measured through profit or loss	2 100 787	2 225 518
Loans and advances to customers measured at fair value through profit or loss	70 132	60 922
Total interest income	24 420 763	22 295 563
Interest expenses		
Term deposits of individuals	4 992 889	4 178 980
Due to banks	4 049 296	4 168 750
Term deposits of legal entities	2 641 176	2 363 925
Bonds issued	536 341	363 597
Other debt securities issued	144 503	156 837
Current/settlement accounts	69 952	104 414
Other borrowed funds	47 462	50 146
Total interest expense	12 481 619	11 386 649
Contributions to the deposit insurance system	881 383	598 900
Net interest income	11 057 761	10 310 014

Information on related party transactions is disclosed in Note 22.

16 Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year, net of own shares repurchased from shareholders.

As at 30 June 2019, the Bank does not have preference shares that potentially dilute earnings per share. Thus, diluted earnings per share are equal to basic earnings per share.

Basic earnings per share are calculated as follows:

<i>(In thousands of Russian roubles)</i>	6 months ended 30 June 2019 (unaudited)	6 months ended 30 June 2018 (unaudited)
Profit attributable to the Bank's shareholders	3 471 958	4 344 838
Less dividends on preference shares	(2 211)	(2 211)
Profit attributable to ordinary shareholders of the Bank	3 469 747	4 342 627
Weighted average number of ordinary shares in issue (thousands)	487 554	499 554
Basic earnings per share (expressed in RUB per share)	7,12	8,69

17 Dividends

<i>(In thousands of Russian roubles)</i>	6 months ended 30 June 2019 (unaudited)		6 months ended 30 June 2018 (unaudited)	
	Ordinary	Preference	Ordinary	Preference
Dividends payable as at January 1	6 057	-	6 564	-
Dividends declared during the year	1 808 826	2 211	809 277	2 211
Dividends paid during the year	(1 798 501)	(2 211)	(806 537)	(2 211)
Dividends payable as at June 30	16 382	-	9 304	-
Dividends per share declared during the year (RUB per share)	3,71	0,11	1,62	0,11

All dividends were declared and paid in Russian roubles.

18 Segment analysis

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the chief operating decision maker and for which discrete financial information is available. The Management Board of the Bank performs the responsibilities of the chief operating decision maker.

Description of products and services that constitute sources of revenues of the reporting segments

The Group is organised on a basis of three main business segments:

- Corporate banking – settlement and current accounts, deposits, credit lines, loans and other credit facilities, foreign currency transactions with commercial and state entities.
- Operations on financial markets – financial instruments trading, loans and deposits on the interbank market, dealing in foreign exchange and derivative financial instruments.
- Retail banking – retail and private banking services, customer current accounts, deposits, retail investment products, custody services, credit and debit cards, consumer loans, mortgage and other loans to individuals and VIP clients.

Transactions between the business segments are performed on normal commercial terms and conditions. Funds are ordinarily reallocated between segments, resulting in funding cost transfers disclosed in operating income/expense for the segment, i.e. the balance of transfer incomes and expenses from reallocated financial resources between internal segments. Interest charged for these funds is based on market interest rates. There are no other material items of income or expense between the business segments. Segment assets and liabilities comprise operating assets and liabilities, being the majority of assets and liabilities of the Group, but excluding some premises, equipment and intangible assets, long-term assets held-for-sale, investment property, other assets and liabilities and balances on taxation settlements.

18 Segment Analysis (continued)

The factors used by management to determine the reporting segments

The Group's segments are strategic business units that offer different products and services for different clients. They are managed separately because they require different technology and marketing strategies and level of service.

Evaluation of profit or loss and assets of operating segments

The Management Board of the Bank analyses financial information prepared in accordance with the requirements of Russian accounting standards. This financial information differs in some aspects from the information prepared in accordance with IFRS:

- (i) resources are usually redistributed among segments using internal interest rates set by the Treasury department. These interest rates are calculated based on the basic market interest rates, contractual maturity dates and observable actual maturity dates of customer accounts balances;
- (ii) differences in the classification of securities to portfolios up to 2019;
- (iii) income tax is not distributed to segments;
- (iv) allowance for loans is recognised based on Russian legislation with adjustments of estimated allowance according to information available at the end of the reporting period, and not on the basis of the model of “expected credit losses” specified in IFRS 9;
- (v) fee and commission income on lending operations is recognised immediately and not in the future periods using the effective interest rate method;
- (vi) information on consolidated companies is not included;
- (vii) IFRS 16 *Lease* requirements are not reflected.

The Management Board of the Bank evaluates the business segment results based on the amount of profit before income tax.

18 Segment analysis (continued)

Information on profit or loss, assets and liabilities of reporting segments

Segment information for the Group’s main reporting business segments for 6 months ended 30 June 2019, and 6 months ended 30 June 2018 is set out below (in accordance with the management information).

<i>(In thousands of Russian roubles)</i>	Corporate banking	Operations on financial markets	Retail banking	Unallocated	Total
6 months ended 30 June 2019 (unaudited)					
External revenues	12 903 941	6 739 843	6 729 353	-	26 373 137
Internal funding charge	(4 652 442)	356 712	4 295 730	-	-
Total revenues	8 251 499	7 096 555	11 025 083	-	26 373 137
Revenues comprise:					
- External interest income	11 010 599	6 734 260	4 830 906	-	22 575 765
- Fee and commission income	1 841 518	5 583	1 898 414	-	3 745 515
- Other operating income	51 824	-	33	-	51 857
Segment results	(98 743)	2 586 933	2 227 181	-	4 715 371
Unallocated costs	-	-	-	(1 898 944)	(1 898 944)
(Loss)/profit before tax	(98 743)	2 586 933	2 227 181	(1 898 944)	2 816 427
Income tax expense	-	-	-	(700 393)	(700 393)
(Loss)/profit for the period	(98 743)	2 586 933	2 227 181	(2 599 337)	2 116 034
As at 30 June 2019 (unaudited)					
Total segment assets before allowance for expected credit losses	274 534 698	299 889 794	91 209 156	31 172 941	696 806 589
Other segment items for 6 months ended 30 June 2019 (unaudited)					
Depreciation and amortisation charge	(112 547)	(17 427)	(114 546)	(111 608)	(356 128)
(Creation) recovery of allowance for expected credit losses	(3 105 765)	117	(684 627)	-	(3 790 275)

18 Segment analysis (continued)

<i>((in thousands of Russian roubles))</i>	Corporate banking	Operations on financial markets	Retail banking	Unallocated	Total
6 months ended 30 June 2018 (unaudited)					
External revenues	12 392 216	6 903 543	5 782 079	-	25 077 838
Internal funding charge	(4 599 900)	1 371 152	3 228 748	-	-
Total revenues	7 792 316	8 274 695	9 010 827	-	25 077 838
Revenues comprise:					
- Interest income	10 574 575	6 891 585	4 486 966	-	21 953 126
- Fee and commission income	1 801 569	11 958	1 295 029	-	3 108 556
- Other operating income	16 072	-	84	-	16 156
Segment results	(1 358 225)	4 898 189	1 237 317	-	4 777 281
Unallocated costs	-	-	-	(1 950 028)	(1 950 028)
(Loss) profit before tax	(1 358 225)	4 898 189	1 237 317	(1 950 028)	2 827 253
Income tax expense	-	-	-	(408 283)	(408 283)
(Loss) profit for the period	(1 358 225)	4 898 189	1 237 317	(2 358 311)	2 418 970
As at 31 December 2018 (unaudited)					
Total segment assets before allowance for expected credit losses	296 036 581	294 147 952	81 007 387	35 576 104	706 768 024
Other segment items for 6 months ended 30 June 2018 (unaudited)					
Depreciation and amortisation charge	(119 297)	(32 629)	(140 000)	(120 053)	(411 979)
(Creation) recovery of allowance for expected credit losses	(4 599 218)	152 073	(412 832)	-	(4 859 977)

18 Segment analysis (continued)

A reconciliation of assets according to management information with IFRS condensed consolidated interim financial information results as at 30 June 2019 and 31 December 2018 is set out below:

