

Report on Review of Interim Financial Information
***Joint stock company Russian Agricultural Bank
and its subsidiaries***
for the six-month period ended 30 June 2021

August 2021

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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 2021, 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

12 August 2021

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

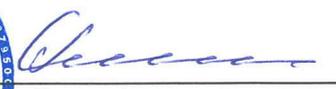
Name: Ernst & Young LLC
Record made in the State Register of Legal Entities on 5 December 2002, State Registration Number 1027739707203.
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Ernst & Young LLC is a member of Self-regulatory organization of auditors Association "Sodruzhestvo".
Ernst & Young LLC is included in the control copy of the register of auditors and audit organizations, main registration number 12006020327.

Russian Agricultural Bank Group
Interim Consolidated Statement of Financial Position
as at 30 June 2021

<i>In millions of Russian Roubles</i>	Note	30 June 2021 (unaudited)	31 December 2020
Assets			
Cash and cash equivalents		263 059	378 303
Mandatory cash balances with the Bank of Russia		29 801	24 999
Trading securities	5	40 835	42 756
Due from other banks		36 507	43 299
Derivative financial instruments	19	22 970	25 973
Loans and advances to customers	6	2 751 099	2 692 254
Investment securities	7	599 612	492 797
Investment securities pledged under repurchase agreements	7	9 799	-
Current income tax assets		354	186
Deferred income tax asset		15 291	15 291
Intangible assets		13 758	10 825
Premises, equipment and right-of-use assets		58 199	56 681
Other assets		34 711	34 753
Assets classified as held for sale		1 431	1 671
Total assets		3 877 426	3 819 788
Liabilities			
Derivative financial instruments	19	4 730	5 416
Due to other banks	8	178 219	254 175
Customer accounts	9	3 015 056	2 862 321
Promissory notes issued		66 877	67 023
Bonds issued	10	148 982	168 988
Current income tax liability		303	24
Deferred income tax liability		1 090	1 915
Other liabilities		77 655	73 338
Total liabilities before subordinated debts		3 492 912	3 433 200
Subordinated debts		146 850	151 885
Total liabilities		3 639 762	3 585 085
Equity			
Share capital		470 733	470 733
Perpetual bonds	11	51 549	52 296
Revaluation reserve for premises		2 774	2 789
Revaluation reserve for investment securities at fair value through other comprehensive income		(2 916)	3 599
Accumulated loss		(284 351)	(294 591)
Equity attributable to the Bank's shareholder		237 789	234 826
Non-controlling interest		(125)	(123)
Total equity		237 664	234 703
Total liabilities and equity		3 877 426	3 819 788

Approved for issue and signed on behalf of the Management Board on 12 August 2021.





K.Y. Levin
Acting Chairman of the Management Board

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

Russian Agricultural Bank Group
Interim Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the six months ended 30 June 2021

<i>(Unaudited)</i> <i>In millions of Russian Roubles</i>	Note	For the six months ended 30 June		For the three months ended 30 June	
		2021	2020	2021	2020
Interest income at effective interest rate	12	113 880	113 537	58 112	56 029
Other interest income	12	5 627	4 478	2 765	2 462
Interest expense	12	(75 905)	(79 287)	(38 699)	(39 168)
Net interest income		43 602	38 728	22 178	19 323
Credit loss expense	13	(10 137)	(20 529)	(5 654)	(10 903)
Net interest income after credit loss expense		33 465	18 199	16 524	8 420
Fee and commission income	14	17 857	10 555	7 425	5 471
Fee and commission expense	14	(1 665)	(1 508)	(892)	(767)
(Losses net of gains)/gains less losses from trading securities		(899)	(226)	(152)	43
Gains less losses/(losses net of gains) from financial instruments and loans to customers at fair value through profit or loss		1 519	(189)	1 427	2 196
Gains less losses from investment securities at fair value through other comprehensive income		726	1 780	521	937
Foreign exchange translation (losses net of gains)/gains less losses		(2 661)	5 306	2 198	(4 670)
Gains less losses/(losses net of gains) from derivative financial instruments		303	(858)	(2 370)	5 245
Gains less losses from dealing in foreign currencies		1 440	1 134	449	724
Gains from non-banking activities		9 384	11 489	5 595	5 000
Losses from non-banking activities		(9 153)	(10 735)	(5 194)	(4 858)
Losses from disposal of subsidiaries		-	(976)	-	(976)
Other operating income		601	1 163	423	565
Administrative and other operating expenses		(36 189)	(32 329)	(17 379)	(15 747)
Profit before tax		14 728	2 805	8 575	1 583
Income tax expense		(1 599)	(1 395)	(992)	(791)
Profit for the period		13 129	1 410	7 583	792
Profit/(loss) is attributable to:					
Shareholder of the Bank		13 131	1 423	7 582	801
Non-controlling interest		(2)	(13)	1	(9)
Profit for the period		13 129	1 410	7 583	792
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:					
Debt securities at fair value through other comprehensive income:					
- Net (losses)/gains on debt securities at fair value through other comprehensive income		(6 363)	2 414	(110)	10 179
- Realised revaluation reserve on debt securities (at disposal)		(726)	(1 780)	(521)	(937)
- Changes in allowance for expected credit losses of debt securities at fair value through other comprehensive income		(186)	422	(146)	33
Income tax		760	(697)	199	(823)
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods, net of tax		(6 515)	359	(578)	8 452
Total other comprehensive (loss)/income		(6 515)	359	(578)	8 452
Total comprehensive income for the period		6 614	1 769	7 005	9 244
Total comprehensive income/(loss) for the period is attributable to:					
Shareholder of the Bank		6 616	1 782	7 004	9 253
Non-controlling interest		(2)	(13)	1	(9)
Total comprehensive income for the period		6 614	1 769	7 005	9 244

The notes 1 to 22 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 2021

<i>In millions of Russian Roubles</i>	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 2019	440 233	48 398	2 829	6 733	(298 842)	199 351	(101)	199 250	
Income for the period, net of tax	-	-	-	-	1 423	1 423	(13)	1 410	
Other comprehensive income for the period, net of tax	-	-	-	359	-	359	-	359	
Total comprehensive income for the period, net of tax	-	-	-	359	1 423	1 782	(13)	1 769	
Depreciation of revaluation reserve for premises	-	-	(22)	-	22	-	-	-	
Disposal of subsidiaries	-	-	-	-	-	-	(10)	(10)	
Buy back of perpetual bonds	-	(8)	-	-	-	(8)	-	(8)	
Foreign exchange translation of perpetual bonds	-	1 803	-	-	(1 803)	-	-	-	
Coupon paid and due under perpetual bonds	-	-	-	-	(2 440)	(2 440)	-	(2 440)	
Balance at 30 June 2020 (unaudited)	440 233	50 193	2 807	7 092	(301 640)	198 685	(124)	198 561	
Balance at 31 December 2020	470 733	52 296	2 789	3 599	(294 591)	234 826	(123)	234 703	
Profit for the period, net of tax	-	-	-	-	13 131	13 131	(2)	13 129	
Other comprehensive income for the period, net of tax	-	-	-	(6 515)	-	(6 515)	-	(6 515)	
Total comprehensive income for the period, net of tax	-	-	-	(6 515)	13 131	6 616	(2)	6 614	
Depreciation of revaluation reserve for premises	-	-	(15)	-	15	-	-	-	
Buy back of perpetual bonds	-	(107)	-	-	-	(107)	-	(107)	
Sale of previously bought back perpetual bonds	-	107	-	-	-	107	-	107	
Foreign exchange translation of perpetual bonds	-	(747)	-	-	747	-	-	-	
Coupon paid and due under perpetual bonds	-	-	-	-	(2 493)	(2 493)	-	(2 493)	
Dividends declared	-	-	-	-	(1 160)	(1 160)	-	(1 160)	
Balance at 30 June 2021 (unaudited)	470 733	51 549	2 774	(2 916)	(284 351)	237 789	(125)	237 664	

