Public Joint Stock Company

Asian-Pacific Bank

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

30 June 2019

Contents

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

To the Shareholder of Public Joint Stock Company Asian-Pacific Bank

Introduction

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

Scope of Review

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

Basis for Qualified Conclusion*

We do not agree with a number of assumptions used by the Group for impairment assessment purposes of loans issued to related parties in net carrying amount of RUB 4 707 815 thousand as at 31 December 2017, and in our opinion impairment allowance should be significantly higher as at that date. As at 31 December 2018, these loans are fully impaired and the Group has created a 100% allowance for expected credit losses. The effect of the above matter on net loss and related elements of the consolidated interim condensed financial information for the six-month period ended 30 June 2018 has not been determined. Our opinion on the consolidated financial statements for the year 2018 dated 26 April 2019 and our conclusion on the consolidated interim condensed financial information for the six-month period ended 30 June 2018 dated 29 August 2018 were modified accordingly. Our conclusion on the current period consolidated interim condensed financial information is also modified because of the effects of this matter on the comparability of the current period figures and the comparative data.

We were unable to obtain sufficient and appropriate audit evidence with respect to assumptions used by the management of the Group to estimate future cash flows for impairment assessment purposes for funds on accounts in PJSC "M2M Private Bank", which license for banking operations is revoked, in net carrying amount of RUB 500 355 thousand as at 31 December 2017 as we were not provided with the related information by the management of the Group. As at 31 December 2018, the Group has created a 100% allowance for expected credit losses for these funds. As a result, we were unable to determine whether adjustments might have been found necessary on net loss and related elements of the consolidated interim condensed financial information for the six-month period ended 30 June 2018. Our opinion on the consolidated financial statements for the year 2018 dated 26 April 2019 and our conclusion on the consolidated interim condensed financial information for the six-month period ended 30 June 2018 dated 29 August 2018 were modified accordingly. Our conclusion on the current period consolidated interim condensed financial information is also modified because of the possible effects of this matter on the comparability of the current period figures and the comparative data.

Qualified Conclusion*

Based on our review, except for the effects on comparative data for the six-month period ended 30 June 2018 of the matters described in the first paragraph of *Basis for Qualified Conclusion*, and except for the possible effects on comparative data for the six-month period ended 30 June 2018 of the matters described in the second paragraph of *Basis for Qualified Conclusion*, nothing has come to our attention that causes us to believe that the consolidated interim condensed financial information as at 30 June 2019 and for the six-month period then ended is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

*Modifications have an effect/ possible effect on comparative data for the six-month period ended 30 June 2018.

Other Matter

Figures for the three-month period ended 30 June 2019 and corresponding figures for the three-month period ended 30 June 2018 are not reviewed.

Tatarinova E.V.

JSC "KPMG"

Moscow, Russia

29 August 2019

	Notes	Six-Month Period Ended 30 June 2019 RUB'000 (unaudited)	Six-Month Period Ended 30 June 2018 RUB'000 (unaudited)
Interest income calculated using the effective interest method		5 163 230	4 903 162
Other interest income		122 310	57 258
Interest expense		(1 972 378)	(2 441 829)
Net interest income		**3 313 162**	**2 518 591**
Deposit insurance expenses		(91 169)	(93 934)
Net interest income after deposit insurance expenses		**3 221 993**	**2 424 657**
Fee and commission income		1 276 312	1 285 706
Fee and commission expense		(176 371)	(225 739)
Net fee and commission income		**1 099 941**	**1 059 967**
Net gain on financial instruments at fair value through profit or loss		39 903	31 021
Realised gain (loss) on financial assets at fair value through other comprehensive income		102 941	(311)
Loss from equity-accounted investee	10	(2 685)	(12 267)
Net foreign exchange gain		424 159	180 509
Net (loss) gain on operations with precious metals		(37 693)	34 797
Other operating income		438 477	4 772 325
Operating income		**5 287 036**	**8 490 698**
Allowance for expected credit losses	4	(3 423 935)	(3 256 174)
Other provisions	4	851 832	(753 392)
Personnel expenses		(1 799 838)	(1 820 070)
Other general administrative expenses		(1 747 551)	(1 985 420)
(Loss) income for the period before income tax		**(832 456)**	**675 642**
Income tax benefit (expense)		67 019	(1 059 795)
Loss for the period		**(765 437)**	**(384 153)**
Other comprehensive income (loss), net of income tax			
Items that are or may be reclassified subsequently to profit or loss			
Fair value reserve for financial assets at fair value through other comprehensive income			
- Net change in fair value		578 282	(355 303)
- Net change in fair value transferred to profit and loss		(82 353)	(46 172)
Total items that are or may be reclassified subsequently to profit or loss		*495 929*	*(401 475)*
Items that will not be reclassified subsequently to profit or loss			
Revaluation reserve for unquoted equity assets at fair value through other comprehensive income		364 951	(674 640)
Total items that will not be reclassified subsequently to profit or loss		*364 951*	*(674 640)*
Other comprehensive income (loss) for the period, net of income tax		**860 880**	**(1 076 115)**
Total comprehensive income (loss) for the period		**95 443**	**(1 460 268)**

Consolidated Interim Condensed Financial Information was approved on August 29, 2019:

Mr. S.V. Avramov
Chairman of the Management Board

Щекина
Ms. E.V. Schekina
Chief Accountant

The Consolidated Interim Condensed Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the notes to, and forming part of, the Consolidated Interim Condensed Financial Information.

	Notes	Three-Month Period Ended 30 June 2019 RUB'000 (unaudited)*	Three-Month Period Ended 30 June 2018 RUB'000 (unaudited)*
Interest income calculated using the effective interest method		2 335 541	1 623 141
Other interest income		50 780	26 029
Interest expense		(1 016 601)	(1 111 289)
Net interest income		**1 369 720**	**537 881**
Deposit insurance expenses		(91 169)	(93 934)
Net interest income after deposit insurance expenses		**1 278 551**	**443 947**
Fee and commission income		731 453	349 399
Fee and commission expense		(97 261)	(142 256)
Net fee and commission income		**634 192**	**207 143**
Net gain on financial instruments at fair value through profit or loss		60 427	7 132
Realised gain on financial assets at fair value through other comprehensive income		61 255	1 299
Loss from equity-accounted investee		(2 283)	(3 296)
Net foreign exchange gain (loss)		199 012	(162 918)
Net (loss) gain on operations with precious metals		(5 796)	22 717
Other operating income		226 545	4 633 714
Operating income		**2 451 903**	**5 149 738**
Expected credit loss allowance		(286 799)	(1 457 450)
Other provisions		5 272	(753 392)
Personnel expenses		(931 491)	(1 002 966)
Other general administrative expenses		(1 046 139)	(1 380 843)
Income for the period before income tax		**192 746**	**555 087**
Income tax benefit (expense)		163 759	(1 031 774)
Loss for the period		**356 505**	**(476 687)**
Other comprehensive income (loss), net of income tax			
Items that are or may be reclassified subsequently to profit or loss			
Fair value reserve for financial assets at fair value through other comprehensive income			
- Net change in fair value		347 446	(423 297)
- Net change in fair value transferred to profit and loss		(45 856)	(47 460)
Total items that are or may be reclassified subsequently to profit or loss		*301 590*	*(470 757)*
Items that will not be reclassified subsequently to profit or loss			
Revaluation reserve for unquoted equity assets at fair value through other comprehensive income		(4 180)	(674 640)
Total items that will not be reclassified subsequently to profit or loss		*(4 180)*	*(674 640)*
Other comprehensive income (loss) for the period, net of income tax		**297 410**	**(1 145 397)**
Total comprehensive income (loss) for the period		**653 915**	**(1 622 084)**

Mr. S.V. Avramov
Chairman of the Management Board

Щекина
Ms. E.V. Schekina
Chief Accountant

*Figures for three-month period ended 30 June 2019 and corresponding figures for the three-month period ended 30 June 2018 are not reviewed.

The Consolidated Interim Condensed Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the notes to, and forming part of, the Consolidated Interim Condensed Financial Information.