<i>(in thousands of Russian roubles)</i>	30 June 2019 (unaudited)	31 December 2018
Total reporting segment assets before allowance for expected credit losses	696 806 589	706 768 024
Adjustment of allowances	(39 886 826)	(39 201 139)
Adjustments of (expense)/income accruals	(3 324 115)	3 341 384
Premises, equipment and intangible assets depreciation and fair value adjustments	1 369 112	696 240
Fair value and amortised cost adjustments	139 781	(1 523 609)
Income tax adjustments	(1 374 980)	(1 963 013)
Netting off of assets additionally recognised in management information	-	(1 284 484)
Other adjustments	(229 932)	(1 223 088)
Consolidation	4 047 921	7 793 174
Total assets under IFRS	657 547 550	673 403 489

A reconciliation of profit before tax according to management information with IFRS results for 6 months ended 30 June 2019 and 6 months ended 30 June 2018:

<i>((in thousands of Russian roubles))</i>	6 months ended 30 June 2019 (unaudited)	6 months ended 30 June 2018 (unaudited)
Total reporting segment profit before tax	2 816 427	2 827 253
Adjustment of allowances	347 251	1 246 428
Adjustments of income/expense accruals	410 024	340 045
Premises, equipment and intangible assets depreciation and fair value adjustments	4 937	110 019
Fair value and amortised cost adjustments	617 984	518 703
Consolidation	84 369	147 055
Other adjustments	(4 005)	324 467
Total profit before tax under IFRS	4 276 987	5 513 970

Geographical information. The major part of the Group’s activity is concentrated in the North-West region of the Russian Federation. Activity is also carried out in Moscow.

There are no external customers (groups of related customers) with individual income from operations exceeding 10% of total income from operations with such customers.

19 Risk Management, Corporate Governance and Internal Control

Corporate governance and internal control

Corporate governance system of the Group is based on full compliance with requirements of statutory legislation and the CBR and protection of the shareholders' interests and considers world best practices to the largest possible extent. The Group fully complies with the legislation requirements concerning shareholders' rights observance.

The supreme managing body of the Bank is the General Shareholders' Meeting that makes strategic decisions on the Bank's operations in accordance with Federal Law No. 208-FZ dated December 26, 1995 *On Joint Stock Companies* and the Charter.

Functions of the counting commission of the General Shareholders' Meeting are performed by the Independent Registrar – JSC “Independent Registrar Company - R.O.S.T.» (before February 5, 2019 - JSC “Independent Registrar Company”).

General activities of the Bank are managed by the Supervisory Board, except for areas that are in competence of the General Shareholders' Meeting. The Supervisory Board is elected and approved by the General Shareholders' Meeting. The Supervisory Board sets the key strategic directions of the Group's activity and supervises the performance of the executive management bodies.

On May 29, 2019, the annual General Shareholders' Meeting of PJSC “Bank “Saint-Petersburg” and the Supervisory Board meeting were held. According to the resolutions of these meetings the Committees of the Supervisory Board were created in accordance with the tasks and objectives of PJSC “Bank “Saint Petersburg”.

As at June 30, 2019, the composition of the Bank's Supervisory Board is as follows:

Elena Viktorovna Ivannikova – Chairperson of the Supervisory Board, member of the Supervisory Board since 2005; Vladislav Stanislavovich Guz – Deputy Chairman of the Supervisory Board, member of the Bank's Supervisory Board since June 2014, Chairman of the Strategy Committee since May 2019; Alexander Vasilyevich Savelyev – Chairman of the Management Board, elected to the Supervisory Board in 2001; Susan Gail Buyske – member of the Bank's Supervisory Board since April 2012, Chairperson of the Risk Management Committee since August 2012; Andrey Pavlovich Bychkov – member of the Bank's Supervisory Board since April 2010, Chairman of the Audit Committee since May 2016; Alexey Andreevich Germanovich – member of the Bank's Supervisory Board since June 2014; Alexander Ivanovich Polukeev – member of the Bank's Supervisory Board since June 2014; Andrey Mikhaylovich Zvyozdochkin – member of the Bank's Supervisory Board since May 2017; Pavel Anatolievich Kiryukhantsev, member of the Supervisory Board of the Bank since May 2018, elected Chairman of the Human Resources and Remuneration Committee since May 2019.

As of June 30, 2019, Members of the Supervisory Board, Pavel Anatolievich Kiryukhantsev, Andrey Mikhaylovich Zvyozdochkin, Andrey Pavlovich Bychkov and Alexey Andreevich Germanovich are recognised as independent directors.

The Supervisory Board includes Committees established for the purpose of review and analysis of matters in competence of the Supervisory Board, preparation of recommendations on these matters for the Supervisory Board and execution of other functions vested to these Committees.

The primary objective of the Strategy Committee is to assist the Supervisory Board of the Bank in determining the Bank's long-term and mid-term strategy and priority business areas and to review major innovation and investment programs of the Bank.

The primary objective of the Risk Management Committee is to assist the Supervisory Board of the Bank in determining priority areas for the Bank's banking risk management efforts and to support appropriate risk management function within the Group.

19 Risk Management, Corporate Governance and Internal Control (continued)

The primary objectives of the Human Resources and Remuneration Committee are the support of the efficient HR policy of the Bank, recruitment of qualified experts to management positions and creation of necessary incentives for their successful work, preparation of recommendations for the Supervisory Board on applicants for the key management positions and development of principles and criteria for remuneration rates for the key management (personnel) of the Bank.

The primary objective of the Audit Committee is to assist the Supervisory Board in efficient assessment of and control over the Bank's business and to control the completeness and fairness of the Bank's consolidated financial statements and the process of their preparation and presentation, and the performance of internal control and internal audit functions.

The Corporate Secretary's Office is responsible for compliance with the requirements of current legislation, the Charter and other internal policies of the Bank concerning shareholders' rights and protection of their interests during preparation and implementation of corporate action by the Bank. The Corporate Secretary's Office also supports communications between the Bank and its shareholders, holding of General Shareholders' Meetings and performance of the Supervisory Board and its Committees.

Operating activities of the Bank are managed by the sole executive body – the Chairman of the Management Board and the collective executive body – the Management Board of the Bank.

As at June 30, 2019, the composition of the Bank's Management Board is as follows:

Alexander Vasilyevich Savelyev is the Chairman of the Bank's Management Board.

Members of the Management Board: Pavel Vladimirovich Filimonenok, Deputy Chairman of the Management Board, member of the Management Board since December 2003; Konstantin Yurievich Balandin, Deputy Chairman of the Management Board, member of the Management Board since January 2008; Vyacheslav Yakovlevich Ermolin, Deputy Chairman of the Management Board, member of the Management Board since December 2017; Kristina Borisovna Mironova, Deputy Chairperson of the Management Board, member of the Management Board since August 2013; Vladimir Grigoryevich Reutov, Deputy Chairman of the Management Board, member of the Management Board since July 2004; Vladimir Pavlovich Skatin, Deputy Chairman of the Management Board, member of the Management Board since June 2008.

By the resolution of the Supervisory Board of the Bank dated May 29, 2019, Tatyana Yurievna Bogdanovich is withdrawn from the Management Board.

19 Risk Management, Corporate Governance and Internal Control (continued)

Risk management

Risks of the Group are managed in relation to significant risks:

- credit risk (including counterparty and concentration risk),
- market risk (including currency, equity, commodity, and interest rate risks),
- liquidity risk (including concentration risk),
- operational risk (including legal risk);

as well as other types of risks (compliance risk, strategic risk, reputational risk).

For each significant type of risk a corresponding management system was created to provide adequate risk assessment, including measures for its mitigation. The Group compares the amount of accepted risks with the size of its equity to guarantee its sufficiency at the level required by the CBR, needed for performance of its obligations, including covenants, and for efficient use of equity.

Group's risk management system promotes financial stability, improvement of the Bank's activities efficiency, securing adequate protection of shareholders, customers, creditors, providing continuity of operations, upholding the reputation.