The notes 1 to 22 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 2021

<i>(Unaudited)</i> In millions of Russian Roubles	For the six months ended 30 June	
	2021	2020
Cash flows from operating activities		
Interest received	118 720	119 426
Interest paid	(75 934)	(76 107)
Income received/(expenses incurred) from trading in securities and financial instruments at fair value through profit or loss	325	(118)
Income received/(expenses incurred) from derivative financial instruments	4 066	(4 876)
Income received from dealing in foreign currencies	1 375	1 273
Fees and commissions received	17 787	10 469
Fees and commissions paid	(1 665)	(1 508)
Other operating expenses incurred	29	(214)
Net income received from insurance operations	5 351	7 187
Income received from non-banking activities	1 489	2 881
Losses incurred from non-banking activities	(1 473)	(3 288)
Administrative and other operating expenses paid	(33 106)	(30 774)
Taxes paid	(2 038)	(2 077)
Cash flows from operating activities before changes in operating assets and liabilities	34 926	22 274
Changes in operating assets and liabilities		
<i>Net (increase)/decrease in operating assets</i>		
Mandatory cash balances with the Bank of Russia	(4 802)	(958)
Trading securities	948	(19 921)
Due from other banks	4 177	37 598
Loans and advances to customers	(80 432)	(150 268)
Other assets	(3 260)	(1 912)
<i>Net increase/(decrease) in operating liabilities</i>		
Due to other banks	(75 159)	21 093
Customer accounts	168 016	5 606
Promissory notes issued	159	10 318
Other liabilities	(217)	(5 017)
Net cash from/(used in) operating activities	44 356	(81 187)
Cash flows from investing activities		
Acquisition of premises and equipment	(2 884)	(1 606)
Proceeds from disposal of premises and equipment	803	534
Acquisition of intangible assets	(3 703)	(796)
Acquisition of investment securities at FVTPL	(770)	(248)
Acquisition of investment securities at FVTPL (mandatory)	(20 726)	(24 635)
Proceeds from sales of investment securities at FVTPL (mandatory)	9 648	-
Acquisition of investment securities at FVOCI	(249 715)	(133 398)
Proceeds from redemption and sales of investment securities at FVOCI	132 811	129 470
Acquisition of investment securities at amortised cost	(2 797)	(4 029)
Proceeds from redemption of investment securities at amortised cost	7 301	14 028
Proceeds from the sale of discontinued operations less cash and cash equivalents disposed of as a result of the sale	-	189
Net cash used in investing activities	(130 032)	(20 491)
Cash flows from financing activities		
Amounts paid on perpetual bonds	(2 531)	(2 441)
Buy back of perpetual bonds	(107)	(9)
Proceeds from sale of previously bought back perpetual bonds	107	-
Buy back of subordinated debt	(3 912)	(4 495)
Proceeds from sale of previously bought back subordinated debts	600	1 408
Proceeds from bonds issued	5 103	2 481
Buy back of bonds issued at or prior to put option date	(4 611)	(6 798)
Proceeds from sale of previously bought back bonds issued on domestic market	15 885	-
Repayment of bonds and Eurobonds issued	(36 408)	(11 153)
Payments in respect of lease obligations (IFRS 16)	(928)	(379)
Proceeds from sale of non-controlling interests in consolidated mutual funds	59	28
Payments on disposal of non-controlling interests in consolidated mutual funds	(22)	(24)
Net cash used in financing activities	(26 765)	(21 382)
Effect of exchange rate changes on cash and cash equivalents	(2 814)	10 136
Effect of expected credit losses on cash and cash equivalents	11	-
Net decrease in cash and cash equivalents	(115 244)	(112 924)
Cash and cash equivalents at the beginning of the period	378 303	403 564
Cash and cash equivalents at the end of the period	263 059	290 640

The notes 1 to 22 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 2021 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 (80.04% from total share capital (31 December 2020: 80.04% from total share capital)), the Ministry of Finance of the Russian Federation which holds the Bank's issued and outstanding preference shares (5.32% from total share capital (31 December 2020: 5.32% from total share capital)) and the State Corporation "Deposit Insurance Agency" which holds the Bank's issued and outstanding preference shares (14.64% from total share capital (31 December 2020: 14.64% 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. (Luxembourg) (structured entity incorporated for Eurobonds issue for the Bank), "RSHB Asset Management" Limited Liability Company (ownership interest of the Bank is 100%), "RSHB Factoring" Limited Liability Company (ownership interest of the Bank is 100%), "RSHB Leasing" Limited Liability Company (ownership interest of the Bank is 100%) and 27 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. Since 2019, similar guarantees are applied to legal entities considered in accordance with the legislation as small enterprises. Since 2020, the guaranteed reimbursement also applies to other individual cases, the maximum amount of payments for which is not more than RR 10 000 thousand.

The Bank has 66 (31 December 2020: 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 2021 was 32 748 (31 December 2020: 31 900).

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. The economy of the Russian Federation exhibits some characteristic features inherent in developing markets. Legal, tax and administrative systems are subject to frequent changes and allow various interpretations. The country's economy is especially sensitive to changes in oil and gas prices. 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.

Due to the ongoing COVID-19 coronavirus pandemic, the Russian Federation has maintained various measures to fight the COVID-19 pandemic in the first half of 2021. These measures affected the global supply chain, the demand for goods and services, and also had a significant impact on the level and scale of business activity of market participants.

During the six months ended 30 June 2021, there continues to be significant volatility in the stock, currency and commodity markets, including fluctuations in the price of oil and stock indices, as well as the exchange rate of the Rouble against the US Dollar and the Euro.

In the period of 2020 and six months of 2021, the Russian economy was affected by the unstable market situation and the slowdown in economic growth in other countries of the world, as well as instability in the capital markets and deterioration of liquidity in the banking sector.

The Group monitors its current liquidity position on a daily basis and considers it sufficient for the sustainable functioning of the Group.

Such economic environment has a significant impact on the Group's operations and financial position. Management takes all necessary measures to ensure the sustainability of the Group'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.

During the six months ended 30 June 2021, the following were the key changes in selected macro-economic indicators:

- The Bank of Russia exchange rate appreciated from RR 73.8757 to RR 72.3723 per US Dollar;
- The Bank of Russia key rate increased from 4.25% p.a. to 5.50% p.a.;
- The RTS index increased from 1 387.5 to 1 653.8.

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 2020, 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 2021 the principal rates of exchange used for translating foreign currency balances were USD 1 = RR 72.3723 (31 December 2020: USD 1 = RR 73.8757), EUR 1 = RR 86.2026 (31 December 2020: EUR 1 = RR 90.6824).

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 2020, except for the changes introduced as at 1 January 2021 or as at the date indicated.

3 Summary of Significant Accounting Policies (Continued)

New requirements effective from 1 January 2021

Interest Rate Benchmark Reform — Phase 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

In August 2020 the IASB issued *Interest Rate Benchmark Reform — Phase 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16*, (IBOR reform Phase 2) to address the accounting issues which arise upon the replacement of an IBOR with a RFR.

IBOR reform Phase 2 includes a number of reliefs and additional disclosures. The reliefs apply upon the transition of a financial instrument from an IBOR to a risk-free-rate (RFR).

Changes to the basis for determining contractual cash flows as a result of interest rate benchmark reform are required as a practical expedient to be treated as changes to a floating interest rate, provided that, for the financial instrument, the transition from the IBOR benchmark rate to RFR takes place on an economically equivalent basis.