	Notes	30 June 2019 RUB'000 (unaudited)	31 December 2018 RUB'000
ASSETS			
Cash and cash equivalents	5	11 352 715	11 995 863
Obligatory reserves with the Central Bank of the Russian Federation		550 325	546 928
Financial instruments at fair value through profit or loss	6	3 665 212	3 312 152
Financial assets at fair value through other comprehensive income	7	9 944 464	11 920 866
including assets pledged under repurchase agreements	7	*736 715*	*22 461*
Due from banks		64 334	64 258
Amounts receivable under reverse repurchase agreements		1 877 219	790 353
Loans to customers	8	48 348 955	47 160 408
Net investments in finance leases	9	1 122 546	1 091 496
Investments in associates and other investments	10	88 074	90 759
Investments at amortised cost	11	1 309 044	1 788 403
Deferred tax assets		1 405 628	1 333 469
Property, equipment, intangible assets and investment property		4 882 002	4 862 912
Other assets		5 571 630	4 193 727
Total assets		**90 182 148**	**89 151 594**
LIABILITIES			
Financial instruments at fair value through profit or loss	6	8 975	2 502
Deposits and balances from banks		172 179	1 220 599
Amounts payable under repurchase agreements		709 317	21 510
Current accounts and deposits from customers	12	72 267 204	68 706 967
Debt securities issued	13	472 289	634 484
Other liabilities		2 022 005	4 130 796
Total liabilities		**75 651 969**	**74 716 858**
EQUITY			
Share capital		6 000 000	6 000 000
Share premium		3 000 000	3 000 000
Fair value reserve for financial assets at fair value through other comprehensive income		(57 206)	(786 134)
Revaluation surplus for buildings		1 068 591	1 068 591
Retained earnings		4 518 794	5 152 279
Total equity		**14 530 179**	**14 434 736**
Total liabilities and equity		**90 182 148**	**89 151 594**

«Азиатско-Тихоокеанский Банк» (публичное акционерное общество) Российская Федерация Амурская область город Благовещенск «Азиатско-Тихоокеанский банк» (ПАО)

Mr. S.V. Avramov
Chairman of the Management Board

Ms. E.V.Schekina
Chief Accountant

The Consolidated Interim Condensed Statement of Financial Position is to be read in conjunction with the notes to, and forming part of, the Consolidated Interim Condensed Financial Information.

	Notes	Six-Month Period Ended 30 June 2019 RUB'000 (unaudited)	Six-Month Period Ended 30 June 2018 RUB'000 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest receipts		5 023 991	5 258 499
Interest payments		(1 947 182)	(2 758 588)
Fee and commission receipts		1 246 194	1 270 636
Fee and commission payments		(177 773)	(224 367)
Net receipts from financial instruments at fair value through profit or loss and financial assets at fair value through other comprehensive income		142 844	55 079
Net receipts (expenses) from foreign exchange		936 485	(226 209)
Other income receipts		235 132	1 158 664
Net (expenses) receipts from operations with precious metals		(52 749)	82 670
Deposit insurance, personnel and other general administrative expenses paid		(3 455 484)	(3 893 997)
(Increase) decrease in operating assets			
Obligatory reserves with the Central Bank of the Russian Federation		(3 397)	152 359
Financial instruments at fair value through profit or loss		(405 614)	(255 289)
Financial assets at fair value through other comprehensive income		2 837 018	1 514 946
Due from banks		(45 321)	(375 354)
Amounts receivable under reverse repurchase agreements		(1 086 631)	2 639 676
Loans to customers		(4 556 514)	3 626 114
Net investments in finance lease		(21 759)	25 901
Other assets		(1 221 182)	1 174 458
Increase (decrease) in operating liabilities			
Financial instruments at fair value through profit or loss		-	(687 557)
Deposits and balances from banks		(1 015 032)	2 499 106
Amounts payable under repurchase agreements		688 381	624 027
Current accounts and deposits from customers		4 115 645	(14 536 502)
Promissory notes		(1)	69 775
Other liabilities		(1 465 333)	(128 891)
Net cash flows used in operating activities before income tax paid		**(228 282)**	**(2 934 844)**
Income tax paid		(188 297)	(35 603)
Net cash used in operations		**(416 579)**	**(2 970 447)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of investments at amortised cost		(604 164)	-
Net redemption of investments at amortised cost		973 927	1 581 010
Receipts from investments in associates		-	8 310
Net (purchases) sales of property and equipment, intangible assets and investment property		(34 246)	464 000
Payments on lease liabilities		(7 997)	-
Net cash flows from investing activities		**327 520**	**2 053 320**

The Consolidated Interim Condensed Statement of Cash Flows is to be read in conjunction with the notes to, and forming part of, the Consolidated Interim Financial Information.

	Notes	Six-Month Period Ended 30 June 2019 RUB'000 (unaudited)	Six-Month Period Ended 30 June 2018 RUB'000 (unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES			
Redemption of bonds		(164 210)	(369 496)
Net cash flows used in financing activities		**(164 210)**	**(369 496)**
Net decrease in cash and cash equivalents		**(253 269)**	**(1 286 623)**
Effect of changes in exchange rates on cash and cash equivalents		(402 169)	(251 455)
Effect of changes in expected credit losses on cash and cash equivalents		12 290	(2 270)
Cash and cash equivalents as at the beginning of the period		11 995 863	10 099 024
Cash and cash equivalents as at the end of the period		**11 352 715**	**8 558 676**

Mr. S.V. Avramov
Chairman of the Management Board

Ms. E.V.Schekina
Chief Accountant

The Consolidated Interim Condensed Statement of Cash Flows is to be read in conjunction with the notes to, and forming part of, the Consolidated Interim Financial Information.

RUB'000	Share capital	Treasury shares	Share premium	Additional capital	Fair value reserve for financial assets at fair value through other comprehensive income	Revaluation surplus for buildings	Retained earnings	Total equity
Balance as at 1 January 2018	**585 414**	**(10 307)**	**1 778 739**	**2 200 000**	**189 533**	**1 816 992**	**6 557 286**	**13 117 657**
Impact of adopting IFRS 9 as at 1 January 2018*	-	-	-	-	(226 260)	-	(4 754 924)	(4 981 184)
Restated balance as at 1 January 2018*	**585 414**	**(10 307)**	**1 778 739**	**2 200 000**	**(36 727)**	**1 816 992**	**1 802 362**	**8 136 473**
Total comprehensive profit for the period								
Loss for the period (unaudited)	-	-	-	-	-	-	(384 153)	(384 153)
Other comprehensive income, net of income tax								
Total items that are or may be reclassified subsequently to profit or loss								
Net change in fair value of financial assets at fair value through other comprehensive income net of deferred tax of RUB 88 826 thousand (unaudited)	-	-	-	-	(355 303)	-	-	(355 303)
Net change in fair value of financial assets at fair value through other comprehensive income transferred to profit or loss, net of deferred tax of RUB 11 543 thousand (unaudited)	-	-	-	-	(46 172)	-	-	(46 172)
Total items that are or may be reclassified subsequently to profit or loss (unaudited)	-	-	-	-	*(401 475)*	-		*(401 475)*
Items that will not be reclassified to profit or loss								
Revaluation of buildings, net of deferred tax of RUB 168 660 thousand (unaudited)						(674 640)	-	(674 640)
Transfer of revaluation reserve for disposal of buildings that were previously revalued (unaudited)						(6 180)	6 180	-
Total items that will not be reclassified to profit or loss (unaudited)	-	-	-	-	-	*(680 820)*	*6 180*	*(674 640)*
Total comprehensive income for the period, net of income tax (unaudited)	-	-	-	-	**(401 475)**	**(680 820)**	**(377 973)**	**(1 460 268)**
Transactions with owners, recorded directly in equity								
Loss covered from own equity (unaudited)			(1 778 739)	(2 200 000)			3 978 739	
Total transactions with owners (unaudited)			(1 778 739)	(2 200 000)			3 978 739	
Balance as at 30 June 2018 (unaudited)	585 414	(10 307)	-	-	(438 202)	1 136 172	5 403 128	6 676 205

The Consolidated Interim Condensed Statement of Changes in Equity is to be read in conjunction with the notes to, and forming part of, the Consolidated Interim Condensed Financial Information.

RUB'000	Share capital	Treasury shares	Share premium	Additional capital	Fair value reserve for financial assets at fair value through other comprehensive income	Revaluation surplus for buildings	Retained earnings	Total equity
Balance as at 1 January 2019	**6 000 000**	**-**	**3 000 000**	**-**	**(786 134)**	**1 068 591**	**5 152 279**	**14 434 736**
Comprehensive income for the year								
Loss for the period (unaudited)	-	-	-	-	-	-	(765 437)	(765 437)
Other comprehensive income, net of income tax								
Items that are or may be reclassified subsequently to profit or loss								
Net change in fair value of financial assets at fair value through other comprehensive income net of deferred tax of RUB 143 604 thousand (unaudited)	-	-	-	-	578 282	-	-	578 282
Net change in fair value of financial assets at fair value through other comprehensive income transferred to profit or loss, net of deferred tax of RUB 20 588 thousand (unaudited)	-	-	-	-	(82 353)	-	-	(82 353)
Total items that are or may be reclassified subsequently to profit or loss (unaudited)	-	-	-	-	*495 929*	-	-	*495 929*
Items that will not be reclassified to profit or loss								
Revaluation reserve for unquoted equity assets at fair value through other comprehensive income net of deferred tax of RUB 91 238 thousand (unaudited)	-	-	-	-	364 951	-	-	364 951
Reclassification of revaluation reserve for unquoted equity assets at fair value through other comprehensive income net of deferred tax of RUB 32 988 thousand for retained earnings at disposal of the instrument (unaudited)					(131 952)		131 952	-
Total items that will not be reclassified to profit or loss (unaudited)	-	-	-	-	*232 999*	-	*131 952*	*364 951*
Total comprehensive income for the period, net of income tax (unaudited)	-	-	-	-	**728 928**	-	**(633 485)**	**95 443**
Balance as at 30 June 2019 (unaudited)	**6 000 000**	**-**	**3 000 000**	**-**	**(57 206)**	**1 068 591**	**4 518 794**	**14 530 179**

Mr. S.V. Avramov
Chairman of the Management Board

Ms. E.V.Schekina
Chief Accountant

* The data was recalculated in comparison with the signed Consolidated Interim Condensed Financial Information for the six months ended 30 June 2018 due to the restatement of the effect of transition to IFRS 9 as of 1 January 2018 based on the results of the audit of Consolidated Financial Statements as at 31 December 2018 and for year then ended.

