

Report on Review of Interim Financial Information
***Joint stock company Russian Agricultural Bank
and its subsidiaries***
for the six-month period ended 30 June 2019

August 2019

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Report on Review of Interim Financial Information

To the Shareholder and Supervisory Board of
Joint stock company Russian Agricultural Bank

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Joint stock company Russian Agricultural Bank and its subsidiaries, which comprise the interim consolidated statement of financial position as at 30 June 2019, the interim consolidated statement of profit or loss and other comprehensive income for the three-month and six-month periods then ended, interim consolidated statement of changes in equity and interim consolidated statement of cash flows for the six-month period then ended, and selected explanatory notes (interim financial information). Management of Joint stock company Russian Agricultural Bank is responsible for the preparation and presentation of this interim financial information in accordance with IAS 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

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

Conclusion

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



G.A. Shinin
Partner
Ernst & Young LLC

26 August 2019

Details of the entity

Name: Joint stock company Russian Agricultural Bank
Record made in the State Register of Legal Entities on 22 October 2002, State Registration Number 1027700342890.
Address: Russia 119034, Moscow, Gagarinsky per., 3.

Details of the auditor

Name: Ernst & Young LLC
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Address: Russia 115035, Moscow, Sadovnicheskaya naberezhnaya, 77, building 1.
Ernst & Young LLC is a member of Self-regulated organization of auditors "Russian Union of auditors" (Association) ("SRO RUA"). Ernst & Young LLC is included in the control copy of the register of auditors and audit organizations, main registration number 11603050648.

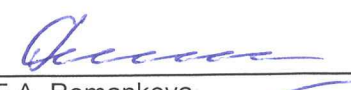
Russian Agricultural Bank Group
Interim Consolidated Statement of Financial Position
as at 30 June 2019

<i>In millions of Russian Roubles</i>	Note	30 June 2019 (unaudited)	31 December 2018
Assets			
Cash and cash equivalents		229 488	390 585
Mandatory cash balances with the Bank of Russia		22 240	20 651
Trading securities	5	20 981	19 226
Due from other banks		67 843	38 717
Derivative financial instruments	19	16 628	17 767
Loans and advances to customers	6	2 061 513	1 957 767
Investment securities	7	457 876	532 185
Investment securities pledged under repurchase agreements	7	10 758	40 264
Current income tax assets		673	573
Deferred income tax asset		16 298	16 298
Intangible assets		6 367	6 113
Premises, equipment and right-of-use assets		47 955	50 186
Other assets		22 025	23 810
Assets classified as held for sale		866	640
Total assets		2 981 511	3 114 782
Liabilities			
Derivative financial instruments	19	2 714	9 213
Due to other banks	8	90 848	171 530
Customer accounts	9	2 339 044	2 421 051
Promissory notes issued		40 367	42 341
Bonds issued	10	157 869	142 609
Current income tax liability		623	89
Deferred income tax liability		1 240	1 658
Other liabilities		42 922	27 291
Total liabilities before subordinated debts		2 675 627	2 815 782
Subordinated debts		136 214	147 279
Total liabilities		2 811 841	2 963 061
Equity			
Share capital		425 598	410 598
Perpetual bonds	11	38 056	38 376
Revaluation reserve for premises		2 872	2 890
Revaluation reserve for investment securities at fair value through other comprehensive income		612	(3 769)
Accumulated loss		(297 394)	(298 074)
Equity attributable to the Bank's shareholder		169 744	150 021
Non-controlling interest		(74)	1 700
Total equity		169 670	151 721
Total liabilities and equity		2 981 511	3 114 782

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


 B.P. Listov
 Chairman of the Management Board




 E.A. Romankova
 Deputy Chairman of the Management Board,
 Chief Accountant

The notes set out on pages 9 to 44 form an integral part of these interim condensed consolidated financial statements.

Russian Agricultural Bank Group
Interim Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the six months ended 30 June 2019

<i>(Unaudited)</i> In millions of Russian Roubles	Note	For the six months ended 30 June		For the three months ended 30 June	
		2019	2018	2019	2018
Interest income at effective interest rate	12	120 798	117 523	61 112	59 516
Other interest income	12	2 304	1 616	1 056	807
Interest expense at effective interest rate	12	(88 921)	(82 198)	(44 691)	(40 829)
Net interest income		34 181	36 941	17 477	19 494
Credit loss expense	13	(14 664)	(23 245)	(5 849)	(12 630)
Net interest income after credit loss expense		19 517	13 696	11 628	6 864
Fee and commission income	14	11 493	11 328	6 238	5 694
Fee and commission expense	14	(1 218)	(1 411)	(657)	(456)
Gains less losses/(losses net of gains) from trading securities		260	(123)	303	(90)
(Losses net of gains)/gains less losses from financial instruments and loans to customers at fair value through profit or loss		(187)	23	783	(34)
(Losses net of gains)/gains less losses from investment securities at fair value through other comprehensive income		(798)	2 216	(67)	419
Foreign exchange translation losses net of gains		(11 262)	(14 806)	(1 105)	(15 695)
Gains less losses from derivative financial instruments		16 390	14 464	3 593	14 875
Gains less losses from dealing in foreign currencies		1 734	2 039	542	1 941
Gains from non-banking activities		6 877	4 808	3 603	2 153
Losses from non-banking activities		(6 746)	(3 519)	(3 957)	(1 736)
Other operating income/(expense)		387	(522)	89	(359)
Administrative and other operating expenses		(30 492)	(24 627)	(16 658)	(12 521)
Profit before tax		5 955	3 566	4 335	1 055
Income tax expense		(2 341)	(3 351)	(1 274)	(1 716)
Profit/(loss) for the period		3 614	215	3 061	(661)
Profit/(loss) is attributable to:					
Shareholder of the Bank		3 585	298	3 072	(690)
Non-controlling interest		29	(83)	(11)	29
Profit/(loss) for the period		3 614	215	3 061	(661)
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:					
Debt securities at fair value through other comprehensive income:					
- Net gains/(losses) on debt securities at fair value through other comprehensive income		5 211	(255)	5 391	(1 992)
- Realised revaluation reserve on debt securities (at disposal)		798	(2 216)	67	(419)
- Changes in allowance for for expected credit losses of debt securities at fair value through other comprehensive income		(527)	(30)	(113)	(47)
Income tax		(1 101)	465	(986)	464
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods, net of tax		4 381	(2 036)	4 359	(1 994)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:					
- Net gains on equity securities at fair value through other comprehensive income		24	-	-	-
Other comprehensive income not to be reclassified to profit or loss in subsequent periods, net of tax		24	-	-	-
Total other comprehensive income/(loss)		4 405	(2 036)	4 359	(1 994)
Total comprehensive income/(loss) for the period		8 019	(1 821)	7 420	(2 655)
Total comprehensive income/(loss) for the period is attributable to:					
Shareholder of the Bank		7 990	(1 738)	7 431	(2 684)
Non-controlling interest		29	(83)	(11)	29
Total other comprehensive income/(loss) for the period		8 019	(1 821)	7 420	(2 655)

The notes set out on pages 9 to 44 form an integral part of these interim condensed consolidated financial statements.

Russian Agricultural Bank Group
Interim Consolidated Statement of Changes in Equity
for the six months ended 30 June 2019

<i>In millions of Russian Roubles</i>	Note	Attributable to shareholder of the Bank						Non-controlling interest	Total equity
		Share capital	Perpetual bonds	Revaluation reserve for premises	Revaluation reserve for investment securities	Accumulated loss	Total		
Balance at 31 December 2017		385 598	15 000	1 052	3 001	(214 214)	190 437	(21)	190 416
Impact of adopting IFRS 9		-	-	-	924	(84 138)	(83 214)	-	(83 214)
Restated opening balance under IFRS 9		385 598	15 000	1 052	3 925	(298 352)	107 223	(21)	107 202
Profit/(loss) for the period, net of tax		-	-	-	-	298	298	(83)	215
Other comprehensive loss for the period, net of tax		-	-	-	(2 036)	-	(2 036)	-	(2 036)
Total comprehensive (loss)/income for the period, net of tax		-	-	-	(2 036)	298	(1 738)	(83)	(1 821)
Depreciation of revaluation reserve for premises		-	-	(20)	-	20	-	-	-
Dividends declared		-	-	-	-	(884)	(884)	-	(884)
Perpetual bonds issue		-	15 000	-	-	-	15 000	-	15 000
Coupon paid and due under perpetual bonds		-	-	-	-	(1 074)	(1 074)	-	(1 074)
Transaction costs on perpetual bonds issue		-	-	-	-	(228)	(228)	-	(228)
Tax effect recognized on perpetual bonds		-	-	-	-	260	260	-	260
Balance at 30 June 2018 (unaudited)		385 598	30 000	1 032	1 889	(299 960)	118 559	(104)	118 455
Balance at 31 December 2018		410 598	38 376	2 890	(3 769)	(298 074)	150 021	1 700	151 721
Profit for the period, net of tax		-	-	-	-	3 585	3 585	29	3 614
Other comprehensive loss for the period, net of tax		-	-	-	4 405	-	4 405	-	4 405
Total comprehensive income for the period, net of tax		-	-	-	4 405	3 585	7 990	29	8 019
Share issue		15 000	-	-	-	-	15 000	-	15 000
Disposal of subsidiaries	22	-	-	-	-	-	-	(1 803)	(1 803)
Realised revaluation reserve for equity securities at fair value through other comprehensive income		-	-	-	(24)	24	-	-	-
Depreciation of revaluation reserve for premises		-	-	(18)	-	18	-	-	-
Foreign exchange translation of perpetual bonds		-	(320)	-	-	320	-	-	-
Dividends declared		-	-	-	-	(1 126)	(1 126)	-	(1 126)
Coupon paid and due under perpetual bonds	11	-	-	-	-	(2 141)	(2 141)	-	(2 141)
Balance at 30 June 2019 (unaudited)		425 598	38 056	2 872	612	(297 394)	169 744	(74)	169 670

The notes set out on pages 9 to 44 form an integral part of these interim condensed consolidated financial statements.