The amendments did not have a significant impact on the Group's consolidated financial statements.

New requirements effective from 1 January 2022 or later

IFRS 9 Financial Instruments — Fees in the '10 per cent' test for derecognition of financial liabilities.

As part of its 2018-2020 Annual Improvements to IFRS standards process, the IASB issued an amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The amendment is not expected to have a significant impact on the Group's consolidated financial statements.

IFRS 17 Insurance Contracts. In May 2017, the IASB issued IFRS 17 *Insurance Contracts* (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 *Insurance Contracts* (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach);
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. In 2021, the Group will continue to assess the potential effect of IFRS 17 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 2020.

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

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:

Expected credit losses (ECL) / 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 rating 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 values at the reporting period. Refer to Note 19.

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 2021 the Group guarantees all obligations of the consolidated structured entity represented by subordinated debts in the amount of RR 24 342 million (31 December 2020: subordinated debts in the amount of RR 27 869 million). During six months ended 30 June 2020 and the year ended 31 December 2019 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.

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

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 2021 (unaudited)	31 December 2020
Federal loan bonds (OFZ)	35 168	35 397
Corporate bonds	5 667	7 359
Total trading securities	40 835	42 756

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 2021 (unaudited)	31 December 2020
Loans to legal entities	2 346 601	2 324 223
- Loans to corporates	2 345 180	2 322 603
- Lending for food interventions	1 421	1 620
Loans to individuals	608 118	563 390
Total loans and advances to customers at amortised cost (before impairment)	2 954 719	2 887 613
Less: allowance for impairment	(277 247)	(278 534)
Total loans and advances to customers at amortised cost	2 677 472	2 609 079
Loans to customers at fair value through profit or loss	73 627	83 175
Total loans and advances to customers	2 751 099	2 692 254

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

As at 30 June 2021, the Group has loans before impairment to ten largest borrowers (groups of borrowers) in the total amount of RR 785 001 million, or 27% of total loans and advances to customers before impairment (31 December 2020: the Group has loans before impairment to ten largest borrowers (groups of borrowers) in the total amount of RR 823 681 million, or 29% of total loans and advances to customers before impairment).

Certain loans to customers did not meet the SPPI criterion. Therefore, Group classifies these loans as financial assets at FVTPL.

The Group makes estimates and judgments, which are constantly analyzed based on statistical data, forecast information, and management experience, including expectations regarding future events that are reasonable in the light of current circumstances.

6 Loans and Advances to Customers (Continued)

An analysis of changes in the ECL allowances during the six months ended 30 June 2021 is, as follows:

<i>(Unaudited)</i>					
<i>In millions of Russian Roubles</i>					
	Stage 1	Stage 2	Stage 3	POCI	Total
Loans to legal entities					
ECL as at 1 January 2021	20 681	26 175	203 177	3 543	253 576
Transfers to Stage 1	825	(825)	-	-	-
Transfers to Stage 2	(1 014)	3 560	(2 546)	-	-
Transfers to Stage 3	(7)	(164)	171	-	-
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)	(2 499)	10 836	679	(45)	8 971
Unwind of discount (recognised in interest income)	-	-	1 280	-	1 280
Amounts written off	-	-	(1 705)	-	(1 705)
Foreign exchange adjustments	(48)	(412)	(16)	(260)	(736)
Allowance for loans sold during the period	-	-	(9 433)	-	(9 433)
Recovery of loans previously written off sold during the period	-	-	66	-	66
Recovery of loans previously written off	-	-	54	-	54
ECL as at 30 June 2021	17 938	39 170	191 727	3 238	252 073

<i>(Unaudited)</i>				
<i>In millions of Russian Roubles</i>				
	Stage 1	Stage 2	Stage 3	Total
Loans to individuals				
ECL as at 1 January 2021	3 394	839	20 724	24 957
Transfers to Stage 1	388	(188)	(200)	-
Transfers to Stage 2	(72)	323	(251)	-
Transfers to Stage 3	(125)	(418)	543	-
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)	284	265	972	1 521
Unwind of discount (recognised in interest income)	-	-	147	147
Amounts written off	-	-	(61)	(61)
Allowance for loans sold during the period	(3)	-	(1 387)	(1 390)
ECL as at 30 June 2021	3 866	821	20 487	25 174

6 Loans and Advances to Customers (Continued)

An analysis of changes in the ECL allowances during the six months ended 30 June 2020 is, as follows:

<i>(Unaudited)</i> <i>In millions of Russian Roubles</i>	Stage 1	Stage 2	Stage 3	POCI	Total
Loans to legal entities					
ECL as at 1 January 2020	13 320	21 721	236 372	1 409	272 822
Transfers to Stage 1	1 364	(1 364)	-	-	-
Transfers to Stage 2	(1 618)	3 396	(1 778)	-	-
Transfers to Stage 3	(39)	(1 165)	1 204	-	-
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)	1 414	1 562	8 522	309	11 807
Unwind of discount (recognised in interest income)	-	-	2 380	-	2 380
Amounts written off	-	-	(2 071)	-	(2 071)
Foreign exchange adjustments	257	1 337	620	-	2 214
Allowance for loans sold during the period	(211)	-	(18 170)	-	(18 381)
Recovery of loans previously written off sold during the period	-	-	147	-	147
Recovery of loans previously written off	-	-	120	-	120
ECL as at 30 June 2020	14 487	25 487	227 346	1 718	269 038

<i>(Unaudited)</i> <i>In millions of Russian Roubles</i>	Stage 1	Stage 2	Stage 3	Total
Loans to individuals				
ECL as at 1 January 2020	2 677	880	29 659	33 216
Transfers to Stage 1	223	(91)	(132)	-
Transfers to Stage 2	(97)	402	(305)	-
Transfers to Stage 3	(152)	(600)	752	-
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)	1 670	1 695	2 130	5 495
Unwind of discount (recognised in interest income)	-	-	324	324
Amounts written off	-	-	(2 468)	(2 468)
Allowance for loans sold during the period	-	-	(2 014)	(2 014)
ECL as at 30 June 2020	4 321	2 286	27 946	34 553

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.

7 Investment Securities

Investment securities including those pledged under repurchase agreements comprise:

<i>In millions of Russian Roubles</i>	30 June 2021 (unaudited)	31 December 2020
Investment securities at fair value through other comprehensive income	488 974	380 456
Investment securities at amortised cost	40 161	44 777
Investment securities at fair value through profit or loss	1 692	918
Investment securities at fair value through profit or loss (mandatory)	78 584	66 646
Total investment securities	609 411	492 797

Investment securities at fair value through other comprehensive income and investment securities at amortised cost are included in Stage 1 for ECL calculations.