The Consolidated Interim Condensed Statement of Changes in Equity is to be read in conjunction with the notes to, and forming part of, the Consolidated Interim Condensed Financial Information.

1 Background

Organisation and operations

These consolidated interim condensed financial information include the financial information of PJSC Asian-Pacific Bank (the "Bank") and its subsidiaries (together referred to as the Group).

The Bank was established in the Russian Federation as a closed joint-stock company in 1992 under the name "Amurpromstroybank" as a successor of Promstroybank of USSR which was founded in 1929. In 2006 the Bank was reorganised from a closed joint-stock company to an open joint-stock company and renamed to "Asian-Pacific Bank" by decision of the shareholders. On 7 May 2010 LLC PPFIN REGION, being a common majority shareholder for OJSC Asian-Pacific Bank, OJSC Kamchatprombank and OJSC Kolyma-Bank, merged the operations of these entities and therefore granted full control over OJSC Kamchatprombank and OJSC Kolyma-Bank to Asian-Pacific Bank (OJSC). In July 2015 the Bank was reorganised from an open joint-stock company to a public joint-stock company. From 26 April 2018 the Bank management functions have been carried out by LLC Fund of Banking Sector Consolidation Asset Management Company. From 26 April 2019 the Board of Directors and permanent management bodies are established.

The principal activities of the Bank are deposit taking and customer accounts maintenance, lending, issuing guarantees, cash and settlement operations and operations with securities and foreign exchange. The activities of the Bank are regulated by the Central Bank of the Russian Federation (the "CBR"). The Bank has a general banking license, and is a member of the state deposit insurance system in the Russian Federation.

The Bank has 199 (unaudited) (31 December 2018: 200) offices from which it conducts business throughout the Russian Federation including a head office, 3 regional branches, 11 additional offices, 184 operational offices. The registered address of the head office is 225, Amurskaya Street, Blagoveschensk, 675000. The majority of the Bank's assets and liabilities is located in the Russian Federation.

As at 30 June 2019 (unaudited) and 31 December 2018, the following shareholders held the issued shares of PJSC Asian-Pacific Bank:

Shareholder	**30 June 2019 % (unaudited)**	**31 December 2018 %**
Bank of Russia	100.00	100.00
Total	**100.00**	**100.00**

Details of the subsidiaries and associates are as follows:

			Ownership, %	
Name	**Country of incorporation**	**Principal activities**	**30 June 2019 (unaudited)**	**31 December 2018**
LLC Expo-Leasing	Russian Federation	Leasing	100%	100%
CJSC Mortgage agent APB	Russian Federation	Mortgage agent	see below	see below
CJSC Mortgage agent APB 2	Russian Federation	Mortgage agent	see below	see below
LLC Specialised financial company APB 2	Russian Federation	Asset-backed securitisation	see below	see below
CUIF Celena	Russian Federation	Unit investment fund	41.09%	41.09%
PJSC M2M Private Bank	Russian Federation	Banking	100%*	100%*
LLC Katerina Park	Russian Federation	Hotel industry	100%*	100%*
LLC Pride M	Russian Federation	Freight services	100%*	100%*

** The Bank does not actually control these companies due to withdrawal of license from PJSC M2M Private Bank.*

On 1 October 2010, 100% of the shares of LLC Expo-Leasing were acquired by the Bank.

LLC Expo-Leasing was registered in 2002 in Russian Federation. Its head office is in Moscow and it has 4 branches as at 30 June 2019 (unaudited) (31 December 2018: 4 branches), comprising a head office and 3 additional offices.

CJSC Mortgage agent APB, CJSC Mortgage agent APB 2 and LLC Specialised financial company APB 2 ("MA APB", "MA APB 2" and "LLC SFC APB 2") are structured entities established to ensure asset-backed securitisation. These entities are not owned by the Group. Control arises through the predetermination of the entities' activities, through the rights to obtain the majority of benefits of the structured entities, and retaining the majority of the residual risks related to the entities. All bonds in the amount of RUB 1 390 000 thousand, issued by LLC SFC APB 2, were repurchased by the Bank.

On 4 May 2016, 51.58% of the shares of CUIF Celena were received by the Bank as a result of non-performance of repurchase agreement by PJSC BaikalBank. CUIF Celena was registered in 2010 in Russian Federation. At the date of acquisition the fund was managed by Finance Trade Asset Management LLC licensed to manage investment funds in 2008. On 30 December 2016, CUIF Celena issued 58 533 additional investment units totaling RUB 64 140 thousand which resulted in the decrease of the Bank's share down to 40.99%. In 2018, the number of the issued investment units of the CUIF Celena decreased to 284 414 units with the result that the Bank's share increased to 41.09%.

On 8 July 2016, the Group acquired 100% control over PJSC M2M Private Bank, previously controlled by the ultimate beneficial owners of the Group. In 2015 the Group in accordance with the PJSC M2M Private Bank share purchase agreement terms paid for 100% of shares amounting to RUB 2 300 000 thousand. The Group received 25% of shares on 27 October 2015 and 75% of shares on 8 July 2016 from LLC Prosop Invest. PJSC M2M Private Bank held 100% interest in the share capitals of LLC Katerina Park (starting from 21 December 2015) and LLC Pride M (starting from 10 June 2016). On 9 December 2016, the Group lost control over PJSC M2M Private Bank and its subsidiaries due to withdrawal of its banking license and imposing of temporary administration. The balances of PJSC M2M Private Bank have not been consolidated over the control period as Management of the Group does not deem the effect to have significant impact on the amounts stated in the consolidated interim condensed financial information. As at the reporting date (unaudited), investments in PJSC M2M Private Bank are included in "Investments in associates and other investments".

Russian business environment

The Group's operations are primarily located in the Russian Federation. Consequently, the Group is exposed to the economic and financial markets risks of the Russian Federation, which display emerging-market characteristics. Regulatory framework and tax legislation continue to be developed, but are subject to varying interpretations and frequent changes that, together with other legal and fiscal impediments, contribute to the challenges faced by entities operating in the Russian Federation.

Starting from 2014 the United States of America, European Union and some other countries have imposed and expanded economic sanctions on Russian individuals and legal entities. The imposition of economic sanctions has resulted in increased economic uncertainty including more volatile equity markets, a depreciation of the Russian Rouble, a reduction in both local and foreign direct investment inflows and a significant tightening in the availability of credit. In particular, some Russian entities may be experiencing difficulties in accessing international equity and debt markets and may become increasingly dependent on support from the government. The longer-term effects of implemented sanctions, as well as the threat of additional future sanctions, are difficult to determine.

These consolidated interim condensed financial information reflect management's assessment of the possible impact of the existing terms of the financial and business operations on the results of the activity and the financial position of the Group. The subsequent development of the conditions for financial and business activities may differ from the management's assessment.

2 Basis of the consolidated interim condensed financial statements preparation

Statement of compliance

The accompanying consolidated interim condensed financial information is prepared in accordance with International Financial Reporting Standard *IAS 34 Interim Financial Reporting*. It does not include all of the information required for full consolidated financial statements, and should be read in conjunction with the consolidated financial statements as at and for the year ended 31 December 2018, as this consolidated interim condensed financial information provides an update of previously reported consolidated financial statements.

Basis of measurement

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

Functional and presentation currency

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

The RUB is also the presentation currency for the purposes of this consolidated interim condensed financial information.

Consolidated interim condensed financial information presented in RUB is rounded to the nearest thousand.

Use of estimates and judgments

The preparation of consolidated interim condensed financial information in conformity with International Financial Reporting Standards (IFRS) requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Actual results could differ from those estimates.

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

Significant judgments that affect the application of accounting policies made by management for the preparation of this consolidated interim condensed financial information were the same as for complete consolidated financial statements as at 31 December 2018 and for the year ended 31 December 2018.