Group's risk management system includes creation and implementation of risk management policies and procedures to be further updated depending on changes in the macroeconomic situation, current conditions of the banking system in the Russian Federation, and regulatory changes. The Group has developed a system of reporting on significant risks and equity (capital). As at June 30, 2019, the Group's internal documentation establishing the procedures and methodologies for identification, managing and stress-testing of the Group's significant risks, was approved by the authorised management bodies of the Bank in accordance with the regulations and recommendations issued by the CBR.

Key bodies performing the Group's financial risk management functions are the Supervisory Board, the Bank's Management Board, the Bank's Asset and Liability Management Committee, the Bank's Large Credit Committee, the Bad Debt Committee, the Technical Policy Committee, the Budget Committee, the Products and Processes Committee.

The Supervisory Board is responsible for consideration of risk at the strategic level. The Supervisory Board approves the Capital and Risk Management Policy, the compliance with which is supervised by consideration and approvals of the quarterly Group's risk management reports, both consolidated and by types of risk. The Supervisory Board makes decisions on significant transactions, on transactions in respect of which there is an interest, on transactions with related parties exceeding limits established under the Group's Credit Policy and on transactions, the amount of which equals to or exceeds 15% of the Bank's equity.

The Management Board of the Bank is responsible for overall organisation of the Bank's risk management system. The Management Board of the Bank is responsible for the control over timely and adequate identification of risks and their exposure, for development of policies and procedures necessary to limit risk exposures. The Management Board coordinates different department actions in case of threat or actual liquidity crisis, approves internal documents of the Bank in respect of risk management and risk management reports.

The Asset and Liability Management Committee is responsible for day-to-day financial risk management (except for credit risk).

19 Risk Management, Corporate Governance and Internal Control (continued)

The Asset and Liability Management Committee makes decisions on structural management of the consolidated statement of financial position of the Group and the related liquidity risks, and on determining and changing market risk limits including interest rate risk. The Asset and Liability Management Committee coordinates the main principles and procedures of financial risk management (except for credit risk) and has the right to make decisions on financial risk management in case of emergency.

The main functions of the Budget Committee are planning, management optimisation and control of expenses for acquisition of resources for the operation of the Bank, long-term investments.

The Products and Processes Committee approves the concepts of new or changed products, considers information about the abnormal situations which occurred in the Bank's activity.

The Technical Policy Committee of the Bank reviews management of operational risks, associated with information technologies and the IT infrastructure of the Bank.

The Management Board, the Large Credit Committee, the Bad Debt Committee are responsible for making decisions on management of credit risks. The Management Board approves the Credit Policy and makes decisions on credit risk-related transactions exceeding the limits stipulated in the Credit Policy for the Large Credit Committee. The Large Credit Committee makes decisions on credit transactions within the limits stipulated by the Management Board and in excess of the limits stipulated by the Management Board for the Bank's officials as well as approves terms and conditions of standard programs of lending. The Bank's Management Board sets limits for the Bank's officials in making credit decisions. The officials make joint decisions, each decision being considered by representatives of the Corporate Business Unit and Risk Unit. It is deemed that a credit decision is made if it is approved by both representatives. The Bad Debt Committee makes decisions on credit and other operations within non-performing loan management.

Decision making on loans to individuals and legal entities, granted on standard terms, is in competence of the Bank's officials within individual powers stipulated by the Bank's Management Board. The level of competence is defined based on deviations from the standard terms and the risk of these deviations.

The Banking Risks Department is responsible for implementation of the effective risk management system, and compliance with the acceptable level of total, market, interest rate, operational, legal, liquidity and reputational risks exposure, as well as credit risk in respect of financial markets transactions. The Banking Risks Department monitors the risk management system related to market, interest rate, credit (in respect of financial institutions, counterparties and securities issuers), operational, legal, liquidity and reputational risks, initiates the development of methods of assessment of current risk levels of the Bank, management procedures for these risks, compliance by the Bank's departments with existing procedures and limits restricting the level of these risks. The Banking Risks Department is not subordinate to, and does not report to, divisions carrying relevant risks.

The Banking Risks Department performs stress-tests based on scenario analysis for the purpose of timely identification of significant risks applicable to the Group that may significantly affect the financial sustainability of the Group. Steps to ensure financial stability of the Group are taken based on the results of stress-tests.

The Compliance Function of the Banking Risks Department assists the Bank's management in developing a compliance control system and effective management of compliance risk the Group faces in the course of its business activity by creating mechanisms for detecting, identifying, analysing, assessing, minimising, monitoring and controlling compliance risk.

Current management of credit risks of the Group is mostly performed by its specialised subdivision, the Credit Risk Department, exercising operating control over credit risk levels. Bad assets management is carried out by a separate business subdivision – the Bad Debt Department.

19 Risk Management, Corporate Governance and Internal Control (continued)

Management is responsible for identifying and assessing risks, designing measures for prevention of risks and monitoring their effectiveness. Management constantly monitors the effectiveness of internal controls over risk management and introduces changes to existing controls if necessary.

In compliance with the Group's internal documentation the Banking Risks Department and Internal Audit Function of the Bank on a periodical basis prepare reports, which cover the Group's significant risks management. The reports include observations as to the assessment of the effectiveness of the Group's procedures and methodologies, and recommendations for improvement.

Management believes that risk management system complies with the CBR requirements and is appropriate for the scale, nature and complexity of operations.

Currency risk. Currency risk is the risk of changes in income or carrying value of the Group's financial instruments due to exchange rate fluctuations.

The Department of Financial Markets Operations currently manages the open currency position within the limits set by the Asset and Liability Management Committee.

For currency risk management purposes the Group also uses the system of mandatory limits established by the CBR, including limits on open positions in a foreign currency (up to 10% of the capital calculated in accordance with the CBR regulations) and the limit on the total open position in all foreign currencies (up to 20% of the capital calculated in accordance with the CBR regulations).

The Group follows a conservative currency risk management policy and opens currency positions primarily in the currencies most frequently used in the Russian Federation (US Dollars and EUR).

The Group takes into account changes in foreign currency volatility levels by preparing and submitting for approval of the Asset and Liability Management Committee proposals concerning changes in internal limits of currency risks.

19 Risk Management, Corporate Governance and Internal Control (continued)

The table below summarises the exposure to foreign currency exchange rate risk of the Group as at 30 June 2019 (unaudited). The Group does not use this currency risk analysis for management purposes.

<i>(in thousands of Russian roubles)</i>	RUB	USD	EUR	Other	Total
Assets					
Cash and cash equivalents	42 030 269	3 050 502	14 358 251	511 760	59 950 782
Mandatory reserve deposits with the Central Bank of the Russian Federation	3 643 716	-	-	-	3 643 716
Trading securities, including those pledged under repurchase agreements	44 677 839	964 379	2 277 190	750 057	48 669 465
Reverse sale and repurchase agreements	16 857 875	47 710 034	23 151 749	-	87 719 658
Derivative financial assets	4 331 765	-	-	-	4 331 765
Due from banks	19 640 727	278 695	236 033	-	20 155 455
Loans and advances to customers					
- loans and advances to corporate customers	183 721 533	25 316 193	25 221 263	-	234 258 989
- loans and advances to individual customers	93 328 027	166 182	1 650 042	-	95 144 251
Investment securities, including those pledged under repurchase agreements	43 401 158	19 184 150	13 322 260	265 894	76 173 462
Investment property	7 408 274	-	-	-	7 408 274
Premises, equipment, intangible assets and assets in the form of right of use	14 504 392	-	-	-	14 504 392
Other assets	4 460 050	72 515	7 801	1 528	4 541 894
Long-term assets held-for-sale	1 045 447	-	-	-	1 045 447
Total assets	479 051 072	96 742 650	80 224 589	1 529 239	657 547 550
Liabilities					
Due to banks	112 528 842	45 715 921	625 390	-	158 870 153
Customer accounts	297 232 804	70 028 422	25 542 155	449 144	393 252 525
Financial liabilities recognised at fair value	4 135 279	-	-	-	4 135 279
Derivative financial liabilities	5 396 978	-	-	-	5 396 978
Bonds issued	6 103 637	-	-	-	6 103 637
Promissory notes and deposit certificates issued	2 712 931	3 020 640	826 144	-	6 559 715
Other borrowed funds	1 466 450	-	-	-	1 466 450
Other liabilities	4 958 756	75 427	14 513	-	5 048 696
Total liabilities	434 535 677	118 840 410	27 008 202	449 144	580 833 433
Less fair value of currency derivatives	1 106 771	-	-	-	1 106 771
Net recognised position, excluding currency derivative financial instruments	45 622 166	(22 097 760)	53 216 387	1 080 095	77 820 888
Currency derivatives	31 641 038	21 975 724	(53 748 953)	(974 580)	(1 106 771)
Net recognised position, including currency derivative financial instruments	77 263 204	(122 036)	(532 566)	105 515	76 714 117

19 Risk Management, Corporate Governance and Internal Control (continued)

The table below summarises the exposure to foreign currency exchange rate risk of the Group as at 31 December 2018. The Group does not use this currency risk analysis for management purposes.