<i>In millions of Russian Roubles</i>	31 June 2021 (unaudited)	31 December 2020
Investment securities at fair value through other comprehensive income		
Federal loan bonds (OFZ)	251 359	221 834
Corporate bonds	90 802	98 008
Bank of Russia bonds	80 655	-
Corporate Eurobonds	38 176	53 139
State Eurobonds	9 626	-
Municipal and subfederal bonds	4 137	7 307
Foreign government bonds	4 295	45
Total debt securities at fair value through other comprehensive income	479 050	380 333
Federal loan bonds (OFZ)	9 799	-
Total debt securities at fair value through other comprehensive income pledged under repurchase agreements	9 799	-
Equity securities		
Financial equities	125	123
Total equity securities at fair value through other comprehensive income	125	123
Total investment securities at fair value through other comprehensive income	488 974	380 456

<i>In millions of Russian Roubles</i>	30 June 2021 (unaudited)	31 December 2020
Investment securities at amortised cost		
Corporate bonds	17 230	24 381
Federal loan bonds (OFZ)	14 048	11 721
Municipal and subfederal bonds	6 540	6 661
Corporate Eurobonds	2 624	2 262
Less: allowance for impairment	(281)	(248)
Total investment securities at amortised cost	40 161	44 777

7 Investment Securities (Continued)

<i>In millions of Russian Roubles</i>	30 June 2021 (unaudited)	31 December 2020
Investment securities at fair value through profit or loss (mandatory)		
Corporate bonds	71 075	59 139
Credit linked notes	2 175	2 198
Investments in mutual funds	98	104
Total debt securities at fair value through profit or loss (mandatory)	73 348	61 441
Equity securities		
Financial equities	5 236	5 205
Total investment securities at fair value through profit or loss (mandatory)	78 584	66 646

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 2021 (unaudited)	31 December 2020
Correspondent accounts and overnight placements of other banks	29 084	25 331
Borrowings from other banks with term to maturity:		
- repo deals less than 30 days	34	23
- less than 30 days	51 142	17 765
- from 31 to 180 days	22 609	105 688
- from 181 days to 1 year	-	76
- from 1 year to 3 years	15 907	15 889
- more than 3 years	8	2 298
Borrowings from the Bank of Russia with term to maturity:		
- repo deals from 181 days to 1 year	9 609	-
- less than 30 days	7 358	39
- from 31 to 180 days	2 349	38 036
- from 181 days to 1 year	3 968	9 741
- more than 1 year	36 151	39 289
Total due to other banks	178 219	254 175

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 2021 (unaudited)	31 December 2020
State and public organisations		
- Current/settlement accounts	23 911	28 317
- Term deposits	471 401	326 475
Other legal entities		
- Current/settlement accounts	302 782	277 044
- Term deposits	794 776	888 097
Individuals		
- Current/demand accounts	299 813	239 398
- Term deposits	1 122 373	1 102 990
Total customer accounts	3 015 056	2 862 321

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 2021 (unaudited)		31 December 2020	
	Amount	%	Amount	%
Individuals	1 422 186	47	1 342 388	47
State and public organisations	495 312	16	354 792	12
Manufacturing	331 875	12	302 868	11
Agriculture	194 434	6	176 649	6
Construction	119 711	4	150 251	5
Trading	106 208	4	130 824	5
Financial services and pension funds	85 955	3	91 134	3
Insurance	66 109	2	52 809	2
Real estate	31 598	1	39 124	1
Transport	16 924	1	21 280	1
Leasing	14 324	-	3 608	-
Communication	3 291	-	3 315	-
Other	127 129	4	193 279	7
Total customer accounts	3 015 056	100	2 862 321	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

<i>In millions of Russian Roubles</i>	30 June 2021 (unaudited)	31 December 2020
Bonds issued on domestic market	148 982	168 988
Total bonds issued	148 982	168 988

As at 30 June 2021, bonds issued consist of Russian Roubles denominated bonds issued on domestic market with a coupon rate up to 10.50% per annum and maturity in 2021-2038 (31 December 2020: Russian Roubles denominated bonds issued on domestic market with a coupon rate up to 10.50% per annum and maturity in 2021-2038).

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 2021, the Group's perpetual bonds in circulation equal to RR 51 549 million (as at 31 December 2020: RR 52 296 million).

As at 30 June 2021, perpetual bonds consist of Russian Roubles, US Dollars and Euros denominated bonds issued on domestic market.

Currency of denomination	Nominal value, in million of currency, in circulation	Carrying amount, in millions of Russian Roubles	Year of issue	Coupon rate
Russian Roubles	35 000	35 000	2016-2018	9.00%-14.50%
US Dollars	50	3 619	2018	9.00%
Euros	150	12 930	2019	5.00%

As at 31 December 2020, perpetual bonds consist of Russian Roubles, US Dollars and Euros denominated bonds issued on domestic market.

Currency of denomination	Nominal value, in million of currency, in circulation	Carrying amount, in millions of Russian Roubles	Year of issue	Coupon rate
Russian Roubles	35 000	35 000	2016-2018	9.00%-14.50%
US Dollars	50	3 694	2018	9.00%
Euros	150	13 602	2019	5.00%

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	
	2021	2020	2021	2020
Interest income on debt financial assets carried at amortised cost				
Loans and advances to legal entities	70 650	68 769	36 319	34 514
Loans and advances to individuals	27 451	26 285	13 720	12 975
Cash equivalents	2 970	4 235	1 469	1 634
Investment securities at amortised cost	1 340	1 551	575	731
Due from other banks	1 110	1 206	601	603
	103 521	102 046	52 684	50 457
Interest income on debt financial assets carried at fair value through other comprehensive income				
Investment securities at FVOCI including pledged under repurchase agreements	10 359	11 491	5 428	5 572
	10 359	11 491	5 428	5 572
Total interest income at effective interest rate	113 880	113 537	58 112	56 029
Investment securities at fair value through profit or loss	2 637	1 882	1 320	1 038
Loans to customers at fair value through profit or loss	1 510	1 324	731	722
Trading securities	1 480	1 272	714	702
Total other interest income	5 627	4 478	2 765	2 462
Interest expense at effective interest rate				
Term deposits of individuals	(27 786)	(31 302)	(13 887)	(15 280)
Term deposits of legal entities	(25 180)	(27 877)	(13 960)	(14 270)
Bonds issued	(6 470)	(6 874)	(3 236)	(3 191)
Subordinated debts	(5 079)	(3 825)	(2 504)	(1 455)
Current/settlement accounts	(4 638)	(4 581)	(2 060)	(2 381)
Term deposits of other banks	(2 457)	(963)	(953)	(416)
Term deposits of the Bank of Russia	(2 310)	(2 214)	(1 078)	(1 255)
Promissory notes issued	(1 662)	(1 341)	(860)	(800)
Total interest expense at effective interest rate	(75 582)	(78 977)	(38 538)	(39 048)
Lease liabilities	(323)	(310)	(161)	(120)
Total other interest expense	(323)	(310)	(161)	(120)
Net interest income	43 602	38 728	22 178	19 323

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 2021:

<i>(Unaudited)</i>						
<i>In millions of Russian Roubles</i>						
	Note	Stage 1	Stage 2	Stage 3	POCI	Total
Cash and cash equivalents		(11)	-	-	-	(11)
Due from other banks		(6)	-	-	-	(6)
Loans to customers at amortised cost	6	(2 268)	12 977	(528)	(305)	9 876
Debt securities measured at amortised cost		33	-	-	-	33
Debt securities measured at FVOCI		(186)	-	-	-	(186)
Other financial assets		-	-	317	-	317
Credit related commitments		126	(12)	-	-	114
Total credit loss expense		(2 312)	12 965	(211)	(305)	10 137

The table below shows the ECL charges on financial instruments recorded in the income statement for the six months ended 30 June 2020:

<i>(Unaudited)</i>						
<i>In millions of Russian Roubles</i>						
	Note	Stage 1	Stage 2	Stage 3	POCI	Total
Due from other banks		(16)	-	-	-	(16)
Loans to customers at amortised cost	6	3 022	5 172	11 280	309	19 783
Debt securities measured at amortised cost		145	-	-	-	145
Debt securities measured at FVOCI		422	-	-	-	422
Other financial assets		-	-	100	-	100
Credit related commitments		93	(10)	12	-	95
Total credit loss expense		3 666	5 162	11 392	309	20 529