3 Significant accounting policies

The accounting policies applied in this consolidated interim condensed financial information are the same as those applied in the annual consolidated financial statements as at 31 December 2018, except for certain exceptions specified below.

Change in the accounting policy and the order of presentation of information

The Group has initially adopted IFRS 16 Leases from 1 January 2019. These changes in the accounting policies are also expected to be recognized in the consolidated financial statements as at 31 December 2019.

A number of other new standards are effective from 1 January 2019 but they do not have a material effect on the Group’s consolidated financial statements.

IFRS 16 Leases

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies. The Group applies IFRS 16 using the modified retrospective approach. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 *Determining Whether an Arrangement contains a Lease*. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. On transition to IFRS 16, the Group decided to apply the practical expedient. It means that the Group applied IFRS 16 to the contracts concluded before 1 January 2019 and which were identified as leases under IAS 17 and IFRIC 4. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

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

As a lessee

The Group leases many assets, including properties and vehicles. As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet. However, the Group has decided not to recognise right-of-use assets and lease liabilities for some leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term. The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment', the same line item as it presents underlying assets of the same nature that it owns. The carrying amounts of right-of-use assets are as below.

	Property, RUB'000 (unaudited)
Balance at 1 January 2019	201 040
Balance at 30 June 2019	214 254

The Group presents lease liabilities within Other liabilities in the consolidated interim condensed statement of financial position.

a) Significant accounting policies

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate. Generally, the Group uses its incremental borrowing rate as the discount rate. The carrying amount of the lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised. The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

b) Transition

Previously, the Group classified property leases as operating leases under IAS 17. At transition to IFRS 16, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at an amount equal to lease liability, adjusted at any prepaid or accrued lease payments – the Group applied this approach to all leases.

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

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

The Group leases a number of vehicles. These leases were classified as finance leases under IAS 17. For these finance leases, the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 were determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

As a lessor

The Group leases out its investment property, including right-of-use assets. The accounting policies applicable to the Group as a lessor are not different from those under IAS 17. The Group does not sub-lease any of its properties. Adjustments to leases for which the Group is the lessor are not required in the transition to IFRS 16, the most part of lease agreements do not contain a non-lease component.

Impacts on financial statements

a) Impact on transition

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

	1 January 2019 RUB'000 (unaudited)
Right-of-use assets presented in property, plant and equipment	201 040
Lease liabilities in other liabilities	196 628

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied is 7.45-8.88%.

	1 January 2019 RUB'000 (unaudited)
Discounted using the incremental borrowing rate as at 1 January 2019	322 601
Recognition exemption for leases of low-value assets, for leases with less than 12 months of lease term at transition and other agreements	(143 534)
Extension options reasonably certain to be exercised	17 561
Lease liabilities recognised as at 1 January 2019	**196 628**

b) Impacts for the period

As a result of initial application of IFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognised RUB 201 040 thousand of right-of-use assets and RUB 196 628 thousand of lease liabilities as at 1 January 2019 (unaudited). Also in relation to those leases under IFRS 16, the Group has recognised depreciation and interest expenses, instead of operating lease expense. During the six-month period ended 30 June 2019 (unaudited data), the Group recognised RUB 30 324 thousand of depreciation charge and RUB 7 997 thousand of interest expense from these leases.

4 Allowance for expected credit losses and other provisions

	Six-Month Period Ended 30 June 2019 RUB'000 (unaudited)	Six-Month Period Ended 30 June 2018 RUB'000 (unaudited)
Loans to customers	3 425 388	2 665 929
Financial instruments at fair value through other comprehensive income	(37 727)	44 457
Cash and cash equivalents and due from banks	(13 516)	499 521
Investments at amortised cost	118	(3 291)
Credit related commitments	74 487	(14 901)
Net investments in finance leases	(10 598)	8 699
Other assets	(14 217)	55 760
	3 423 935	**3 256 174**

Other provisions in the amount of RUB 851 832 thousand (unaudited) represent a change in the provision for other contingent liabilities, which are recognized within Other liabilities as at 30 June 2019 (unaudited) and 31 December 2018.

As at 30 June 2019 (unaudited) other provisions amount to RUB 657 071 thousand (31 December 2018: RUB 2 944 937 thousand) and include legal claims to the Group, i.e.:

- legal claim of the bankruptcy trustee of PJSC M2M Private Bank - the State Corporation Deposit Insurance Agency on disputing the deals on asset disposal of PJSC M2M Private Bank, made with the Group, in the amount of RUB 572 000 thousand. This amount of provision is recognized by the court as the amount of recoverable claims of the Group to PJSC M2M Private Bank, which as at 31 December 2018 was estimated by the Bank in the amount of RUB 1 418 560 thousand.

- legal claim of the Territorial Administration of the Federal Property Management Agency in the Primorsky District to argue the real estate purchase and sale agreement in the amount of RUB 66 815 thousand.

- legal claim of the FSBI “Zabaykalsky Administration for Hydrometeorology and Environmental Monitoring” on debt collection from the Bank under a bank guarantee in the amount of RUB 18 256 thousand. In July 2019 the obligations were fully fulfilled in accordance with a court decision.

Management estimates final dates of economic benefits outflow, related to these legal claims, with moderate caution. They could not be exactly estimated due to uncertainty of litigation completion procedure. The Group estimates that the expected reimbursement would not exceed the amount of the recorded provisions.

As at 31 December 2018 the provision on settlements with IFC was recognized in the amount of RUB 1 436 034 thousand. In 2019 the Group fully fulfilled obligations to IFC.

As at 30 June 2019 (unaudited) non-credit related contingent liabilities (repayments under claims for promissory notes of LCC FTK) recorded on off-balance sheet accounts amount to RUB 3 414 260 thousand (31 December 2018: RUB 3 990 319 thousand).

5 Cash and cash equivalents

	30 June 2019 RUB’000 (unaudited)	**31 December 2018 RUB’000**
Cash on hand	**4 428 523**	**3 388 552**
Nostro accounts with the CBR	**784 499**	**2 621 653**
Nostro accounts with other banks		
rated from A- to AA+	217 956	274 059
rated from BBB- to BBB+	1 776 362	802 056
rated from BB- to BB+	85 833	65 448
rated from CCC to B+	17 224	58 077
Total nostro accounts with other banks	**2 097 375**	**1 199 640**
Term deposits with the CBR	**3 002 460**	**100 042**
Term deposits with other banks		
rated from BBB- to BBB+	42 896	4 301 736
rated from BB- to BB+	1 000 408	-
rated from CCC to B+	-	399 976
Total term deposits with other banks	**1 043 304**	**4 701 712**
Allowance for expected credit losses	(3 446)	(15 736)
Total cash and cash equivalents	**11 352 715**	**11 995 863**

In the table above, the credit rating is assigned in accordance with the rating scale of Standard & Poor's and Fitch.

The next table presents reconciliation of allowance for expected credit losses as at the beginning and as at the end of the reporting period for cash and cash equivalents.

	For the six-month period ended 30 June 2019 (unaudited)				
RUB'000	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Cash and cash equivalents					
Balance at 1 January	**15 736**	**-**	**-**	**-**	**15 736**
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Net remeasurement of loss allowance	(14 954)	-	-	-	(14 954)
New financial assets originated or purchased	2 664	-	-	-	2 664
Balance at 30 June	**3 446**	**-**	**-**	**-**	**3 446**

Cash and cash equivalents are classified into Stage 1.

In the table below analysis of changes in the allowance for expected credit losses for cash and cash equivalents for the six-month period ended 30 June 2018 (unaudited) is presented:

	RUB'000 (unaudited)
Allowance for expected credit losses at the beginning of the period	**-**
Effect of transition to IFRS 9	94
Net change in allowance for expected credit losses	2 770
Allowance for expected credit losses at the end of the period	**2 364**

6 Financial instruments at fair value through profit or loss

	30 June 2019 RUB'000 (unaudited)	31 December 2018 RUB'000
ASSETS		
Securities at fair value through profit or loss		
Securities owned by the Group		
- Government bonds		
Russian Government Federal bonds (OFZ)	2 927 712	2 902 387
Total government bonds	**2 927 712**	**2 902 387**
- Corporate bonds		
rated from A- to A+	380 070	406 398
rated from BBB- to BBB+	350 559	-
Total corporate bonds	**730 629**	**406 398**
Total securities owned by the Group	**3 658 341**	**3 308 785**
Total securities at fair value through profit or loss	**3 658 341**	**3 308 785**
Derivative financial instruments		
Foreign currency and securities contracts	6 871	3 367
	3 665 212	**3 312 152**
LIABILITIES		
Derivative financial instruments		
Foreign currency and securities contracts	8 975	2 502
	8 975	**2 502**

In the table above, the credit rating is assigned in accordance with the rating scale of Standard & Poor's and Fitch.