Russian Agricultural Bank Group
Interim Consolidated Statement of Cash Flows
for the six months ended 30 June 2019

<i>(Unaudited)</i> <i>In millions of Russian Roubles</i>	Note	For the six months ended 30 June	
		2019	2018
Cash flows from operating activities			
Interest received		118 726	118 441
Interest paid		(83 242)	(86 194)
(Expenses incurred)/income received from trading in securities and financial instruments at fair value through profit or loss		(21)	1 823
Income received from derivative financial instruments		12 107	30 107
Income received from dealing in foreign currencies		1 729	2 034
Fees and commissions received		11 478	11 830
Fees and commissions paid		(1 217)	(1 411)
Other operating income received		869	1 126
Net income received from insurance operations		3 348	2 058
Income received from non-banking activities		2 702	3 808
Losses incurred from non-banking activities		(3 173)	(3 029)
Administrative and other operating expenses paid		(27 161)	(24 374)
Income tax paid		(2 192)	(1 785)
Cash flows from operating activities before changes in operating assets and liabilities		33 953	54 434
Changes in operating assets and liabilities			
<i>Net (increase)/decrease in operating assets</i>			
Mandatory cash balances with the Bank of Russia		(1 589)	(3 349)
Trading securities		(1 740)	(1 227)
Financial instruments at fair value through profit or loss		-	28
Due from other banks		(31 627)	(9 544)
Loans and advances to customers		(145 806)	(184 173)
Other assets		549	3 526
<i>Net increase/(decrease) in operating liabilities</i>			
Due to other banks		(77 534)	10 192
Customer accounts		(59 247)	134 707
Promissory notes issued		(1 490)	(2 451)
Other liabilities		3 662	(2 117)
Net cash (used in)/from operating activities		(280 869)	26
Cash flows from investing activities			
Acquisition of premises and equipment		(313)	(3 426)
Proceeds from disposal of premises and equipment		388	404
Acquisition of intangible assets		(1 310)	(728)
Acquisition of investment securities at FVTPL		317	-
Acquisition of investment securities at FVTPL (mandatory)		(8 324)	-
Acquisition of investment securities at FVOCI		(234 150)	(426 208)
Proceeds from redemption and sales of investment securities at FVOCI		349 737	330 086
Acquisition of investment securities at amortised cost		(4 270)	(949)
Proceeds from redemption of investment securities at amortised cost		3 096	3 656
Net cash from/(used in) investing activities		105 171	(97 165)
Cash flows from financing activities			
Amounts paid on perpetual bonds	11	(2 145)	(1 078)
Buy back of subordinated debt		(1 254)	(1 540)
Proceeds from bonds issued		20 000	24 810
Buy back of bonds issued at or prior to put option date		(5 202)	(27 455)
Buy back of Eurobonds issued		-	(11 138)
Proceeds from sale of previously bought back bonds issued on domestic market		242	40
Proceeds from sale of previously bought back Eurobonds issued		-	13 226
Repayment of bonds and Eurobonds issued		-	(68 932)
Issue of ordinary shares		15 000	-
Proceeds from sale of previously bought back subordinated debts		-	24
Perpetual bonds issue less transaction costs		-	14 772
Proceeds from sale of non-controlling interests in consolidated mutual funds		32	18
Payments on disposal of non-controlling interests in consolidated mutual funds		(14)	(10)
Net cash from/(used in) financing activities		26 659	(57 263)
Effect of exchange rate changes on cash and cash equivalents		(12 063)	9 939
Effect of expected credit losses on cash and cash equivalents		5	(30)
Net decrease in cash and cash equivalents		(161 097)	(144 493)
Cash and cash equivalents at the beginning of the period		390 585	586 437
Cash and cash equivalents at the end of the period		229 488	441 944

The notes set out on pages 9 to 44 form an integral part of these interim condensed consolidated financial statements.

1 Introduction

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") for the six months ended 30 June 2019 for Joint Stock Company Russian Agricultural Bank (the "Bank") and its subsidiaries (together referred to as the "Group").

The Bank was incorporated and is domiciled in the Russian Federation. The Bank is a joint stock company limited by shares and was set up in accordance with Russian regulations.

The Bank's only shareholder is the Russian Federation acting through the Federal Agency for Managing State Property which holds the Bank's issued and outstanding ordinary shares (77.92% from total share capital (31 December 2018: 77.11% from total share capital)), the Ministry of Finance of the Russian Federation which holds the Bank's issued and outstanding preference shares (5.88% from total share capital (31 December 2018: 6.1% from total share capital)) and the State Corporation "Deposit Insurance Agency" which holds the Bank's issued and outstanding preference shares (16.2% from total share capital (31 December 2018: 16.79% from total share capital)).

The Group's structure comprises of the Bank and its subsidiaries. Principal subsidiaries of the Bank are Joint-stock company "RSHB-Insurance" (ownership interest of the Bank is 100%), RSHB Capital S.A. Societe Anonyme (Luxembourg) (structured entity incorporated for Eurobonds issue for the Bank), "RSHB Asset Management" Limited Liability Company (ownership interest of the Bank is 100%) and 35 companies operating in agricultural and other industries and mutual funds.

Principal activity. The Bank's principal business activity is commercial and retail banking operations in the Russian Federation with emphasis on lending to agricultural enterprises. The main objectives of the Bank are:

- To participate in realisation of the monetary policy of the Russian Federation in the area of agricultural production;
- To develop within the agricultural industry a national system of lending to the domestic agricultural producers; and
- To maintain an effective and uninterrupted performance of the settlement system in the area of agricultural production across the Russian Federation.

The Bank has operated under a full banking license issued by the Bank of Russia since 13 June 2000. The Bank participates in the State deposit insurance scheme, which was introduced by Federal Law # 177-FZ *Deposits of Individuals Insurance in Russian Federation* dated 23 December 2003. The State Deposit Insurance Agency guarantees repayment of 100% of individual and/or individual entrepreneur current accounts and deposits up to RR 1 400 thousand per individual or individual entrepreneur in case of the withdrawal of a licence of a bank or the Bank of Russia imposed moratorium on payments. Starting 2019, the same guaranties are implied to deposits of legal entities referred to "small entities" as it stated in legislation of the Russian Federation.

The Bank has 66 (31 December 2018: 66) branches within the Russian Federation. The Bank's registered address is 119034 Russia, Moscow, Gagarinsky pereulok, 3. The Bank's principal place of business is 123112 Russia, Moscow, Presnenskaya naberezhnaya, 10, building 2.

The number of the Group's employees as at 30 June 2019 was 29 694 (31 December 2018: 29 862).

Presentation currency. These interim condensed consolidated financial statements are presented in Russian Roubles ("RR"). All amounts are expressed in RR millions unless otherwise stated.

2 Operating Environment of the Group

Russian Federation. Continuing international sanctions against some Russian companies, including Joint stock company Russian Agricultural Bank, and citizens still have a negative impact on the Russian economy. The stability of oil prices, low unemployment and wage growth contributed to moderate economic growth in the reporting period. Such an economic environment has a significant impact on the Bank's operations and financial position. Management takes all necessary measures to ensure the sustainability of the Bank's operations. However, the future consequences of the current economic situation are difficult to predict, and current expectations and management estimates may differ from actual results.

2 Operating Environment of the Group (Continued)

During the six months ended 30 June 2019, the following were the key changes in selected macro-economic indicators:

- The Bank of Russia exchange rate appreciated from RR 69.4706 to RR 63.0756 per US Dollar;
- The Bank of Russia key rate decreased from 7.75% p.a. to 7.50% p.a.;
- The RTS stock exchange index increased from 1 068.7 to 1 380.5.

3 Summary of Significant Accounting Policies

Basis of preparation. These interim condensed consolidated financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2018, which have been prepared in accordance with IFRS.

The functional currency of the Bank and its subsidiaries, and the Group's presentation currency is the national currency of the Russian Federation, Russian Roubles. As at 30 June 2019 the principal rates of exchange used for translating foreign currency balances were USD 1 = RR 63.0756 (31 December 2018: USD 1 = RR 69.4706), EUR 1 = RR 71.8179 (31 December 2018: EUR 1 = RR 79.4605).

The accounting policies applied in the preparation of these interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the changes introduced due to implementation of new and/or revised standards and interpretations as at 1 January 2019 or as at the date indicated, noted below. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

IFRS 16 Leases. IFRS 16 was issued in January 2016 and it replaced IAS 17 *Leases*. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17.

The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee should recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees should also be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

The Group decided that it will apply the standard using the modified retrospective method, without restatement of comparatives.

The Group elected to use the exemptions proposed by the standard on lease contracts for which the lease term ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value.

The adoption of IFRS 16 led to recognition of right-of-use assets in the amount of RR 5.5 billion reflected in Consolidated Statement of Financial Position in line "Premises, equipment and right-of-use assets" and respective lease liability in the equal amount reflected in line "Other liabilities" starting 1 January 2019.

3 Summary of Significant Accounting Policies (Continued)

A reconciliation of the operating lease commitments to the liability under IFRS 16 is as follows.

(Unaudited)

In millions of Russian Roubles

	1 January 2019
Lease payments under operating lease	8 664
Adjustments to amount of lease payable:	
Recognition exemption: short-term leases	(261)
Recognition exemption: the underlying asset is of low value	(314)
Future lease payments that are due in periods subject to lease extension options that are reasonably certain to be exercised	1 874
Future lease payments under IFRS 16	9 963
Effect of discounting	(4 443)
Lease liability under IFRS 16	5 520

Weighted average incremental borrowing rate as at 1 January 2019 amounted to 8.91%.

IFRS 15 Revenue from Contracts with Customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. However, the standard does not apply to revenue associated with financial instruments and leases, and therefore, does not impact the majority of the Group's revenue including interest revenue, gains/(losses) on operations with securities, lease income which are covered by IFRS 9 *Financial Instruments* and IFRS 16 *Leases*.

IFRIC 23 Uncertainty over Income Tax Treatment (issued in June 2017 and effective for annual periods beginning on or after 1 January 2019). The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The Interpretation also addresses the assumptions an entity makes about the examination of tax treatments by taxation authorities, as well as how it considers changes in facts and circumstances.

Amendments to IFRS 9 — Prepayment Features with Negative Compensation. Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The amendments should be applied retrospectively and are effective from 1 January 2019, with earlier application permitted. These amendments have no impact on the consolidated financial statements of the Group.

Amendments to IFRS 10 and IAS 28 — Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (issued in September 2014 amended in December 2015; effective date is not set). The amendments address the acknowledged inconsistency between the requirements in IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. The amendments clarify that an investor recognises a full gain or loss on the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture. The gain or loss resulting from the re-measurement at fair value of an investment retained in a former subsidiary is recognised only to the extent of unrelated investors' interests in that former subsidiary. The Group does not expect a material effect from application of these amendments.

3 Summary of Significant Accounting Policies (Continued)

Amendments to IAS 19 — Plan Amendment, Curtailment or Settlement. The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event;
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Group.

Amendments to IAS 28 — Long-term interests in associates and joint ventures. The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 *Investments in Associates and Joint Ventures*.

The amendments should be applied retrospectively and are effective from 1 January 2019, with early application permitted. Since the Group does not have such long-term interests in its associate and joint venture, the amendments will not have an impact on its consolidated financial statements.

Annual improvements 2015-2017 cycle (issued in December 2017)

IFRS 3 Business Combinations. The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments will apply on future business combinations of the Group.

IFRS 11 Joint Arrangements. A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments are currently not applicable to the Group but may apply to future transactions.

IAS 12 Income Taxes. The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

3 Summary of Significant Accounting Policies (Continued)

An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application is permitted. Prior to the application of the amendments described above the Group presented current income tax incurred in regard of coupon paid on its perpetual subordinated bonds classified as equity in accordance with IAS 32 within equity.

IAS 23 Borrowing Costs. The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete. An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its consolidated financial statements.

4 Critical Accounting Estimates and Judgements in Applying Accounting Policies

The accounting estimates and judgements applied in the preparation of these interim condensed consolidated financial statements are consistent with those applied in the preparation of the annual consolidated financial statements of the Group for the year ended 31 December 2018.

Judgements that have the most significant effect on the amounts recognised in the interim condensed consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial period include:

Impairment losses on financial assets. The measurement of impairment losses both under IFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Group's internal credit grading model, which assigns PDs to the individual grades;
- The Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various formulae and the choice of inputs;
- Determination of associations between macroeconomic scenarios and, economic inputs, and the effect on PDs, EADs and LGDs. Thus, the functional dependence of the level of defaults on macroeconomic factors is determined by evaluating the regression between the values of the default level and various transformations of this indicator taking into account macroeconomic factors such as GDP growth rate, growth rate of the agro-industrial complex, oil prices, inflation rate, etc.;
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

Fair value of financial instruments. Where the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Additional details are provided in Note 20.

Fair value of derivatives. The fair values of financial derivatives that are not quoted in active markets are determined by using valuation techniques. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. To the extent practical, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect fair reported values. Refer to Note 19.