14 Fee and Commission Income and Expense

<i>(Unaudited)</i>	For the six months ended 30 June		For the three months ended 30 June	
	2021	2020	2021	2020
<i>In millions of Russian Roubles</i>				
Fee and commission income				
Financial services fees and brokerage commission	4 394	204	202	112
Commission on cash and settlements transactions	4 089	4 168	2 121	2 102
Fees for sale of insurance contracts and agency services	3 930	2 743	1 947	1 301
Commission on banking cards	2 372	2 009	1 244	1 037
Commission on guarantees issued	1 031	741	503	402
Fees for currency control	205	162	110	84
Commission received from the Deposit Insurance Agency	11	5	5	1
Other	1 825	523	1 293	432
Total fee and commission income	17 857	10 555	7 425	5 471
Fee and commission expense				
Commission on settlement transactions	(1 321)	(1 224)	(699)	(615)
Commission on cash collection	(150)	(163)	(86)	(90)
Other	(194)	(121)	(107)	(62)
Total fee and commission expense	(1 665)	(1 508)	(892)	(767)
Net fee and commission income	16 192	9 047	6 533	4 704

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	
	2021	2020	2021	2020
Sales of goods	907	2 403	544	730
Including:				
- meat and dairy products	260	263	133	120
- feed	293	334	191	136
- sugar	7	1 068	2	19
- other goods and services	347	738	218	455
Cost of goods sold	(680)	(2 289)	(323)	(709)
Recovery of provision/(provision) for impairment for trade receivables, prepayments and other financial assets	94	226	(17)	120
Net income from insurance operations	1 743	1 616	1 101	575
Other non-banking income	620	726	412	217
Other non-banking expenses	(2 453)	(1 928)	(1 316)	(791)
Total gains less losses from non-banking activities	231	754	401	142

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	
	2021	2020	2021	2020
Insurance premiums				
Premium earned	9 045	10 295	5 104	5 539
Reinsurers share in premiums earned	(1 282)	(2 161)	(448)	(1 627)
Net insurance premiums earned	7 763	8 134	4 656	3 912
Insurance benefits and claims				
Net claims incurred during the period	(7 199)	(8 183)	(3 913)	(4 978)
Acquisition costs	(377)	(327)	(240)	(146)
Reinsurers share in claims incurred during the period	1 556	1 992	598	1 787
Net insurance benefits and claims	(6 020)	(6 518)	(3 555)	(3 337)
Net income from insurance operations	1 743	1 616	1 101	575

16 Significant Risk Concentrations

As at 30 June 2021, correspondent accounts and deposits with other banks (excluding the Bank of Russia) with original maturities less than one month within cash and cash equivalents included no balances individually above 10% of the Group's equity (31 December 2020: correspondent accounts and deposits with other banks with original maturities less than one month within cash and cash equivalents included balances with one Russian banking group with rating of the parent bank at Baa3 (Moody's), individually above 10% of the Group's equity, in the amount of RR 45 492 million, or 12% of total cash and cash equivalents).

As at 30 June 2021, cash and cash equivalents included the balances with the Bank of Russia in the total amount of RR 187 187 million, or 71% of total cash and cash equivalents (31 December 2020: RR 201 455 million, or 53% of total cash and cash equivalents).

16 Significant Risk Concentrations (Continued)

As at 30 June 2021, due from other banks included no balances individually above 10% of the Group's equity (31 December 2020: due from other banks included no balances individually above 10% of the Group's equity).

As at 30 June 2021, due to other banks included balances with the Bank of Russia above 10% of the Group's equity in the amount of RR 59 435 million, or 33% of total due to other banks (31 December 2020: due to other banks included balances with the Bank of Russia above 10% of the Group's equity in the amount of RR 87 105 million, or 34% of total due to other banks).

As at 30 June 2021, due to other banks included no balances, individually above 10% of the Group's equity (31 December 2020: due to other banks included balances with one Russian banking group with rating of the parent bank at Baa3 (Moody's), individually above 10% of the Group's equity, in the amount of RR 29 832 million, or 12% of total due to other banks).

As at 30 June 2021, customer accounts included balances with eight customers each above 10% of the Group's equity (31 December 2020: balances with eight customers each above 10% of the Group's equity). The aggregate balance of these customers was RR 726 657 million, or 24% of total customer accounts (31 December 2020: RR 610 530 million, or 21% 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 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 2021 and for the six months ended 30 June 2020 and segment reporting of the Group's assets and liabilities at 30 June 2021 and 31 December 2020 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 2021 (unaudited)										
Revenue from external customers	40 407	33 088	4 520	15 903	7 067	4 349	7 615	3 972	13 496	130 417
- Interest income from loans and advances to customers, due from other banks and other placed funds	34 815	29 637	3 850	13 879	6 118	3 454	6 077	3 510	12 225	113 565
- Net fee and commission income from credit related operations	5 592	3 451	670	2 024	949	895	1 538	462	1 271	16 852
Gains less losses/(losses net of gains) arising from securities, derivative financial instruments and foreign currency	1 811	(3 085)	(1 120)	744	384	50	745	490	(84)	(65)
Interest expenses from due to other banks, customer accounts and bonds issued	(36 645)	(15 092)	(2 013)	(8 027)	(6 044)	(1 312)	(4 423)	(2 220)	(2 913)	(78 689)
(Provision)/recovery of provision for impairment	(3 984)	(15 316)	(1 110)	3 127	(1 001)	(73)	258	1 387	(597)	(17 309)
Administrative and maintenance expense	(23 614)	(1 654)	(431)	(1 129)	(494)	(419)	(765)	(257)	(512)	(29 275)
- Including depreciation charge	(1 361)	(218)	(52)	(168)	(69)	(85)	(135)	(35)	(77)	(2 200)
Other expenses less other income*	(4 516)	857	(20)	300	134	(18)	277	35	356	(2 595)
Current income tax expense	(1 011)	-	-	-	-	-	-	-	-	(1 011)
(Loss)/profit of reportable segments	(27 552)	(1 202)	(174)	10 918	46	2 577	3 707	3 407	9 746	1 473
Intersegment income/(expense)**	13 152	7 316	61	(6 984)	2 142	(2 733)	(2 311)	(2 027)	(8 616)	-

* 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 2020 (unaudited)										
Revenue from external customers	34 889	30 902	6 111	15 444	8 197	4 322	6 934	3 499	12 999	123 297
- Interest income from loans and advances to customers, due from other banks and other placed funds	34 268	27 162	5 430	13 651	7 403	3 562	5 666	3 150	11 605	111 897
- Net fee and commission income from credit related operations	621	3 740	681	1 793	794	760	1 268	349	1 394	11 400
Gains less losses/(losses net of gains) arising from securities, derivative financial instruments and foreign currency	(8 654)	10 269	6 684	(1 946)	358	8	(2 479)	(928)	3 230	6 542
Interest expenses from due to other banks, customer accounts and bonds issued	(38 159)	(16 903)	(2 411)	(8 904)	(5 637)	(1 514)	(4 639)	(2 154)	(2 996)	(83 317)
(Provision)/recovery of provision for impairment	261	(4 039)	(368)	(2 474)	(2 668)	(1 399)	(1 012)	(1 035)	120	(12 614)
Administrative and maintenance expense	(21 820)	(1 313)	(376)	(1 050)	(404)	(412)	(778)	(243)	(496)	(26 892)
- Including depreciation charge	(1 135)	(164)	(37)	(132)	(56)	(75)	(114)	(29)	(59)	(1 801)
Other expenses less other income*	(3 901)	347	4	(86)	(356)	(274)	(418)	(4)	1 554	(3 134)
Current income tax expense	(1 056)	-	-	-	-	-	-	-	-	(1 056)
(Loss)/profit of reportable segments	(38 440)	19 263	9 644	984	(510)	731	(2 392)	(865)	14 411	2 826
Intersegment income/(expense)**	42 694	(17 184)	(9 042)	(1 279)	(5)	(2 063)	225	682	(14 028)	-
Total assets										
30 June 2021 (unaudited)	2 442 569	1 478 829	165 045	576 810	369 027	181 945	265 629	138 954	404 222	6 023 030
31 December 2020	3 279 930	1 709 743	244 666	648 705	421 208	209 256	315 573	152 938	479 372	7 461 391
Total liabilities										
30 June 2021 (unaudited)	2 271 064	1 479 905	165 187	565 669	368 878	179 344	261 823	135 548	394 468	5 821 886
31 December 2020	3 075 417	1 709 617	244 633	648 480	421 104	209 233	315 471	152 938	479 366	7 256 259