No financial instruments at fair value through profit or loss are past due or impaired.

7 Financial assets at fair value through other comprehensive income

	30 June 2019 RUB'000 (unaudited)	31 December 2018 RUB'000
Held by the Group		
- Government and municipal bonds		
Russian Government Federal bonds (OFZ)	6 016 328	7 659 051
Regional authorities and municipal bonds	95 415	114 877
Total government and municipal bonds	**6 111 743**	**7 773 928**
- Corporate bonds		
Rated from BBB- to BBB+	1 974 366	2 642 367
Rated from BB- to BB+	813 775	183 953
Banks with revoked license	102 651	102 651
Not rated	-	253 021
Total corporate bonds	**2 890 792**	**3 181 992**
- Corporate shares		
Not rated	205 214	942 485
Total corporate shares	**205 214**	**942 485**
Total financial assets at fair value through other comprehensive income held by the Group	**9 207 749**	**11 898 405**
Pledged under sale and repurchase agreements		
- Government and municipal bonds		
Russian Government Federal bonds (OFZ)	736 715	22 461
Total government and municipal bonds	**736 715**	**22 461**
Total financial assets at fair value through other comprehensive income pledged under sale and repurchase agreements	**736 715**	**22 461**
Total financial assets at fair value through other comprehensive income	**9 944 464**	**11 920 866**
Allowance for expected credit losses*	(115 718)	(153 445)
Total financial assets at fair value through other comprehensive income (carrying amount)	**9 944 464**	**11 920 866**

** The allowance for expected credit losses presented above is not recognized in the consolidated interim condensed statement of financial position, since the carrying amount of debt securities at fair value through other comprehensive income is their fair value.*

The following table sets out information about the credit quality of debt financial assets at fair value through other comprehensive income as at 30 June 2019 (unaudited).

	30 June 2019 (unaudited)				
RUB'000	**12-month ECL**	**Lifetime ECL for not credit-impaired assets**	**Lifetime ECL for credit-impaired assets**	**Credit impaired assets at initial recognition**	**Total**
Debt financial assets at FVOCI					
Rated from BBB- to BBB+	8 727 409	-	-	-	8 727 409
Rated from BB- to BB+	909 190	-	-	-	909 190
Not rated	-	-	-	102 651	102 651
	9 636 599	**-**	**-**	**102 651**	**9 739 250**
Allowance for expected credit losses	**(13 067)**	**-**	**-**	**(102 651)**	**(115 718)**
Gross carrying amount	**9 623 532**	**-**	**-**	**-**	**9 623 532**
Carrying amount-fair value	**9 636 599**	**-**	**-**	**102 651**	**9 739 250**

The following table sets out information about the credit quality of debt financial assets at fair value through other comprehensive income as at 31 December 2018.

	31 December 2018				
RUB'000	**12-month ECL**	**Lifetime ECL for not credit-impaired assets**	**Lifetime ECL for credit-impaired assets**	**Credit impaired assets at initial recognition**	**Total**
Debt financial assets at FVOCI					
Rated from BBB- to BBB+	10 323 879	-	-	-	10 323 879
Rated from BB- to BB+	236 736	-	-	-	236 736
Not rated	62 094	253 021	-	102 651	417 766
	10 622 709	**253 021**	**-**	**102 651**	**10 978 381**
Allowance for expected credit losses	**(12 777)**	**(38 017)**	**-**	**(102 651)**	**(153 445)**
Gross carrying amount	**10 609 932**	**215 004**	**-**	**-**	**10 824 936**
Carrying amount-fair value	**10 622 709**	**253 021**	**-**	**102 651**	**10 978 381**

Corporate ratings are based on Standard & Poor's ratings or equivalent Fitch and Moody's ratings.

The following table presents reconciliation of allowance for expected credit losses as at the beginning and as at the end of the reporting period for financial assets at fair value through other comprehensive income for the period.

	For the six-month period ended 30 June 2019 (unaudited)				
RUB'000 (unaudited)	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Financial assets at fair value through other comprehensive income for the period					
Balance at 1 January	**12 777**	**38 017**	**-**	**102 651**	**153 445**
Transfer to Stage 1	38 017	(38 017)	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Net remeasurement of loss allowance	(42 395)	-	-	-	(42 395)
New financial assets originated or purchased	4 668	-	-	-	4 668
Balance at 30 June	**13 067**	**-**	**-**	**102 651**	**115 718**

The table below presents analysis of changes in the allowance for expected credit losses for financial assets at fair value through other comprehensive income for the six-month period ended 30 June 2018 (unaudited):

	RUB'000 (unaudited)
Allowance for expected credit losses at the beginning of the period	**102 651**
Effect of transition to IFRS 9	6 920
Net change in allowance for expected credit losses	44 457
Allowance for expected credit losses at the end of the period	**154 028**

As at 30 June 2019 (unaudited) the unquoted corporate shares at fair value through other comprehensive income amount to RUB 205 214 thousand and are categorised as Level 3 in the fair value hierarchy.

As at 31 December 2018, unquoted corporate shares at fair value through other comprehensive income amounted to RUB 942 485 thousand and are categorised as Level 3 in the fair value hierarchy.

8 Loans to customers

	30 June 2019 RUB'000 (unaudited)	31 December 2018 RUB'000
Loans to corporate customers	**30 943 793**	**28 949 834**
Loans to retail customers		
Consumer loans	45 807 619	44 346 454
Mortgage loans	2 382 670	2 695 764
Total loans to retail customers	**48 190 289**	**47 042 218**
Gross loans to customers	**79 134 082**	**75 992 052**
Allowance for expected credit losses	(30 785 127)	(28 831 644)
Net loans to customers	**48 348 955**	**47 160 408**

Reconciliation of balances of allowance for expected credit losses for loans to corporate and retail customers as at the beginning and as at the end of the reporting period are as follows:

RUB'000	For the six-month period ended 30 June 2019 (unaudited)				
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
Loans to corporate customers					
Balance at 1 January	**266 916**	**32 205**	**9 032 498**	**-**	**9 331 619**
Transfer to Stage 1	15 356	(753)	(14 603)	-	-
Transfer to Stage 2	(35 138)	53 903	(18 765)	-	-
Transfer to Stage 3	(6 655)	(9 845)	16 500	-	-
Net remeasurement of loss allowance	(6 095)	62 256	1 463 485	-	1 519 646
New financial assets originated or purchased	116 772	843	-	-	117 615
Unwinding of discount	-	-	189 174	-	189 174
Financial assets that have been derecognised	-	-	(1 590 796)	-	(1 590 796)
Write-offs	-	-	(32 275)	-	(32 275)
Balance at 30 June	**351 156**	**138 609**	**9 045 218**	**-**	**9 534 983**

RUB'000	For the six-month period ended 30 June 2019 (unaudited)				
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
Loans to retail customers					
Balance at 1 January	**753 493**	**806 927**	**17 939 605**	**-**	**19 500 025**
Transfer to Stage 1	34 169	(17 698)	(16 471)	-	-
Transfer to Stage 2	(29 192)	308 783	(279 591)	-	-
Transfer to Stage 3	(48 470)	(298 997)	347 467	-	-
Net remeasurement of loss allowance	(101 201)	(114 284)	1 633 354	-	1 417 869
New financial assets originated or purchased	233 933	136 325	-	-	370 258
Unwinding of discount	-	-	330 801	-	330 801
Financial assets that have been derecognised	-	-	(10 121)	-	(10 121)
Write-offs	-	-	(358 688)	-	(358 688)
Balance at 30 June	**842 732**	**821 056**	**19 586 356**	**-**	**21 250 144**

Below is the explanation of how significant changes in the gross carrying amount of corporate loans during six months ended 30 June 2019 (unaudited) affected changes in allowance for expected credit losses:

- Redemption of corporate loans in the amount of RUB 2 275 274 thousand during six months of 2019 led to a reduction in ECLs by RUB 99 354 thousand.
- Write-offs of corporate loans in the amount of RUB 32 275 thousand during six months of 2019 led to a reduction in ECLs by RUB 32 275 thousand.
- Cession of corporate loans in amount RUB 1 590 796 thousand during six month of 2019 led to reduction in ECL in the amount of RUB 1 590 796 thousand. Cession of corporate loans is mainly presented by sale of 100% provided loan issued to LLC FTK in the amount of RUB 1 589 706 thousand to FBSC AMC Ltd.
- Net change of allowance for Stage 3 in the amount of RUB 1 463 485 thousand was mainly due to additional charge of allowance for loans under which the rate was increased to 100%. In 2019 the Group changed the accounting policy for accounting of collateral, excluding collateral with exposure period more than 270 days from the calculation of redemption cash flows.
- Issue of corporate loans in the amount of RUB 5 344 051 thousand during six months of 2019 led to an increase in ECLs by RUB 117 615 thousand.