<i>(in thousands of Russian roubles)</i>	RUB	USD	EUR	Other	Total
Assets					
Cash and cash equivalents	17 142 191	3 046 252	15 520 475	1 480 301	37 189 219
Mandatory reserve deposits with the Central Bank of the Russian Federation	3 705 423	-	-	-	3 705 423
Trading securities, including those pledged under repurchase agreements	72 983 412	2 988 636	930 963	3 744 474	80 647 485
Reverse sale and repurchase agreements	58 333 529	25 670 776	4 114 183	-	88 118 488
Derivative financial assets	6 877 095	-	-	-	6 877 095
Due from banks	29 371 338	188 078	2 808 732	-	32 368 148
Loans and advances to customers					
- loans and advances to corporate customers	173 894 971	41 023 802	37 842 664	-	252 761 437
loans and advances to individual customers	83 913 231	259 976	1 848 942	-	86 022 149
Investment securities, including those pledged under repurchase agreements	35 283 798	15 413 242	6 075 369	-	56 772 409
Investment property	7 311 932	-	-	-	7 311 932
Property and equipment and intangible assets	14 182 855	-	-	-	14 182 855
Other assets	6 457 405	319 440	256 530	3 072	7 036 447
Long-term assets held-for-sale	410 402	-	-	-	410 402
Total assets	509 867 582	88 910 202	69 397 858	5 227 847	673 403 489
Liabilities					
Due to banks	124 523 121	22 499 762	795 601	-	147 818 484
Customer accounts	307 798 688	70 757 059	27 630 083	603 003	406 788 833
Financial liabilities recognised at fair value	11 903 879	212 493	-	-	12 116 372
Derivative financial liabilities	2 939 196	-	-	-	2 939 196
Bonds issued	7 992 072	5 814 473	-	-	13 806 545
Promissory notes and deposit certificates issued	3 780 357	3 285 179	911 529	-	7 977 065
Other borrowed funds	1 465 719	-	-	-	1 465 719
Other liabilities	4 800 143	18 762	18 715	-	4 837 620
Total liabilities	465 203 175	102 587 728	29 355 928	603 003	597 749 834
Less fair value of currency derivatives	(3 620 102)	-	-	-	(3 620 102)
Net recognised position, excluding currency derivative financial instruments	41 044 305	(13 677 526)	40 041 930	4 624 844	72 033 553
Currency derivatives	36 051 718	12 798 136	(40 280 228)	(4 949 524)	3 620 102
Net recognised position, including currency derivative financial instruments	77 096 023	(879 390)	(238 298)	(324 680)	75 653 655

19 Risk Management, Corporate Governance and Internal Control (continued)

Liquidity risk. Liquidity risk arises when the maturity of assets and liabilities does not match. The Group is exposed to daily calls on its available cash resources from customer accounts, overnight deposits, current accounts, term deposits, loan draw downs, guarantees and other calls on cash settled derivative instruments. The Group does not maintain cash resources to meet all of these needs as experience shows that a required amount of cash to meet these obligations can be forecasted with a sufficient certainty.

The purpose of liquidity management is to create and maintain the structure of assets and liabilities of the Group by categories and maturities, which will enable the Group to ensure timely payments of its obligations and meeting demands of the Group's customers. The Group forms liquidity reserves sufficient to provide normal operation of the Bank during a certain period in case of unforeseen outflow of resources caused by macroeconomic events or events directly connected with the Bank. In accordance with the results of analysis of the macroeconomic conditions or the state of the banking market, as well as the general trends in the Group's activity, management may demand higher amounts of liquidity, if required.

The Group seeks to maintain a diversified and stable structure of funding sources. The Group invests the funds in diversified portfolios of liquid assets in order to be able to respond quickly and smoothly to unforeseen liquidity requirements. In spite of a substantial portion of customer accounts being on demand, diversification of these deposits by number and type of depositors, and past experience indicate that these customer accounts provide a long-term and stable source of funding for active operations of the Group.

The basis for managing short-term liquidity (less than three months) is making liquidity provisions sufficient not only for current standard activities but also to provide the Bank with the funds during a period of possible unplanned funds withdrawal caused by macroeconomic events or events directly associated with the Bank.

Liquidity management is regulated by the Risks and Capital Management Policy approved by the Bank's Supervisory Board. Additional liquidity evaluation and management limitations are set in the internal regulations developed for the purpose of the Policy development:

- Managing the volume and structure of the liquid assets portfolio. Management maintains a portfolio of liquid assets (including trading securities) that can be used for prompt and loss-free funding.
- In certain cases management may impose restrictions on some transactions to regulate the structure of assets and liabilities of the Group. The limits are established when the economic instruments are insufficient in terms of timing and the extent of influence.

The Bank performs current liquidity management (for the period of up to seven days) on a daily basis. It is implemented based on statistical and chronological analysis of the balances of customer current accounts, forecasted customer deposits, movement of funds on accounts and analysis of the information on obligations and requirements of the Bank under term contracts in short-term periods. This analytical data serves as a basis for management of the Bank's monetary position.

19 Risk Management, Corporate Governance and Internal Control (continued)

Short-term (for the period of up to three months) liquidity monitoring ensures creation of an asset portfolio which may cover all needs of the current liquidity management within the planning time horizon as well as provide the Bank with the funds in case of possible client funds withdrawal. The parameters of possible liabilities outflow are set and reviewed regularly by the Asset and Liability Management Committee and the Management Board.

Long-term (over three months) liquidity monitoring is based on analysis of the Group's liquidity gaps: comparison of claims and liabilities by maturities. When attributing assets and liabilities to different term categories the Group takes into account both the contractual term and expected maturity and the statistical data on sustainability, and for securities it uses estimated disposal period of the portfolio without significant effect on the market price. The Group regards equity as a long-term funding source and, therefore, accounts for it by the longest remaining maturity period. Results of assets and liabilities allocation by maturity and liquidity index calculation are performed in general report on all currencies and in reports for each currency with total amount of assets or liabilities exceeding 5% of total balance. Bank's regulations state minimum values of liquidity indices.

When performing its operating activity the Bank also focuses on compliance with the requirements of the CBR on maintaining sufficient liquidity ratios (instant liquidity ratio - N2, current liquidity ratio - N3, long-term liquidity ratio - N4).

According to the daily calculations, as at 30 June 2019 (unaudited) and 31 December 2018, the Bank complied with the liquidity ratios established by the CBR.

19 Risk Management, Corporate Governance and Internal Control (continued)

The IFRS liquidity position of the Group at 30 June 2019 is presented below (unaudited). The Group does not use the presented analysis by contractual maturity for liquidity management purposes. The following table shows assets and liabilities of the Group by their remaining contractual maturity, with the exception of financial instruments measured at fair value through profit or loss for the period and investment securities measured through other comprehensive income, which are shown in the category “Demand and less than 1 month”, as well as overdue loans, which are shown in the category “From 1 to 5 years”.