* 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)

Segment reporting of the Group's revenue and (loss)/profit for the three months ended 30 June 2021 and for the three months ended 30 June 2020 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 2021 (unaudited)										
Revenue from external customers	20 026	16 894	2 324	8 185	3 497	2 191	3 964	2 064	7 113	66 258
- Interest income from loans and advances to customers, due from other banks and other placed funds	18 920	15 111	1 966	7 103	3 012	1 737	3 131	1 816	6 483	59 279
- Net fee and commission income from credit related operations	1 106	1 783	358	1 082	485	454	833	248	630	6 979
Gains less losses/(losses net of gains) arising from securities, derivative financial instruments and foreign currency	1 406	53	(2 627)	1 106	313	95	1 159	728	(971)	1 262
Interest expenses from due to other banks, customer accounts and bonds issued	(18 567)	(7 723)	(1 001)	(4 033)	(3 183)	(646)	(2 296)	(1 179)	(1 490)	(40 118)
(Provision)/recovery of provision for impairment	(4 074)	(14 857)	112	3 380	(324)	297	(103)	1 025	155	(14 389)
Administrative and maintenance expense	(11 852)	(803)	(248)	(613)	(272)	(227)	(409)	(135)	(274)	(14 833)
- Including depreciation charge	(709)	(112)	(27)	(87)	(36)	(44)	(69)	(18)	(40)	(1 142)
Other expenses less other income*	(1 710)	538	(26)	101	25	(12)	55	19	279	(731)
Current income tax expense	(728)	-	-	-	-	-	-	-	-	(728)
(Loss)/profit of reportable segments	(15 499)	(5 898)	(1 466)	8 126	56	1 698	2 370	2 522	4 812	(3 279)
Intersegment income/(expense)**	3 183	8 579	2 040	(5 627)	1 399	(1 576)	(1 938)	(1 633)	(4 427)	-

* 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)

In millions of Russian Roubles

	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 2020 (unaudited)										
Revenue from external customers	16 328	16 043	3 793	7 756	4 126	2 180	3 517	1 976	5 478	61 197
- Interest income from loans and advances to customers, due from other banks and other placed funds	16 151	13 778	3 483	6 941	3 747	1 781	2 878	1 797	4 686	55 242
- Net fee and commission income from credit related operations	177	2 265	310	815	379	399	639	179	792	5 955
Gains less losses/(losses net of gains) arising from securities, derivative financial instruments and foreign currency	14 779	(7 194)	(6 469)	1 961	(292)	400	1 837	554	(2 299)	3 277
Interest expenses from due to other banks, customer accounts and bonds issued	(19 701)	(8 209)	(1 279)	(4 401)	(2 711)	(721)	(2 257)	(997)	(1 487)	(41 763)
(Provision)/recovery of provision for impairment	(1 220)	(72)	47	(1 725)	(1 738)	(914)	(1 235)	(874)	(105)	(7 836)
Administrative and maintenance expense	(11 129)	(694)	(203)	(564)	(210)	(198)	(422)	(128)	(265)	(13 813)
- Including depreciation charge	(552)	(82)	(19)	(66)	(28)	(38)	(57)	(14)	(30)	(886)
Other expenses less other income*	(2 517)	320	85	30	3	(59)	(190)	(7)	1 678	(657)
Current income tax expense	(730)	-	-	-	-	-	-	-	-	(730)
(Loss)/profit of reportable segments	(4 190)	194	(4 026)	3 057	(822)	688	1 250	524	3 000	(325)
Intersegment income/(expense)**	5 500	286	4 462	(3 667)	1 012	(1 393)	(2 753)	(835)	(2 612)	-

* 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)

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	
	2021	2020	2021	2020
Total profit/(loss) of reportable segments (after tax)	1 473	2 826	(3 279)	(325)
Adjustments for impairment (ECL)	4 639	(8 775)	7 211	(4 402)
Effect of consolidation	707	(2 422)	1 149	(1 818)
Accounting for financial instruments at fair value	1 796	1 732	557	2 999
Adjustment of deferred tax	55	749	(80)	319
Gains less losses from financial instruments at fair value through profit or loss	314	(595)	186	624
Adjustment of accrued staff costs	(37)	128	(164)	92
Reclassification of perpetual bonds	1 738	4 253	714	(257)
Adjustments of financial assets and liabilities carried at amortised cost	2 933	2 048	1 181	1 828
Other	(489)	1 466	108	1 732
The Group's profit under IFRS (after tax)	13 129	1 410	7 583	792

The CODM reviews financial information prepared based on Russian accounting standards adjusted to meet the requirements of internal reporting. Such financial information differs in certain aspects from International Financial Reporting Standards:

- Adjustments for impairment arises mainly due to the different consolidation perimeter in the RAR and IFRS statements.
- Adjustments of derivative financial instruments to their fair value 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 recognised as back-to-back deposits, whereas in IFRS financial statements such transactions are recognised 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 presented under RAR as assets and liabilities, while in IFRS such balances are shown on a net basis.
- Adjustments of deferred income tax expense and accrued staff costs arise from the timing difference in recognition of certain expenses (mainly related to bonuses paid after the end of the reporting period) under RAR compared to IFRS and regulatory requirements of tax-filing date.
- Adjustments for perpetual bonds are due to the fact that in RAR interest expenses and foreign currency revaluation are reflected in the income statement, while in IFRS statements they are reflected directly in equity.

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 2021, 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 the claims in excess of the amounts already provided for in these interim condensed consolidated financial statements (31 December 2020: Group's management is of the opinion that no material losses will be incurred in respect of the claims in excess of the amounts already provided for in 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.

Recently, further implementation of mechanisms aimed at combating tax evasion, including the use of aggressive tax planning structures, has been carried out. In particular, the Russian tax legislation introduced norms that prohibit the reduction of the tax base by a taxpayer as a result of distortion of information about the facts of economic life and objects of taxation or as a result of transactions whose main purpose is non-payment (incomplete payment) of the amount of tax, as well as in cases when the obligation under the transaction (operation) is performed by a person who is not a party to the contract concluded with the taxpayer, and (or) by a person to whom the obligation to perform the transaction (operation) is transferred under the contract or law. Due to the fact that there is currently no unambiguous practice of applying the above-mentioned norms, there is uncertainty about the procedure for their application and possible interpretation by the Russian tax authorities, including with regard to the procedure for taxation of the Group's operations.

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 (with certain exceptions) and certain types of cross-border transactions.

During six months ended 30 June 2021, 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 2021, the Management of the Group believes that its interpretation of the applicable legislation is reasonable and will be sustained.

Compliance with covenants. The Group is subject to certain covenants primarily relating to its borrowings. 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. The Group's Management believes that the Group is in compliance with the covenants.