4 Critical Accounting Estimates and Judgements in Applying Accounting Policies (Continued)

Deferred income tax asset recognition. The recognised deferred tax asset represents income taxes recoverable through future deductions from taxable profits, and is recorded in the statement of financial position. Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable. The future taxable profits and the amount of tax benefits that are probable in the future are based on a medium term business plan prepared by management and extrapolated results thereafter.

The business plan is based on management expectations that are believed to be reasonable under the circumstances and approved by the management of the Bank. A key assumption in the business plan is to obtain profits in subsequent financial years through widening of product range and client base.

Structured entities. The Group considers RSHB Capital S.A. incorporated for Eurobonds issue for the Bank as consolidated structured entity under IFRS 12 requirements. As at 30 June 2019 the Group guarantees all obligations of the consolidated structured entity represented by subordinated debts in the amount of RR 24 038 million (31 December 2018: subordinated debts in the amount of RR 27 765 million). During six months ended 30 June 2019 and the year ended 31 December 2018 the Group did not provide any other financial support to the consolidated structured entity. The Group has no other current obligation or intention neither to provide financial or other support to the consolidated structured entity nor to assist it in obtaining financial support.

Holding Corporate Eurobonds in the trading and investment portfolios of the Group is considered under IFRS 12 requirements as interest in unconsolidated structured entities. Maximum exposure equals to carrying value of Corporate Eurobonds.

5 Trading Securities

<i>In millions of Russian Roubles</i>	30 June 2019 (unaudited)	31 December 2018
Federal loan bonds (OFZ)	16 240	15 532
Corporate bonds	4 533	3 683
Corporate shares	208	-
Municipal and subfederal bonds	-	11
Total trading securities	20 981	19 226

Trading securities are carried at fair value which also reflects any credit risk related write-downs.

Refer to Note 20 for the disclosure of fair value hierarchy for trading securities.

6 Loans and Advances to Customers

<i>In millions of Russian Roubles</i>	30 June 2019 (unaudited)	31 December 2018
Loans to legal entities	1 919 464	1 830 924
- Loans to corporates	1 898 308	1 801 780
- Lending for food interventions	21 156	29 144
Loans to individuals	448 692	434 233
Total loans and advances to customers at amortised cost (before impairment)	2 368 156	2 265 157
Less: allowance for impairment	(337 541)	(332 411)
Total loans and advances to customers at amortised cost	2 030 615	1 932 746
Loans to customers at fair value through profit or loss	30 898	25 021
Total loans and advances to customers	2 061 513	1 957 767

Lending for food interventions is represented by loans to the company under the control of the Russian Federation.

6 Loans and Advances to Customers (Continued)

As at 30 June 2019, the Group has loans before impairment to ten largest borrowers (groups of borrowers) in the total amount of RR 624 640 million, or 26% of total loans and advances to customers before impairment (31 December 2018: the Group has loans before impairment to ten largest borrowers (groups of borrowers) in the total amount of RR 570 967 million, or 25% of total loans and advances to customers before impairment).

An analysis of changes in the ECL allowances during the six months ended 30 June 2019 is, as follows:

(Unaudited)

In millions of Russian Roubles

	Stage 1	Stage 2	Stage 3	Total
Loans to legal entities				
ECL as at 1 January 2019	34 330	4 083	262 187	300 600
Transfers to Stage 1	529	(529)	-	-
Transfers to Stage 2	(7 601)	10 335	(2 734)	-
Transfers to Stage 3	(301)	(796)	1 097	-
Impact on period end ECL of exposures transferred between stages during the period and changes to models and inputs used for ECL calculations (including expense on new issue and income from repayments)	(6 215)	(3 622)	21 705	11 868
Unwind of discount (recognised in interest income)	-	-	1 817	1 817
Changes due to modifications not resulting in derecognition	-	-	-	-
Amounts written off	-	-	(1 833)	(1 833)
Foreign exchange adjustments	(160)	(41)	(451)	(652)
Allowance for loans sold during the period	-	-	(15 671)	(15 671)
Recovery of loans previously written off sold during the period	-	-	64	64
Recovery of loans previously written off	-	-	136	136
Disposal of subsidiaries	-	-	7 608	7 608
ECL as at 30 June 2019	20 582	9 430	273 925	303 937

(Unaudited)

In millions of Russian Roubles

	Stage 1	Stage 2	Stage 3	Total
Loans to individuals				
ECL as at 1 January 2019	1 389	758	29 664	31 811
Transfers to Stage 1	367	(110)	(257)	-
Transfers to Stage 2	(49)	528	(479)	-
Transfers to Stage 3	(81)	(488)	569	-
Impact on period end ECL of exposures transferred between stages during the period and changes to models and inputs used for ECL calculations (including expense on new issue and income from repayments)	899	271	1 580	2 750
Unwind of discount (recognised in interest income)	-	-	445	445
Amounts written off	-	-	(41)	(41)
Allowance for loans sold during the period	-	-	(1 361)	(1 361)
ECL as at 30 June 2019	2 525	959	30 120	33 604

6 Loans and Advances to Customers (Continued)

An analysis of changes in the ECL allowances during the six months ended 30 June 2018 is, as follows:

(Unaudited)

In millions of Russian Roubles

	Stage 1	Stage 2	Stage 3	Total
Loans to legal entities				
ECL as at 1 January 2018	14 100	14 234	284 964	313 298
Transfers to Stage 1	1 367	(1 368)	1	-
Transfers to Stage 2	(1 701)	9 038	(7 337)	-
Transfers to Stage 3	(336)	(2 056)	2 392	-
Impact on period end ECL of exposures transferred between stages during the period and changes to models and inputs used for ECL calculations (including expense on new issue and income from repayments)	5 431	2 335	12 077	19 843
Unwind of discount (recognised in interest income)	-	-	565	565
Changes due to modifications not resulting in derecognition	(76)	29	13	(34)
Amounts written off	-	-	(6 161)	(6 161)
Foreign exchange adjustments	156	67	58	281
Allowance for loans sold during the period	-	-	(15 492)	(15 492)
Recovery of loans previously written off sold during the period	-	-	72	72
Recovery of loans previously written off	-	-	551	551
ECL as at 30 June 2018	18 941	22 279	271 703	312 923

(Unaudited)

In millions of Russian Roubles

	Stage 1	Stage 2	Stage 3	Total
Loans to individuals				
ECL as at 1 January 2018	2 806	994	28 850	32 650
Transfers to Stage 1	546	(218)	(328)	-
Transfers to Stage 2	(77)	397	(320)	-
Transfers to Stage 3	(109)	(580)	689	-
Impact on period end ECL of exposures transferred between stages during the period and changes to models and inputs used for ECL calculations (including expense on new issue and income from repayments)	590	423	1 958	2 971
Unwind of discount (recognised in interest income)	-	-	769	769
Amounts written off	-	-	(34)	(34)
Allowance for loans sold during the period	-	-	(1 162)	(1 162)
ECL as at 30 June 2018	3 756	1 016	30 422	35 194

6 Loans and Advances to Customers (Continued)

Refer to Note 20 for the disclosure of fair value of each class of loans and advances to customers and fair value hierarchy for loans and advances to customers. The information on related party transactions is disclosed in Note 21.

Modified and restructured loans. The Group derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been significantly renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be purchased or originated credit impaired.

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Group records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

The table below includes Stage 2 and 3 assets that were modified during the period, with the related modification loss suffered by the Group.

<i>(Unaudited)</i> <i>In millions of Russian Roubles</i>	30 June 2019	30 June 2018
Loans modified during the period		
Amortised cost before modification	-	364
Net modification loss	-	(71)
Loans modified since initial recognition		
Gross carrying amount at 1 January of loans for which loss allowance has changed to 12-month measurement during the period	-	1 567

7 Investment Securities

Investment securities including those pledged under repurchase agreements comprise:

<i>In millions of Russian Roubles</i>	30 June 2019 (unaudited)	31 December 2018
Investment securities at fair value through other comprehensive income	391 808	507 270
Investment securities at amortised cost	57 598	56 891
Investment securities at fair value through profit or loss	2 494	2 846
Investment securities at fair value through profit or loss (mandatory)	16 734	5 442
Total investment securities	468 634	572 449

7 Investment Securities (Continued)

<i>In millions of Russian Roubles</i>	30 June 2019 (unaudited)	31 December 2018
Investment securities at fair value through other comprehensive income		
Federal loan bonds (OFZ)	205 550	183 673
Corporate bonds	97 588	117 418
Bank of Russia bonds	44 312	105 809
Corporate Eurobonds	23 034	45 852
Municipal and subfederal bonds	4 814	12 857
State Eurobonds	5 627	638
Total debt securities at fair value through other comprehensive income	380 925	466 247
Corporate Eurobonds	28	31 477
State Eurobonds	7	-
Federal loan bonds (OFZ)	10 723	8 787
Total debt securities at fair value through other comprehensive income pledged under repurchase agreements	10 758	40 264
Equity securities		
Corporate shares	125	759
Total equity securities at fair value through other comprehensive income	125	759
Total investment securities at fair value through other comprehensive income	391 808	507 270

<i>In millions of Russian Roubles</i>	30 June 2019 (unaudited)	31 December 2018
Investment securities at amortised cost		
Corporate bonds	40 181	37 425
Municipal and subfederal bonds	13 721	15 868
Federal loan bonds (OFZ)	3 735	3 548
Corporate Eurobonds	189	208
Less: allowance for impairment	(228)	(158)
Total investment securities at amortised cost	57 598	56 891

<i>In millions of Russian Roubles</i>	30 June 2019 (unaudited)	31 December 2018
Investment securities at fair value through profit or loss		
Credit linked notes	222	574
Corporate shares	2 272	2 272
Total investment securities at fair value through profit or loss	2 494	2 846

7 Investment Securities (Continued)

<i>In millions of Russian Roubles</i>	30 June 2019 (unaudited)	31 December 2018
Investment securities at fair value through profit or loss (mandatory)		
Corporate bonds	12 200	3 386
Credit linked notes	1 870	1 646
Investments in mutual funds	71	207
Total debt securities at fair value through profit or loss (mandatory)	14 141	5 239
Equity securities		
Corporate shares	2 593	203
Total investment securities at fair value through profit or loss (mandatory)	16 734	5 442

Refer to Note 20 for the disclosure of the fair value hierarchy for investment securities.

8 Due to Other Banks

<i>In millions of Russian Roubles</i>	30 June 2019 (unaudited)	31 December 2018
Correspondent accounts and overnight placements of other banks	6 025	40 101
Borrowings from other banks with term to maturity:		
- repurchase agreements less than 30 days	-	35 700
- less than 30 days	18 241	26 393
- from 31 to 180 days	1 823	132
- from 181 days to 1 year	13	63
- from 1 year to 3 years	512	1 051
- more than 3 years	16 101	20 037
Borrowings from the Bank of Russia with term to maturity:		
- less than 30 days	948	44
- from 31 to 180 days	2 967	2 442
- from 181 days to 1 year	757	4 255
- from 1 year to 3 years	43 461	41 312
Total due to other banks	90 848	171 530

Refer to Note 20 for the disclosure of the fair value and fair value hierarchy for due to other banks. The information on related party transactions is disclosed in Note 21.

9 Customer Accounts

<i>In millions of Russian Roubles</i>	30 June 2019 (unaudited)	31 December 2018
State and public organisations		
- Current/settlement accounts	24 167	23 683
- Term deposits	425 736	569 886
Other legal entities		
- Current/settlement accounts	204 933	173 689
- Term deposits	576 408	618 974
Individuals		
- Current/demand accounts	92 805	85 378
- Term deposits	1 014 995	949 441
Total customer accounts	2 339 044	2 421 051

State and public organisations exclude state-controlled joint stock companies.

