

Sberbank of Russia and its subsidiaries

Interim Condensed Consolidated Financial Statements
and Report on Review

30 June 2019

Interim Condensed Consolidated Financial Statements and Report on Review

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Report on Review of Interim Condensed Consolidated Financial Statements

To the Shareholders and the Supervisory Board of Sberbank of Russia

Introduction

We have reviewed the accompanying interim consolidated statement of financial position of Sberbank of Russia and its subsidiaries (together - the "Group") as at 30 June 2019 and the related interim consolidated statements of profit or loss and comprehensive income for the three-month and six-month periods then ended, interim consolidated statements of changes in equity and cash flows for the six-month period then ended and the related explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on these interim condensed consolidated financial statements 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 condensed consolidated financial statements 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 condensed consolidated financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

AO PricewaterhouseCoopers Audit

30 July 2019

Moscow, Russian Federation


E.N. Kriventsev, certified auditor (certificate number 01-000198)
AO PricewaterhouseCoopers Audit

Audited entity: Sberbank of Russia

Record made in the Unified State Register of Legal Entities on 16 August 2002 under State Registration Number 1027700132195

117997, Russian Federation, Moscow, Vavilova 19

Independent auditor: AO PricewaterhouseCoopers Audit

Registered by the Government Agency Moscow Registration Chamber on 28 February 1992 under Number 008.890

Record made in the Unified State Register of Legal Entities on 22 August 2002 under State Registration Number 1027700148431

Member of Self-regulated organization of auditors «Russian Union of auditors» (Association)

Principal Registration Number of the Record in the Register of Auditors and Audit Organizations – 11603050547

Interim Consolidated Statement of Financial Position

		30 June 2019 (unaudited)	31 December 2018
<i>in billions of Russian Roubles</i>	<i>Note</i>		
ASSETS			
Cash and cash equivalents		2,327.0	2,098.8
Mandatory cash balances with central banks		236.3	222.1
Due from banks		1,548.0	1,420.7
Loans and advances to customers	4	19,207.2	19,585.0
Securities	5	3,636.1	3,442.5
Financial instruments pledged under repurchase agreements	6	707.0	307.0
Derivative financial assets		164.9	177.6
Deferred tax asset		16.0	15.3
Premises, equipment and right-of-use assets		676.0	593.9
Assets of the disposal groups and non-current assets held for sale	7	2,293.1	2,569.9
Other assets	8	750.3	764.7
TOTAL ASSETS		31,561.9	31,197.5
LIABILITIES			
Due to banks		660.6	1,096.8
Due to individuals	9	13,672.5	13,495.1
Due to corporate customers	9	8,135.5	7,402.2
Debt securities in issue		653.7	843.6
Other borrowed funds		46.1	56.5
Derivative financial liabilities and obligations to deliver securities		151.6	181.6
Deferred tax liability		22.5	33.4
Liabilities of the disposal groups	7	1,988.6	2,235.1
Other liabilities	10	1,604.9	1,290.1
Subordinated debt		642.8	707.3
TOTAL LIABILITIES		27,578.8	27,341.7
EQUITY			
Share capital and share premium		320.3	320.3
Treasury shares		(15.9)	(18.1)
Other reserves	17	(3.2)	(10.9)
Retained earnings		3,680.8	3,560.7
Total equity attributable to shareholders of the Bank		3,982.0	3,852.0
Non-controlling interest		1.1	3.8
TOTAL EQUITY		3,983.1	3,855.8
TOTAL LIABILITIES AND EQUITY		31,561.9	31,197.5

Approved for issue and signed on behalf of the Executive Board on 30 July 2019.



Bella Zlatkis,
Acting CEO




Mikhail Ratinskii,
Chief Accountant

Interim Consolidated Statement of Profit or Loss

<i>(unaudited)</i> <i>in billions of Russian Roubles</i>	Note	Six months ended 30 June		Three months ended 30 June	
		2019	2018	2019	2018
Continuing operations					
Interest income calculated using the effective interest method	11	1,116.0	986.4	572.2	497.3
Other interest income	11	69.9	69.9	33.3	38.0
Interest expense calculated using the effective interest method	11	(440.3)	(328.7)	(224.7)	(163.5)
Other interest expense	11	(12.3)	(9.0)	(6.2)	(4.6)
Deposit insurance expenses	11	(42.7)	(36.1)	(21.5)	(18.2)
Net interest income	11	690.6	682.5	353.1	349.0
Net credit loss allowance charge for debt financial assets		(26.5)	(32.1)	(9.2)	(12.0)
Net interest income after credit loss allowance charge for debt financial assets		664.1	650.4	343.9	337.0
Fee and commission income	12	305.5	274.6	163.7	150.7
Fee and commission expense	12	(85.9)	(69.4)	(47.0)	(38.7)
Net (losses) / gains from non-derivative financial instruments at fair value through profit or loss	4	(17.3)	(26.2)	9.2	(30.6)
Net gains from financial instruments at fair value through other comprehensive income		1.5	3.4	0.1	0.4
Net gains / (losses) from derivatives, trading in foreign currencies, foreign exchange and precious metals accounts translation	13	37.2	(11.9)	8.4	(13.1)
Net losses arising on initial recognition of financial instruments and loan modification		(0.7)	—	(0.7)	—
Net recovery / (charge) for other provisions		1.6	(17.2)	(1.2)	(11.3)
Revenue of non-core business activities		12.3	20.7	6.6	9.5
Cost of sales and other expenses of non-core business activities		(9.5)	(18.3)	(5.3)	(9.8)
Net premiums from insurance and pension fund operations	14	108.0	199.9	56.2	61.9
Net claims, benefits, change in contract liabilities and acquisition costs on insurance and pension fund operations	14	(109.0)	(175.5)	(56.0)	(47.1)
Income from operating lease of equipment		4.4	2.5	2.2	1.4
Expenses related to equipment leased out		(2.4)	(1.4)	(1.3)	(0.8)
Other net operating income / (loss)		0.5	6.1	(3.2)	2.3
Operating income		910.3	837.7	475.6	411.8
Staff and administrative expenses	15	(319.2)	(296.5)	(168.5)	(151.7)
Profit before tax		591.1	541.2	307.1	260.1
Income tax expense		(119.1)	(107.8)	(61.2)	(51.8)
Profit from continuing operations		472.0	433.4	245.9	208.3
Profit / (loss) from discontinued operations (attributable to shareholders of the Bank)	7	4.9	(6.0)	4.4	7.0
Profit for the period		476.9	427.4	250.3	215.3
Attributable to:					
- shareholders of the Bank		477.1	427.4	250.1	215.4
- non-controlling interest		(0.2)	—	0.2	(0.1)
Earnings per ordinary share based on profit for the period attributable to the shareholders of the Bank, basic and diluted (expressed in RR per share)	16	21.45	19.31	10.90	9.46
Earnings per ordinary share based on profit from continuing operations attributable to the shareholders of the Bank, basic and diluted (expressed in RR per share)	16	21.23	19.58	10.70	9.13

Approved for issue and signed on behalf of the Executive Board on 30 July 2019.


Bella Zlatkis,
Acting CEO


Mikhail Ratinskii,
Chief Accountant

Interim Consolidated Statement of Comprehensive Income

	Six months ended 30 June		Three months ended 30 June	
<i>(unaudited)</i>				
<i>in billions of Russian Roubles</i>	2019	2018	2019	2018
Profit for the period	476.9	427.4	250.3	215.3
Other comprehensive income:				
Continuing operations				
<i>Items to be reclassified to profit or loss in subsequent periods</i>				
Debt financial instruments measured at fair value through other comprehensive income:				
- Net change in fair value, net of tax	48.8	(16.5)	38.2	(27.7)
- Accumulated gains transferred to profit or loss upon disposal, net of tax	(1.2)	(2.7)	(0.1)	(0.3)
Exchange differences on translating foreign operations:				
- Exchange differences on translating foreign operations for the period	(18.0)	5.1	(2.1)	2.5
Total other comprehensive income / (loss) to be reclassified to profit or loss in subsequent periods, net of tax	29.6	(14.1)	36.0	(25.5)
<i>Items that will not be reclassified to profit or loss in subsequent periods</i>				
Change in valuation of office premises transferred to other classes of assets, net of tax	(0.3)	(0.7)	(0.2)	0.1
Remeasurement of defined benefit pension plans	0.8	(1.1)	(0.4)	(1.3)
Total other comprehensive income / (loss) that will not be reclassified to profit or loss in subsequent periods	0.5	(1.8)	(0.6)	(1.2)
Total other comprehensive income / (loss) from continuing operations	30.1	(15.9)	35.4	(26.7)
Total other comprehensive loss from discontinued operations to be reclassified to profit or loss in subsequent periods, net of tax	(20.1)	(21.3)	(2.2)	(11.6)
Total other comprehensive income / (loss)	10.0	(37.2)	33.2	(38.3)
Total comprehensive income for the period	486.9	390.2	283.5	177.0
Attributable to:				
- shareholders of the Bank	487.1	390.2	283.3	177.1
- non-controlling interest	(0.2)	—	0.2	(0.1)
Total comprehensive income for the period, attributable to shareholders of the Bank from:				
- continuing operations	502.3	417.5	281.1	181.7
- discontinued operations	(15.2)	(27.3)	2.2	(4.6)

Interim Consolidated Statement of Changes in Equity

		Attributable to shareholders of the Bank							
<i>in billions of Russian Roubles</i>	Note	Share capital	Share premium	Treasury shares	Other reserves (Note 17)	Retained earnings	Total	Non-controlling interest	Total equity
Balance as at 1 January 2018		87.7	232.6	(15.3)	61.3	2,996.2	3,362.5	4.0	3,366.5
Changes in equity for the six months ended 30 June 2018 (unaudited)									
Net result from treasury shares transactions	16	—	—	0.6	—	1.2	1.8	—	1.8
Dividends declared		—	—	—	—	(269.8)	(269.8)	—	(269.8)
Transfer of revaluation reserve for office premises upon disposal or depreciation		—	—	—	(1.5)	1.5	—	—	—
Changes in ownership interest in subsidiaries		—	—	—	—	—	—	0.7	0.7
<i>Profit for the period</i>		—	—	—	—	427.4	427.4	—	427.4
<i>Other comprehensive loss for the period</i>		—	—	—	(37.2)	—	(37.2)	—	(37.2)
Total comprehensive (loss) / income for the period		—	—	—	(37.2)	427.4	390.2	—	390.2
Balance as at 30 June 2018 (unaudited)		87.7	232.6	(14.7)	22.6	3,156.5	3,484.7	4.7	3,489.4
Balance as at 31 December 2018		87.7	232.6	(18.1)	(10.9)	3,560.7	3,852.0	3.8	3,855.8
Changes in equity for the six months ended 30 June 2019 (unaudited)									
Net result from treasury shares transactions	16	—	—	2.2	—	0.8	3.0	—	3.0
Dividends declared		—	—	—	—	(360.1)	(360.1)	—	(360.1)
Transfer of revaluation reserve for office premises upon disposal or depreciation		—	—	—	(2.3)	2.3	—	—	—
Changes in ownership interest in subsidiaries		—	—	—	—	—	—	(2.5)	(2.5)
<i>Profit / (loss) for the period</i>		—	—	—	—	477.1	477.1	(0.2)	476.9
<i>Other comprehensive income for the period</i>		—	—	—	10.0	—	10.0	—	10.0
Total comprehensive income / (loss) for the period		—	—	—	10.0	477.1	487.1	(0.2)	486.9
Balance as at 30 June 2019 (unaudited)		87.7	232.6	(15.9)	(3.2)	3,680.8	3,982.0	1.1	3,983.1