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 2021 (unaudited)	31 December 2020
Undrawn credit lines	213 448	185 237
Letters of credit	4 569	9 438
Less: provisions for ECL	(1 044)	(930)
Total credit related commitments	216 973	193 745
Performance guarantees	128 207	142 382
Less: provision	(187)	-
Total credit related commitments and performance guarantees	344 993	336 127

An analysis of changes in the ECL during the six months ended 30 June 2021 are, as follows:

<i>(Unaudited) In millions of Russian Roubles</i>	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2021	929	1	-	930
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(11)	11	-	-
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)	126	(12)	-	114
ECL as at 30 June 2021	1 044	-	-	1 044

An analysis of changes in the ECL during the six months ended 30 June 2020 are, as follows:

<i>(Unaudited) In millions of Russian Roubles</i>	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2020	497	11	-	508
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(69)	69	-	-
Transfers to Stage 3	(1)	-	1	-
Impact on period end ECL of exposures transferred between stages during the period (including expense on new issue and income from repayments)	163	(79)	11	95
ECL as at 30 June 2020	590	1	12	603

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 2021 (unaudited)	31 December 2020
Russian Roubles	327 369	314 233
US Dollars	10 889	13 640
Euros	6 735	8 254
Total credit related commitments and performance guarantees	344 993	336 127

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

<i>In millions of Russian Roubles</i>	30 June 2021 (unaudited)	31 December 2020
Assets pledged under loan agreements with banks (including the Bank of Russia)	6 255	7 430
Repurchase agreements	9 799	-

As at 30 June 2021, mandatory cash balances with the Bank of Russia in the amount of RR 29 801 million (31 December 2020: RR 24 999 million) represent mandatory reserve deposits which are not available to finance the Group's day to day operations.

As at 30 June 2021 and 31 December 2020, 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 2021, 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 2020: 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").

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 2021 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				
- Currency	6 154	(6 347)	3	(196)
- Securities	101 943	(95 726)	6 932	(715)
- Commodity	25	(24)	25	(24)
Swaps				
- Interest rate	17 895	(17 360)	1 957	(1 422)
- Currency-interest rate	7 025	(7 023)	317	(315)
- Currency	339 728	(328 055)	13 674	(1 985)
- Precious metals	2 803	(2 802)	1	-
Options				
- Currency	12 308	(12 325)	46	(44)
- Interest rate	13	(27)	13	(27)
- Precious metals	24	(28)	2	(2)
Total derivative financial instruments	487 918	(469 717)	22 970	(4 730)

The table below reflects gross positions in derivative financial instruments before netting of any counterparty positions as at 31 December 2020 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				
- Currency	6 116	(6 160)	120	(164)
- Securities	116 506	(109 521)	8 579	(1 594)
- Commodity	1 847	(1 847)	146	(146)
Swaps				
- Interest rate	13 234	(11 453)	2 849	(1 068)
- Currency-interest rate	17 491	(18 113)	652	(1 274)
- Currency	404 391	(391 936)	13 606	(1 151)
- Precious metals	3 009	(3 010)	4	(5)
Options				
- Currency	5 911	(5 975)	4	-
- Interest rate	16 204	(16 206)	13	(14)
Total derivative financial instruments	584 709	(564 221)	25 973	(5 416)

As at 30 June 2021 and 31 December 2020, 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 on the interim consolidated statement of financial position at their fair value based on quoted market prices and valuation techniques with all material inputs 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 technique with inputs observable in markets. 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 discounted cash flow techniques with observable market data inputs as offshore and onshore yield curves, as well as market data, reflecting the distribution of the probability of default 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 current fair value.

Loans and receivables. The fair value of floating rate instruments is normally 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.

Certain loans to customers did not meet the SPPI criterion. Therefore, these loans are classified by the Group as financial assets at FVTPL.

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 2021 (unaudited)		31 December 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets carried at amortised cost				
Cash and cash equivalents	263 059	263 059	378 303	378 303
Mandatory cash balances with the Bank of Russia	29 801	29 801	24 999	24 999
Due from other banks	36 507	39 553	43 299	47 596
Loans and advances to customers:				
- Loans to corporates	2 093 115	2 093 015	2 069 034	2 075 687
- Lending for food interventions	1 413	1 413	1 612	1 612
- Loans to individuals	582 944	579 400	538 433	543 888
Investment securities:				
- Corporate bonds	16 997	17 288	24 164	24 785
- Municipal and subfederal bonds	6 534	6 904	6 653	7 253
- Federal Loan bonds (OFZ)	14 023	14 020	11 702	11 804
- Corporate Eurobonds	2 607	2 607	2 258	2 258
Other financial assets	11 470	11 470	11 903	11 903
Total financial assets carried at amortised cost	3 058 470	3 058 530	3 112 360	3 130 088
Financial assets carried at fair value	706 682	706 682	599 924	599 924
Total financial assets	3 765 152	3 765 212	3 712 284	3 730 012
Financial liabilities carried at amortised cost				
Due to other banks:				
- Term borrowings from other banks	89 700	90 751	141 739	143 254
- Term borrowings from the Bank of Russia	59 435	59 227	87 105	86 384
- Correspondent accounts and overnight placements of other banks	29 084	29 084	25 331	25 331
Customer accounts:				
- State and public organisations	495 312	495 379	354 792	355 159
- Other legal entities	1 097 558	1 097 852	1 165 141	1 166 223
- Individuals	1 422 186	1 426 685	1 342 388	1 358 598
Promissory notes issued	66 877	66 877	67 023	67 023
Bonds issued:				
- Bonds issued on domestic market	148 982	155 690	168 988	181 445
Other financial liabilities	22 928	22 928	23 256	23 256
Total financial liabilities carried at amortised cost before subordinated debts	3 432 062	3 444 473	3 375 763	3 406 673
Subordinated debts	146 850	156 582	151 885	158 785
Total financial liabilities carried at amortised cost	3 578 912	3 601 055	3 527 648	3 565 458
Financial liabilities carried at fair value	4 730	4 730	5 416	5 416
Total financial liabilities	3 583 642	3 605 785	3 533 064	3 570 874

(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 2021 is as follows:

<i>(Unaudited)</i> <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	40 835	-	-	40 835
Investment securities	468 883	100 242	125	569 250
Derivative financial instruments	-	22 970	-	22 970
Loans to customers at fair value through profit or loss	-	-	73 627	73 627
Office premises	-	-	30 945	30 945
Assets for which fair values are disclosed				
Cash and cash equivalents	-	263 059	-	263 059
Mandatory cash balances with the Bank of Russia	-	-	29 801	29 801
Due from other banks	-	39 553	-	39 553
Loans and advances to customers	-	-	2 673 828	2 673 828
Investment securities	34 116	6 704	-	40 820
Other financial assets	-	-	11 470	11 470
Total financial and non-financial assets	543 834	432 528	2 819 796	3 796 158
Liabilities measured at fair value				
Derivative financial instruments	-	4 730	-	4 730
Liabilities for which fair values are disclosed				
Due to other banks	-	179 062	-	179 062
Customer accounts	-	-	3 019 916	3 019 916
Promissory notes issued	-	-	66 877	66 877
Bonds issued:				
- Bonds issued on domestic market	106 957	48 733	-	155 690
Other financial liabilities	-	-	22 928	22 928
Total financial liabilities before subordinated debts	106 957	232 525	3 109 721	3 449 203
Subordinated debts	30 620	125 962	-	156 582
Total financial liabilities	137 577	358 487	3 109 721	3 605 785