	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years or no maturity	Total
<i>(in thousands of Russian roubles)</i>						
Assets						
Cash and cash equivalents	59 950 782	-	-	-	-	59 950 782
Mandatory reserve deposits with the Central Bank of the Russian Federation	1 828 050	900 125	636 440	279 081	20	3 643 716
Trading securities, including those pledged under repurchase agreements	48 669 465	-	-	-	-	48 669 465
Reverse sale and repurchase agreements	48 022 775	23 128 825	16 568 058	-	-	87 719 658
Derivative financial assets	171 416	2 072 176	1 584 125	228 315	275 733	4 331 765
Due from banks	1 956 207	18 199 248	-	-	-	20 155 455
Loans and advances to customers						
- loans and advances to corporate customers	14 873 758	79 155 890	26 660 302	90 010 750	23 558 289	234 258 989
- loans and advances to individuals	50 747	1 041 053	1 274 225	25 152 531	67 625 695	95 144 251
Investment securities, including those pledged under repurchase agreements	23 481 963	16 069 928	-	31 404 971	5 216 600	76 173 462
Investment property	-	-	-	-	7 408 274	7 408 274
Premises, equipment, intangible assets and assets in the form of right of use	-	1 514	52 246	406 941	14 043 691	14 504 392
Other assets	584 959	913 264	1 435 818	941 032	666 821	4 541 894
Long-term assets held-for-sale	-	-	1 045 447	-	-	1 045 447
Total assets	199 590 122	141 482 023	49 256 661	148 423 621	118 795 123	657 547 550
Liabilities						
Due to banks	155 562 886	1 953 242	296 502	1 027 319	30 204	158 870 153
Customer accounts	197 294 504	97 147 148	68 688 582	30 120 107	2 184	393 252 525
Financial liabilities recognised at fair value	4 135 279	-	-	-	-	4 135 279
Derivative financial liabilities	761 221	1 165 698	205 039	3 067 977	197 043	5 396 978
Bonds issued	-	-	-	-	6 103 637	6 103 637
Promissory notes and deposit certificates issued	1 013 896	1 242 118	906 289	2 770 227	627 185	6 559 715
Other borrowed funds	-	1 466 450	-	-	-	1 466 450
Other liabilities	1 341 214	2 470 145	275 944	589 753	371 640	5 048 696
Total liabilities	360 109 000	105 444 801	70 372 356	37 575 383	7 331 893	580 833 433
Net liquidity gap	(160 518 878)	36 037 222	(21 115 695)	110 848 238	111 463 230	76 714 117
Cumulative liquidity gap as at 30 June 2019	(160 518 878)	(124 481 656)	(145 597 351)	(34 749 113)	76 714 117	

19 Risk Management, Corporate Governance and Internal Control (continued)

The Group's IFRS liquidity position as at 31 December 2018 is presented below:

	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years or no maturity	Total
<i>(in thousands of Russian roubles)</i>						
Assets						
Cash and cash equivalents	37 189 219	-	-	-	-	37 189 219
Mandatory reserve deposits with the Central Bank of the Russian Federation	1 884 497	929 366	612 715	278 839	6	3 705 423
Trading securities, including those pledged under repurchase agreements	80 647 485	-	-	-	-	80 647 485
Reverse sale and repurchase agreements	72 531 337	15 587 151	-	-	-	88 118 488
Derivative financial assets	1 317 895	2 047 699	150 508	2 669 316	691 677	6 877 095
Due from banks	10 174 750	22 193 398	-	-	-	32 368 148
Loans and advances to customers						
- loans and advances to corporate customers	12 221 912	63 644 173	49 986 468	109 557 152	17 351 732	252 761 437
- loans and advances to individuals	349 389	608 719	1 725 979	22 882 873	60 455 189	86 022 149
Investment securities, including those pledged under repurchase agreements	29 855 787	-	6 072 592	17 446 252	3 397 778	56 772 409
Investment property	-	-	-	-	7 311 932	7 311 932
Property and equipment and intangible assets	-	-	-	-	14 182 855	14 182 855
Other assets	1 788 268	1 891 737	2 156 980	88 973	1 110 489	7 036 447
Long-term assets held-for-sale	-	-	410 402	-	-	410 402
Total assets	247 960 539	106 902 243	61 115 644	152 923 405	104 501 658	673 403 489
Liabilities						
Due to banks	146 333 407	331 707	93 884	1 059 486	-	147 818 484
Customer accounts	206 415 320	102 269 928	67 414 698	30 687 186	1 701	406 788 833
Financial liabilities recognised at fair value	12 116 270	102	-	-	-	12 116 372
Derivative financial liabilities	328 748	1 423 970	329 230	851 211	6 037	2 939 196
Bonds issued	-	5 814 473	-	-	7 992 072	13 806 545
Promissory notes and deposit certificates issued	1 076 967	3 437 217	1 737 321	1 129 112	596 448	7 977 065
Other borrowed funds	-	-	1 465 719	-	-	1 465 719
Other liabilities	2 913 037	799 207	161 804	126 008	837 564	4 837 620
Total liabilities	369 183 749	114 076 604	71 202 656	33 853 003	9 433 822	597 749 834
Net liquidity gap	(121 223 210)	(7 174 361)	(10 087 012)	119 070 402	95 067 836	75 653 655
Cumulative liquidity gap as at 31 December 2018	(121 223 210)	(128 397 571)	(138 484 583)	(19 414 181)	75 653 655	

The Group Management believes that available undrawn credit lines opened for the Group in the amount of RUB 131 482 000 thousand (unaudited) (31 December 2018: RUB 92 200 000 thousand) and assessment of stability of customer accounts in unstable environment will fully cover the Group's liquidity gap specified in the tables above.

20 Capital management

The objectives when managing the Group’s capital are: (i) to comply with the capital requirements set by the CBRF, (ii) to safeguard the Group’s ability to continue as a going concern and (iii) to maintain a sufficient capital base to achieve a capital adequacy ratio of at least 8% based on the April 1998 Basel Prudential Requirements for Banks (Basel I), to comply with capital requirements and capital adequacy ratio requirements in accordance with financial covenants set in agreements signed by the Group in order to raise funds.

Under the current capital requirements set by the CBRF, the Group has to maintain a ratio of regulatory capital to risk weighted assets (“capital adequacy ratio” N 20.0) of at least 8.0%, base capital adequacy ratio (N 20.1) of at least 4,5%, core capital adequacy ratio (N 20.2) of at least 6,0%. The Group has to maintain a level additional to the capital adequacy requirements as set by the CBRF in addition to the values above. In 2019 the Bank had to comply with a mark-up of 2,000% to all capital adequacy ratios as well as the countercyclical mark-up. As at 30 June 2019, countercyclical mark-up was 0,006%. Core capital, base capital and own funds and capital adequacy ratios based on reports prepared by the Group under Russian statutory accounting standards are presented in the table below:

<i>(in thousands of Russian roubles)</i>	30 June 2019 (unaudited)	31 December 2018 (unaudited)
Total capital	76 904 576	73 971 427
Base capital	53 625 876	54 141 166
Base capital	53 625 876	54 141 166
Capital adequacy ratio N 20.0	14,76%	13,67%
Base capital adequacy ratio N 20.1	10,38%	10,09%
Core capital adequacy ratio N 20.2	10,38%	10,09%

The capital adequacy ratio set by the CBRF is managed by the Treasury Department through monitoring and forecasting its components.

The Accounting Department performs calculations of the capital adequacy ratios on a daily basis. As at 30 June 2019 (unaudited) and 31 December 2018 (unaudited), the capital adequacy ratios were within limits established by the CBR.

In September 2015, the Group attracted a subordinated loan from the State Corporation “Deposit Insurance Agency” in the form of federal loan bonds in the total nominal amount of RUB 14 594 500 thousand. As at 30 June 2019, the fair value of these bonds is RUR 16 004 066 thousand (unaudited) (31 December 2018: RUB 16 274 911 thousand). The interest rate is the coupon rate on the federal loan bonds plus 1% p.a. The loan maturity is from 2025 to 2034, depending on the terms of bond issue.

The Group is required to meet certain covenants attached to the subordinated loan from the State Corporation “Deposit Insurance Agency”. As at 30 June 2019 (unaudited) and 31 December 2018 (unaudited), the Group fully meets these covenants.

20 Capital management (continued)

Arrangements to safeguard the Group’s ability to continue as a going concern are performed under the Strategic Development Plan and divided into long-term and short-term capital management.