Interim Consolidated Statement of Cash Flows

<i>(unaudited)</i> <i>in billions of Russian Roubles</i>	Note	Six months ended 30 June	
		2019	2018
Cash flows from operating activities			
Interest income calculated using the effective interest method received		1,195.2	1,060.0
Other interest income received		60.0	72.0
Interest expense calculated using the effective interest method paid		(437.2)	(361.5)
Other interest expense paid		(14.3)	(10.1)
Deposit insurance expenses paid		(41.2)	(32.8)
Fees and commissions received		339.5	298.8
Fees and commissions paid		(90.7)	(71.9)
Net gains received on non-derivative financial instruments at fair value through profit or loss		(12.5)	0.8
Net gains / (losses) received from financial instruments at fair value through other comprehensive income		2.1	(0.7)
Dividends received		2.3	0.4
Net gains received on derivatives, trading in foreign currencies and operations with precious metals		37.0	28.2
Revenue received from non-core business activities		13.1	16.8
Expenses paid on non-core business activities		(11.0)	(13.6)
Insurance premiums received		101.9	97.8
Claims, benefits and acquisition costs on insurance operations paid		(15.8)	(5.5)
Pension fund premiums received		5.4	98.5
Claims, benefits and acquisition costs on pension fund operations paid		(9.5)	(15.8)
Income received from operating lease of equipment		5.1	3.6
Expenses paid related to equipment leased out		(0.2)	(0.3)
Other net operating income received		2.3	10.4
Staff and administrative expenses paid		(242.9)	(252.4)
Income tax paid		(141.2)	(132.4)
Cash flows from operating activities before changes in operating assets and liabilities		747.4	790.3
Changes in operating assets and liabilities			
Net (increase) / decrease in mandatory cash balances with central banks		(46.4)	16.2
Net (increase) / decrease in due from banks		(177.6)	260.8
Net increase in loans and advances to customers		47.2	(1,244.9)
Net increase in securities and financial instruments pledged under repurchase agreements		(663.4)	(330.5)
Net increase in derivative financial assets		(6.2)	(6.0)
Net decrease / (increase) in other assets		11.1	(139.4)
Net decrease in due to banks		(411.4)	(133.0)
Net increase in due to individuals		353.6	204.1
Net increase in due to corporate customers		952.1	596.4
Net (decrease) / increase in debt securities in issue		(139.9)	29.8
Net decrease in other borrowed funds		(29.7)	(9.3)
Net increase / (decrease) in obligations to deliver securities		11.5	(8.0)
Net increase in other liabilities		94.6	4.3
Net cash from operating activities		742.9	30.8

Interim Consolidated Statement of Cash Flows (continued)

		Six months ended 30 June	
<i>(unaudited)</i> <i>in billions of Russian Roubles</i>			
	Note	2019	2018
Cash flows from investing activities			
Acquisition of premises, equipment and intangible assets		(68.8)	(46.1)
Proceeds from disposal of premises, equipment and intangible assets		19.1	1.9
Acquisition of investment property		—	(0.1)
Proceeds from disposal of investment property		0.4	0.5
Acquisition of associates and joint ventures		(4.7)	(30.1)
Proceeds from disposal of associates		5.2	0.1
Acquisition of subsidiaries net of cash acquired		(0.8)	(1.4)
Proceeds from disposal of subsidiaries net of cash disposed		5.6	0.5
Net cash used in investing activities		(44.0)	(74.7)
Cash flows from financing activities			
Funds received from subordinated debt issued or reissued		1.0	0.1
Redemption of subordinated debt		(63.9)	(24.3)
Cash received from non-controlling shareholders		1.4	0.5
Purchase of treasury shares		(5.1)	(3.6)
Proceeds from disposal of treasury shares		8.1	5.4
Cash outflow for lease liabilities		(9.2)	—
Dividends paid	16	(355.1)	—
Net cash used in financing activities		(422.8)	(21.9)
Effect of exchange rate changes on cash and cash equivalents		(105.3)	32.7
Net increase / (decrease) in cash and cash equivalents		170.8	(33.1)
Cash and cash equivalents of discontinued operations at the beginning of the reporting period		269.6	—
Cash and cash equivalents of continuing operations at the beginning of the reporting period		2,098.8	2,329.4
Cash and cash equivalents of discontinued operations at the end of the period		212.2	237.8
Cash and cash equivalents of continuing operations at the end of the period		2,327.0	2,058.5

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 June 2019

1 Introduction

These interim condensed consolidated financial statements of Sberbank of Russia (Sberbank, the “Bank”) and its subsidiaries (together referred to as the “Group” or “Sberbank Group”) have been prepared in accordance with IAS 34 “Interim Financial Reporting” for the six months ended 30 June 2019. Principal subsidiaries include Russian and foreign commercial banks and other companies controlled by the Group. A list of principal subsidiaries included in these interim condensed consolidated financial statements is disclosed in Note 24.

The Bank is a public joint-stock commercial bank established in 1841 and operating in various forms since then. The Bank was incorporated and is domiciled in the Russian Federation. The Bank’s principal shareholder, the Central Bank of the Russian Federation (the “Bank of Russia”), owns 52.3% of ordinary shares or 50.0% plus 1 share of the issued and outstanding ordinary and preferred shares as at 30 June 2019 (31 December 2018: 52.3% of ordinary shares or 50.0% plus 1 share of the issued and outstanding ordinary and preferred shares).

As at 30 June 2019 the Supervisory Board of the Bank is headed by Sergey M. Ignatiev, Chairman of the Bank of Russia in the period of 2002-2013. The Supervisory Board of the Bank includes representatives from both the Bank’s principal shareholder and other shareholders as well as independent directors.

The Bank operates under a general banking license issued by the Bank of Russia since 1991. In addition, the Bank holds licenses required for trading and holding securities and engaging in other securities-related activities, including acting as a broker, a dealer, a custodian. The Bank is regulated and supervised by the Bank of Russia as a united regulator for banking, insurance and financial markets activities in the Russian Federation. The Group’s banks/companies operate under the banking/companies regulatory regimes of their respective countries.

The Group’s principal business activity is corporate and retail banking. This includes, but is not limited to, deposit taking and commercial lending in freely convertible currencies, local currencies of countries where the subsidiary banks operate and in Russian Roubles, support of clients’ export/import transactions, foreign exchange, securities trading, and trading in derivative financial instruments. The Group’s operations are conducted in both Russian and international markets. As at 30 June 2019 the Group conducts its business in Russia through Sberbank with its network of 11 (31 December 2018: 12) regional head offices, 77 (31 December 2018: 77) branches and 14,169 (31 December 2018: 14,186) sub-branches, and through principal subsidiaries located in Russia such as JSC Sberbank Leasing, LLC Sberbank Capital, Sberbank CIB group companies, JSC Non-state Pension Fund of Sberbank, Insurance company “Sberbank life insurance” LLC, Insurance company “Sberbank insurance” LLC, Sberbank Factoring LLC, Digital Technologies LLC and Cetelem Bank LLC (former BNP Paribas Vostok LLC). From 1 May 2019 Zapadno-Sibirsky Regional head office was reorganized by reallocation of its branch network to Sibirsky and Uralsky Regional head offices. The Group carries out banking operations in Turkey, Ukraine, Belarus, Kazakhstan, Austria, Switzerland and other countries of Central and Eastern Europe and also conducts operations through a branch office in India, representative offices in Germany and China and Sberbank CIB group companies located in the United States of America, the United Kingdom, Cyprus and certain other jurisdictions. In May 2018 the Group signed binding agreement on sale of its operations in Turkey (Refer to Note 7).

The actual headcount of the Group’s full-time employees as at 30 June 2019 was 291,726 (31 December 2018: 293,752).

Registered address and place of business. The Bank’s registered address is: Vavilova str., 19, Moscow, Russian Federation.

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

At 30 June 2019 principal rates of exchange used for translating foreign currency monetary balances and each entity’s functional currency into the Group’s presentation currency were as follows:

	/RR	/UAH	/BYN	/KZT	/EUR	/CHF	/TRY
RR/	1.000	0.415	0.032	6.033	0.014	0.015	0.091
USD/	63.076	26.155	2.042	380.526	0.878	0.974	5.761
EUR/	71.818	29.780	2.325	433.267	1.000	1.109	6.559

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 June 2019

1 Introduction (continued)

At 31 December 2018 principal rates of exchange used for translating foreign currency monetary balances and each entity's functional currency into the Group's presentation currency were as follows:

	/RR	/UAH	/BYN	/KZT	/EUR	/CHF	/TRY
RR/	1.000	0.399	0.031	5.538	0.013	0.014	0.076
USD/	69.471	27.710	2.166	384.729	0.874	0.984	5.273
EUR/	79.461	31.695	2.477	440.054	1.000	1.126	6.031

2 Basis of Preparation and 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 annual consolidated financial statements of the Group for the year ended 31 December 2018.

These interim condensed consolidated financial statements do not contain all the explanatory notes as required for a full set of consolidated financial statements.

The accounting policies and methods of computation applied in the preparation of these interim condensed consolidated financial statements are consistent with those disclosed in the annual consolidated financial statements of the Group for the year ended 31 December 2018 in the Note "Basis of preparation and significant accounting policies", except (i) for income tax expense which is recognized in these interim condensed consolidated financial statements based on management's best estimates of the weighted average income tax rate expected for the full financial year, (ii) for the changes introduced due to implementation of new and revised standards and interpretations as at 1 January 2019 or as at the date indicated (Note 3) and (iii) for the changes in presentation of foreign currency exchange effects on credit loss allowance and changes in presentation of value added tax on fee and commission expenses (Note 3). New significant accounting policies applicable from 1 January 2019 are detailed below.

Right-of-use assets and lease liabilities. From 1 January 2019, leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the right-of-use asset's useful life and the lease term on a straight-line basis.

Right-of-use assets are disclosed within premises, equipment and right-of-use assets line of the consolidated statement of financial position, lease liabilities are disclosed within other liabilities line of the consolidated statement of financial position. Finance cost is disclosed within interest expense calculated using the effective interest method line of the consolidated statement of profit or loss, depreciation of right-of-use assets is disclosed within staff and administrative expenses line of the consolidated statement of profit or loss. Cash outflow for lease liabilities is disclosed within cash flows from financing activities of the consolidated statement of cash flows.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable under cancellable and non-cancellable operating leases,
- variable lease payments that are based on an index or a rate,
- amounts expected to be payable by the lessee under residual value guarantees,
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 June 2019

2 Basis of Preparation and Significant Accounting Policies (continued)

The lease payments are discounted using the lessee's incremental borrowing rate, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

3 Critical Accounting Estimates and Judgements in Applying Accounting Policies, Adoption of New or Revised Standards and Interpretations, Reclassifications

Adoption of new or revised standards and interpretations.

IFRS 16 "Leases". From 1 January 2019 the Group has adopted IFRS 16 "Leases" issued on 13 January 2016 and effective for annual periods beginning on or after 1 January 2019.

The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as was required by IAS 17 and, instead, introduces a single lessee accounting model. The Group applied the standard using the modified retrospective method, without restatement of comparatives. The Group recognized a right-of-use asset of RR 70.0 billion against a corresponding lease liability on 1 January 2019. A reconciliation of the operating lease commitments to this liability is as follows:

<i>(unaudited)</i>	
<i>in billions of Russian Roubles</i>	
	1 January 2019
Lease payments under operating lease	114.2
Adjustments to amount of lease payable:	
Future lease payments that are due in periods subject to lease extension options that are reasonably certain to be exercised	5.8
Recognition exemption: short-term leases	(6.4)
Recognition exemption: the underlying asset is of low value	(0.1)
Future lease payments under IFRS 16	113.5
Effect of discounting	(45.0)
Lease liabilities under IFRS 16	68.5
Amount of prepayments and irrevocable security payments on agreements	1.5
Right-of-use assets under IFRS 16	70.0

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 June 2019

3 Critical Accounting Estimates and Judgements in Applying Accounting Policies, Adoption of New or Revised Standards and Interpretations, Reclassifications (continued)

The following amended standards and interpretations became effective for the Group from 1 January 2019, but did not have any material impact on the Group:

- IFRIC 23 "Uncertainty over Income Tax Treatments" (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019).
- Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures" (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).
- Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement" (issued on 7 February 2018 and effective for annual periods beginning on or after 1 January 2019).
- Annual Improvements to IFRSs 2015-2017 cycle – amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 (issued on 12 December 2017 and effective for annual periods beginning on or after 1 January 2019).

Management's estimates and judgements. Judgements and critical estimates made by Management in the process of applying the accounting policies were consistent with those disclosed in the annual consolidated financial statements for the year ended 31 December 2018. Management has not identified new areas of judgement or critical estimates.