20 Fair Value of Financial Instruments (Continued)

Analysis of financial and non-financial instruments as at 31 December 2020 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	42 756	-	-	42 756
Investment securities	376 360	71 537	123	448 020
Derivative financial instruments	-	25 973	-	25 973
Loans to customers at fair value through profit or loss	-	-	83 175	83 175
Office premises	-	-	30 625	30 625
Other non-financial assets	137	-	-	137
Assets for which fair values are disclosed				
Cash and cash equivalents	-	378 303	-	378 303
Mandatory cash balances with the Bank of Russia	-	-	24 999	24 999
Due from other banks	-	47 596	-	47 596
Loans and advances to customers	-	-	2 621 187	2 621 187
Investment securities	38 387	7 713	-	46 100
Other financial assets	-	-	11 903	11 903
Total financial and non-financial assets	457 640	531 122	2 772 012	3 760 774
Liabilities measured at fair value				
Derivative financial instruments	-	5 416	-	5 416
Liabilities for which fair values are disclosed				
Due to other banks	-	254 969	-	254 969
Customer accounts	-	-	2 879 980	2 879 980
Promissory notes issued	-	-	67 023	67 023
Bonds issued				
- Bonds issued on domestic market	137 617	43 828	-	181 445
Other financial liabilities	-	-	23 256	23 256
Total financial liabilities before subordinated debts	137 617	304 213	2 970 259	3 412 089
Subordinated debts	31 489	127 296	-	158 785
Total financial liabilities	169 106	431 509	2 970 259	3 570 874

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 2020	Total gains	New assets recognised	Assets derecognised	At 30 June 2021 (unaudited)
Financial assets					
Loans to customers at FVTPL	83 175	1 432	4 450	(15 430)	73 627
Investment securities at FVOCI	123	-	-	2	125
Total level 3 financial assets	83 298	1 432	4 450	(15 428)	73 752

<i>In millions of Russian Roubles</i>	At 31 December 2019	Total gains	New assets recognised	Assets derecognised	At 30 June 2020 (unaudited)
Financial assets					
Loans to customers at FVTPL	55 791	4 732	19 486	(929)	79 080
Investment securities at FVOCI	128	-	-	(6)	122
Total level 3 financial assets	55 919	4 732	19 486	(935)	79 202

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 2021			For the three months ended 30 June 2021		
	Realised gains/(losses)	Unrealised gains/(losses)	Total	Realised gains/(losses)	Unrealised gains/(losses)	Total
Total gains included in the profit or loss for the period*	1 570	(138)	1 432	731	(140)	591

<i>(Unaudited)</i> <i>In millions of Russian Roubles</i>	For the six months ended 30 June 2020			For the three months ended 30 June 2020		
	Realised gains/(losses)	Unrealised gains/(losses)	Total	Realised gains/(losses)	Unrealised gains/(losses)	Total
Total gains included in the profit or loss for the period*	1 330	3 402	4 732	728	(752)	(24)

* Gains are recorded for Interest income and Gains less losses from financial instruments and loans to customers at fair value through profit or loss.

** Gains are recorded for Interest income and gains less losses from financial instruments and loans to customers at fair value through profit or loss. Unrealised gains/losses include foreign exchange translation income in the amount of RR 732 million (30 June 2020: foreign exchange translation income in the amount of RR 2 565 million) recorded for foreign exchange translation gains less losses/(losses net of gains).

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, collateral value and credit spread.

As of 30 June 2021, if the discount rate used by the Group in the model increases/decreases by 1%, the book value of loans will decrease by RR 2 405 million / increase by RR 2 555 million (31 December 2020: decrease by RR 2 939 million / increase by RR 3 041 million). The discount rates used are in range from 3.79% to 11.75% (31 December 2020: from 3.81% to 11.42%).

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 2021:

<i>(Unaudited)</i> In millions of Russian Roubles	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	12 393	299
Total transfers of financial assets	12 393	299

The table below reflects transfers of financial instruments measured at fair value between Level 1 and Level 2 of the fair value hierarchy during 2020:

In millions of Russian Roubles	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	2 434	418
Total transfers of financial assets	2 434	418

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 2021 and during the year ended 31 December 2020.

The following table shows the quantitative information as at 30 June 2021 about significant unobservable inputs used in the fair value measurement categorized within Level 3 of the fair value hierarchy:

Assets	Fair value, in millions of Russian Roubles	Valuation technique	Inputs used		
			Input	Min	Max
Office premises (based on valuation at 31 December 2018, fair value of new objects acquired in 2019, 2020 and 2021 equals to current value)	30 945	Comparative method	Trade discount	6.0%	21.0%

The following table shows the quantitative information as at 31 December 2020 about significant unobservable inputs used in the fair value measurement categorized within Level 3 of the fair value hierarchy:

Assets	Fair value, in millions of Russian Roubles	Valuation technique	Inputs used		
			Input	Min	Max
Office premises (based on valuation at 31 December 2018, fair value of new objects acquired in 2019 and 2020 equals to current value)	30 625	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 2021 (unaudited)	31 December 2020
Cash and cash equivalents		
Bank of Russia	187 187	201 455
Other banks	17 544	71 526
Loans and advances to customers		
Loans and advances to customers (before impairment)	121 440	199 530
Key management and their family members	4	14
Less: allowance for impairment	(6 305)	(14 969)
Derivative financial instruments — assets	8 070	11 503
Securities		
Securities issued by Russian Federation	400 656	268 952
Securities of entities and banks	86 893	98 406
Less: allowance for impairment	(59)	(245)
Due from other banks	13 061	11 556
Other assets		
State Corporation Deposit Insurance Agency	2 720	846
Customer accounts		
Entities	818 922	703 198
Key management and their family members	5 787	4 200
Due to other banks		
Bank of Russia	59 435	87 105
Other banks	49 899	79 042
Derivative financial instruments — liabilities	989	624
Subordinated debts	83 932	85 685
Credit related commitments		
Undrawn credit lines	14 161	15 459
Performance guarantees	7 937	10 940
Less: provision for impairment	(56)	(114)
Financial guarantees received	100 577	78 349

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	
	2021	2020	2021	2020
Interest income on cash and cash equivalents				
Bank of Russia	2 090	2 582	1 158	885
Other banks	532	1 093	226	599
<hr/>				
Interest income on due from other banks	548	772	268	434
<hr/>				
Interest income on loans and advances to customers	3 295	7 675	1 430	3 677
<hr/>				
Interest income on securities				
Securities issued by Russian Federation	7 595	7 854	4 203	3 416
Securities of entities and banks	2 706	3 923	1 043	2 090
<hr/>				
Gains less losses/(losses net of gains) from securities				
Securities issued by Russian Federation	333	881	350	451
Securities of entities and banks	(270)	359	(182)	194
<hr/>				
Fee and commission income				
Commission received from the Deposit Insurance Agency	11	5	5	1
<hr/>				
(Losses net of gains)/gains less losses from derivative financial instruments	(2 312)	(3 689)	559	2 008
<hr/>				
Interest expense on customer accounts				
Entities	(14 405)	(18 663)	(8 334)	(9 858)
Key management and their family members	(102)	(123)	(56)	(41)
<hr/>				
Interest expense on subordinated debts	(2 079)	(1 971)	(1 034)	(1 006)
<hr/>				
Interest expense on due to other banks				
Bank of Russia	(2 310)	(2 214)	(1 078)	(1 255)
Other banks	(1 109)	(231)	(392)	(104)
<hr/>				
Administrative and other operating expenses				
Payments to the Mandatory Deposit Insurance Fund	(3 268)	(2 844)	(1 655)	(721)

During six months ended 30 June 2021, transactions with the shareholder included taxes paid and subsidies received under the government programs to subsidize lending.

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 2021 total remuneration of the key management amounted to RR 182 million (for the six months ended 30 June 2020: RR 407 million).

22 Events after the End of the Reporting Period

In June 2021, the Bank's shareholder declared dividends for the year ended 31 December 2020 in the amount of RR 1 160 million. Dividends were paid out to the Bank's shareholder in July 2021.

In August 2021, the Group issued on the domestic market RR 10 000 million bonds maturing in August 2024 with semi-annual payments of coupon at 7.6% p.a.