In the long-term the Bank plans its business scope under strategic and financial plans developed along with identification of the risks and corresponding capital requirements for three years and one year, respectively. When the required amount of capital is defined the Bank determines the sources of its increase: borrowings on capital markets, share issue and approximate scope thereof. The target scope of business and the amount of capital, as well as the sources of the capital increase are approved collegially by the following management bodies in order of the established priority: the Asset and Liability Management Committee, the Management Board of the Bank, the Supervisory Board of the Bank.

In the short-term the Bank determines the capital surplus/deficit within the period from one to three months and develops the respective plan to increase assets in order to comply with the CBRF requirements. In some cases management uses measures to influence the structure of assets and liabilities through interest rate policy, and in exceptional cases, through setting limits for certain banking transactions. The limits are established when the economic instruments are insufficient in terms of timing and the extent of influence.

Below is the capital and capital adequacy ratio of the Bank calculated in accordance with Basel I, IFRS data:

<i>(in thousands of Russian roubles)</i>	30 June 2019 (unaudited)	31 December 2018
Equity	92 622 208	91 811 646
Level 1	72 491 336	71 510 783
Paid-in share capital	3 781 734	3 781 734
Reserves and profit	69 125 490	67 417 368
<i>including:</i>		
- Share premium	24 513 878	24 513 878
- Retained earnings	44 611 612	42 903 490
Non-controlling interest	358 976	1 086 545
Goodwill	(114 873)	(114 873)
Treasury shares	(659 991)	(659 991)
Level 2	20 130 872	20 300 863
Revaluation reserve for property and equipment	3 542 519	3 651 455
Investment securities revaluation fund	584 287	374 497
Subordinated loans	16 004 066	16 274 911
Risk weighted assets	524 997 714	533 698 491
Risk weighted banking assets	448 115 260	445 137 540
Risk weighted trading assets	24 858 350	42 368 988
Risk weighted off-balance-sheet assets	52 024 104	46 191 963
Total capital adequacy ratio	17.64%	17.20%
Tier 1 capital adequacy ratio	13.81%	13.40%

The Group was in compliance with the minimum capital adequacy ratio agreed with the creditors as at 30 June 2019 (unaudited) and 31 December 2018.

21 Fair value of financial instruments

Methods and assumptions used in calculation of the fair value.

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal market at the measurement date under current market conditions. The best evidence of the fair value is price quotations in an active market.

The estimated fair values of financial instruments are determined using available market information, where it exists, and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to determine the estimated fair value. The Russian Federation continues to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. Market quotations may be outdated or reflect distress sale transactions and therefore not represent fair values of financial instruments. Management uses all available market information in estimating the fair value of financial instruments.

The fair value of instruments with floating interest rates usually equals their carrying amount. The fair value of instruments with fixed interest rates and fixed maturity dates that do not have market prices is based on discounted cash flows using current interest rates for instruments with similar credit risk and maturity date.

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

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable market inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Management uses professional judgment for classification of financial instruments between categories of the fair value evaluation hierarchy. If the observable data used for fair value evaluation require significant adjustments they are categorised as Level 3.

Liabilities to banks and customers for refund of securities under sale and repurchase agreements received and sold by the Group are recognised at fair value.

21 Fair Value of Financial Instruments (continued)

The following table provides an analysis of financial instruments recognised at fair value by evaluation categories as at 30 June 2019 (unaudited):

<i>(in thousands of Russian roubles)</i>	Level 1	Level 2	Level 3
FINANCIAL ASSETS			
<i>Trading securities, including those pledged under repurchase agreements</i>			
- Coupon bonds of the Bank of Russia	27 293 590	-	-
- Corporate bonds	15 851 911	-	-
- Corporate Eurobonds	3 857 074	-	-
- Federal loan bonds	1 104 319	-	-
- Municipal bonds	11 467	-	-
- Equity securities	98	23 850	527 156
<i>Loans and advances to corporate customers at fair value</i>	-	-	2 101 131
<i>Investment securities measured through other comprehensive income, including securities pledged under sale and repurchase agreements</i>			
- Corporate bonds	11 882 537	-	-
- Municipal bonds	4 533 196	-	-
- Corporate Eurobonds	732 046	-	-
- Equity securities	672 264	-	99 158
- Federal loan bonds	6 440	-	-
<i>Derivative financial assets</i>	-	4 331 765	-
TOTAL FINANCIAL ASSETS AT FAIR VALUE	65 944 942	4 355 615	2 727 445
FINANCIAL LIABILITIES			
<i>Financial liabilities recognised at fair value</i>	4 135 279	-	-
<i>Derivative financial liabilities</i>	-	5 396 978	-
TOTAL FINANCIAL LIABILITIES AT FAIR VALUE	4 135 279	5 396 978	-

As at 30 June 2019, corporate equity securities with a carrying value of RUB 23 850 thousand were transferred from Level 1 to Level 2 of the fair value hierarchy, since frequency and volume of trading in such equity securities no longer satisfied active market requirements. To determine the fair value of these equity securities the management applied a valuation method where all significant benchmarks are based on observable market data.

In 6 months ended 30 June 2019 no instruments were transferred from Level 2 to Level 1 of the fair value hierarchy (unaudited).

21 Fair Value of Financial Instruments (continued)

The following table provides an analysis of financial instruments recognised at fair value by evaluation categories as at 31 December 2018:

<i>(in thousands of Russian roubles)</i>	Level 1	Level 2	Level 3
FINANCIAL ASSETS			
<i>Trading securities, including those pledged under repurchase agreements</i>			
- Coupon bonds of the Bank of Russia	47 359 849	-	-
- Corporate bonds	24 065 724	821 804	-
- Corporate Eurobonds	7 330 037	-	-
- Equity securities	273 166	-	569 313
- Russian Federation Eurobonds	159 468	-	-
- Federal loan bonds	68 124	-	-
<i>Loans and advances to corporate customers at fair value</i>	-	-	1 094 580
<i>Investment securities measured through other comprehensive income, including securities pledged under sale and repurchase agreements</i>			
- Corporate bonds	19 454 190	802 139	-
- Municipal bonds	4 566 228	-	-
- Corporate Eurobonds	4 135 214	-	-
- Federal loan bonds	25 497	-	-
- Equity securities	668 199	-	204 320
<i>Derivative financial assets</i>	-	6 877 095	-
TOTAL FINANCIAL ASSETS AT FAIR VALUE	108 105 696	8 501 038	1 868 213
FINANCIAL LIABILITIES			
<i>Financial liabilities recognised at fair value</i>	12 116 372	-	-
<i>Derivative financial liabilities</i>	-	2 939 196	-
TOTAL FINANCIAL LIABILITIES AT FAIR VALUE	12 116 372	2 939 196	-

21 Fair Value of Financial Instruments (continued)

The table below contains the reconciliation of incoming and outgoing assets classified into Level 3 of the fair value hierarchy as at 30 June 2019 (unaudited):

<i>(in thousands of Russian roubles)</i>	Level 3 input value as at 1 January 2019	Income/ (expense) recognised in profit or loss	Income/ (expense) recognised in profit or loss	Disposals	Acquisitions	Level 3 output value as at 30 January 2019
Loans to corporate customers at fair value	1 094 580	70 132	-	(349 479)	1 285 898	2 101 131
Investment securities, including those pledged under repurchase agreements	204 320	-	(19 710)	(85 455)	3	99 158
Trading securities, including those pledged under repurchase agreements	569 313	(42 157)	-	-	-	527 156
Total Level 3 assets	1 868 213	27 975	(19 710)	(434 934)	1 285 901	2 727 445

The table below contains the reconciliation of incoming and outgoing assets classified into Level 3 of the fair value hierarchy as at 30 June 2018 (unaudited):

<i>(in thousands of Russian roubles)</i>	Level 3 input value as at 1 January 2018 after IFRS 9	Income / (expenses) recognised in profit or loss	Acquisitions	Level 3 output value as at 30 June 2018
Loans to corporate customers at fair value	879 766	382 234	-	1 262 000
Investment securities remeasured at FVOCI	192 647	-	3 938	196 585
Investment securities remeasured at FVTPL	280 980	98 209	-	379 189
Total Level 3 assets	1 353 393	480 443	3 938	1 837 774

Evaluation of loans to corporate customers at fair value

As at 30 June 2019, the Group classifies rights of claim under transactions on financing a specialized company established for the purpose of acquisition of car loans to individuals from other banks into financial assets at fair value through profit or loss.