Measurement of ECL allowance. The measurement of expected credit loss allowance for financial assets measured at amortized cost and financial assets measured at fair value through other comprehensive income (FVOCI) is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (e.g. the likelihood of customers defaulting and the resulting losses). A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL;
- Establishing groups of similar financial assets for the purposes of measuring ECL; and
- Assessment of the quality of data and measurement models for assets expected to be received as a result of procedures on settlement of problem loans.

In assessing expected credit losses, the Group takes into account reasonable and confirmed information on current and projected future economic conditions. In this regard, the Group regularly updates projected macroeconomic scenarios which are taken into account in determining expected credit losses. The result of updating the model of forward-looking information for corporate portfolio during the six months of 2019 was an increase of the credit loss allowances in the amount of RR 1.7 billion.

The Group also regularly updates risk metrics based on the latest available external and internal statistics for the purposes of determining most relevant probability of default and losses in case of default. The result of updating the risk metrics during the six months of 2019 was a decrease of the expected credit losses in the amount of RR 1.3 billion.

During the six months of 2019 as a result of the accumulation of statistics on the behavior of clients – leasing companies, the Group has implemented a new probability of default estimation model for these clients. Implementation of this model has allowed to make more accurate expected credit loss assessment as well as to achieve more precise assessment of instruments with significant increase of credit risk. The result of this model implementation during the six months of 2019 was a decrease of the expected credit losses in the amount of RR 2.8 billion.

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 June 2019

3 Critical Accounting Estimates and Judgements in Applying Accounting Policies, Adoption of New or Revised Standards and Interpretations, Reclassifications (continued)

During the six months of 2019 as a result of the accumulation of statistics on the behavior of the credit card portfolio, the Group has implemented new credit risk estimation models for credit cards including probability of default estimation model, the model for assessing losses in case of default and assessing exposure at default. Implementation of these models has allowed to make more accurate expected credit loss assessment as well as to achieve more precise assessment of instruments with significant increase of credit risk. The result of these models implementation during the six months of 2019 was an increase of the expected credit losses in the amount of RR 2.6 billion.

Changes in presentation and reclassifications. In these interim condensed consolidated financial statements the Group changed presentation of the interim consolidated statement of profit or loss due to reclassification of foreign exchange differences related to credit loss allowance for loans in foreign currency and revaluation of loans in foreign currency from credit loss allowance charge and from net (losses) / gains from non-derivative financial instruments at fair value through profit or loss to net gains / (losses) from derivatives, trading in foreign currencies, foreign exchange and precious metals accounts translation. Also the Group changed presentation of the interim consolidated statement of profit or loss due to reclassification of value added tax on fee and commission expenses from staff and administrative expenses to fee and commission expense. Management considers that such presentation results in a more informative and relevant presentation of the financial information and is more consistent with the market practice.

The effect of changes on the interim consolidated statement of profit and loss for the six months and for the three months ended 30 June 2018 is as follows:

<i>(unaudited)</i> <i>in billions of Russian Roubles</i>	As previously reported	Reclassification	As reclassified
Six months ended 30 June 2018			
Net credit loss allowance charge for debt financial assets	(67.0)	34.9	(32.1)
Fee and commission expense	(66.5)	(2.9)	(69.4)
Net (losses) / gains from non-derivative financial instruments at fair value through profit or loss	(28.6)	2.4	(26.2)
Net gains / (losses) from derivatives, trading in foreign currencies, foreign exchange and precious metals accounts translation	25.4	(37.3)	(11.9)
Staff and administrative expenses	(299.4)	2.9	(296.5)

<i>(unaudited)</i> <i>in billions of Russian Roubles</i>	As previously reported	Reclassification	As reclassified
Three months ended 30 June 2018			
Net credit loss allowance charge for debt financial assets	(45.5)	33.5	(12.0)
Fee and commission expense	(37.0)	(1.7)	(38.7)
Net (losses) / gains from non-derivative financial instruments at fair value through profit or loss	(33.2)	2.6	(30.6)
Net gains / (losses) from derivatives, trading in foreign currencies, foreign exchange and precious metals accounts translation	23.0	(36.1)	(13.1)
Staff and administrative expenses	(153.4)	1.7	(151.7)

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 June 2019

4 Loans and Advances to Customers

<i>in billions of Russian Roubles</i>	30 June 2019 (unaudited)	31 December 2018
Loans and advances to customers at amortized cost	18,523.8	18,899.1
Loans and advances to customers at fair value through profit or loss	683.4	685.9
Total loans and advances to customers	19,207.2	19,585.0

Loans and advances to customers at amortized cost

<i>(unaudited)</i> <i>in billions of Russian Roubles</i>	30 June 2019		
	Gross carrying amount	Credit loss allowance	Amortized cost
Commercial loans to legal entities	11,350.3	(881.7)	10,468.6
Project finance loans to legal entities	1,328.0	(186.5)	1,141.5
Mortgage loans to individuals	4,037.6	(81.8)	3,955.8
Consumer and other loans to individuals	2,334.2	(169.0)	2,165.2
Credit cards and overdrafts to individuals	751.9	(83.0)	668.9
Car loans to individuals	132.2	(8.4)	123.8
Total loans and advances to customers at amortized cost	19,934.2	(1,410.4)	18,523.8

<i>in billions of Russian Roubles</i>	31 December 2018		
	Gross carrying amount	Credit loss allowance	Amortized cost
Commercial loans to legal entities	12,420.0	(1,017.2)	11,402.8
Project finance loans to legal entities	1,229.6	(183.0)	1,046.6
Mortgage loans to individuals	3,850.6	(79.2)	3,771.4
Consumer and other loans to individuals	2,108.7	(145.9)	1,962.8
Credit cards and overdrafts to individuals	657.5	(63.8)	593.7
Car loans to individuals	130.0	(8.2)	121.8
Total loans and advances to customers at amortized cost	20,396.4	(1,497.3)	18,899.1

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 June 2019

4 Loans and Advances to Customers (continued)

The tables below show the credit quality analysis of the Group's loans and advances to customers at amortized cost as at 30 June 2019 and 31 December 2018. Credit quality in the table below is based on the scale developed internally by the Group.

					30 June 2019
<i>(unaudited)</i> <i>in billions of Russian Roubles</i>	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Purchased/ originated credit- impaired	Total
Commercial loans to legal entities					
Minimum credit risk	1,791.8	5.4	—	—	1,797.2
Low credit risk	6,491.7	405.3	—	—	6,897.0
Moderate credit risk	1,039.6	478.8	—	—	1,518.4
High credit risk	2.3	141.9	—	—	144.2
Default	—	—	969.9	23.6	993.5
Gross carrying amount of commercial loans to legal entities	9,325.4	1,031.4	969.9	23.6	11,350.3
Credit loss allowance	(93.7)	(111.9)	(663.8)	(12.3)	(881.7)
Total commercial loans to legal entities	9,231.7	919.5	306.1	11.3	10,468.6

					31 December 2018
<i>in billions of Russian Roubles</i>	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Purchased/ originated credit- impaired	Total
Commercial loans to legal entities					
Minimum credit risk	1,696.2	0.8	—	—	1,697.0
Low credit risk	7,193.4	518.1	—	—	7,711.5
Moderate credit risk	1,048.1	698.2	—	—	1,746.3
High credit risk	2.9	128.4	—	—	131.3
Default	—	—	1,115.4	18.5	1,133.9
Gross carrying amount of commercial loans to legal entities	9,940.6	1,345.5	1,115.4	18.5	12,420.0
Credit loss allowance	(103.3)	(116.7)	(788.5)	(8.7)	(1,017.2)
Total commercial loans to legal entities	9,837.3	1,228.8	326.9	9.8	11,402.8

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 June 2019

4 Loans and Advances to Customers (continued)

	30 June 2019				
<i>(unaudited)</i> <i>in billions of Russian Roubles</i>	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Purchased/ originated credit- impaired	Total
Project finance loans to legal entities					
Minimum credit risk	99.4	0.1	—	—	99.5
Low credit risk	536.1	8.8	—	—	544.9
Moderate credit risk	319.9	73.2	—	—	393.1
High credit risk	0.2	60.0	—	3.4	63.6
Default	—	—	226.9	—	226.9
Gross carrying amount of project finance loans to legal entities	955.6	142.1	226.9	3.4	1,328.0
Credit loss allowance	(19.3)	(24.5)	(142.6)	(0.1)	(186.5)
Total project finance loans to legal entities	936.3	117.6	84.3	3.3	1,141.5

	31 December 2018				
<i>in billions of Russian Roubles</i>	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Purchased/ originated credit- impaired	Total
Project finance loans to legal entities					
Minimum credit risk	71.4	0.9	—	—	72.3
Low credit risk	537.3	20.1	—	—	557.4
Moderate credit risk	248.9	35.2	—	—	284.1
High credit risk	—	101.6	—	3.7	105.3
Default	—	—	210.4	0.1	210.5
Gross carrying amount of project finance loans to legal entities	857.6	157.8	210.4	3.8	1,229.6
Credit loss allowance	(17.9)	(32.4)	(132.7)	—	(183.0)
Total project finance loans to legal entities	839.7	125.4	77.7	3.8	1,046.6

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 June 2019

4 Loans and Advances to Customers (continued)

	30 June 2019				
<i>(unaudited)</i> <i>in billions of Russian Roubles</i>	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Purchased/ originated credit- impaired	Total
Mortgage loans to individuals					
Minimum credit risk	1,375.5	12.6	—	—	1,388.1
Low credit risk	2,329.4	112.7	—	—	2,442.1
Moderate credit risk	42.2	67.8	—	—	110.0
High credit risk	0.4	11.6	—	—	12.0
Default	—	—	83.2	2.2	85.4
Gross carrying amount of mortgage loans to individuals	3,747.5	204.7	83.2	2.2	4,037.6
Credit loss allowance	(22.2)	(12.5)	(46.1)	(1.0)	(81.8)
Total mortgage loans to individuals	3,725.3	192.2	37.1	1.2	3,955.8

	31 December 2018				
<i>in billions of Russian Roubles</i>	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Purchased/ originated credit- impaired	Total
Mortgage loans to individuals					
Minimum credit risk	1,413.3	11.8	—	—	1,425.1
Low credit risk	2,127.0	102.1	—	—	2,229.1
Moderate credit risk	33.8	61.0	—	—	94.8
High credit risk	—	10.2	—	—	10.2
Default	—	—	89.2	2.2	91.4
Gross carrying amount of mortgage loans to individuals	3,574.1	185.1	89.2	2.2	3,850.6
Credit loss allowance	(19.5)	(11.6)	(47.0)	(1.1)	(79.2)
Total mortgage loans to individuals	3,554.6	173.5	42.2	1.1	3,771.4

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 June 2019

4 Loans and Advances to Customers (continued)

	30 June 2019				
<i>(unaudited)</i> <i>in billions of Russian Roubles</i>	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Purchased/ originated credit- impaired	Total
Consumer and other loans to individuals					
Minimum credit risk	53.9	—	—	—	53.9
Low credit risk	1,686.1	27.7	—	—	1,713.8
Moderate credit risk	327.0	37.7	—	—	364.7
High credit risk	2.7	32.9	—	—	35.6
Default	—	—	166.2	—	166.2
Gross carrying amount of consumer and other loans to individuals	2,069.7	98.3	166.2	—	2,334.2
Credit loss allowance	(28.5)	(13.2)	(127.3)	—	(169.0)
Total consumer and other loans to individuals	2,041.2	85.1	38.9	—	2,165.2

	31 December 2018				
<i>in billions of Russian Roubles</i>	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Purchased/ originated credit- impaired	Total
Consumer and other loans to individuals					
Minimum credit risk	53.5	—	—	—	53.5
Low credit risk	1,569.3	24.7	—	—	1,594.0
Moderate credit risk	255.1	32.6	—	—	287.7
High credit risk	1.9	22.7	—	—	24.6
Default	—	—	148.9	—	148.9
Gross carrying amount of consumer and other loans to individuals	1,879.8	80.0	148.9	—	2,108.7
Credit loss allowance	(24.2)	(9.7)	(112.0)	—	(145.9)
Total consumer and other loans to individuals	1,855.6	70.3	36.9	—	1,962.8