Economic sector concentrations within customer accounts are as follows:

<i>In millions of Russian Roubles</i>	30 June 2019 (unaudited)		31 December 2018	
	Amount	%	Amount	%
Individuals	1 107 800	47	1 034 819	43
State and public organisations	449 903	19	593 569	25
Manufacturing	146 106	6	149 151	6
Financial services and pension funds	116 428	5	89 653	4
Construction	102 627	5	110 290	5
Agriculture	98 753	5	92 830	4
Trading	66 079	3	95 303	3
Real estate	45 157	2	40 704	2
Insurance	34 672	1	52 477	2
Transport	19 572	1	21 899	1
Communication	1 823	-	15 252	-
Leasing	686	-	2 710	-
Other	149 438	6	122 394	5
Total customer accounts	2 339 044	100	2 421 051	100

Refer to Note 20 for the disclosure of the fair value and fair value hierarchy for customer accounts. The information on related party transactions is disclosed in Note 21.

10 Bonds Issued

	30 June 2019 (unaudited)	31 December 2018
<i>In millions of Russian Roubles</i>		
Bonds issued on domestic market	157 869	142 609
Total bonds issued	157 869	142 609

As at 30 June 2019, bonds issued consist of Russian Roubles denominated bonds issued on domestic market.

Currency of denomination	Nominal value, in million of currency, in circulation	Issue date	Maturity date	Put option date	Coupon rate	Coupon payment
Bonds issued on domestic market						
Russian Roubles	2 173	26 November 2009	14 November 2019	-	7.00%	6 months
Russian Roubles	2 402	26 November 2009	14 November 2019	-	7.00%	6 months
Russian Roubles	572	11 February 2010	29 January 2020	-	8.30%	6 months
Russian Roubles	581	11 February 2010	30 January 2020	-	8.30%	6 months
Russian Roubles	3 482	12 July 2011	29 June 2021	4 July 2019	7.80%	6 months
Russian Roubles	1 058	14 July 2011	1 July 2021	8 July 2019	7.80%	6 months
Russian Roubles	1 459	15 July 2011	2 July 2021	9 July 2019	7.80%	6 months
Russian Roubles	4 117	8 November 2011	26 October 2021	30 April 2020	8.00%	6 months
Russian Roubles	305	16 April 2012	4 April 2022	8 April 2020	8.30%	6 months
Russian Roubles	74	23 October 2012	11 October 2022	15 October 2020	8.20%	6 months
Russian Roubles	523	25 October 2012	13 October 2022	19 April 2021	8.20%	6 months
Russian Roubles	16	23 April 2013	11 April 2023	14 April 2022	8.30%	6 months
Russian Roubles	1 484	30 July 2013	18 July 2023	21 January 2021	7.40%	6 months
Russian Roubles	23	30 September 2013	18 September 2023	25 March 2020	8.30%	6 months
Russian Roubles	2 770	22 November 2013	10 November 2023	16 November 2021	8.85%	6 months
Russian Roubles	5 000	10 October 2014	27 September 2024	8 October 2019	11.10%	3 months
Russian Roubles	4 985	13 October 2014	30 September 2024	9 October 2019	11.10%	3 months
Russian Roubles	661	26 December 2014	13 December 2024	22 December 2020	8.60%	3 months
Russian Roubles	10 000	11 February 2015	29 January 2025	7 February 2020	15.00%	3 months
Russian Roubles	902	26 February 2015	13 February 2025	26 August 2019	8.30%	3 months
Russian Roubles	2 820	30 October 2015	17 October 2025	28 April 2020	7.95%	3 months
Russian Roubles	10 000	31 March 2017	25 September 2020	-	9.50%	6 months
Russian Roubles	10 000	26 June 2017	21 June 2021	-	8.65%	6 months
Russian Roubles	7 000	3 October 2017	28 September 2021	-	8.40%	6 months
Russian Roubles	5 000	5 December 2017	9 December 2020	-	8.10%	6 months
Russian Roubles	25 000	14 March 2018	9 March 2022	-	7.40%	6 months
Russian Roubles	13 000	19 October 2018	14 October 2022	-	9.00%	6 months
Russian Roubles	19 900	29 November 2018	22 November 2038	-	10.50%	6 months
Russian Roubles	10 000	4 April 2019	2 April 2020	-	8.35%	6 months
Russian Roubles	10 000	25 June 2019	22 June 2021	-	8.15%	6 months

As at 31 December 2018, bonds issued consist of Russian Roubles denominated bonds issued on domestic market.

Currency of denomination	Nominal value, in million of currency, in circulation	Issue date	Maturity date	Put option date	Coupon rate	Coupon payment
Bonds issued on domestic market						
Russian Roubles	2 173	26 November 2009	14 November 2019	-	7.00%	6 months
Russian Roubles	2 402	26 November 2009	14 November 2019	-	7.00%	6 months
Russian Roubles	572	11 February 2010	29 January 2020	-	8.30%	6 months
Russian Roubles	581	11 February 2010	30 January 2020	-	8.30%	6 months
Russian Roubles	3 482	12 July 2011	29 June 2021	4 July 2019	7.80%	6 months
Russian Roubles	1 058	14 July 2011	1 July 2021	8 July 2019	7.80%	6 months
Russian Roubles	1 459	15 July 2011	2 July 2021	9 July 2019	7.80%	6 months
Russian Roubles	4 117	8 November 2011	26 October 2021	30 April 2020	8.00%	6 months
Russian Roubles	481	16 April 2012	4 April 2022	10 April 2019	6.60%	6 months
Russian Roubles	74	23 October 2012	11 October 2022	15 October 2020	8.20%	6 months
Russian Roubles	5 000	25 October 2012	13 October 2022	22 April 2019	9.35%	6 months
Russian Roubles	562	23 April 2013	11 April 2023	18 April 2019	6.60%	6 months
Russian Roubles	1 484	30 July 2013	18 July 2023	21 January 2021	7.40%	6 months
Russian Roubles	26	30 September 2013	18 September 2023	27 March 2019	6.60%	6 months
Russian Roubles	2 770	22 November 2013	10 November 2023	16 November 2021	8.85%	6 months
Russian Roubles	5 000	10 October 2014	27 September 2024	8 October 2019	11.10%	3 months
Russian Roubles	4 985	13 October 2014	30 September 2024	9 October 2019	11.10%	3 months
Russian Roubles	661	26 December 2014	13 December 2024	22 December 2020	8.60%	3 months
Russian Roubles	10 000	11 February 2015	29 January 2025	7 February 2020	15.00%	3 months
Russian Roubles	902	26 February 2015	13 February 2025	26 August 2019	8.30%	3 months
Russian Roubles	2 820	30 October 2015	17 October 2025	28 April 2020	7.95%	3 months
Russian Roubles	10 000	31 March 2017	25 September 2020	-	9.50%	6 months
Russian Roubles	10 000	26 June 2017	21 June 2021	-	8.65%	6 months
Russian Roubles	7 000	3 October 2017	28 September 2021	-	8.40%	6 months
Russian Roubles	5 000	5 December 2017	9 December 2020	-	8.10%	6 months
Russian Roubles	25 000	14 March 2018	9 March 2022	-	7.40%	6 months
Russian Roubles	13 000	19 October 2018	14 October 2022	-	9.00%	6 months
Russian Roubles	19 900	29 November 2018	22 November 2038	-	10.50%	6 months

Refer to Note 20 for the disclosure of the fair value and fair value hierarchy for bonds issued.

11 Perpetual Bonds

As at 30 June 2019, the Group's perpetual bonds in circulation equal to RR 38 056 million (as at 31 December 2018: RR 38 376 million).

In January 2019, the Group paid the amount due under perpetual bonds in the total amount of RR 723 million including coupon accrued in 2019 in the amount of RR 50 million for the coupon period ended in January 2019 (in January 2018, the Group paid the amount due under perpetual bonds in the total amount of RR 723 million including coupon accrued in 2018 in the amount of RR 54 million for the coupon period ended in January 2018).

In April 2019, the Group paid the amount due under perpetual bonds in the total amount of RR 1 025 million for the coupon period ended in April 2019 (in April 2018, the Group paid the amount due under perpetual bonds in the total amount of RR 355 million for the coupon period ended in April 2018).

In May 2019, the Group paid the amount due under perpetual bonds in the total amount of RR 252 million.

In June 2019, the Group paid the amount due under perpetual bonds in the total amount of RR 145 million.

As at 30 June 2019, the Group accrued amounts due under perpetual bonds in the amount of RR 669 million (as at 30 June 2018, the Group accrued amounts due under perpetual bonds in the amount of RR 665 million).

12 Interest Income and Expense

<i>(Unaudited)</i> In millions of Russian Roubles	For the six months ended 30 June		For the three months ended 30 June	
	2019	2018	2019	2018
Interest income on debt financial assets carried at amortised cost				
Loans and advances to legal entities	70 563	67 780	36 050	34 661
Loans and advances to individuals	25 581	25 267	12 886	12 904
Cash equivalents	3 907	8 930	1 894	3 873
Due from other banks	2 342	906	1 217	525
Investment securities at amortised cost including pledged under repurchase agreements	2 136	2 345	1 208	1 150
	104 529	105 228	53 255	53 113
Interest income on debt financial assets carried at fair value through other comprehensive income				
Investment securities at FVOCI including pledged under repurchase agreements	16 269	12 295	7 857	6 403
	16 269	12 295	7 857	6 403
Total interest income at effective interest rate	120 798	117 523	61 112	59 516
Trading securities	727	587	200	287
Loans to customers at fair value through profit or loss	871	963	441	487
Investment securities at fair value through profit or loss	706	66	415	33
Total other interest income	2 304	1 616	1 056	807
Interest expense at effective interest rate				
Term deposits of legal entities	(38 278)	(36 238)	(18 829)	(18 128)
Term deposits of individuals	(29 784)	(26 429)	(15 254)	(13 137)
Bonds issued	(7 005)	(10 814)	(3 735)	(5 080)
Current/settlement accounts	(3 606)	(1 736)	(1 927)	(743)
Subordinated debts	(5 082)	(4 336)	(2 633)	(2 538)
Term deposits of the Bank of Russia	(2 042)	(667)	(1 025)	(323)
Promissory notes issued	(1 460)	(962)	(658)	(364)
Term deposits of other banks	(1 263)	(1 016)	(490)	(516)
Lease liabilities	(401)	-	(140)	-
Total interest expense at effective interest rate	(88 921)	(82 198)	(44 691)	(40 829)
Net interest income	34 181	36 941	17 477	19 494

The information on related party transactions is disclosed in Note 21.