Claims rights are measured at the lower of the carrying amount of the rights of claim and the market value of the portfolios acquired by a specialized company measured based on the expected cash flows of the portfolios acquired considering observable and expected defaults. Market value is estimated by the Group's risk assessment division on a quarterly basis.

21 Fair Value of Financial Instruments (continued)

The market value was estimated on the basis of assumptions regarding the expected default rate of the acquired portfolios and the market discount rate for similar risk assets. With an increase in the expected default rate of 1.0%, the market value of the acquired rights of claim decreases by 0.5% (unaudited). With an increase in the market discount rate of 1.0%, the market value of the acquired rights of claim decreases by 1.3% (unaudited).

Evaluation of investment securities, including those pledged under sale and repurchase agreements.

Securities measured at fair value through other comprehensive income is an investment in shares or not listed shares on the stock exchange, companies that are estimated based on information not observed at the market.

The fair value of securities measured at fair value through other comprehensive income is determined by the Group every 6 months based on the results of independent appraisers reports. The fair value measurement is based on the net asset valuation method. For the purpose of comparison, the company-analogue method (capital market) was used, but the results of its use were not taken into account when measuring the fair value of financial assets, since the multipliers were determined on the basis of data of companies operating in foreign jurisdictions. It was not possible to use the discounted future cash flow method as equity securities are minority stakes.

In order to control significant changes in the fair value, the Group regularly (monthly/quarterly) analyzes the accounting and financial statements disclosed by issuers and monitors non-financial information about issuers. Control is carried out by the division that initiated an acquisition of securities.

As at 30 June 2019 (unaudited), with a 1.0% increase/decrease in the companies' net assets applied in the valuation model, the carrying amount of financial instruments would increase/decrease by RUB 991 thousand (unaudited) (31 December 2018: the carrying amount of financial instruments would increase/decrease by RUB 2 043 thousand).

Evaluation of trading securities, including those pledged under sale and repurchase agreements

BSPB CAPITAL VPF L.P. investments in the capital of companies amount to RUB 527 156 thousand (31 December 2018: 569 313). The fair value of the Fund's investments is measured by the Group in accordance with the International Guidelines for Private Equity and Venture Capital Valuation (IPEV)) based on the adjusted business value / revenue multiplier of public international companies according to the industry.

Decisions on granting limits and investments in unquoted equity instruments are made by the Management Board of the Bank. Investments of the BSPB CAPITAL VPF L.P. fund are monitored on a regular basis. The General Partner of the Fund reports on the results of the Fund's activities to investors on a quarterly basis and submits audited financial statements on an annual basis.

The estimated value of the weighted average adjusted multiplier "business value/revenue" was 4.31. With an increase/decrease in the multiplier by 1.0%, the carrying amount of the financial instrument will increase/decrease by RUB 5 272 thousand (unaudited).

For the 6 months ended 30 June 2019, there were no transfers between the levels of the hierarchy for assets classified as Level 3 (unaudited).

21 Fair Value of Financial Instruments (continued)

The following table provides fair values of financial assets carried at amortised cost as at 30 June 2019 (unaudited) and 31 December 2018:

<i>(in thousands of Russian roubles)</i>	30 June 2019 (unaudited)		31 December 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets carried at amortised cost				
Loans and advances to customers				
Loans to corporate customers				
- loans to finance working capital	140 476 830	140 828 566	146 701 009	147 918 663
- investment loans	69 733 457	69 256 753	85 412 084	84 476 677
- loans to entities financed by the government	21 947 571	20 493 890	19 553 764	18 903 809
Loans to individuals				
- mortgage loans	65 190 554	68 802 581	59 394 585	63 163 245
- car loans	4 271 027	4 301 063	3 459 502	3 505 547
- consumer loans to VIP clients	3 612 859	3 549 898	3 729 112	3 567 424
- other consumer loans	22 069 811	23 221 734	19 438 950	20 575 405
TOTAL	327 302 109	330 454 485	337 689 006	342 110 770

21 Fair Value of Financial Instruments (continued)

The following table provides fair values of financial liabilities carried at amortised cost as at 30 June 2019 and 31 December 2018:

	30 June 2019 (unaudited)		31 December 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
<i>(in thousands of Russian roubles)</i>				
Financial liabilities carried at amortised cost				
Customer accounts				
State and public organisations				
- Current/settlement accounts	31 767	31 767	15	15
Other legal entities				
- Current/settlement accounts	73 912 889	73 912 889	61 527 231	61 527 231
- Term deposits	70 930 661	71 055 052	86 818 615	86 929 401
- Sale and repurchase agreements	-	-	9 345 969	9 345 969
Individuals				
- Current accounts/demand deposits	64 461 696	64 461 696	65 669 586	65 669 586
- Term deposits	183 915 512	187 926 612	183 427 417	186 097 050
Bonds issued				
- Subordinated Eurobonds	-	-	5 814 473	5 909 442
- Mortgage secured bonds issued by mortgage agents	6 103 637	6 195 486	7 992 072	8 075 102
Promissory notes and deposit certificates issued				
- Promissory notes	6 559 713	6 735 648	7 977 063	8 283 713
- Deposit certificates	2	2	2	2
Other borrowed funds				
- Subordinated loans	1 466 450	1 453 827	1 465 719	1 442 021
TOTAL	407 382 327	411 772 979	430 038 162	433 279 532

Trading securities, including securities pledged under sale and repurchase agreements, investment securities, including securities pledged under sale and repurchase agreements, measured at fair value through other comprehensive income, derivative financial instruments are recognised at fair value in the condensed consolidated interim financial information.

According to the Group estimates, fair values of financial assets and liabilities, except for those disclosed in the tables above, do not differ significantly from their carrying amounts.

Fair value hierarchy for assets and liabilities disclosed in the tables above is as follows: bonds issued – Level 1, promissory notes and deposit certificates issued – Level 2, customer accounts - Level 2, other borrowed funds – Level 3, loans and advances to customers – Level 3.

21 Fair Value of Financial Instruments (continued)

Loans and receivables carried at amortised cost. The fair value of instruments with floating interest rates usually equals their carrying amount. If the market situation significantly changes the interest rates on loans and advances to customers and loans to banks with fixed interest rate may be revised. Interest rates on loans and advances to customers issued just before the reporting date do not significantly differ from current interest rates on new instruments with similar credit risk and maturity date. If interest rates on earlier issued loans, according to the Group's estimates, significantly differ from current interest rates for similar instruments as at the reporting date, the Group determines estimated fair value for these loans. The estimate is based on discounted cash flows using current interest rates based on available market information for new instruments with similar credit risk and maturity date. Discounting rates depend on currency, maturity date and counterparty.

The following table provides an analysis of interest rates on loans and advances to customers in effect as at 30 June 2019 and 31 December 2018:

	30 June 2019 (unaudited)	31 December 2018
Loans and advances to customers:		
Loans and advances to corporate customers	2.79% - 11.99% per annum	2.82% - 13.84% per annum
Loans and advances to individuals	3.31% - 14.82% per annum	4.16% - 15.31% per annum

Financial liabilities carried at amortised cost. The estimated fair value of instruments with fixed interest rates and fixed maturity dates that do not have market prices is based on discounted cash flows using current interest rates for new instruments with similar credit risk and maturity date. Discounting interest rates depend on currency, maturity date and as at 30 June 2019 (unaudited) range from 0.01% to 8.69% per annum (31 December 2018: from 0.01% to 8.69% per annum).

The estimated fair values of other financial assets, including trade receivables, approximates their amortised cost due to their short-term nature.

22 Related party transactions

For the purposes of this condensed consolidated interim financial information, parties are considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the economic substance of the relationship, not merely to the legal form. The family of Mr. A.V. Savelyev, through the ownership of the Bank's shares and the option to purchase interest in the companies currently controlled by the members of the Bank's management (see Note 1), is the majority ultimate beneficiary of the Bank.