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 June 2019

4 Loans and Advances to Customers (continued)

	30 June 2019				
<i>(unaudited)</i> <i>in billions of Russian Roubles</i>	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Purchased/ originated credit- impaired	Total
Credit cards and overdrafts to individuals					
Minimum credit risk	78.3	—	—	—	78.3
Low credit risk	524.2	3.5	—	—	527.7
Moderate credit risk	22.8	37.4	—	—	60.2
High credit risk	—	14.6	—	—	14.6
Default	—	—	71.1	—	71.1
Gross carrying amount of credit cards and overdrafts to individuals	625.3	55.5	71.1	—	751.9
Credit loss allowance	(6.1)	(12.9)	(64.0)	—	(83.0)
Total credit cards and overdrafts to individuals	619.2	42.6	7.1	—	668.9

	31 December 2018				
<i>in billions of Russian Roubles</i>	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Purchased/ originated credit- impaired	Total
Credit cards and overdrafts to individuals					
Minimum credit risk	2.4	0.1	—	—	2.5
Low credit risk	459.5	64.3	—	—	523.8
Moderate credit risk	24.3	41.8	—	—	66.1
High credit risk	0.1	6.7	—	—	6.8
Default	—	—	58.3	—	58.3
Gross carrying amount of credit cards and overdrafts to individuals	486.3	112.9	58.3	—	657.5
Credit loss allowance	(6.1)	(6.0)	(51.7)	—	(63.8)
Total credit cards and overdrafts to individuals	480.2	106.9	6.6	—	593.7

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 June 2019

4 Loans and Advances to Customers (continued)

	30 June 2019				
<i>(unaudited)</i> <i>in billions of Russian Roubles</i>	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Purchased/ originated credit- impaired	Total
Car loans to individuals					
Minimum credit risk	1.7	—	—	—	1.7
Low credit risk	120.0	0.1	—	—	120.1
Moderate credit risk	0.9	—	—	—	0.9
High credit risk	—	0.6	—	—	0.6
Default	—	—	8.9	—	8.9
Gross carrying amount of car loans to individuals	122.6	0.7	8.9	—	132.2
Credit loss allowance	(0.5)	(0.1)	(7.8)	—	(8.4)
Total car loans to individuals	122.1	0.6	1.1	—	123.8

	31 December 2018				
<i>in billions of Russian Roubles</i>	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Purchased/ originated credit- impaired	Total
Car loans to individuals					
Minimum credit risk	1.4	—	—	—	1.4
Low credit risk	118.9	—	—	—	118.9
Moderate credit risk	0.6	—	—	—	0.6
High credit risk	—	0.4	—	—	0.4
Default	—	—	8.7	—	8.7
Gross carrying amount of car loans to individuals	120.9	0.4	8.7	—	130.0
Credit loss allowance	(0.5)	(0.1)	(7.6)	—	(8.2)
Total car loans to individuals	120.4	0.3	1.1	—	121.8

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 June 2019

4 Loans and Advances to Customers (continued)

The following tables explain the changes in the credit loss allowance of loans and advances to customers at amortized cost between the beginning and the end of the reporting period.

<i>(unaudited)</i> <i>in billions of Russian Roubles</i>	Credit loss allowance				
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Purchased/ originated credit- impaired	Total
Total loans and advances to customers					
At 1 January 2019	171.5	176.5	1,139.5	9.8	1,497.3
<i>Movements with impact on credit loss allowance charge for the period:</i>					
Transfers and corresponding remeasurement of credit loss allowances:					
- to 12-month ECL	21.8	(38.3)	(10.1)	—	(26.6)
- to lifetime ECL not credit-impaired	(17.9)	76.1	(5.6)	—	52.6
- to lifetime ECL credit-impaired	(10.4)	(37.0)	96.5	—	49.1
Changes to ECL measurement model assumptions and estimates	0.7	0.9	(1.4)	—	0.2
Net other remeasurement of credit loss allowance	9.1	5.2	(63.3)	3.5	(45.5)
Total movements with impact on credit loss allowance charge for the period	3.3	6.9	16.1	3.5	29.8
<i>Movements without impact on credit loss allowance charge for the period:</i>					
Write-offs	—	—	(85.2)	—	(85.2)
Foreign exchange differences and exchange differences on translating foreign operations	(4.4)	(7.0)	(40.9)	(0.1)	(52.4)
Remeasurement of credit loss allowance to reflect all contractually receivable interest	—	—	20.3	0.1	20.4
Other movements	(0.1)	(1.3)	1.9	0.1	0.6
Disposal of subsidiaries and reclassification of discontinued operations and assets held for sale	—	—	(0.1)	—	(0.1)
Total movements without impact on credit loss allowance charge for the period	(4.5)	(8.3)	(104.0)	0.1	(116.7)
At 30 June 2019	170.3	175.1	1,051.6	13.4	1,410.4

Net other remeasurement of credit loss allowance includes movements due to net remeasurement of credit loss allowance within the same stage, new originated or purchased loans and impact of other increases in gross carrying amount, loans derecognized during the period and impact of other decreases in gross carrying amount, and other movements.

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 June 2019

4 Loans and Advances to Customers (continued)

(unaudited) in billions of Russian Roubles	Credit loss allowance				Total
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Purchased/ originated credit- impaired	
Total loans and advances to customers					
At 31 March 2019	163.9	181.9	1,114.1	11.0	1,470.9
<i>Movements with impact on credit loss allowance charge for the period:</i>					
Transfers and corresponding remeasurement of credit loss allowances:					
- to 12-month ECL	14.1	(23.3)	(5.2)	—	(14.4)
- to lifetime ECL not credit-impaired	(5.2)	41.1	(3.0)	—	32.9
- to lifetime ECL credit-impaired	(0.7)	(28.0)	60.3	—	31.6
Changes to ECL measurement model assumptions and estimates	(0.1)	(2.9)	0.2	—	(2.8)
Net other remeasurement of credit loss allowance	(0.1)	9.0	(50.9)	2.4	(39.6)
Total movements with impact on credit loss allowance charge for the period	8.0	(4.1)	1.4	2.4	7.7
<i>Movements without impact on credit loss allowance charge for the period:</i>					
Write-offs	—	—	(69.3)	—	(69.3)
Foreign exchange differences and exchange differences on translating foreign operations	(1.3)	(1.3)	(8.0)	(0.1)	(10.7)
Remeasurement of credit loss allowance to reflect all contractually receivable interest	—	—	11.3	0.1	11.4
Other movements	(0.3)	(1.4)	2.1	—	0.4
Total movements without impact on credit loss allowance charge for the period	(1.6)	(2.7)	(63.9)	—	(68.2)
At 30 June 2019	170.3	175.1	1,051.6	13.4	1,410.4

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 June 2019

4 Loans and Advances to Customers (continued)

<i>(unaudited)</i> <i>in billions of Russian Roubles</i>	Credit loss allowance				Total
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Purchased/ originated credit- impaired	
Total loans and advances to customers					
At 1 January 2018	272.8	129.4	1,101.8	12.8	1,516.8
<i>Movements with impact on credit loss allowance charge from continuing operations for the period:</i>					
Transfers and corresponding remeasurement of credit loss allowances:					
- to 12-month ECL	10.7	(18.5)	(13.4)	—	(21.2)
- to lifetime ECL not credit-impaired	(40.1)	115.0	(26.1)	—	48.8
- to lifetime ECL credit-impaired	(3.0)	(30.7)	85.3	—	51.6
Net other remeasurement of credit loss allowance	(15.7)	(32.9)	2.0	(0.4)	(47.0)
Total movements with impact on credit loss allowance charge from continuing operations for the period	(48.1)	32.9	47.8	(0.4)	32.2
Net remeasurement of credit loss allowance of discontinued operations	0.8	22.6	4.2	—	27.6
<i>Movements without impact on credit loss allowance charge for the period:</i>					
Write-offs	—	—	(88.6)	—	(88.6)
Foreign exchange differences and exchange differences on translating foreign operations	7.6	10.3	37.8	(1.9)	53.8
Remeasurement of credit loss allowance to reflect all contractually receivable interest	—	—	15.6	—	15.6
Other movements	(7.6)	—	3.6	—	(4.0)
Disposal of subsidiaries and reclassification of discontinued operations and assets held for sale	(15.6)	(40.7)	(51.8)	—	(108.1)
Total movements without impact on credit loss allowance charge for the period	(15.6)	(30.4)	(83.4)	(1.9)	(131.3)
At 30 June 2018	209.9	154.5	1,070.4	10.5	1,445.3

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 June 2019

4 Loans and Advances to Customers (continued)

<i>(unaudited)</i> <i>in billions of Russian Roubles</i>	Credit loss allowance				Total
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Purchased/ originated credit- impaired	
Total loans and advances to customers					
At 31 March 2018	250.4	161.5	1,097.4	10.9	1,520.2
<i>Movements with impact on credit loss allowance charge from continuing operations for the period:</i>					
Transfers and corresponding remeasurement of credit loss allowances:					
- to 12-month ECL	5.8	(15.2)	(5.9)	—	(15.3)
- to lifetime ECL not credit-impaired	(25.4)	55.5	(9.3)	—	20.8
- to lifetime ECL credit-impaired	(0.8)	(9.7)	42.3	—	31.8
Net other remeasurement of credit loss allowance	(11.5)	(9.0)	(8.2)	1.7	(27.0)
Total movements with impact on credit loss allowance charge from continuing operations for the period	(31.9)	21.6	18.9	1.7	10.3
<i>Movements without impact on credit loss allowance charge for the period:</i>					
Write-offs	—	—	(39.9)	—	(39.9)
Foreign exchange differences and exchange differences on translating foreign operations	7.0	12.1	35.3	(2.1)	52.3
Remeasurement of credit loss allowance to reflect all contractually receivable interest	—	—	8.9	—	8.9
Other movements	—	—	1.6	—	1.6
Disposal of subsidiaries and reclassification of discontinued operations and assets held for sale	(15.6)	(40.7)	(51.8)	—	(108.1)
Total movements without impact on credit loss allowance charge for the period	(8.6)	(28.6)	(45.9)	(2.1)	(85.2)
At 30 June 2018	209.9	154.5	1,070.4	10.5	1,445.3

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 June 2019

4 Loans and Advances to Customers (continued)

	Credit loss allowance				
(unaudited) in billions of Russian Roubles	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Purchased/ originated credit- impaired	Total
Loans and advances to legal entities					
At 1 January 2019	121.2	149.1	921.2	8.7	1,200.2
<i>Movements with impact on credit loss allowance charge for the period:</i>					
Transfers and corresponding remeasurement of credit loss allowances:					
- to 12-month ECL	18.5	(27.2)	(3.3)	—	(12.0)
- to lifetime ECL not credit-impaired	(9.7)	37.4	(3.4)	—	24.3
- to lifetime ECL credit-impaired	(9.8)	(21.6)	55.0	—	23.6
Changes to ECL measurement model assumptions and estimates	1.7	(2.4)	(1.2)	—	(1.9)
Net other remeasurement of credit loss allowance	(4.8)	9.5	(58.9)	3.6	(50.6)
Total movements with impact on credit loss allowance charge for the period	(4.1)	(4.3)	(11.8)	3.6	(16.6)
<i>Movements without impact on credit loss allowance charge for the period:</i>					
Write-offs	—	—	(77.8)	—	(77.8)
Foreign exchange differences and exchange differences on translating foreign operations	(4.0)	(7.1)	(39.5)	—	(50.6)
Remeasurement of credit loss allowance to reflect all contractually receivable interest	—	—	13.0	—	13.0
Other movements	(0.1)	(1.3)	1.4	0.1	0.1
Disposal of subsidiaries and reclassification of discontinued operations and assets held for sale	—	—	(0.1)	—	(0.1)
Total movements without impact on credit loss allowance charge for the period	(4.1)	(8.4)	(103.0)	0.1	(115.4)
At 30 June 2019	113.0	136.4	806.4	12.4	1,068.2

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 June 2019

4 Loans and Advances to Customers (continued)

	Credit loss allowance				
(unaudited) in billions of Russian Roubles	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Purchased/ originated credit- impaired	Total
Loans and advances to legal entities					
At 31 March 2019	111.3	146.1	884.8	10.0	1,152.2
<i>Movements with impact on credit loss allowance charge for the period:</i>					
Transfers and corresponding remeasurement of credit loss allowances:					
- to 12-month ECL	12.5	(17.2)	(2.0)	—	(6.7)
- to lifetime ECL not credit-impaired	(3.2)	23.7	(2.0)	—	18.5
- to lifetime ECL credit-impaired	(0.4)	(19.3)	37.5	—	17.8
Changes to ECL measurement model assumptions and estimates	(0.1)	(2.9)	0.2	—	(2.8)
Net other remeasurement of credit loss allowance	(5.7)	8.9	(47.9)	2.4	(42.3)
Total movements with impact on credit loss allowance charge for the period	3.1	(6.8)	(14.2)	2.4	(15.5)
<i>Movements without impact on credit loss allowance charge for the period:</i>					
Write-offs	—	—	(65.1)	—	(65.1)
Foreign exchange differences and exchange differences on translating foreign operations	(1.1)	(1.5)	(8.1)	—	(10.7)
Remeasurement of credit loss allowance to reflect all contractually receivable interest	—	—	7.4	—	7.4
Other movements	(0.3)	(1.4)	1.6	—	(0.1)
Total movements without impact on credit loss allowance charge for the period	(1.4)	(2.9)	(64.2)	—	(68.5)
At 30 June 2019	113.0	136.4	806.4	12.4	1,068.2

Increase of loans write-offs and recovery of credit loss allowance in the second quarter of 2019 was mainly driven by the debt restructuring of Agrokor Holding. Additional information on the Agrokor Holding restructuring is presented in Note 8.