13 Credit Loss Expense

The table below shows the ECL charges on financial instruments recorded in the income statement for the six months ended 30 June 2019:

<i>(Unaudited)</i>					
<i>In millions of Russian Roubles</i>					
	Note	Stage 1	Stage 2	Stage 3	Total
Cash and cash equivalents		(5)	-	-	(5)
Due from other banks		(107)	-	1	(106)
Loans to customers at amortised cost	6	(12 612)	5 548	21 030	13 966
Debt securities measured at amortised cost		70	-	-	70
Debt securities measured at FVOCI		(485)	(39)	-	(524)
Other financial assets		-	-	1 312	1 312
Credit related commitments	18	(47)	(2)	-	(49)
Total credit loss expense		(13 186)	5 507	22 343	14 664

The table below shows the ECL charges on financial instruments recorded in the income statement for the six months ended 30 June 2018:

<i>(Unaudited)</i>					
<i>In millions of Russian Roubles</i>					
	Note	Stage 1	Stage 2	Stage 3	Total
Cash and cash equivalents		8	-	-	8
Due from other banks		(26)	-	(13)	(39)
Loans to customers at amortised cost	6	5 635	8 000	9 145	22 780
Debt securities measured at amortised cost		111	(20)	-	91
Debt securities measured at FVOCI		(27)	(24)	21	(30)
Other financial assets		-	-	298	298
Credit related commitments	18	137	-	-	137
Total credit loss expense		5 838	7 956	9 451	23 245

14 Fee and Commission Income and Expense

<i>(Unaudited)</i>	For the six months ended 30 June		For the three months ended 30 June	
	2019	2018	2019	2018
<i>In millions of Russian Roubles</i>				
Fee and commission income				
Commission on cash and settlements transactions	4 704	4 959	2 317	2 587
Fees for sale of insurance contracts	2 996	3 096	1 866	1 732
Commission on banking cards	1 894	1 440	999	740
Commission on guarantees issued	835	1 036	432	478
Fees for currency control	145	133	76	77
Commission received from the Deposit Insurance Agency	90	118	58	8
Other	829	546	490	72
Total fee and commission income	11 493	11 328	6 238	5 694
Fee and commission expense				
Commission on settlement transactions	(941)	(1 096)	(500)	(565)
Commission on cash collection	(174)	(232)	(102)	(142)
Other	(103)	(83)	(55)	251
Total fee and commission expense	(1 218)	(1 411)	(657)	(456)
Net fee and commission income	10 275	9 917	5 581	5 238

15 Gains less Losses/(Losses Net of Gains) from Non-banking Activities

<i>(Unaudited)</i> In millions of Russian Roubles	For the six months ended 30 June		For the three months ended 30 June	
	2019	2018	2019	2018
Sales of goods	2 195	1 790	822	920
Including:				
- sugar	462	684	124	300
- feed	333	496	175	277
- meat and dairy products	274	274	146	165
- grain (including storage and processing)	37	73	5	53
- other goods and services	1 089	263	372	125
Cost of goods sold	(1 801)	(1 933)	(690)	(971)
(Provision)/recovery of provision for impairment for trade receivables, prepayments and other financial assets	(447)	503	(368)	288
Net income from insurance operations	1 066	697	374	538
Other non-banking income	369	1 041	53	107
Other non-banking expenses	(1 250)	(809)	(544)	(465)
Total gains less losses/(losses net of gains) from non-banking activities	132	1 289	(353)	417

Net income from insurance operations is as follows:

<i>(Unaudited)</i> In millions of Russian Roubles	For the six months ended 30 June		For the three months ended 30 June	
	2019	2018	2019	2018
Insurance premiums				
Premium earned	5 903	2 854	3 765	1 621
Reinsurers share in premiums earned	(1 590)	(877)	(1 037)	(495)
Net insurance premiums earned	4 313	1 977	2 728	1 126
Insurance benefits and claims				
Net claims incurred during the period	(4 087)	(1 667)	(3 408)	(774)
Acquisition costs	(238)	(332)	(40)	(182)
Reinsurers share in claims incurred during the period	1 078	719	1 094	368
Net insurance benefits and claims	(3 247)	(1 280)	(2 354)	(588)
Net income from insurance operations	1 066	697	374	538

16 Significant Risk Concentrations

As at 30 June 2019, correspondent accounts and deposits with other banks with original maturities less than one month within cash and cash equivalents included balances with one non-OECD banking group with rating of the parent bank at A- (S&P), individually above 10% of the Group's equity, in the amount of RR 24 287 million, or 11% of total cash and cash equivalents (31 December 2018: correspondent accounts and deposits with other banks with original maturities less than one month within cash and cash equivalents included balances with two Russian banking groups with rating of the parent bank at Ba2 (Moody's), individually above 10% of the Group's equity, in the amount of RR 134 304 million, or 34% of total cash and cash equivalents).

As at 30 June 2019, cash and cash equivalents included the balances with the Bank of Russia in the total amount of RR 86 319 million, or 38% of total cash and cash equivalents (31 December 2018: RR 86 289 million, or 22% of total cash and cash equivalents).

16 Significant Risk Concentrations (Continued)

As at 30 June 2019, due from other banks included the balances with one Russian banking group with rating of the parent bank at BBB- (S&P) individually above 10% of the Group's equity in the amount of RR 30 124 million, or 44% of total due from other banks (as at 31 December 2018, due from other banks included no balances with other banks individually above 10% of the Group's equity). As at 31 December 2018, due from other banks included the balances with two non-OECD banking groups with rating of the parent bank not lower than B (S&P) in aggregate above 10% of the Group's equity, in the amount of RR 20 943 million, or 54% of total due from other banks.

As at 30 June 2019, due to other banks included balances with the Bank of Russia above 10% of the Group's equity in the amount of RR 48 133 million, or 53% of total due to other banks (31 December 2018: due to other banks included balances with the Bank of Russia above 10% of the Group's equity in the amount of RR 48 054 million, or 28% of total due to other banks).

As at 30 June 2019 and 31 December 2018, due to other banks included no balances, individually above 10% of the Group's equity. As at 30 June 2019, due to other banks included the balances with one OECD banking group with rating of the parent bank at A (S&P) and one Russian bank with rating at BB+ (S&P) in aggregate above 10% of the Group's equity, in the amount of RR 21 725 million, or 24% of total due to other banks (as at 31 December 2018, due to other banks included the balances with one OECD banking group with rating of the parent bank at A (S&P) and one Russian banking group with rating of the parent bank at BBB- (S&P) in aggregate above 10% of the Group's equity, in the amount of RR 25 132 million, or 15% of total due to other banks).

As at 30 June 2019, customer accounts included balances with ten customers each above 10% of the Group's equity (31 December 2018: balances with nine customers each above 10% of the Group's equity). The aggregate balance of these customers was RR 561 782 million, or 24% of total customer accounts (31 December 2018: RR 671 174 million, or 28% of total customer accounts).

17 Segment Analysis

An operating segment is a component of the Group that engages in business activities from which it earns revenues and incurs expenses whose operating results are regularly reviewed by the Group's Chief Operating Decision Maker (CODM) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The Management Board has been identified as the CODM.

The Management Board of the Bank performs geographic analysis of the Bank's operations and therefore the Bank's regional branches have been designated as operating segments.

Taking into account the administrative-territorial division of Russia, federal districts of the Russian Federation have been designated as reportable segments.

The Management Board of the Bank assesses efficiency of operating segments based on a financial performance measure prepared from statutory accounting data.

The accounting policy of the operating segments is based on Russian Accounting Rules (RAR) and thus significantly differs from policies described in the summary of significant accounting policies in the Group's last annual consolidated financial statements.

17 Segment Analysis (Continued)

Segment reporting of the Group's revenue and profit/(loss) for the six months ended 30 June 2019 and for the six months ended 30 June 2018 and segment reporting of the Group's assets and liabilities at 30 June 2019 and 31 December 2018 are as follows:

<i>In millions of Russian Roubles</i>	Head office	Central federal district	Far-Eastern federal district	Volga federal district	North-West federal district	North-Caucasian federal district	Siberian federal district	Ural federal district	Southern federal district	Total
For the six months ended 30 June 2019 (unaudited)										
Revenue from external customers	38 835	30 918	3 892	16 666	9 184	4 492	7 087	3 275	15 105	129 454
- Interest income from loans and advances to customers, due from other banks and other placed funds	38 152	27 656	3 269	14 736	8 323	3 625	5 764	2 924	13 794	118 243
- Net fee and commission income from credit related operations	683	3 262	623	1 930	861	867	1 323	351	1 311	11 211
Gains less losses/(losses net of gains) arising from securities, derivative financial instruments and foreign currency	18 081	(8 375)	(1 854)	1 714	265	525	870	506	(2 849)	8 883
Interest expenses from due to other banks, customer accounts and bonds issued	(42 907)	(16 993)	(2 861)	(9 662)	(6 008)	(1 575)	(4 509)	(2 979)	(3 170)	(90 664)
(Provision)/recovery of provision for impairment*	2 103	(1 003)	250	514	(1 571)	(2 948)	(1 322)	(1 351)	(1 368)	(6 696)
Administrative and maintenance expense	(18 296)	(1 092)	(306)	(888)	(362)	(351)	(635)	(207)	(398)	(22 535)
- Including depreciation charge	(1 006)	(138)	(34)	(119)	(49)	(59)	(98)	(24)	(51)	(1 578)
Other expenses less other income*	(6 646)	(162)	(266)	(113)	110	(424)	(479)	42	(436)	(8 374)
Current income tax expense	(1 760)	-	-	-	-	-	-	-	-	(1 760)
(Loss)/profit of reportable segments	(10 590)	3 293	(1 145)	8 231	1 618	(281)	1 012	(714)	6 884	8 308
Intersegment income/(expense)**	26 193	(4 541)	2 064	(6 401)	(1 016)	(4 028)	(3 247)	(203)	(8 821)	-

* Other expenses less other income include losses from disposal of loans under cession agreements.

** Intersegment income and expense are used by CODM for information purpose only and not for identification of profit or loss of the operating segments.

17 Segment Analysis (Continued)

<i>In millions of Russian Roubles</i>	Head office	Central federal district	Far-Eastern federal district	Volga federal district	North-West federal district	North-Caucasian federal district	Siberian federal district	Ural federal district	Southern federal district	Total
For the six months ended 30 June 2018 (unaudited)										
Revenue from external customers	32 056	34 362	3 721	19 059	8 525	4 925	7 955	4 030	14 934	129 567
- Interest income from loans and advances to customers, due from other banks and other placed funds	31 329	30 929	3 179	16 848	7 668	4 153	6 651	3 656	13 786	118 199
- Net fee and commission income from credit related operations	727	3 433	542	2 211	857	772	1 304	374	1 148	11 368
Gains less losses/(losses net of gains) arising from securities, derivative financial instruments and foreign currency	(2 529)	6 474	259	(761)	377	42	(920)	1 408	2 756	7 106
Interest expenses from due to other banks, customer accounts and bonds issued	(43 128)	(12 964)	(2 829)	(8 351)	(5 033)	(1 446)	(4 508)	(2 537)	(2 854)	(83 650)
(Provision)/recovery of provision for impairment*	(17 365)	(151)	413	1 305	1 183	1 266	5 656	110	4 432	(3 151)
Administrative and maintenance expense	(17 171)	(1 053)	(301)	(879)	(347)	(369)	(610)	(199)	(374)	(21 303)
- Including depreciation charge	(615)	(126)	(31)	(106)	(45)	(58)	(89)	(22)	(46)	(1 138)
Other expenses less other income*	(2 010)	(8 978)	(275)	(1 507)	(1 204)	(4 253)	(1 601)	(177)	(2 129)	(22 134)
Current income tax expense	(1 297)	-	-	-	-	-	-	-	-	(1 297)
(Loss)/profit of reportable segments	(51 444)	17 690	988	8 866	3 501	165	5 972	2 635	16 765	5 138
Intersegment income/(expense)**	49 008	(17 092)	(319)	(7 556)	(2 586)	(3 471)	(1 998)	(2 367)	(13 619)	-
Total assets										
30 June 2019 (unaudited)	1 925 604	1 037 951	103 131	490 336	270 873	136 511	196 893	117 075	352 935	4 631 309
31 December 2018	2 681 609	1 206 994	156 062	526 189	320 582	156 811	223 893	136 912	401 287	5 810 339
Total liabilities										
30 June 2019 (unaudited)	1 676 523	1 070 337	105 521	505 277	275 440	147 919	201 764	121 360	366 494	4 470 635
31 December 2018	2 369 171	1 206 869	156 029	525 963	320 478	156 788	223 793	136 912	401 281	5 497 284

* Other expenses less other income include losses from disposal of loans under cession agreements that is calculated under RAR as consideration received less nominal amount of sold loans, whereas provision for loan impairment under RAR at the date of sale of loans is recorded as provision recovery.