In the normal course of business the Group enters into transactions with shareholders, Group's management and other related parties.

22 Related party transactions (continued)

As at 30 June 2019, the outstanding balances with related parties are as follows (unaudited):

<i>(in thousands of Russian roubles)</i>	Shareholders	Group's management	Other related parties
Loans and advances to customers (contractual interest rates 9.25%-17.90% per annum)	-	69 356	177
Allowance for expected credit losses	-	(1 001)	(1)
Customer accounts (contractual interest rates 0.01%-8.55% per annum)	6 492 127	1 523 450	385 695

The income and expense items under transactions with related parties, other than compensation to the members of the Supervisory and the Management Boards, for the six-month period ended 30 June 2019 (unaudited) are as follows:

<i>(in thousands of Russian roubles)</i>	Shareholders	Group's management	Other related parties
Interest income calculated using the effective interest method	3	4 139	-
Interest expenses	(105 969)	(27 706)	(10 142)
Reversal of allowance for expected credit losses	-	62	-
Fee and commission income	115	287	1 340

Aggregate amounts lent to and repaid by related parties during the six-month period ended 30 June 2019 (unaudited) are:

<i>(in thousands of Russian roubles)</i>	Shareholders	Group's management	Other related parties
Amounts lent to related parties during the period at amortised cost	8 798	37 266	1 470
Amounts repaid by related parties during the period at amortised cost	8 798	40 514	1 405

As at 31 December 2018, the outstanding balances with related parties are as follows:

<i>(in thousands of Russian roubles)</i>	Shareholders	Group's management	Other related parties
Loans and advances to customers (contractual interest rates 3.00%-24.90% per annum)	-	72 604	112
Allowance for expected credit losses	-	(1 063)	(1)
Customer accounts (contractual interest rates 0.01%-10.05% per annum)	4 310 141	1 547 880	540 755

22 Related party transactions (continued)

The income and expense items under transactions with related parties, other than compensation to the members of the Supervisory and the Management Boards, for the six-month period ended 30 June 2018 (unaudited) are as follows:

<i>(in thousands of Russian roubles)</i>	Shareholders	Group's management	Other related parties
Interest income calculated using the effective interest method	6	4 114	-
Interest expenses	(69 751)	(28 332)	(13 816)
Creation of allowance for expected credit losses	1	(439)	-
Fee and commission income	107	295	1 661

Aggregate amounts lent to and repaid by related parties during the six-month period ended 30 June 2018 (unaudited) are:

<i>(in thousands of Russian roubles)</i>	Shareholders	Group's management	Other related parties
Amounts lent to related parties during the period at amortised cost	2 477	102 777	-
Amounts repaid by related parties during the period at amortised cost	3 082	99 515	-

For the six-month period ended 30 June 2019 (unaudited), total remuneration to the members of the Supervisory Board and the Management Board of the Bank, including pension contributions and discretionary bonuses, amounts to RUB 254 663 thousand (for the six-month period ended 30 June 2018 (unaudited): RUB 283 828 thousand).

23 Consolidation of Companies

The condensed consolidated interim financial information of the Group include the following subsidiaries:

Name	Country	Ownership, %		Line of business
		30 June 2019 (unaudited)	31 December 2018	
BSPB - Trading LLC	Russian Federation	-	100%	Operations on financial markets
BSPB Capital LLC	Russian Federation	100%	100%	Securities management
4 th Nevsky Fund, Combined CEIF	Russian Federation	100%	100%	Investments in real estate
10 th Nevsky Fund, Combined CEIF	Russian Federation	100%	100%	Investments in real estate
13 th Nevsky Fund, Combined CEIF	Russian Federation	100%	100%	Direct investments
16 th Nevsky Fund, Combined CEIF	Russian Federation	100%	100%	Direct investments
17 th Nevsky Fund, Combined CEIF	Russian Federation	100%	100%	Direct investments
Venture Project, Combined CEIF	Russian Federation	100%	100%	Direct and venture investments
BSPB CAPITAL VPF L.P.	Jersey, Channel Islands	100%	100%	Direct and venture investments

In December 2018, the Group decided to liquidate the subsidiary BSPB-Trading LLC in 2019. The entry on the termination of the company's activities in the Unified State Register of Legal Entities was made on 18 April 2019.

BSPB Capital LLC is an asset management enterprise. The Bank uses this company to expand the range of investment products, including trust management of the customers' assets.

4th Nevsky Fund, Combined CEIF, 10th Nevsky Fund, Combined CEIF, 13th Nevsky Fund, Combined CEIF, 16th Nevsky Fund, Combined CEIF, and 17th Nevsky Fund, Combined CEIF are funds specialised in real estate and other assets management to increase their cost.

Venture Project, Combined CEIF is a fund established for direct investing and investing in ventures.

BSPB CAPITAL VPF L.P operates as an investor, sells, exchanges and distributes investments in accordance with the investment policy under management of BSPB Capital GP Ltd.

The Bank uses BSPB Finance PLC, a structured entity, for issue of bonds on the international capital market (refer to Note 12).

23 Consolidation of Companies (continued)

BSPb Finance PLC is the issuer of a structured product - loan participation notes issued exclusively for the purpose of granting loans to the Bank. Bonds are secured instruments and the issuer pledges all amounts received and/or to be received under loan agreements concluded with the Bank. The Bank reimburses all non-recurring and current expenses related to the provision and servicing of the loan.

The Bank uses a structured enterprise, MA BSPB LLC, as part of its securitization program. MA BSPB LLC operates according to predetermined criteria, which are part of the initial structure of the enterprise (Note 9).

MA BSPB LLC is an entity of the Group established for securitization purposes, which is financed by the Group under the securitization program. MA BSPB LLC operates according to predetermined criteria, which are part of the initial structure of the company. Except for the daily servicing of mortgage loans (which is performed by the Group on the basis of a service agreement), key decisions are required only in the event of default, in such cases only the Group can make such decisions. In addition, the Group is exposed to variable returns from its participation in MA BSPB LLC through provision of credit line to the company, contractual obligation to sell default mortgage loans to the Bank and Bank's holding of debt securities issued by this company. As a result, the Management concluded that the Group controls the specified company and its financial statements were included in the consolidated financial statements as at 30 June 2019 and as at 31 December 2018.

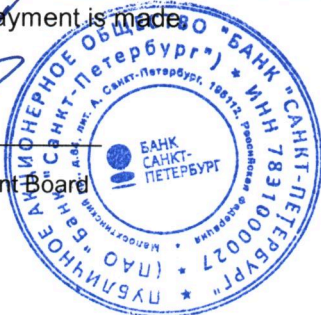
The Bank uses a structured enterprise, MA BSPB 2 LLC, as part of its securitization program. MA BSPB 2 LLC operates according to predetermined criteria, which are part of the initial structure of the enterprise (Note 9).

MA BSPB 2 LLC is an entity of the Group established for securitization purposes, which is financed by the Group under the securitization program. MA BSPB 2 LLC operates according to predetermined criteria, which are part of the initial structure of the company. Except for the daily servicing of mortgage loans (which is performed by the Group on the basis of a service agreement), key decisions are required only in the event of default, in such cases only the Group can make such decisions. In addition, the Group is exposed to variable returns from its participation in MA BSPB LLC through the provision of a credit line to this company by the Bank. As a result, the Management concluded that the Group controls the specified company and its financial statements were included in the consolidated financial statements as at 30 June 2019 and as at 31 December 2018.

24 Subsequent events

On July 31, 2019 in accordance with paragraph 2 of Article 72 of the Federal Law "On Joint Stock Companies", the Bank's Supervisory Board passed a resolution concerning the acquisition by the Bank of 12 000 thousand of its own outstanding ordinary registered shares in book-entry form at a price of RUB 53.50. The period during which the shareholders' offers/declarations of intention for the sale of their shares to the Bank will be received or withdrawn is: 6 September 2019 – 7 October 2019. Cash payment for the shares acquired shall be transferred from 14 October 2019 to 22 October 2019. Shares shall be credited to the treasury account of the Bank in the share register after the payment is made.

A.V. Savelyev
Chairman of the Management Board



N.V. Tumasyan
Acting Chief Accountant