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 June 2019

4 Loans and Advances to Customers (continued)

(unaudited) in billions of Russian Roubles	Credit loss allowance				Total
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Purchased/ originated credit- impaired	
Loans and advances to legal entities					
At 1 January 2018	213.2	105.4	898.7	11.7	1,229.0
<i>Movements with impact on credit loss allowance charge from continuing operations for the period:</i>					
Transfers and corresponding remeasurement of credit loss allowances:					
- to 12-month ECL	8.0	(14.1)	(13.2)	—	(19.3)
- to lifetime ECL not credit-impaired	(37.8)	100.5	(26.0)	—	36.7
- to lifetime ECL credit-impaired	(2.7)	(20.2)	61.5	—	38.6
Net other remeasurement of credit loss allowance	(21.7)	(34.2)	10.4	(0.4)	(45.9)
Total movements with impact on credit loss allowance charge from continuing operations for the period	(54.2)	32.0	32.7	(0.4)	10.1
Net remeasurement of credit loss allowance of discontinued operations	0.6	22.5	3.3	—	26.4
<i>Movements without impact on credit loss allowance charge for the period:</i>					
Write-offs	—	—	(69.5)	—	(69.5)
Foreign exchange differences and exchange differences on translating foreign operations	7.0	10.1	38.1	(1.9)	53.3
Remeasurement of credit loss allowance to reflect all contractually receivable interest	—	—	9.3	—	9.3
Other movements	(7.6)	—	1.7	—	(5.9)
Disposal of subsidiaries and reclassification of discontinued operations and assets held for sale	(10.5)	(39.1)	(38.0)	—	(87.6)
Total movements without impact on credit loss allowance charge for the period	(11.1)	(29.0)	(58.4)	(1.9)	(100.4)
At 30 June 2018	148.5	130.9	876.3	9.4	1,165.1

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 June 2019

4 Loans and Advances to Customers (continued)

<i>(unaudited)</i> <i>in billions of Russian Roubles</i>	Credit loss allowance				Total
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Purchased/ originated credit- impaired	
Loans and advances to legal entities					
At 31 March 2018	189.5	137.3	891.8	9.8	1,228.4
<i>Movements with impact on credit loss allowance charge from continuing operations for the period:</i>					
Transfers and corresponding remeasurement of credit loss allowances:					
- to 12-month ECL	4.7	(13.0)	(5.9)	—	(14.2)
- to lifetime ECL not credit-impaired	(24.7)	48.5	(9.2)	—	14.6
- to lifetime ECL credit-impaired	(0.7)	(4.9)	28.5	—	22.9
Net other remeasurement of credit loss allowance	(15.9)	(9.3)	(0.4)	1.7	(23.9)
Total movements with impact on credit loss allowance charge from continuing operations for the period	(36.6)	21.3	13.0	1.7	(0.6)
<i>Movements without impact on credit loss allowance charge for the period:</i>					
Write-offs	—	—	(31.9)	—	(31.9)
Foreign exchange differences and exchange differences on translating foreign operations	6.1	11.4	35.6	(2.1)	51.0
Remeasurement of credit loss allowance to reflect all contractually receivable interest	—	—	5.1	—	5.1
Other movements	—	—	0.7	—	0.7
Disposal of subsidiaries and reclassification of discontinued operations and assets held for sale	(10.5)	(39.1)	(38.0)	—	(87.6)
Total movements without impact on credit loss allowance charge for the period	(4.4)	(27.7)	(28.5)	(2.1)	(62.7)
At 30 June 2018	148.5	130.9	876.3	9.4	1,165.1

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 June 2019

4 Loans and Advances to Customers (continued)

<i>(unaudited)</i> <i>in billions of Russian Roubles</i>	Credit loss allowance				Total
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Purchased/ originated credit- impaired	
Mortgage loans to individuals					
At 1 January 2019	19.5	11.6	47.0	1.1	79.2
<i>Movements with impact on credit loss allowance charge for the period:</i>					
Transfers and corresponding remeasurement of credit loss allowances:					
- to 12-month ECL	0.9	(3.1)	(3.6)	—	(5.8)
- to lifetime ECL not credit-impaired	(0.8)	6.5	(1.4)	—	4.3
- to lifetime ECL credit-impaired	(0.1)	(1.9)	7.0	—	5.0
Changes to ECL measurement model assumptions and estimates	—	(0.5)	—	—	(0.5)
Net other remeasurement of credit loss allowance	2.7	(0.2)	(3.1)	(0.1)	(0.7)
Total movements with impact on credit loss allowance charge for the period	2.7	0.8	(1.1)	(0.1)	2.3
<i>Movements without impact on credit loss allowance charge for the period:</i>					
Write-offs	—	—	(0.6)	—	(0.6)
Foreign exchange differences and exchange differences on translating foreign operations	—	0.1	(0.5)	(0.1)	(0.5)
Remeasurement of credit loss allowance to reflect all contractually receivable interest	—	—	1.3	0.1	1.4
Total movements without impact on credit loss allowance charge for the period	—	0.1	0.2	—	0.3
At 30 June 2019	22.2	12.5	46.1	1.0	81.8

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 June 2019

4 Loans and Advances to Customers (continued)

(unaudited) in billions of Russian Roubles	Credit loss allowance				Total
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Purchased/ originated credit- impaired	
Mortgage loans to individuals					
At 31 March 2019	20.8	12.6	44.7	1.0	79.1
<i>Movements with impact on credit loss allowance charge for the period:</i>					
Transfers and corresponding remeasurement of credit loss allowances:					
- to 12-month ECL	0.6	(1.8)	(1.4)	—	(2.6)
- to lifetime ECL not credit-impaired	(0.4)	2.9	(0.6)	—	1.9
- to lifetime ECL credit-impaired	(0.1)	(1.0)	3.7	—	2.6
Net other remeasurement of credit loss allowance	1.3	(0.3)	(0.6)	—	0.4
Total movements with impact on credit loss allowance charge for the period	1.4	(0.2)	1.1	—	2.3
<i>Movements without impact on credit loss allowance charge for the period:</i>					
Write-offs	—	—	(0.2)	—	(0.2)
Foreign exchange differences and exchange differences on translating foreign operations	—	0.1	(0.2)	(0.1)	(0.2)
Remeasurement of credit loss allowance to reflect all contractually receivable interest	—	—	0.7	0.1	0.8
Total movements without impact on credit loss allowance charge for the period	—	0.1	0.3	—	0.4
At 30 June 2019	22.2	12.5	46.1	1.0	81.8

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 June 2019

4 Loans and Advances to Customers (continued)

(unaudited) in billions of Russian Roubles	Credit loss allowance				Total
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Purchased/ originated credit- impaired	
Mortgage loans to individuals					
At 1 January 2018	27.8	7.9	41.1	1.1	77.9
<i>Movements with impact on credit loss allowance charge from continuing operations for the period:</i>					
Transfers and corresponding remeasurement of credit loss allowances:					
- to 12-month ECL	0.8	(2.4)	(0.1)	—	(1.7)
- to lifetime ECL not credit-impaired	(0.6)	5.6	(0.1)	—	4.9
- to lifetime ECL credit-impaired	(0.1)	(2.6)	4.9	—	2.2
Net other remeasurement of credit loss allowance	1.7	(0.3)	(10.5)	—	(9.1)
Total movements with impact on credit loss allowance charge from continuing operations for the period	1.8	0.3	(5.8)	—	(3.7)
<i>Movements without impact on credit loss allowance charge for the period:</i>					
Write-offs	—	—	(1.9)	—	(1.9)
Foreign exchange differences and exchange differences on translating foreign operations	0.5	—	0.1	—	0.6
Remeasurement of credit loss allowance to reflect all contractually receivable interest	—	—	0.4	—	0.4
Other movements	—	—	0.5	—	0.5
Total movements without impact on credit loss allowance charge for the period	0.5	—	(0.9)	—	(0.4)
At 30 June 2018	30.1	8.2	34.4	1.1	73.8

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 June 2019

4 Loans and Advances to Customers (continued)

<i>(unaudited)</i> <i>in billions of Russian Roubles</i>	Credit loss allowance				Total
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Purchased/ originated credit- impaired	
<i>Mortgage loans to individuals</i>					
At 31 March 2018	28.3	8.6	40.4	1.1	78.4
<i>Movements with impact on credit loss allowance charge from continuing operations for the period:</i>					
Transfers and corresponding remeasurement of credit loss allowances:					
- to 12-month ECL	0.4	(1.4)	—	—	(1.0)
- to lifetime ECL not credit-impaired	(0.2)	2.7	(0.1)	—	2.4
- to lifetime ECL credit-impaired	—	(1.3)	3.3	—	2.0
Net other remeasurement of credit loss allowance	1.0	(0.5)	(8.4)	—	(7.9)
Total movements with impact on credit loss allowance charge from continuing operations for the period	1.2	(0.5)	(5.2)	—	(4.5)
<i>Movements without impact on credit loss allowance charge for the period:</i>					
Write-offs	—	—	(0.7)	—	(0.7)
Foreign exchange differences and exchange differences on translating foreign operations	0.6	0.1	(0.3)	—	0.4
Remeasurement of credit loss allowance to reflect all contractually receivable interest	—	—	0.2	—	0.2
Total movements without impact on credit loss allowance charge for the period	0.6	0.1	(0.8)	—	(0.1)
At 30 June 2018	30.1	8.2	34.4	1.1	73.8

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 June 2019

4 Loans and Advances to Customers (continued)

Other loans to individuals include consumer and other loans, credit cards and overdrafts and car loans to individuals.