Below is the explanation of how significant changes in the gross carrying amount of retail loans issued during six months ended 30 June 2019 (unaudited) affected changes in allowance for expected credit losses:

- Write-offs of retail loans in the amount of RUB 358 688 thousand during six months of 2019 led to a reduction in ECLs by RUB 358 688 thousand.
- Cession of retail loans in the amount of RUB 10 121 thousand during six months of 2019 led to a reduction in ECL by RUB 10 121 thousand.
- Transfer from Stage 1 to Stage 2 and Stage 3 during six months of 2019 in the amount of RUB 1 159 660 thousand led to an increase in ECLs by RUB 77 661 thousand.
- Issue of retail loans in the amount of RUB 8 333 963 thousand during six months of 2019 led to an increase in ECLs by RUB 370 258 thousand.
- Redemption of retail loans in the amount of RUB 4 701 052 thousand led to a reduction in ECLs by RUB 292 831 thousand: this fact was reflected in the table above within Stage 1 – reduction of ECLs for six months of 2019 by RUB 109 793 thousand.
- Increase of ECLs within Stage 3 in the amount of RUB 1 633 354 was mainly due to the increase in the number of loans, the allowance for which was increased to 100% during six months of 2019 due to deterioration in quality and transfer to the category of overdue more than 724 days.

The table below represents movements in the allowance for expected credit losses on loans to customers for the six-month period ended 30 June 2018 (unaudited) are as follows:

	RUB'000 (unaudited)
Allowance for expected credit losses as at the beginning of the period	**16 930 001**
Effect of transition to IFRS 9	4 852 025
Adjustment of interest income as at 1 January 2018	2 909 438
Net change in allowance for expected credit losses	2 665 929
Unwinding of discount	1 195 522
Write-offs	(1 654 553)
Allowance for expected credit losses as at the end of the period	**26 898 362**

Credit quality analysis

The following table sets out information about the credit quality of corporate loans issued as at 30 June 2019 (unaudited).

	30 June 2019 (unaudited)				
RUB'000	**12-month ECLs**	**Lifetime ECLs for assets that are not credit-impaired**	**Lifetime ECLs for credit-impaired assets**	**Credit-impaired assets at initial recognition**	**Total**
Loans to corporate customers					
Standard	16 997 729	-	-	-	16 997 729
Below standard	-	2 150 546	-	-	2 150 546
Doubtful	-	-	11 795 518	-	11 795 518
	16 997 729	**2 150 546**	**11 795 518**	**-**	**30 943 793**
Allowance for expected credit losses	**(351 156)**	**(138 609)**	**(9 045 218)**	**-**	**(9 534 983)**
Carrying amount	**16 646 573**	**2 011 937**	**2 750 300**	**-**	**21 408 810**

The following table sets out information about the credit quality of corporate loans issued as at 31 December 2018.

	31 December 2018				
RUB'000	**12-month ECLs**	**Lifetime ECLs for assets that are not credit-impaired**	**Lifetime ECLs for credit-impaired assets**	**Credit-impaired assets at initial recognition**	**Total**
Loans to corporate customers					
Standard	15 133 516	-	-	-	15 133 516
Below standard	-	795 186	-	-	795 186
Doubtful	-	-	13 021 132	-	13 021 132
	15 133 516	**795 186**	**13 021 132**	**-**	**28 949 834**
Allowance for expected credit losses	**(266 916)**	**(32 205)**	**(9 032 498)**	**-**	**(9 331 619)**
Carrying amount	**14 866 600**	**762 981**	**3 988 634**	**-**	**19 618 215**

The following table sets out information about the credit quality of retail loans issued as at 30 June 2019.

RUB'000	30 June 2019 (unaudited)				
	12-month ECLs	**Lifetime ECLs for assets that are not credit-impaired**	**Lifetime ECLs for credit-impaired assets**	**Credit-impaired assets at initial recognition**	**Total**
Loans to retail customers					
Not overdue	25 066 887	1 838 020	276 599	-	27 181 506
Overdue less than 30 days	435 154	157 467	44 136	-	636 757
Overdue 30-89 days	-	521 784	135 607	-	657 391
Overdue 90-723 days	-	-	5 748 142	-	5 748 142
Overdue more than 724 days	-	-	13 966 493	-	13 966 493
	25 502 041	**2 517 271**	**20 170 977**	**-**	**48 190 289**
Allowance for expected credit losses	**(842 732)**	**(821 056)**	**(19 586 356)**	**-**	**(21 250 144)**
Carrying amount	**24 659 309**	**1 696 215**	**584 621**	**-**	**26 940 145**

The following table sets out information about the credit quality of retail loans issued as at 31 December 2018.

RUB'000	31 December 2018				
	12-month ECLs	**Lifetime ECLs for assets that are not credit-impaired**	**Lifetime ECLs for credit-impaired assets**	**Credit-impaired assets at initial recognition**	**Total**
Loans to retail customers					
Not overdue	24 359 407	1 723 784	809 094	-	26 892 285
Overdue less than 30 days	324 914	161 218	175 479	-	661 611
Overdue 30-89 days	-	477 434	296 530	-	773 964
Overdue 90-723 days	-	-	6 483 796	-	6 483 796
Overdue more than 724 days	-	-	12 230 562	-	12 230 562
	24 684 321	**2 362 436**	**19 995 461**	**-**	**47 042 218**
Allowance for expected credit losses	**(753 493)**	**(806 927)**	**(17 939 605)**	**-**	**(19 500 025)**
Carrying amount	**23 930 828**	**1 555 509**	**2 055 856**	**-**	**27 542 193**

9 Net investments in finance leases

Net investments in finance leases comprise:

	30 June 2019 RUB'000 (unaudited)	**31 December 2018 RUB'000**
Gross investments in finance leases	1 292 920	1 421 284
Unearned finance lease income	(151 312)	(297 465)
	1 141 608	**1 123 819**
Allowance for expected credit losses	(19 062)	(32 323)
Net investments in finance leases	**1 122 546**	**1 091 496**

The following table present a reconciliation of allowance for expected credit losses as at the beginning and as at the end of the reporting period for net investments in finance leases.

RUB'000	For the six-month period ended 30 June 2019 (unaudited)			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance at 1 January	**5 959**	**12 155**	**14 209**	**32 323**
Transfer to Stage 1	2 267	(2 267)	-	-
Transfer to Stage 2	(1 024)	1 024	-	-
Transfer to Stage 3	-	(234)	234	-
Net remeasurement of loss allowance	(3 787)	(5 353)	(8 383)	(17 523)
New financial assets originated or purchased	1 739	5 186		6 925
Write-offs	-	-	(2 663)	(2 663)
Balance at 30 June	**5 154**	**10 511**	**3 397**	**19 062**

The table below presents analysis of changes in the allowance for expected credit losses for six months 2018 (unaudited):

	RUB'000 (unaudited)
Allowance for expected credit losses as at the beginning of the period	**92 257**
Effect of transition to IFRS 9	6 727
Net change in allowance for expected credit losses	8 699
Write-offs	(28 865)
Allowance for expected credit losses as at the end of the period	**78 818**

The following tables set out information about the credit quality of net investments in finance leases as at 30 June 2019 (unaudited) and as at 31 December 2018:

	30 June 2019 (unaudited)				
RUB'000 (unaudited)	**12-month ECLs**	**Lifetime ECLs for assets that are not credit-impaired**	**Lifetime ECLs for credit-impaired assets**	**Credit-impaired assets at initial recognition**	**Total**
Standard	583 843	543 315	-	-	1 127 158
Below standard	-	-	-	-	-
Doubtful	-	-	14 450	-	14 450
	583 843	**543 315**	**14 450**	**-**	**1 141 608**
Allowance for expected credit losses	**(5 154)**	**(10 511)**	**(3 397)**	**-**	**(19 062)**
Carrying amount	**578 689**	**532 804**	**11 053**	**-**	**1 122 546**

	31 December 2018				
RUB’000	**12-month ECLs**	**Lifetime ECLs for assets that are not credit-impaired**	**Lifetime ECLs for credit-impaired assets**	**Credit-impaired assets at initial recognition**	**Total**
Standard	602 427	493 123	-		1 095 550
Below standard	-	-	1 150		1 150
Doubtful	-	-	27 119		27 119
	602 427	**493 123**	**28 269**		**1 123 819**
Allowance for expected credit losses	**(5 959)**	**(12 155)**	**(14 209)**		**(32 323)**
Carrying amount	**596 468**	**480 968**	**14 060**		**1 091 496**

ECL model includes three stages of expected loss recognition, which are based on the financial instrument risk change.

- First Stage of expected loss recognition (Standard)

At the moment of financial instrument recognition the expected loss is recognized within profit or loss for 12 months. This is the amount of expected losses, which could be incurred as a result of loss events that are likely to occur within 12 months after the reporting date. The amount is calculated as weighted average from the probability of occurrence of loss event.