** Intersegment income and expense are used by CODM for information purpose only and not for identification of profit or loss of the operating segments.

17 Segment Analysis (Continued)

Segment reporting of the Group's revenue and (loss)/profit for the three months ended 30 June 2019 and for the three months ended 30 June 2018 are as follows:

<i>In millions of Russian Roubles</i>	Head office	Central federal district	Far-Eastern federal district	Volga federal district	North-West federal district	North-Caucasian federal district	Siberian federal district	Ural federal district	Southern federal district	Total
For the three months ended 30 June 2019 (unaudited)										
Revenue from external customers	19 139	16 576	1 937	8 698	4 675	2 247	3 611	1 766	7 431	66 080
- Interest income from loans and advances to customers, due from other banks and other placed funds	18 826	14 769	1 600	7 643	4 218	1 763	2 882	1 570	6 757	60 028
- Net fee and commission income from credit related operations	313	1 807	337	1 055	457	484	729	196	674	6 052
Gains less losses/(losses net of gains) arising from securities, derivative financial instruments and foreign currency	6 753	(1 766)	(481)	497	22	136	254	147	(277)	5 285
Interest expenses from due to other banks, customer accounts and bonds issued	(20 924)	(8 827)	(1 356)	(4 955)	(3 157)	(785)	(2 263)	(1 614)	(1 590)	(45 471)
(Provision)/recovery of provision for impairment*	(941)	(819)	64	(2 470)	(953)	(576)	(471)	(925)	678	(6 413)
Administrative and maintenance expense	(9 459)	(575)	(168)	(472)	(188)	(192)	(331)	(109)	(213)	(11 707)
- Including depreciation charge	(509)	(70)	(17)	(61)	(25)	(31)	(50)	(12)	(26)	(801)
Other expenses less other income*	(2 076)	(294)	(60)	(199)	110	(587)	(255)	28	(525)	(3 858)
Current income tax expense	(1 162)	-	-	-	-	-	-	-	-	(1 162)
(Loss)/profit of reportable segments	(8 670)	4 295	(64)	1 099	509	243	545	(707)	5 504	2 754
Intersegment income/(expense)**	16 936	(4 987)	513	(2 798)	(287)	(2 061)	(1 509)	44	(5 851)	-

* Other expenses less other income include losses from disposal of loans under cession agreements.

** Intersegment income and expense are used by CODM for information purpose only and not for identification of profit or loss of the operating segments.

17 Segment Analysis (Continued)

<i>In millions of Russian Roubles</i>	Head office	Central federal district	Far-Eastern federal district	Volga federal district	North-West federal district	North-Caucasian federal district	Siberian federal district	Ural federal district	Southern federal district	Total
For the three months ended 30 June 2018 (unaudited)										
Revenue from external customers	16 218	18 122	1 897	9 434	4 390	2 562	4 002	2 095	7 570	66 290
- Interest income from loans and advances to customers, due from other banks and other placed funds	16 015	16 166	1 599	8 275	3 949	2 156	3 297	1 898	6 973	60 328
- Net fee and commission income from credit related operations	203	1 956	298	1 159	441	406	705	197	597	5 962
Gains less losses/(losses net of gains) arising from securities, derivative financial instruments and foreign currency	(6 566)	6 788	296	(828)	524	(1)	(1 062)	1 297	2 330	2 778
Interest expenses from due to other banks, customer accounts and bonds issued	(21 099)	(6 503)	(1 500)	(4 198)	(2 569)	(722)	(2 232)	(1 361)	(1 418)	(41 602)
(Provision)/recovery of provision for impairment*	(17 136)	2 289	258	2 241	(43)	1 428	5 693	99	2 784	(2 387)
Administrative and maintenance expense	(8 447)	(536)	(153)	(443)	(174)	(185)	(301)	(99)	(196)	(10 534)
- Including depreciation charge	(313)	(63)	(16)	(52)	(22)	(29)	(44)	(11)	(24)	(574)
Other expenses less other income*	(1 017)	(3 262)	22	(702)	(85)	(2 440)	(1 300)	(38)	(202)	(9 024)
Current income tax expense	(917)	-	-	-	-	-	-	-	-	(917)
(Loss)/profit of reportable segments	(38 964)	16 898	820	5 504	2 043	642	4 800	1 993	10 868	4 604
Intersegment income/(expense)**	33 298	(16 212)	(234)	(3 365)	(1 671)	(1 761)	(411)	(1 775)	(7 869)	-

* Other expenses less other income include losses from disposal of loans under cession agreements that is calculated under RAR as consideration received less nominal amount of sold loans, whereas provision for loan impairment under RAR at the date of sale of loans is recorded as provision recovery.

** Intersegment income and expense are used by CODM for information purpose only and not for identification of profit or loss of the operating segments.

17 Segment Analysis (Continued)

Reconciliation of profit/(loss) of the reportable segments results is as follows:

<i>(Unaudited)</i> In millions of Russian Roubles	For the six months ended 30 June		For the three months ended 30 June	
	2019	2018	2019	2018
Total profit of reportable segments (after tax)	8 308	5 138	2 754	4 604
Adjustments for impairment (ECL)	(6 395)	367	(3 288)	(2 164)
Results of non-reportable segments, including the effect of consolidation*	(1 123)	(23)	2 719	444
Accounting for financial instruments at fair value	1 301	(4 165)	657	96
Adjustment of deferred tax	284	(1 306)	562	(664)
Gains less losses from revaluation of other financial instruments at fair value through profit or loss	16	9	-	(25)
Adjustment of accrued staff costs	24	709	(81)	77
Adjustments of financial assets and liabilities carried at amortised cost	2 990	(5 220)	1 614	(2 806)
Other	(1 791)	4 706	(1 876)	(223)
The Group's profit/(loss) under IFRS (after tax)	3 614	215	3 061	(661)

* Non-reportable segments are represented by subsidiaries of the Group.

Adjustment for impairment arises mainly due to the different consolidation perimeter in the RAR and IFRS statements.

Adjustments of derivative financial instruments reflected in the line "Accounting for financial instruments at fair value" in the table above arise from the difference in the accounting treatment of currency swaps under RAR (which are the basis for management reporting) and IFRS reporting. Under RAR foreign exchange swaps are recognized as back-to-back deposits, whereas in IFRS financial statements such transactions are recognized at fair value. Refer to Note 19. Providing reconciliation, accounting for deals described above under RAR assumes also adjustments related to interest income/expense and total assets of reportable segments.

Balances of intercompany settlements related to regional branches of the Bank are represented under RAR as assets and liabilities, while in IFRS such balances are shown on a net basis.

Adjustments of accrued staff costs and deferred income tax expense arise from the timing difference in recognition of certain expenses under RAR compared to IFRS.

Adjustments of perpetual bonds reflected in the line "Adjustments of financial assets and liabilities carried at amortised cost" in the table above arise from the difference in the accounting treatment under RAR compared to IFRS. Perpetual bonds are recognised in equity in the consolidated statement of financial position under IFRS.

All other adjustments also result from the differences between RAR (used as the basis for management reporting) and IFRS.

18 Contingencies and Commitments

Legal proceedings. From time to time in the normal course of business, claims against the Group are received. As at 30 June 2019, based on its own estimates and both internal and external professional advice the Group's management is of the opinion that no material losses will be incurred in respect of claims and accordingly no material provision for cover of such losses has been made in these interim condensed consolidated financial statements (31 December 2018: Group's management is of the opinion that no material losses will be incurred in respect of claims and accordingly no material provision for cover of such losses has been made in annual consolidated financial statements).

18 Contingencies and Commitments (Continued)

Tax contingencies. Certain provisions of Russian tax, currency and customs legislation as currently in effect are vaguely drafted which may often result in their different interpretation (which, inter alia, may apply retrospectively), inconsistent and selective application and frequent and unpredictable changes. Interpretation of this legislation by the Group in relation to the operations and activities of the Group may be challenged by the respective state authorities. The tax authorities may be taking a more assertive position in their interpretation of the applicable legislation, in carrying out tax audits and in making tax assessments. Consequently, the tax authorities may challenge transactions and tax accounting methods that have not been challenged in the past.

Fiscal periods remain open and subject to review by the tax authorities in course of the on-site tax audits for a period of three calendar years immediately preceding the year in which the decision to conduct a tax review is taken. Under certain circumstances tax reviews may cover longer periods.

Russian transfer pricing legislation allows the Russian tax authority under certain circumstances to apply transfer pricing adjustments and impose additional profits tax and VAT liabilities in respect of all “controlled” transactions if the transaction price differs from the market level of prices determined for tax purposes and such deviation resulted in the underpayment of the tax to the revenue. The list of “controlled” transactions includes transactions performed with interdependent parties (subject to certain conditions) and certain types of cross-border transactions and transactions between Russian interdependent parties. Special transfer pricing rules apply to transactions with securities, derivatives and interest.

During six months ended 30 June 2019, the Group determined its tax liabilities arising from the “controlled” transactions using actual transaction prices.

Due to the absence of the stable practice of the application of the Russian transfer pricing legislation, the Russian tax authorities may challenge the level of prices applied by the Russian companies of the Group for tax purposes under the “controlled” transactions and accrue additional tax liabilities in relation to such transactions, unless the Group is able to demonstrate that the respective transactions are arms’ length for tax purposes.

As at 30 June 2019, the Management of the Group believes that its interpretation of the applicable legislation is reasonable and will be sustained.

Capital expenditure commitments. As at 30 June 2019, the Group has contractual capital expenditure commitments of RR 1 332 million (31 December 2018: RR 1 342 million).

Compliance with covenants. The Group is subject to certain covenants primarily relating to its borrowings, including capital adequacy levels calculated on the IFRS figures in accordance with Basel II Capital Accord equals 8%. Non-compliance with such covenants may result in negative consequences for the Group including an increase of the borrowing costs and announcement of the default. As at 30 June 2019, the Group was in compliance with covenants for maintaining capital adequacy ratio under Basel II. As at 31 December 2018, the level of the capital adequacy ratio of the Group under Basel II did not exceed 8%. Management of the Group analysed the consequences of non-compliance with the requirement to maintain the minimum level of the capital adequacy ratio under Basel II and concluded that there are no negative consequences, including the right of creditors to early redemption of the debt.

Credit related commitments. The primary purpose of these instruments is to ensure that funds are available to a customer as required. Financial guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Group on behalf of a customer authorizing a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralized by the underlying shipments of goods to which they relate or cash deposits and therefore carry less risk than a direct borrowing.

Commitments to extend credit represent unused portions of authorizations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit related commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

18 Contingencies and Commitments (Continued)

Performance guarantees. Performance guarantees are contracts that provide compensation if another party fails to perform a contractual obligation. The risk under performance guarantee contracts is the possibility that the insured event (i.e. the failure to perform the contractual obligation by another party) occurs.