<i>(unaudited)</i> <i>in billions of Russian Roubles</i>	Credit loss allowance			
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Total
Total other loans to individuals				
At 1 January 2019	30.8	15.8	171.3	217.9
<i>Movements with impact on credit loss allowance charge for the period:</i>				
Transfers and corresponding remeasurement of credit loss allowances:				
- to 12-month ECL	2.4	(8.0)	(3.2)	(8.8)
- to lifetime ECL not credit-impaired	(7.4)	32.2	(0.8)	24.0
- to lifetime ECL credit-impaired	(0.5)	(13.5)	34.5	20.5
Changes to ECL measurement model assumptions and estimates	(1.0)	3.8	(0.2)	2.6
Net other remeasurement of credit loss allowance	11.2	(4.1)	(1.3)	5.8
Total movements with impact on credit loss allowance charge for the period	4.7	10.4	29.0	44.1
<i>Movements without impact on credit loss allowance charge for the period:</i>				
Write-offs	—	—	(6.8)	(6.8)
Foreign exchange differences and exchange differences on translating foreign operations	(0.4)	—	(0.9)	(1.3)
Remeasurement of credit loss allowance to reflect all contractually receivable interest	—	—	6.0	6.0
Other movements	—	—	0.5	0.5
Total movements without impact on credit loss allowance charge for the period	(0.4)	—	(1.2)	(1.6)
At 30 June 2019	35.1	26.2	199.1	260.4

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 June 2019

4 Loans and Advances to Customers (continued)

<i>(unaudited)</i> <i>in billions of Russian Roubles</i>	Credit loss allowance			
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Total
Total other loans to individuals				
At 31 March 2019	31.8	23.2	184.6	239.6
<i>Movements with impact on credit loss allowance charge for the period:</i>				
Transfers and corresponding remeasurement of credit loss allowances:				
- to 12-month ECL	1.0	(4.3)	(1.8)	(5.1)
- to lifetime ECL not credit-impaired	(1.6)	14.5	(0.4)	12.5
- to lifetime ECL credit-impaired	(0.2)	(7.7)	19.1	11.2
Net other remeasurement of credit loss allowance	4.3	0.4	(2.4)	2.3
Total movements with impact on credit loss allowance charge for the period	3.5	2.9	14.5	20.9
<i>Movements without impact on credit loss allowance charge for the period:</i>				
Write-offs	—	—	(4.0)	(4.0)
Foreign exchange differences and exchange differences on translating foreign operations	(0.2)	0.1	0.3	0.2
Remeasurement of credit loss allowance to reflect all contractually receivable interest	—	—	3.2	3.2
Other movements	—	—	0.5	0.5
Total movements without impact on credit loss allowance charge for the period	(0.2)	0.1	—	(0.1)
At 30 June 2019	35.1	26.2	199.1	260.4

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 June 2019

4 Loans and Advances to Customers (continued)

<i>(unaudited)</i> <i>in billions of Russian Roubles</i>	Credit loss allowance			
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Total
Total other loans to individuals				
At 1 January 2018	31.8	16.1	162.0	209.9
<i>Movements with impact on credit loss allowance charge from continuing operations for the period:</i>				
Transfers and corresponding remeasurement of credit loss allowances:				
- to 12-month ECL	1.9	(2.0)	(0.1)	(0.2)
- to lifetime ECL not credit-impaired	(1.7)	8.9	—	7.2
- to lifetime ECL credit-impaired	(0.2)	(7.9)	18.9	10.8
Net other remeasurement of credit loss allowance	4.3	1.6	2.1	8.0
Total movements with impact on credit loss allowance charge from continuing operations for the period	4.3	0.6	20.9	25.8
Net remeasurement of credit loss allowance of discontinued operations	0.2	0.1	0.9	1.2
<i>Movements without impact on credit loss allowance charge for the period:</i>				
Write-offs	—	—	(17.2)	(17.2)
Foreign exchange differences and exchange differences on translating foreign operations	0.1	0.2	(0.4)	(0.1)
Remeasurement of credit loss allowance to reflect all contractually receivable interest	—	—	5.9	5.9
Other movements	—	—	1.4	1.4
Disposal of subsidiaries and reclassification of discontinued operations and assets held for sale	(5.1)	(1.6)	(13.8)	(20.5)
Total movements without impact on credit loss allowance charge for the period	(5.0)	(1.4)	(24.1)	(30.5)
At 30 June 2018	31.3	15.4	159.7	206.4

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 June 2019

4 Loans and Advances to Customers (continued)

<i>(unaudited)</i> <i>in billions of Russian Roubles</i>	Credit loss allowance			
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Total
Total other loans to individuals				
At 31 March 2018	32.6	15.6	165.2	213.4
<i>Movements with impact on credit loss allowance charge from continuing operations for the period:</i>				
Transfers and corresponding remeasurement of credit loss allowances:				
- to 12-month ECL	0.7	(0.8)	—	(0.1)
- to lifetime ECL not credit-impaired	(0.5)	4.3	—	3.8
- to lifetime ECL credit-impaired	(0.1)	(3.5)	10.5	6.9
Net other remeasurement of credit loss allowance	3.4	0.8	0.6	4.8
Total movements with impact on credit loss allowance charge from continuing operations for the period	3.5	0.8	11.1	15.4
<i>Movements without impact on credit loss allowance charge for the period:</i>				
Write-offs	—	—	(7.3)	(7.3)
Foreign exchange differences and exchange differences on translating foreign operations	0.3	0.6	—	0.9
Remeasurement of credit loss allowance to reflect all contractually receivable interest	—	—	3.6	3.6
Other movements	—	—	0.9	0.9
Disposal of subsidiaries and reclassification of discontinued operations and assets held for sale	(5.1)	(1.6)	(13.8)	(20.5)
Total movements without impact on credit loss allowance charge for the period	(4.8)	(1.0)	(16.6)	(22.4)
At 30 June 2018	31.3	15.4	159.7	206.4

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 June 2019

4 Loans and Advances to Customers (continued)

Loans and advances to customers at fair value through profit or loss

The following tables set out the credit quality analysis of the Group's loans and advances to customers measured at fair value through profit or loss as at 30 June 2019 and 31 December 2018 using the credit quality scale same as for loans and advances to customers at amortized cost:

	30 June 2019					
<i>(unaudited)</i> <i>in billions of Russian Roubles</i>	Minimum credit risk	Low credit risk	Moderate credit risk	High credit risk	Default	Total
Commercial loans to legal entities	3.2	130.0	83.4	1.8	2.4	220.8
Project finance loans to legal entities	—	254.5	23.3	75.3	88.8	441.9
Consumer and other loans to individuals	—	—	—	20.7	—	20.7
Total loans and advances to customers at fair value through profit or loss at 30 June 2019	3.2	384.5	106.7	97.8	91.2	683.4

	31 December 2018					
<i>in billions of Russian Roubles</i>	Minimum credit risk	Low credit risk	Moderate credit risk	High credit risk	Default	Total
Commercial loans to legal entities	4.4	124.0	82.3	0.6	3.5	214.8
Project finance loans to legal entities	4.8	227.9	60.0	163.6	10.4	466.7
Consumer and other loans to individuals	—	—	—	4.4	—	4.4
Total loans and advances to customers at fair value through profit or loss at 31 December 2018	9.2	351.9	142.3	168.6	13.9	685.9

For the six months ended 30 June 2019 included in net (losses) / gains from non-derivative financial instruments at fair value through profit or loss is RR 27.8 billion (for the six months ended 30 June 2018: RR 24.9 billion) of negative revaluation of loans and advances to customers at fair value through profit or loss which is mainly driven by a change in credit quality of respective assets. For the three months ended 30 June 2019 there was a positive revaluation of loans and advances to customers at fair value through profit or loss in the amount of RR 0.4 billion (for the three months ended 30 June 2018 negative revaluation comprised RR 23.8 billion).

Current and past-due loans analysis. For the purposes of these interim condensed consolidated financial statements a loan is considered past due when the borrower fails to make any payment due under the loan agreement at the reporting date. In this case the aggregate amount of all amounts due from borrower under the respective loan agreement including accrued interest and commissions is recognized as past due.

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 June 2019

4 Loans and Advances to Customers (continued)

The table below shows the analysis of current and past-due loans at amortized cost and credit loss allowance as at 30 June 2019:

<i>(unaudited)</i> <i>in billions of Russian Roubles</i>	Gross carrying amount of loans	Credit loss allowance	Total amortized cost of loans	Credit loss allowance to gross carrying amount of loans
Commercial loans to legal entities				
Loans not past due	10,869.6	(505.2)	10,364.4	4.6%
Loans 1 to 90 days overdue	57.0	(20.6)	36.4	36.1%
Loans over 90 days overdue	423.7	(355.9)	67.8	84.0%
Total commercial loans to legal entities	11,350.3	(881.7)	10,468.6	7.8%
Project finance loans to legal entities				
Loans not past due	1,144.0	(64.3)	1,079.7	5.6%
Loans 1 to 90 days overdue	59.4	(28.9)	30.5	48.7%
Loans over 90 days overdue	124.6	(93.3)	31.3	74.9%
Total project finance loans to legal entities	1,328.0	(186.5)	1,141.5	14.0%
Total loans to legal entities	12,678.3	(1,068.2)	11,610.1	8.4%
Mortgage loans to individuals				
Loans not past due	3,944.0	(38.1)	3,905.9	1.0%
Loans 1 to 90 days overdue	44.0	(8.6)	35.4	19.5%
Loans over 90 days overdue	49.6	(35.1)	14.5	70.8%
Total mortgage loans to individuals	4,037.6	(81.8)	3,955.8	2.0%
Consumer and other loans to individuals				
Loans not past due	2,140.0	(40.6)	2,099.4	1.9%
Loans 1 to 90 days overdue	49.8	(11.8)	38.0	23.7%
Loans over 90 days overdue	144.4	(116.6)	27.8	80.7%
Total consumer and other loans to individuals	2,334.2	(169.0)	2,165.2	7.2%
Credit cards and overdrafts to individuals				
Loans not past due	649.4	(9.8)	639.6	1.5%
Loans 1 to 90 days overdue	33.1	(10.0)	23.1	30.2%
Loans over 90 days overdue	69.4	(63.2)	6.2	91.1%
Total credit cards and overdrafts to individuals	751.9	(83.0)	668.9	11.0%
Car loans to individuals				
Loans not past due	121.9	(0.5)	121.4	0.4%
Loans 1 to 90 days overdue	1.6	(0.3)	1.3	18.8%
Loans over 90 days overdue	8.7	(7.6)	1.1	87.4%
Total car loans to individuals	132.2	(8.4)	123.8	6.4%
Total loans to individuals	7,255.9	(342.2)	6,913.7	4.7%
Total loans and advances to customers at amortized cost at 30 June 2019	19,934.2	(1,410.4)	18,523.8	7.1%

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 June 2019

4 Loans and Advances to Customers (continued)

The table below shows the analysis of current and past-due loans at amortized cost and credit loss allowance as at 31 December 2018:

<i>in billions of Russian Roubles</i>	Gross carrying amount of loans	Credit loss allowance	Total amortized cost of loans	Credit loss allowance to gross carrying amount of loans
Commercial loans to legal entities				
Loans not past due	11,899.9	(588.5)	11,311.4	4.9%
Loans 1 to 90 days overdue	106.5	(60.3)	46.2	56.6%
Loans over 90 days overdue	413.6	(368.4)	45.2	89.1%
Total commercial loans to legal entities	12,420.0	(1,017.2)	11,402.8	8.2%
Project finance loans to legal entities				
Loans not past due	1,079.8	(77.1)	1,002.7	7.1%
Loans 1 to 90 days overdue	16.1	(6.2)	9.9	38.5%
Loans over 90 days overdue	133.7	(99.7)	34.0	74.6%
Total project finance loans to legal entities	1,229.6	(183.0)	1,046.6	14.9%
Total loans to legal entities	13,649.6	(1,200.2)	12,449.4	8.8%
Mortgage loans to individuals				
Loans not past due	3,763.8	(36.7)	3,727.1	1.0%
Loans 1 to 90 days overdue	36.9	(7.8)	29.1	21.1%
Loans over 90 days overdue	49.9	(34.7)	15.2	69.5%
Total mortgage loans to individuals	3,850.6	(79.2)	3,771.4	2.1%
Consumer and other loans to individuals				
Loans not past due	1,942.8	(34.8)	1,908.0	1.8%
Loans 1 to 90 days overdue	36.4	(8.3)	28.1	22.8%
Loans over 90 days overdue	129.5	(102.8)	26.7	79.4%
Total consumer and other loans to individuals	2,108.7	(145.9)	1,962.8	6.9%
Credit cards and overdrafts to individuals				
Loans not past due	579.1	(8.6)	570.5	1.5%
Loans 1 to 90 days overdue	22.2	(4.6)	17.6	20.7%
Loans over 90 days overdue	56.2	(50.6)	5.6	90.0%
Total credit cards and overdrafts to individuals	657.5	(63.8)	593.7	9.7%
Car loans to individuals				
Loans not past due	120.2	(0.4)	119.8	0.3%
Loans 1 to 90 days overdue	1.1	(0.2)	0.9	18.2%
Loans over 90 days overdue	8.7	(7.6)	1.1	87.4%
Total car loans to individuals	130.0	(8.2)	121.8	6.3%
Total loans to individuals	6,746.8	(297.1)	6,449.7	4.4%
Total loans and advances to customers at amortized cost at 31 December 2018	20,396.4	(1,497.3)	18,899.1	7.3%