Only financial instruments from individual portfolio could be included in this Stage, classified in 1-2 credit quality groups without overdue payments of over 30 days as at reporting date.

- Second Stage of expected loss recognition (Below standard)

If a risk on a financial instrument increases significantly and its quality does not match the criteria of the low risk category, life-time ECLs are recognized on this financial instrument.

Financial instruments from any portfolio could be classified into this Stage, while for financials assets from individual portfolio credit quality group should be 3-4 and overdue payments should not be over 90 days as at the reporting date for both portfolios.

- Third Stage of expected loss recognition (Doubtful)

If a risk on a financial instrument increases so significantly that the financial instrument is regarded as impaired, life-time ECLs are recognized on this financial instrument. Financial instruments from any portfolio which meet the default definition could be classified into this Stage.

Deterioration in the quality of a financial instrument is a significant increase in the probability of default from the moment of initial recognition. All new transactions are automatically classified into Stage 1 and their subsequent transfer to stages 2 or 3 is possible only if they meet the criteria (for example, a transfer from 3 credit quality group to 4 credit quality group).

10 Investments in associates and other investments

Associates and other investments comprise the following:

Name	Country of incorporation	Main activity	Ownership, % 30 June 2019 (unaudited)	Ownership, % 31 December 2018	30 June 2019 Carrying value RUB'000 (unaudited)	31 December 2018 Carrying value RUB'000
PJSC M2M Private Bank	Russian Federation	Banking	100%	100%	2 300 000	2 300 000
CUIF Celena	Russian Federation	Unit investment fund	41.09%	41.09%	88 074	90 759
Allowance for expected credit losses					(2 300 000)	(2 300 000)
					88 074	**90 759**

The following table summarises the financial information of CUIF Celena as at 30 June 2019 (unaudited) and as at 31 December 2018 and for the six-month period ended 30 June 2019 (unaudited) and 30 June 2018 (unaudited), and reconciliation of carrying amount of the Group's interest the in associate:

	30 June 2019 RUB'000 (unaudited)	31 December 2018 RUB'000
Total assets	220 896	226 774
Total liabilities	(6 528)	(5 870)
Net assets	**214 368**	**220 904**
Group's share in net assets (41.09%)	**88 074**	**90 759**

	Six-Month Period Ended 30 June 2019 RUB'000 (unaudited)	Six-Month Period Ended 30 June 2018 RUB'000 (unaudited)
Group's share in net loss for the period	(2 685)	(12 267)
Total Group's share in the comprehensive loss for the period	**(2 685)**	**(12 267)**

11 Investments at amortised cost

	30 June 2019 RUB'000 (unaudited)	31 December 2018 RUB'000
Held by the Group		
- Government and municipal bonds		
Municipal bonds	-	33 077
Total government and municipal bonds	**-**	**33 077**
- Corporate bonds		
rated from AA- to AA+	319 035	351 330
rated from BBB- to BBB+	991 261	1 405 130
Total corporate bonds	**1 310 296**	**1 756 460**
Total investments at amortised cost held by the Group	**1 310 296**	**1 789 537**
Total investments at amortised cost	**1 310 296**	**1 789 537**
Allowance for expected credit losses	(1 252)	(1 134)
Total net investments at amortised cost	**1 309 044**	**1 788 403**

In the table above credit ratings are based on Standard&Poors and Fitch ratings.

The following table presents a reconciliation of allowance for expected credit losses as at the beginning and as at the end of the reporting period for investments at amortised cost.

RUB'000	For the six-month period ended 30 June 2019 (unaudited)				
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
Investments at amortised cost					
Balance at 1 January	**1 134**	**-**	**-**	**-**	**1 134**
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Net remeasurement of loss allowance	(118)	-	-	-	(118)
Balance at 30 June	**1 252**	**-**	**-**	**-**	**1 252**

The table below presents analysis of changes in the allowance for expected credit losses for six months 2018 (unaudited):

	RUB'000 (unaudited)
Allowance for expected credit losses as at the beginning of the period	**-**
Effect of transition to IFRS 9	3 477
Net change in allowance for expected credit losses	(3 291)
Allowance for expected credit losses as at the end of the period	**186**

12 Current accounts and deposits from customers

	30 June 2019 RUB'000 (unaudited)	31 December 2018 RUB'000
Current accounts and demand deposits		
- Retail	7 188 768	7 117 943
- Corporate	9 080 066	8 586 818
Term deposits		
- Retail	49 413 538	47 426 481
- Corporate	6 584 832	5 575 725
	72 267 204	**68 706 967**

13 Debt securities issued

	30 June 2019 RUB'000 (unaudited)	31 December 2018 RUB'000
Bonds	374 601	538 811
Promissory notes	97 688	95 673
	472 289	**634 484**

As at 30 June 2019 (unaudited), bonds are presented by one issue made by MA APB 2 (31 December 2018: one issue).

In February 2014, the Group issued RUB 2 553 000 thousand of mortgage backed securities with a coupon rate of 9% and maturity date not later than 1 October 2046 with partially repayments each quarter.

14 Related party transactions

a) Control relationships

On 26 April 2018 the Bank of Russia decided to implement measures aimed at improving the financial stability of the Bank using the funds of the Fund of Banking Sector Consolidation. Since then, the government has been the ultimate beneficiary of the Group.

The Group discloses information on transactions with the Bank of Russia and the banks under its control.

Income and expenses of the Group received for the period for the six-month period ended 30 June 2018 from transactions with members of the Board of Directors and the Management Board, shareholders and other related parties are presented in the tables below.

The Group's parent company till 26 April 2018 was LLC PPFIN Region (Russian Federation). As at 31 December 2017 to 26 April 2018 the collective ultimate controlling parties of the Group were Mr. Andrey Vdovin (the owner of 19.724%), Mr. Alexey Maslovsky (the owner of 19.724%), Mr. Peter Hambro (the owner of 19.724%).

b) Transactions with the CBR and the banks under its control

As at 30 June 2019 (unaudited) and 31 December 2018, balances on accounts with the CBR and the banks under its control are as follows:

Consolidated interim condensed statement of financial position	30 June 2019 RUB'000 (unaudited)	31 December 2018 RUB'000
ASSETS		
Cash and cash equivalents	5 271 534	2 838 584
Obligatory reserves with the Central Bank of the Russian Federation	550 325	546 928
Financial instruments at fair value through profit or loss	6 260	-
Financial assets at fair value through other comprehensive income	-	394 540
Due from banks	39 535	39 644
Amounts receivable under reverse repurchase agreements	1 877 219	311 238
Other assets	5 949	25 741
LIABILITIES		
Financial instruments at fair value through profit or loss	2 615	-
Amounts payable under repurchase agreements	709 317	-
Current accounts and deposits from customers	56 092	12 116
Debt securities issued	22 610	22 610
Other liabilities	5 084	271

The amounts included in the consolidated condensed statement of profit or loss and other comprehensive income for transactions with the CBR and the banks under its control for the six-month period ended 30 June 2019 (unaudited) and for the period from 26 April 2018 till 30 June 2018 (unaudited) can be presented as follows:

Consolidated interim condensed statement of profit or loss and other comprehensive income	Six-Month Period Ended 30 June 2019 RUB'000 (unaudited)	Period from 26 April 2018 till 30 June 2018 RUB'000 (unaudited)*
Interest income on funds placed with the CBR	15 224	3 596
Interest income on investments in debt securities of the CBR	-	22 314
Other income from operations with securities of the CBR	-	55
Net income from operations with precious metals	11 071	
Net income from foreign currency transactions	451 631	
Interest expenses on funds received from the CBR	(93)	(45 884)
Other expenses from operations with debt securities of the CBR		(493)
Change in allowance for expected credit losses	(845)	(247)

c) Transactions with the members of the Board of Directors and the Management Board

Total remuneration to the Board of Directors and the Management Board included in personnel expenses for the period from 26 April 2019 till 30 June 2019 (unaudited) and from 01 January 2018 till 26 April 2018 (unaudited) can be presented as follows:

	Period from 26 April 2019 to 30 June 2019 RUB'000 (unaudited)	Period from 01 January 2018 to 26 April 2018 RUB'000 (unaudited)
Consolidated interim condensed statement of profit or loss and other comprehensive income		
Short-term employee benefits	5 766	26 132

As at 30 June 2019 (unaudited), balances on accounts and average effective interest rates for transactions with the Board of Directors and the Management Board are as follows:

	30 June 2019 (unaudited)	
	RUB'000	Average effective interest rate, %
Consolidated interim condensed statement of financial position		
ASSETS		
Other assets	276	-
LIABILITIES		
Other liabilities	674	-

d) Transactions with former shareholders

Amounts included in the consolidated interim condensed statement of profit or loss and other comprehensive income in relation to transactions with shareholders for the period from 1 January 2018 to 26 April 2018 can be presented as follows:

	RUB'000 (unaudited)
Consolidated interim condensed statement of profit or loss and other comprehensive income	
Interest income	95 711
Interest expense	(57 387)
Net change in allowance for expected credit losses	(4 804 568)

e) Transactions with other related parties

Other related parties are represented by companies controlled by the management, shareholders and the collective ultimate controlling parties of the Group.