Outstanding credit related commitments and performance guarantees are as follows:

<i>In millions of Russian Roubles</i>	30 June 2019 (unaudited)	31 December 2018
Undrawn credit lines	114 162	95 344
Letters of credit	4 193	3 928
Less: provisions for ECL	(606)	(656)
Total credit related commitments	117 749	98 616
Performance guarantees	127 759	162 834
Less: provision	(4)	(633)
Total credit related commitments and performance guarantees	245 504	260 817

An analysis of changes in the ECLs during the six months ended 30 June 2019 are, as follows:

<i>(Unaudited) In millions of Russian Roubles</i>	Stage 1	Stage 2	Stage 3	Total
ECLs as at 1 January 2019	654	2	-	656
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(16)	16	-	-
Transfers to Stage 3	-	-	-	-
Impact on period end ECL of exposures transferred between stages during the period (including expense on new issue and income from repayments)	(32)	(18)	-	(50)
ECLs as at 30 June 2019	606	-	-	606

An analysis of changes in the ECLs during the six months ended 30 June 2018 are, as follows:

<i>(Unaudited) In millions of Russian Roubles</i>	Stage 1	Stage 2	Stage 3	Total
ECLs as at 1 January 2018	624	-	-	624
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(19)	19	-	-
Transfers to Stage 3	-	-	-	-
Impact on period end ECL of exposures transferred between stages during the period (including expense on new issue and income from repayments)	156	(19)	-	137
ECLs as at 30 June 2018	761	-	-	761

The total outstanding contractual amount of undrawn credit lines, letters of credit, and guarantees does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded.

18 Contingencies and Commitments (Continued)

Credit related commitments and performance guarantees are denominated in currencies as follows:

<i>In millions of Russian Roubles</i>	30 June 2019 (unaudited)	31 December 2018
Russian Roubles	231 388	250 612
Euros	4 144	3 898
US Dollars	9 972	6 307
Total credit related commitments and performance guarantees	245 504	260 817

Assets pledged and restricted. The Group had the following assets pledged and restricted:

<i>In millions of Russian Roubles</i>	30 June 2019 (unaudited)	31 December 2018
Assets pledged under loan agreements with banks (including the Bank of Russia)	16 540	18 556
Repurchase agreements	10 759	40 264

As at 30 June 2019, mandatory cash balances with the Bank of Russia in the amount of RR 22 240 million (31 December 2018: RR 20 651 million) represent mandatory reserve deposits which are not available to finance the Group's day to day operations.

As at 30 June 2019 and 31 December 2018, assets pledged under loan agreements with banks (including the Bank of Russia) mainly include loans and advances to customers pledged to the Bank of Russia under loan agreements in accordance with the Bank of Russia Act # 4801-U *On the Forms and Conditions of Refinancing of Credit Institutions Secured by Assets* dated 22 May 2018.

19 Derivative Financial Instruments

Foreign exchange derivative financial instruments entered into by the Group are generally traded in an over-the-counter market with professional market counterparties. As a result of fluctuations in market interest rates, foreign exchange rates or other variables relative to their terms, derivative financial instruments are recognized as assets (in case of positive fair value) or liabilities (in case of negative fair value).

As at 30 June 2019, in the aggregate amount of foreign exchange swaps with original settlement dates of more than 30 working days prevails swaps structured as loans issued by the Group in Japanese yens (31 December 2018: in Japanese yens) to one large OECD bank with maturities from March 2023 to May 2023, and deposits in Russian Roubles received from the same counterparties with the same maturities ("back-to-back loans").

Part of these agreements contain special procedures for counterparties upon the occurrence of a credit event or an event of default (for example bankruptcy, failure to pay, obligation acceleration, repudiation/moratorium or restructuring external unsubordinated public liabilities, providing incorrect or misleading representation). The subjects of such events are the Group, and in some instances, the counterparty of the agreement, and/or the Russian Federation. Some of the agreements provide that no further mutual payment obligation between the parties is due, if a credit event or default event happens. Some agreements on the exchange of resources provide termination of liabilities with a mark-to-market payment in the case of a relevant event (e.g., a default event).

As at 30 June 2019, international credit rating of this counterparty was A (S&P) (31 December 2018: international credit rating of this counterparty was A (S&P)).

19 Derivative Financial Instruments (Continued)

The table below reflects gross positions in derivative financial instruments before netting of any counterparty positions as at 30 June 2019 and covers the contracts with settlement dates after the respective end of the reporting period:

<i>(Unaudited)</i> <i>In millions of Russian Roubles</i>	Principal or agreed amount at fair value of assets receivable	Principal or agreed amount at fair value of assets payable	Positive fair value	Negative fair value
Forwards and swaps				
- Currency	100 171	(93 177)	7 364	(370)
- Securities	138 469	(131 994)	8 221	(1 746)
- Interest rate	3 922	(3 884)	608	(570)
- currency-interest rate	9 915	(9 508)	407	-
Options	2 651	(3 991)	28	(28)
Total derivative financial instruments	255 128	(242 554)	16 628	(2 714)

The table below reflects gross positions in derivative financial instruments before netting of any counterparty positions as at 31 December 2018 and covers the contracts with settlement dates after the respective end of the reporting period:

<i>In millions of Russian Roubles</i>	Principal or agreed amount at fair value of assets receivable	Principal or agreed amount at fair value of assets payable	Positive fair value	Negative fair value
Forwards and swaps				
- Currency	216 849	(213 176)	9 490	(5 817)
- Securities	146 384	(141 502)	7 859	(2 978)
- Precious metals	1 515	(1 526)	6	(17)
- Interest rate	1 797	(1 795)	238	(236)
Options	3 580	(3 581)	171	(165)
Futures				
- Index	90	(88)	3	-
Total derivative financial instruments	370 215	(361 668)	17 767	(9 213)

As at 30 June 2019 and 31 December 2018, the Group had no foreign exchange swaps with fair value individually above 10% of the Group's equity.

Refer to Note 20 for the disclosure of fair value hierarchy for derivative financial instruments. The information on related party transactions is disclosed in Note 21.

20 Fair Value of Financial Instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The estimated fair values of financial instruments have been determined by the Group using available market information, where it exists, and appropriate valuation methodologies. However, judgement 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 has used all available market information in estimating the fair value of financial instruments.

Financial instruments carried at fair value. Trading securities, investment securities at fair value through other comprehensive income, and related trading and investment securities pledged under repurchase agreements are carried at their fair value on the interim consolidated statement of financial position based on quoted market prices and valuation techniques where all of material inputs are observable.

Financial instruments at fair value through profit or loss and derivative financial instruments are carried on the interim consolidated statement of financial position at their fair value based on valuation techniques with inputs observable on the market. Derivative financial instruments are measured at fair value as assets when fair value is positive and as liabilities when fair value is negative. The Group uses cash flow discounting technique using observable market data about yield curves changes, as well as market statistical data, reflecting the distribution of the probability of default of financial instruments over time.

The Group determines the fair value in relation to securities that are not traded in an active market as a price of a security, which can be determined taking into account the specific conditions of the transaction, the circulation characteristics of the security and other indicators, information about which may serve as a basis for such a calculation, including the involvement of an independent appraiser to assess the fair value.

Cash and cash equivalents are carried at amortised cost which approximates its current fair value.

Loans and receivables. The fair value of floating rate instruments is normally equals their carrying amount. The estimated fair value of fixed interest rate bearing placements is based on discounted cash flows using current market interest rates for instruments with similar credit risk and similar maturity.

Loans at fair value through profit or loss are valued using a combination of approaches. Where appropriate, loans are valued with reference to observable prices of debt securities issued by the borrower or by comparable entities. In other cases, valuation is performed using internal models based on present value techniques or, in some circumstances (for example, in respect of cash flow from assets held as collateral), external valuation reports. The non-observable inputs to the models include adjustments for credit, market and liquidity risks associated with the expected cash flows from the borrower's operations or in respect of collateral valuation.

Investment securities carried at amortised cost. The fair value for investment securities carried at amortised cost is based on quoted market prices and valuation techniques with all material inputs observable.

Liabilities carried at amortised cost. The fair value of bonds issued is based on market prices, if available. The estimated fair value of fixed interest rate instruments with stated maturity, for which a quoted market price is not available, was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and similar remaining maturity.

20 Fair Value of Financial Instruments (Continued)

(a) Fair value of financial instruments carried at amortised cost and at fair value

<i>In millions 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				
Cash and cash equivalents	229 488	229 488	390 585	390 585
Mandatory cash balances with the Bank of Russia	22 240	22 240	20 651	20 651
Due from other banks	67 843	69 693	38 717	41 015
Loans and advances to customers				
- Loans to corporates	1 594 680	1 598 216	1 503 878	1 515 051
- Lending for food interventions	20 847	20 847	26 446	26 446
- Loans to individuals	415 088	427 938	402 422	407 937
Investment securities				
- Corporate bonds	39 985	40 165	37 308	37 245
- Municipal and subfederal bonds	13 699	14 054	15 838	15 931
- Federal Loan bonds (OFZ)	3 725	3 650	3 537	3 350
- Corporate Eurobonds	189	189	208	208
Other financial assets	5 569	5 569	8 002	8 002
Total financial assets carried at amortised cost	2 413 353	2 432 049	2 447 592	2 466 421
Financial assets carried at fair value	479 543	479 543	577 572	577 572
Total financial assets	2 892 896	2 911 592	3 025 164	3 043 993
Financial liabilities carried at amortised cost				
Due to other banks:				
- Term borrowings from other banks	36 690	38 616	83 375	84 787
- Term borrowings from the Bank of Russia	48 133	47 174	48 054	47 147
- Correspondent accounts and overnight placements of other banks	6 025	6 025	40 101	40 101
Customer accounts:				
- State and public organisations	449 903	450 417	593 569	594 114
- Other legal entities	781 341	782 217	792 663	792 743
- Individuals	1 107 800	1 106 480	1 034 819	1 031 971
Promissory notes issued	40 367	40 367	42 341	42 341
Bonds issued:				
- Bonds issued on domestic market	157 869	163 951	142 609	145 806
Other financial liabilities	13 630	13 630	3 669	3 669
Total financial liabilities carried at amortised cost before subordinated debts	2 641 758	2 648 877	2 781 200	2 782 679
Subordinated debts	136 214	144 370	147 279	153 774
Total financial liabilities carried at amortised cost	2 777 972	2 793 247	2 928 479	2 936 453
Financial liabilities carried at fair value	2 714	2 714	9 213	9 213
Total financial liabilities	2 780 686	2 795 961	2 937 692	2 945 666

(b) Analysis by fair value hierarchy of financial instruments

Fair value measurements are analysed by level in the fair value hierarchy as follows:

- (i) Level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities;
- (ii) Level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and
- (iii) Level three measurements are valuations not based on observable market data (that is, unobservable inputs).