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 June 2019

4 Loans and Advances to Customers (continued)

The table below shows the analysis of current and past-due loans at fair value as at 30 June 2019 and 31 December 2018:

<i>in billions of Russian Roubles</i>	Loans and advances at fair value through profit and loss	
	30 June 2019 (unaudited)	31 December 2018
Commercial loans to legal entities		
Loans not past due	217.3	212.1
Loans 1 to 90 days overdue	1.5	2.7
Loans over 90 days overdue	2.0	—
Total commercial loans to legal entities	220.8	214.8
Project finance loans to legal entities		
Loans not past due	365.4	466.7
Loans 1 to 90 days overdue	76.5	—
Total project finance loans to legal entities	441.9	466.7
Total loans to legal entities	662.7	681.5
Consumer loans to individuals		
Loans not past due	20.7	4.4
Total consumer loans to individuals	20.7	4.4
Total loans to individuals	20.7	4.4
Total loans and advances to customers at fair value	683.4	685.9

Economic sector risk concentration. Economic sector risk concentrations within loans and advances to customers of the Group are as follows:

<i>in billions of Russian Roubles</i>	30 June 2019 (unaudited)		31 December 2018	
	Amount	%	Amount	%
Individuals	7,276.6	35.3%	6,751.2	32.0%
Oil and gas	1,761.4	8.5%	1,866.5	8.9%
Real estate	1,611.0	7.8%	1,662.5	7.9%
Metallurgy	1,474.9	7.2%	1,587.1	7.5%
Trade	1,295.0	6.3%	1,527.0	7.2%
Food and agriculture	1,115.2	5.4%	1,105.8	5.2%
Telecommunications	820.1	4.0%	842.1	4.0%
Transport and logistics	752.1	3.6%	811.4	3.8%
Energy	745.8	3.6%	814.8	3.9%
Machinery	732.3	3.6%	845.0	4.0%
Construction	690.5	3.3%	684.1	3.2%
Services	687.7	3.3%	505.3	2.4%
Government and municipal bodies	517.9	2.5%	765.2	3.6%
Chemical industry	346.0	1.7%	574.0	2.7%
Timber industry	110.1	0.5%	100.9	0.5%
Other	681.0	3.4%	639.4	3.2%
Total loans and advances to customers before credit loss allowance	20,617.6	100.0%	21,082.3	100.0%

As at 30 June 2019 the Group had 20 largest groups of related corporate borrowers with aggregated loan amounts due from each of these groups exceeding RR 106.9 billion (31 December 2018: 20 largest groups of related corporate borrowers with aggregated loan amounts due from each of these groups exceeding RR 115.6 billion). The total aggregate amount of these loans was RR 5,078.7 billion or 24.6% of the total gross loan portfolio of the Group (31 December 2018: RR 5,586.0 billion or 26.5%).

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 June 2019

5 Securities

	30 June 2019 (unaudited)	31 December 2018
<i>in billions of Russian Roubles</i>		
Securities measured at fair value through other comprehensive income - debt instruments	2,009.9	1,858.0
Securities measured at amortized cost	1,139.0	1,118.9
Securities mandatorily measured at fair value through profit or loss	487.0	462.7
Securities designated at fair value through other comprehensive income - equity instruments	0.2	0.3
Securities designated at fair value through profit or loss	—	2.6
Total securities	3,636.1	3,442.5

Securities measured at fair value through other comprehensive income - debt instruments

The composition of debt securities at fair value through other comprehensive income as at 30 June 2019 and 31 December 2018 is presented below:

	30 June 2019 (unaudited)	31 December 2018
<i>in billions of Russian Roubles</i>		
Russian federal loan bonds (OFZ bonds)	692.9	939.2
Corporate bonds	538.6	336.7
Bonds of the Bank of Russia	430.4	185.7
Russian Federation Eurobonds	168.3	190.5
Foreign government and municipal bonds	90.0	113.0
Mortgage-backed securities	77.3	80.2
Russian municipal and subfederal bonds	11.0	11.3
Promissory notes	1.4	1.4
Total securities measured at fair value through other comprehensive income - debt instruments	2,009.9	1,858.0

Securities measured at amortized cost

The composition of securities measured at amortized cost as at 30 June 2019 and 31 December 2018 is presented below:

	30 June 2019 (unaudited)	31 December 2018
<i>in billions of Russian Roubles</i>		
Corporate bonds	674.4	701.3
Russian federal loan bonds (OFZ bonds)	257.2	218.5
Russian municipal and subfederal bonds	144.6	149.3
Russian Federation Eurobonds	42.9	39.3
Foreign government and municipal bonds	28.6	19.9
Total securities at amortized cost before credit loss allowance	1,147.7	1,128.3
Credit loss allowance	(8.7)	(9.4)
Total securities at amortized cost	1,139.0	1,118.9

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 June 2019

5 Securities (continued)

Securities mandatorily measured at fair value through profit or loss

The composition of investment securities mandatorily measured at fair value through profit or loss as at 30 June 2019 and 31 December 2018 is presented below:

	30 June 2019 (unaudited)	31 December 2018
<i>in billions of Russian Roubles</i>		
Russian federal loan bonds (OFZ bonds)	247.6	231.0
Corporate bonds	155.4	152.6
Russian Federation Eurobonds	6.8	4.6
Foreign government and municipal bonds	1.4	1.8
Total debt securities mandatorily measured at fair value through profit or loss	411.2	390.0
Corporate shares	59.5	56.9
Investments in mutual funds	16.3	15.8
Total securities mandatorily measured at fair value through profit or loss	487.0	462.7

6 Financial Instruments Pledged under Repurchase Agreements

	30 June 2019 (unaudited)	31 December 2018
<i>in billions of Russian Roubles</i>		
Securities measured at fair value through other comprehensive income - debt instruments	685.4	301.0
Securities measured at amortized cost	20.5	5.9
Securities mandatorily measured at fair value through profit or loss	1.1	0.1
Total financial instruments pledged under repurchase agreements	707.0	307.0

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 June 2019

6 Financial Instruments Pledged under Repurchase Agreements (continued)

Securities measured at fair value through other comprehensive income pledged under repurchase agreements - debt instruments

The composition of debt securities measured at fair value through other comprehensive income pledged under repurchase agreements as at 30 June 2019 and 31 December 2018 is presented below:

	30 June 2019 (unaudited)	31 December 2018
<i>in billions of Russian Roubles</i>		
Russian federal loan bonds (OFZ bonds)	656.1	259.4
Russian Federation Eurobonds	17.3	30.2
Corporate bonds	12.0	7.9
Bonds of the Bank of Russia	—	3.5
Total securities measured at fair value through other comprehensive income pledged under repurchase agreements - debt instruments	685.4	301.0

Securities measured at amortized cost pledged under repurchase agreements

The composition of securities measured at amortized cost pledged under repurchase agreements as at 30 June 2019 and 31 December 2018 is presented below:

	30 June 2019 (unaudited)	31 December 2018
<i>in billions of Russian Roubles</i>		
Corporate bonds	13.7	3.2
Russian municipal and subfederal bonds	5.1	2.2
Russian Federation Eurobonds	1.8	0.5
Total securities measured at amortised cost pledged under repurchase agreements before credit loss allowance	20.6	5.9
Credit loss allowance	(0.1)	—
Total securities measured at amortised cost pledged under repurchase agreements after credit loss allowance	20.5	5.9

7 Disposal Groups and Non-current Assets Held for Sale

	30 June 2019 (unaudited)	31 December 2018
<i>in billions of Russian Roubles</i>		
Assets of discontinued operations	2,261.6	2,562.4
Assets of the disposal groups	23.5	1.3
Non-current assets held for sale	8.0	6.2
Total assets of the disposal groups and non-current assets held for sale	2,293.1	2,569.9
Liabilities of discontinued operations	1,967.1	2,234.8
Liabilities of the disposal groups	21.5	0.3
Total liabilities of the disposal groups	1,988.6	2,235.1

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 June 2019

7 Disposal Groups and Non-current Assets Held for Sale (continued)

Assets and liabilities of discontinued operations consist of assets and liabilities of DenizBank. In May 2018 Sberbank and Emirates NBD Bank PJSC (“Emirates NBD”) signed a definitive agreement whereby Sberbank sells its entire 99.85% stake in DenizBank for TRY 14.6 billion under a locked box mechanism. The price was based on the DenizBank consolidated equity as at 31 October 2017. In addition Emirates NBD were to pay interest on the consideration for the period between 31 October 2017 and the transaction closing. The consideration was to settle in US Dollars and the documentation included hedging element for the TRY/US Dollar exchange rate to be determined within a narrow range. As part of the transaction Emirates NBD were to acquire from Sberbank at nominal value DenizBank’s subordinated debt previously provided by Sberbank. In April 2019 Sberbank and Emirates NBD signed a revised agreement where (i) the total consideration was agreed at TRY 15.48 billion with no interest payments on consideration, (ii) hedging elements for the TRY/US Dollar exchange rate were replaced with other mechanics of the conversion rate calculation and (iii) some other rights and obligations of the parties were reconsidered. At the end of July 2019 the parties have fulfilled all the terms and conditions necessary for the completion of the deal, and Sberbank expects the deal to settle shortly.

Starting from May 2018 DenizBank is considered as discontinued operations. The comparative interim consolidated statement of profit or loss and interim consolidated statement of comprehensive income have been reclassified to show the discontinued operations separately from continuing operations. The cash flows related to the discontinued operations are separately presented in this Note. The business of DenizBank is presented within “Other countries” geographical segment in these interim condensed consolidated financial statements.

The table below shows the assets and liabilities of DenizBank as at 30 June 2019 and 31 December 2018.

	DenizBank	
	30 June 2019 (unaudited)	31 December 2018
<i>in billions of Russian Roubles</i>		
ASSETS		
Cash and cash equivalents	212.2	269.6
Mandatory cash balances with central banks	166.3	167.6
Due from banks	40.9	20.6
Loans and advances to customers	1,524.0	1,796.0
Securities	196.3	170.4
Financial instruments pledged under repurchase agreements	18.0	19.0
Derivative financial assets	21.9	26.3
Deferred tax asset	22.4	23.0
Premises and equipment	17.7	13.1
Other assets	41.9	56.8
Total assets of discontinued operations	2,261.6	2,562.4
LIABILITIES		
Due to banks	36.4	39.8
Due to individuals	1,145.0	1,297.3
Due to corporate customers	461.7	524.5
Debt securities in issue	65.7	52.4
Other borrowed funds	168.6	206.7
Derivative financial liabilities and obligations to deliver securities	11.5	27.0
Deferred tax liability	0.9	0.3
Other liabilities	77.3	86.8
Total liabilities of discontinued operations	1,967.1	2,234.8

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 June 2019

7 Disposal Groups and Non-current Assets Held for Sale (continued)

The results of DenizBank for the six months and for the three months ended 30 June 2019 and 30 June 2018 are presented in the table below:

<i>(unaudited)</i> <i>in billions of Russian Roubles</i>	Six months ended 30 June		DenizBank Three months ended 30 June	
	2019	2018	2019	2018
Interest income calculated using the effective interest method and other interest income	116.6	112.7	56.6	58.6
Interest expense calculated using the effective interest method, other interest expense and deposit insurance expenses	(71.6)	(61.7)	(33.5)	(32.7)
Net interest income	45.0	51.0	23.1	25.9
Fee and commission income	29.1	21.4	14.5	11.3
Fee and commission expense	(7.9)	(6.4)	(4.4)	(3.4)
Net fee and commission income	21.2	15.0	10.1	7.9
Net other operating income, expenses and charges	(61.0)	(68.0)	(28.2)	(19.1)
Income tax expense	(0.3)	(4.0)	(0.6)	(7.7)
Profit / (loss) for the period from discontinued operations	4.9	(6.0)	4.4	7.0
Earnings per ordinary share based on profit from discontinued operations attributable to the shareholders of the Bank, basic and diluted <i>(expressed in RR per share)</i>	0.23	(0.28)	0.20	0.33
Total other comprehensive loss from discontinued operations to be reclassified to profit or loss in subsequent periods, net of tax	(20.1)	(21.3)	(2.2)	(11.6)
Total comprehensive (loss) / income for the period from discontinued operations, attributable to shareholders of the Bank	(15.2)	(27.3)	2.2	(4.6)

Total other comprehensive losses from discontinued operations are formed mainly by exchange difference on translating foreign operations.