Amounts included in the consolidated interim condensed statement of profit or loss and other comprehensive income in relation to transactions with other related parties for the period from 1 January 2018 till 26 April 2018 can be presented as follows:

	RUB'000 (unaudited)
Consolidated interim condensed statement of profit or loss and other comprehensive income	
Commission income	4 244
Loss from equity-accounted investee	(12 267)

f) Information on balances with government-related entities

In the ordinary course of business the Group operates with the government-related entities of the Russian Federation and state-controlled companies. The Group carries out these transactions on market terms. The table below discloses significant transactions with government-related entities and state-controlled companies, as well as companies under significant state control:

Consolidated interim condensed statement of financial position	30 June 2019 RUB'000 (unaudited)	31 December 2018 RUB'000
ASSETS		
Cash and cash equivalents	1 157 163	4 809 019
Financial instruments at fair value through profit or loss	3 140 669	2 903 984
Financial assets at fair value through other comprehensive income	8 558 846	9 189 197
Amounts receivable under reverse repurchase agreements	-	478 275
Loans to customers	1 241 319	1 528 242
Investments at amortised cost	860 251	1 292 957
Other assets	37 888	4 532
LIABILITIES		
Financial instruments at fair value through profit or loss	-	345
Amounts payable under repurchase agreements	-	21 510
Current accounts and deposits from customers	1 741 189	1 030 772
Debt securities issued	64	31
Other liabilities	45 592	1 430
Commitments		
Non-credit related commitments	85 071	90 343

Amounts included in the consolidated interim condensed statement of profit or loss and other comprehensive income in relation to transactions with government-related entities for the six-month period ended 30 June 2019 (unaudited) and for the period from 26 April 2018 to 30 June 2018 (unaudited) can be presented as follows:

Consolidated interim condensed statement of profit or loss and other comprehensive income	**Six-Month Period Ended 30 June 2019 RUB’000 (unaudited)**	**Period from 26 April 2018 to 30 June 2018 RUB’000 (unaudited)**
Interest income calculated using the effective interest method	75 845	-
Interest expense	(18 807)	-
Net gains on operations with precious metals	(368)	-
Net gain from operations with financial instruments at fair value through profit or loss	103 265	-
Net gain from operations with financial instruments at fair value through other comprehensive income	268 375	-
Investments at amortised cost	1 053	-
Allowance for expected credit losses reversal (charge)	1 468	(4 914)
Other provisions	5 272	-

15 Financial assets and liabilities: fair values and accounting classifications

a) Accounting classifications and fair values

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

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. The estimated fair values of all other financial assets and liabilities are calculated using discounted cash flow techniques based on estimated future cash flows and discount rates for similar instruments at the reporting date.

The estimated fair values of all financial assets and liabilities as at 30 June 2019 approximates their carrying values.

The estimated fair values of all financial assets and liabilities as at 31 December 2018 approximates their carrying values.

b) Fair value hierarchy

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

Level 1: quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: inputs other than quotes prices included within Level 1 that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

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

The Group has a control framework with respect to the measurement of fair values. This framework includes a Market Risks Department function, which reports directly to the member of the Temporary administration, and which has responsibility for independently verifying the results of trading and investment operations and all significant fair value measurements. Specific controls include:

- verification of observable pricing;
- re-performance of model valuations;
- analysis and investigation of significant daily valuation movements.

Where third-party information, such as broker quotes or pricing services, are used to measure fair value, Market Risks Department assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet IFRS requirements. This includes:

- verifying that the broker or pricing service is approved by the Group for use in pricing the relevant type of financial instrument;
- understanding how the fair value has been arrived at the extent to which it represents actual market transactions;
- when prices for similar instruments are used to measure fair value, how these prices have been adjusted to reflect the characteristics of the instrument subject to measurement;
- where a number of quotes for the same financial instrument have been obtained, how fair value has been determined using those quotes.

The table below analyses financial instruments measured at fair value as at 30 June 2019 (unaudited), by the level in the fair value hierarchy into which the fair value measurement is categorized. The amounts are based on the values recognized in the consolidated interim condensed statement of financial position:

RUB '000 (unaudited)	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial instruments at fair value through profit or loss:				
- Derivative assets	6 171	700	-	6 871
- Debt instruments	3 658 341	-	-	3 658 341
- Derivative liabilities	-	(8 975)	-	(8 975)
Financial assets at fair value through other comprehensive income	9 739 250	-	205 214	9 944 464

As at 30 June 2019 (unaudited), unquoted investments at fair value through other comprehensive income amount to RUB 205 214 thousand and are categorised as Level 3 in the fair value hierarchy.

The table below analyses financial instruments measured at fair value as at 31 December 2018, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the consolidated statement of financial position:

RUB ’000	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial instruments at fair value through profit or loss:				
- Derivative assets	-	3 367	-	3 367
- Debt instruments	3 308 785	-	-	3 308 785
- Derivative liabilities	-	(2 502)	-	(2 502)
Financial assets at fair value through other comprehensive income	10 978 381	-	942 485	11 920 866

As at 31 December 2018 unquoted investments at fair value through other comprehensive income amounted to RUB 942 485 thousand and were categorised as Level 3 in the fair value hierarchy.

The table below presents a reconciliation of amounts recognized as at the beginning and as at the end of the reporting period for financial assets categorised as Level 3 in the fair value hierarchy measured at fair value through other comprehensive income:

RUB ’000 (unaudited)	**31 December 2018**	**Exchange differences recognised in consolidated statement of profit or loss in gain or loss**	**Revaluation recognised in OCI**	**Sold**	**30 June 2019 (unaudited)**
Financial assets at fair value through other comprehensive income	942 485	-	456 189	(1 193 460)	205 214

The table below analyses information about unobservable inputs used in valuation of financial instruments categorised as Level 3 in the fair value hierarchy as at 30 June 2019 (unaudited):

Type of instrument	Fair value	Valuation technique	Significant unobservable inputs	Amount of unobservable inputs used	Sensitivity of fair value measurements to unobservable inputs
Financial assets at fair value through other comprehensive income					
Other equity instruments Sanymon Corporation	185 353	Income approach (discounting method of cash flow)	Discount rate. Discount for non-controlling interest Other risks related to ownership	17.12% 50% 33.65%	Significant increases (decrease) in any of these inputs in isolation would result in lower (higher) fair values
Non-controlling interest in Kvant real estate closed-end investment fund	19 861	Net assets value	Adjustments for condition of the object (Discount)	53.71%	Significant increase (decrease) in any of these inputs in isolation would result in lower (higher) fair values

The table below analyses information about unobservable inputs used in valuation of financial instruments categorised as Level 3 in the fair value hierarchy as at 31 December 2018:

Type of instrument	Fair value	Valuation technique	Significant unobservable inputs	Amount of unobservable inputs used	Range of estimates of unobservable inputs used	Sensitivity of fair value measurements to unobservable inputs
Financial assets at FVOCI						
Other equity instruments Sanymon Corporation	204 244	Income approach	Discount rate Other risks related to ownership	17.12% n/a	n/a n/a	Significant increases in any of these inputs in isolation would result in lower fair values. A significant reduction would result in higher fair values.
Other equity instruments Zapsibkombank	718 934	Income and market approach	Discount rate Discount for non-controlling interest Other adjustments for liquidity	23.6% 27.4%	n/a n/a	Significant increases in any of these inputs in isolation would result in lower fair values. A significant reduction would result in higher fair values.
Other equity instruments Kvant real estate closed-end investment fund	19 307	Market and cost approach	Adjustments for condition of the object	20.75%	0-35%	Significant increase in the input ratio would result in lower fair values. A significant reduction would result in higher fair values.

Fair value of loans to customers, subordinated borrowings and debt securities is categorised as Level 3 in the fair value hierarchy. Fair value of all other financial instruments at amortised cost is categorised as Level 2 in the fair value hierarchy.

As at 31 December 2018, buildings within property and equipment and investment property were revalued based on the results of an independent appraisal performed by S.A.Ricci.

Fair value of buildings within property and equipment and investment property is categorised as Level 3 in the fair value hierarchy.

16 Subsequent events

In July-August 2019 the Group sold LLC FTK promissory notes in the amount of RUB 372 774 thousand to FBSC AMC Ltd. Closed-end Unit Investment Combined Fund Special.