20 Fair Value of Financial Instruments (Continued)

Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

Fair value hierarchy. For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Analysis of financial and non-financial instruments as at 30 June 2019 is as follows:

<i>(Unaudited)</i> In millions of Russian Roubles	Quoted price in an active market (Level 1)	Valuation technique with inputs observable in markets (Level 2)	Valuation technique with non- observable inputs (Level 3)	Total
Assets measured at fair value				
Trading securities	19 091	1 890	-	20 981
Investment securities	348 039	60 600	2 397	411 036
Derivative financial instruments	-	16 628	-	16 628
Loans to customers at fair value through profit or loss	-	-	30 898	30 898
Office premises	-	-	27 990	27 990
Other non-financial assets	118	-	-	118
Assets for which fair values are disclosed				
Cash and cash equivalents	-	229 488	-	229 488
Mandatory cash balances with the Bank of Russia	-	-	22 240	22 240
Due from other banks	-	69 693	-	69 693
Loans and advances to customers	-	-	2 047 001	2 047 001
Investment securities	53 565	4 493	-	58 058
Other financial assets	-	-	5 569	5 569
Total financial and non-financial assets	420 813	382 792	2 136 095	2 939 700
Liabilities measured at fair value				
Derivative financial instruments	-	2 714	-	2 714
Liabilities for which fair values are disclosed				
Due to other banks	-	91 815	-	91 815
Customer accounts	-	-	2 339 114	2 339 114
Promissory notes issued	-	-	40 367	40 367
Bonds issued:				
- Bonds issued on domestic market	127 297	36 654	-	163 951
Other financial liabilities	-	-	13 630	13 630
Total financial liabilities before subordinated debts	127 297	131 183	2 393 111	2 651 591
Subordinated debts	26 724	117 646	-	144 370
Total financial liabilities	154 021	248 829	2 393 111	2 795 961

20 Fair Value of Financial Instruments (Continued)

Analysis of financial and non-financial instruments as at 31 December 2018 is as follows:

<i>In millions of Russian Roubles</i>	Quoted price in an active market (Level 1)	Valuation technique with inputs observable in markets (Level 2)	Valuation technique with non- observable inputs (Level 3)	Total
Assets measured at fair value				
Trading securities	17 362	1 864	-	19 226
Investment securities	470 092	43 083	2 383	515 558
Derivative financial instruments	-	17 767	-	17 767
Loans to customers at fair value through profit or loss	-	-	25 021	25 021
Office premises	-	-	28 171	28 171
Assets for which fair values are disclosed				
Cash and cash equivalents	-	390 585	-	390 585
Mandatory cash balances with the Bank of Russia	-	-	20 651	20 651
Due from other banks	-	41 015	-	41 015
Loans and advances to customers	-	-	1 949 434	1 949 434
Investment securities	48 762	7 972	-	56 734
Other financial assets	-	-	8 002	8 002
Total financial and non-financial assets	536 216	502 286	2 033 662	3 072 164
Liabilities measured at fair value				
Derivative financial instruments	-	9 213	-	9 213
Liabilities for which fair values are disclosed				
Due to other banks	-	172 035	-	172 035
Customer accounts	-	-	2 418 828	2 418 828
Promissory notes issued	-	-	42 341	42 341
Bonds issued:				
- Bonds issued on domestic market	106 781	39 025	-	145 806
Other financial liabilities	-	-	3 669	3 669
Total financial liabilities before subordinated debts	106 781	220 273	2 464 838	2 791 892
Subordinated debts	28 194	125 580	-	153 774
Total financial liabilities	134 975	345 853	2 464 838	2 945 666

20 Fair Value of Financial Instruments (Continued)

The following table show a reconciliation of the opening and closing amount of Level 3 financial assets which are recorded at fair value:

<i>In millions of Russian Roubles</i>	At 31 December 2018	Total gain/(loss) recorded in profit or loss	New assets recognised	Assets derecognised	At 30 June 2019 (unaudited)
Financial assets					
Loans to customers at fair value through profit or loss	25 021	576	6 570	(1 269)	30 898
Investment securities at fair value through profit or loss	2 383	-	14	-	2 397
Total level 3 financial assets	27 404	576	6 584	(1 269)	33 295

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

<i>(Unaudited)</i> <i>In millions of Russian Roubles</i>	For the six months ended 30 June 2019			For the three months ended 30 June 2019		
	Realised gains/ (losses)	Unrealised gains/ (losses)	Total	Realised gains/ (losses)	Unrealised gains/ (losses)	Total
Total gains or (losses) included in the profit or loss for the period	871	(295)	576	441	570	1 011

* Losses are recorded for Interest income and (Losses net of gains)/gains less losses from financial instruments and loans to customers at fair value through profit or loss.

Loans at fair value through profit or loss

The Group determines the fair value of loans based on discounted cash flow models taking into account the borrower's credit risk. The models use a number of unobservable input market data, the main ones being the discount rate and credit spread.

If the discount rate used by the Group in the model increases/decreases by 1%, the book value of loans will decrease by RR 772 million / increase by RR 807 million. The discount rates used are in range from 8.31% to 27.01%.

Investment securities at fair value through profit or loss

Investment securities at fair value through profit or loss include unquoted equity securities at fair value through an independent appraiser. The estimation was based on the income approach using the discounted dividend method, which includes the forecast and post-forecast period of activity. Forecasting was based on the analysis of the structure of financial investments, the company's strategy for working with clients, assumptions on the forecast of changes in the future of reserves, income from investing funds, the company's own funds. When calculating the total market value of securities, a discount for lack of liquidity was applied expertly.

20 Fair Value of Financial Instruments (Continued)

The table below reflects transfers of financial instruments measured at fair value between Level 1 and Level 2 of the fair value hierarchy during six months ended 30 June 2019:

<i>(Unaudited)</i> <i>In millions of Russian Roubles</i>	Transfers between Level 1 and Level 2	
	From Level 1 to Level 2	From Level 2 to Level 1
Financial assets		
Trading securities	-	1 376
Investment securities at fair value through other comprehensive income	9 051	1 705
Total transfers of financial assets	9 051	3 081

The table below reflects transfers of financial instruments measured at fair value between Level 1 and Level 2 of the fair value hierarchy during 2018:

<i>In millions of Russian Roubles</i>	Transfers between Level 1 and Level 2	
	From Level 1 to Level 2	From Level 2 to Level 1
Financial assets		
Investment securities at fair value through other comprehensive income	-	3 168
Total transfers of financial assets	-	3 168

Financial instruments are transferred from Level 2 to Level 1 of the fair value hierarchy when they become traded in active markets and fair value can be determined based on quoted prices in active markets.

Financial instruments are transferred from Level 1 to Level 2 when they ceased to be traded in active markets. The liquidity on the market is not sufficient to use market prices for valuation and as a result fair value is determined using valuation techniques with all material inputs observable.

There were no other transfers between levels of the fair value hierarchy during six months ended 30 June 2019 and during the year ended 31 December 2018.

The following table shows the quantitative information as at 30 June 2019 about significant unobservable inputs used in the fair value measurement categorized within Level 3 of the fair value hierarchy:

Assets	Fair value, <i>in millions of Russian Roubles</i>	Valuation technique	Inputs used		
			Input	Min	Max
Office premises (based on valuation at 31 December 2018, fair value of new objects acquired in 2019 equals to current value)	27 990	Comparative method	Trade discount	6.0%	21.0%

The following table shows the quantitative information as at 31 December 2018 about significant unobservable inputs used in the fair value measurement categorized within Level 3 of the fair value hierarchy:

Assets	Fair value, <i>in millions of Russian Roubles</i>	Valuation technique	Inputs used		
			Input	Min	Max
Office premises (based on valuation at 31 December 2018)	28 171	Comparative method	Trade discount	6.0%	21.0%

21 Related Party Transactions

For the purposes of these interim condensed consolidated financial statements, 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 or operational decisions. The Bank's only shareholder is the Government of the Russian Federation represented by the Federal Agency for Managing State Property, the Ministry of Finance of the Russian Federation and The State Corporation "Deposit Insurance Agency". Refer to Note 1.

In these interim condensed consolidated financial statements, significant balances and transactions with the state-controlled entities and parties that are related to such entities and balances and transactions with related parties represented by key management and their close family members are disclosed.

The outstanding balances with related parties were as follows:

<i>In millions of Russian Roubles</i>	30 June 2019 (unaudited)	31 December 2018
Cash and cash equivalents		
Bank of Russia	86 319	86 289
Other banks	14 420	148 301
Loans and advances to customers		
Loans and advances to customers (before impairment)	229 450	229 223
Key management and their family members	7	6
Less: allowance for impairment	(7 943)	(10 833)
Derivative financial instruments — assets	8 915	9 405
Securities		
Securities issued by Russian Federation	241 868	212 179
Securities of entities and banks	157 706	272 115
Less: allowance for impairment	(194)	(300)
Due from other banks	38 258	10 520
Other assets		
State Corporation Deposit Insurance Agency	1 216	826
Accrued subsidies under the government program to subsidize mortgage and car loans	-	3
Customer accounts		
Entities	674 836	800 158
Key management and their family members	3 680	3 209
Due to other banks		
Bank of Russia	48 133	48 054
Other banks	20 267	93 743
Derivative financial instruments — liabilities	685	2 039
Subordinated debts	73 238	80 694
Credit related commitments		
Undrawn credit lines	4 284	1 182
Performance guarantees	7 359	8 808
Less: provision for impairment	(19)	(34)
Financial guarantees received	23 616	27 885

21 Related Party Transactions (Continued)

The income and expense items with related parties were as follows:

<i>(Unaudited)</i> <i>In millions of Russian Roubles</i>	For the six months ended 30 June		For the three months ended 30 June	
	2019	2018	2019	2018
Interest income on cash and cash equivalents				
Bank of Russia	2 910	7 985	1 491	3 474
Other banks	455	412	101	152
<hr/>				
Interest income on due from other banks	1 026	402	362	364
<hr/>				
Interest income on loans and advances to customers	8 299	11 536	4 441	8 410
<hr/>				
Interest income on securities				
Securities issued by Russian Federation	11 239	7 245	5 617	3 696
Securities of entities and banks	8 117	3 954	3 711	1 105
<hr/>				
Gains less losses/(losses net of gains) from securities				
Securities issued by Russian Federation	(635)	1 375	(433)	87
Securities of entities and banks	(316)	(352)	(179)	(392)
<hr/>				
Fee and commission income				
Commission received from the Deposit Insurance Agency	90	134	58	24
<hr/>				
Gains less losses from derivative financial instruments	7 901	3 539	1 199	3 788
<hr/>				
Interest expense on customer accounts				
Entities	(26 483)	(36 225)	(12 899)	(23 778)
Key management and their family members	(81)	(9)	(42)	9
<hr/>				
Interest expense on subordinated debts	(2 335)	(1 797)	(1 103)	(866)
<hr/>				
Interest expense on due to other banks				
Bank of Russia	(2 038)	(667)	(1 025)	(323)
Other banks	(367)	(289)	(162)	(171)
<hr/>				
Administrative and other operating expenses				
Payments to the Deposit Insurance Fund	(3 715)	(2 339)	(1 879)	(1 340)

During six months ended 30 June 2019, transactions with the shareholder included share capital increase, taxes paid and subsidies received under the government programs to subsidize lending.

During six months ended 30 June 2019, the Bank increased its share capital by issuing 15 000 ordinary shares with the total nominal amount of RR 15 000 million. All shares were purchased by the Bank's only shareholder — the Government of the Russian Federation represented by the Federal Agency for Managing State Property.

21 Related Party Transactions (Continued)

Key management of the Group represents members of the Supervisory Board, the Management Board and Chief Accountant of the Bank. For the six months ended 30 June 2019 total remuneration of the key management amounted to RR 228 million (for the six months ended 30 June 2018: RR 134 million).

22 Disposal of subsidiaries

In March 2019, the Group ceased the control over LLC Tambov Sugar Company and LLC Tambovsakharinvest (hereinafter, "TSK Group"). No potential rights in LLC Tambov Sugar Company exist as at 31 March 2019.

As a result of disposal, the Group recognized a loss of RR 159 million as part of other operating expenses.

The table below shows the assets and liabilities of the TSC Group at the date of disposal:

<i>(Unaudited)</i> <i>In millions of Russian Roubles</i>	Cost at the time of disposal
Assets	
Property and equipment	8 501
Other assets	22
	8 523
Liabilities	
Deferred tax liability	1 230
Other liabilities	83
	1 313
Total net assets derecognised	
Net assets	7 210
Non-controlling interests	(1 803)
	5 407

23 Events after the End of the Reporting Period

In June 2019, the Bank's shareholder declared dividends for the year ended 31 December 2018 in the amount of RR 1 126 million. Dividends were paid out to the Bank's shareholder in July 2019.

In July 2019, the Group repurchased bonds denominated in RR issued on the domestic market in the amount of RR 415 million at the put option date.

In August 2019, the Group reissued on the domestic market RR 2 230 million of previously bought back bonds.