The cash flows from / (used in) discontinued operations of DenizBank for the six months ended 30 June 2019 and 30 June 2018 are presented below:

<i>(unaudited)</i> <i>in billions of Russian Roubles</i>	DenizBank Six months ended 30 June	
	2019	2018
Cash flows (used in) / from operating activities	(40.3)	94.1
Cash flows used in investing activities	(3.4)	(2.2)
Cash flows used in financing activities	—	(11.5)
Total cash flows (used in) / from discontinued operations	(43.7)	80.4
Effect of exchange rate changes on cash and cash equivalents	(21.6)	(26.0)

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 June 2019

8 Other Assets

	30 June 2019 (unaudited)	31 December 2018
<i>in billions of Russian Roubles</i>		
Other financial assets		
Receivables on bank cards settlements	107.0	164.4
Investments in associates and joint ventures	83.0	42.6
Settlements on foreign exchange operations	79.6	87.3
Trade receivables	24.3	19.7
Settlements on operations with securities	22.0	19.6
Margin calls transferred	20.5	24.9
Funds in settlement	19.3	20.6
Accrued fees and commissions	14.9	18.8
Restricted cash balances	0.9	1.7
Receivables from Deposit Insurance Agency	0.2	14.1
Other	34.1	32.4
Total other financial assets before credit loss allowance	405.8	446.1
Less credit loss allowance	(8.6)	(10.3)
Total other financial assets after credit loss allowance	397.2	435.8
Other non-financial assets		
Inventory	88.8	93.2
Prepayments for premises and other assets	69.3	55.7
Intangible assets	62.8	64.6
Precious metals	29.3	23.4
Goodwill	12.9	10.8
Tax settlements (other than on income tax)	11.9	8.7
Prepayment on income tax	21.6	20.7
Investment property	5.2	4.8
Prepaid expenses	1.7	2.3
Other	63.0	58.8
Total other non-financial assets before provision for impairment	366.5	343.0
Less provision for impairment of other non-financial assets	(13.4)	(14.1)
Total other non-financial assets after provision for impairment	353.1	328.9
Total other assets	750.3	764.7

In April 2019 under the debt restructuring of Agrokor Holding, the Group received financial instruments which among other give right to approximately 40% of net assets in Fortenova Group TopCo B.V. (the Netherlands). The Group is accounting for investment in Fortenova Group TopCo B.V. as investment in associate, and this investment was the main driver for the increase in Investments in associates and joint ventures balance as at 30 June 2019.

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 June 2019

9 Due to Individuals and Corporate Customers

	30 June 2019 (unaudited)	31 December 2018
<i>in billions of Russian Roubles</i>		
Individuals:		
- Current/demand accounts	3,304.1	3,368.1
- Term deposits	10,368.3	10,126.9
- Direct repo agreements	0.1	0.1
Total due to individuals	13,672.5	13,495.1
State and public organizations:		
- Current/settlement accounts	159.4	198.0
- Term deposits	1,221.9	432.6
- Direct repo agreements	498.5	82.3
Total due to state and public organizations	1,879.8	712.9
Other corporate customers:		
- Current/settlement accounts	2,251.3	2,225.9
- Term deposits	4,003.2	4,462.3
- Direct repo agreements	1.2	1.1
Total due to other corporate customers	6,255.7	6,689.3
Total due to corporate customers	8,135.5	7,402.2
Total due to individuals and corporate customers	21,808.0	20,897.3

As at 30 June 2019 included in due to corporate customers are deposits of RR 181.5 billion (31 December 2018: RR 163.9 billion) held as collateral for irrevocable commitments under letters of credit. Refer to Note 20.

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 June 2019

10 Other Liabilities

	30 June 2019 (unaudited)	31 December 2018
<i>in billions of Russian Roubles</i>		
Provisions on insurance and pension fund operations		
Provisions on pension fund operations	619.9	599.4
Provisions on insurance operations	378.6	316.3
Provision on unearned premium	11.2	9.7
Total provisions on insurance and pension fund operations	1,009.7	925.4
Other financial liabilities		
Funds in settlement	117.6	24.0
Accrued employee benefit costs	82.1	42.1
Lease liabilities	67.7	—
Margin calls received	50.2	37.7
Settlements on operations with securities	37.4	5.4
Payables on bank card settlements	31.1	54.4
Deposit insurance system fees payable	21.3	18.8
Payables	20.7	43.4
Prepayments on bank card commissions	11.2	8.4
Other	43.2	32.7
Total other financial liabilities	482.5	266.9
Other non-financial liabilities		
Credit loss allowance for credit related commitments and provision for other contingencies and commitments	40.6	37.5
Taxes payable other than on income	35.6	24.5
Advances received	23.0	23.1
Deferred commissions received on guarantees issued and undrawn credit lines	3.2	3.0
Income tax payable	2.7	2.9
Other	7.6	6.8
Total other non-financial liabilities	112.7	97.8
Total other liabilities	1,604.9	1,290.1

As at 30 June 2019 funds in settlement included amounts related to settlement of coupon and dividends on securities of clients held by the Group as a depository.

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 June 2019

11 Interest Income and Expense

<i>(unaudited)</i> <i>in billions of Russian Roubles</i>	Six months ended 30 June		Three months ended 30 June	
	2019	2018	2019	2018
Interest income calculated using the effective interest method				
Interest income on debt financial assets measured at amortized cost:				
- Loans and advances to customers measured at amortized cost	963.8	869.2	492.5	440.7
- Debt securities measured at amortized cost	41.2	31.6	20.8	15.9
- Due from banks measured at amortized cost	25.7	17.4	14.1	6.1
- Cash and cash equivalents measured at amortized cost	4.4	3.2	2.7	2.1
	1,035.1	921.4	530.1	464.8
Interest income on debt financial assets measured at fair value through other comprehensive income:				
- Debt securities measured at fair value through other comprehensive income	80.9	65.0	42.1	32.5
	80.9	65.0	42.1	32.5
Total interest income calculated using the effective interest method	1,116.0	986.4	572.2	497.3
Other interest income:				
- Loans and advances to customers at fair value through profit or loss	33.4	30.2	15.7	17.7
- Due from banks at fair value through profit or loss	20.8	23.5	9.0	11.1
- Securities at fair value through profit or loss	15.7	16.2	8.6	9.2
Total other interest income	69.9	69.9	33.3	38.0
Interest expense on financial liabilities calculated using the effective interest method				
Interest expense on financial liabilities measured at amortized cost:				
- Due to individuals - term deposits - measured at amortized cost	(230.2)	(188.8)	(118.8)	(90.8)
- Due to corporate customers - term deposits - measured at amortized cost	(120.9)	(55.9)	(62.4)	(30.3)
- Debt securities in issue measured at amortized cost	(21.0)	(28.7)	(10.6)	(14.8)
- Subordinated debt measured at amortized cost	(19.3)	(21.4)	(9.3)	(10.9)
- Due to corporate customers - current/settlement accounts - measured at amortized cost	(20.2)	(16.4)	(10.3)	(8.0)
- Due to individuals - current/demand accounts - measured at amortized cost	(13.0)	(11.8)	(6.7)	(6.1)
- Due to banks measured at amortized cost	(13.0)	(5.7)	(5.2)	(2.6)
- Lease liabilities	(2.4)	—	(1.2)	—
- Other borrowed funds measured at amortized cost	(0.3)	—	(0.2)	—
Total interest expense calculated using the effective interest method	(440.3)	(328.7)	(224.7)	(163.5)
Other interest expense:				
- Due to banks measured at fair value through profit or loss	(11.1)	(8.2)	(5.5)	(4.2)
- Obligation to deliver securities	(1.2)	(0.8)	(0.7)	(0.4)
Total other interest expense	(12.3)	(9.0)	(6.2)	(4.6)
Deposit insurance expenses	(42.7)	(36.1)	(21.5)	(18.2)
Net interest income	690.6	682.5	353.1	349.0

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 June 2019

12 Fee and Commission Income and Expense

<i>(unaudited)</i> <i>in billions of Russian Roubles</i>	Six months ended 30 June		Three months ended 30 June	
	2019	2018	2019	2018
Fee and commission income				
Operations with banking cards:				
- Acquiring, commissions of payment systems and other similar commissions	129.9	104.2	69.0	56.4
- Service fees	28.7	27.6	14.7	14.8
- Other	2.4	2.0	1.3	1.2
Cash and settlements transactions	98.2	93.9	52.7	50.2
Client operations with foreign currencies and precious metals	23.4	21.4	12.6	12.0
Documentary and other credit related commitments commissions	9.5	13.9	5.7	8.9
Securities and commodities brokerage, custodian and investment banking (including syndications) commissions	3.5	3.3	2.1	1.9
Agent commissions	3.2	3.9	2.0	2.8
Other	6.7	4.4	3.6	2.5
Total fee and commission income	305.5	274.6	163.7	150.7
Fee and commission expense				
Operations with banking cards:				
- Commissions to payment systems and other similar commissions	(56.0)	(42.7)	(30.1)	(23.3)
- Loyalty programs	(20.2)	(16.7)	(11.2)	(9.1)
- Other	(3.5)	(3.9)	(2.2)	(2.9)
Settlement transactions	(2.6)	(2.8)	(1.5)	(1.6)
Client operations with foreign currencies	(0.1)	(0.2)	—	(0.1)
Other	(3.5)	(3.1)	(2.0)	(1.7)
Total fee and commission expense	(85.9)	(69.4)	(47.0)	(38.7)
Net fee and commission income	219.6	205.2	116.7	112.0

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 June 2019

12 Fee and Commission Income and Expense (continued)

The table below disaggregates IFRS amounts of fee and commission income by the reportable segments for the six months ended 30 June 2019 and 30 June 2018.

<i>(unaudited)</i> <i>in billions of Russian Roubles</i>	Six months ended 30 June 2019		Six months ended 30 June 2018	
	Russia	Other countries	Russia	Other countries
Fee and commission income				
Operations with bank cards				
- Acquiring, commissions of payment systems and other similar commissions	128.1	1.8	102.6	1.6
- Service fees	27.0	1.7	26.3	1.3
- Other	2.3	0.1	1.9	0.1
Cash and settlements transactions	93.9	4.3	89.7	4.2
Operations with foreign currencies and precious metals	21.1	2.3	19.4	2.0
Documentary commissions	8.8	0.7	13.3	0.6
Operations on financial markets on behalf of clients and investment banking operations	3.4	0.1	3.2	0.1
Agent commissions	3.0	0.2	3.8	0.1
Other	5.7	1.0	3.4	1.0
Total fee and commission income	293.3	12.2	263.6	11.0

The table below disaggregates IFRS amounts of fee and commission income by the reportable segments for the three months ended 30 June 2019 and 30 June 2018.

<i>(unaudited)</i> <i>in billions of Russian Roubles</i>	Three months ended 30 June 2019		Three months ended 30 June 2018	
	Russia	Other countries	Russia	Other countries
Fee and commission income				
Operations with bank cards				
- Acquiring, commissions of payment systems and other similar commissions	68.0	1.0	55.5	0.9
- Service fees	13.8	0.9	14.0	0.8
- Other	1.2	0.1	1.2	—
Cash and settlements transactions	50.4	2.3	48.0	2.2
Operations with foreign currencies and precious metals	11.4	1.2	10.6	1.4
Documentary commissions	5.3	0.4	8.6	0.3
Operations on financial markets on behalf of clients and investment banking operations	2.0	0.1	1.8	0.1
Agent commissions	1.9	0.1	2.7	0.1
Other	3.2	0.4	2.0	0.5
Total fee and commission income	157.2	6.5	144.4	6.3

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 June 2019

13 Net Gains / (Losses) from Derivatives, Trading in Foreign Currencies, Foreign Exchange and Precious Metals Accounts Translation

	Six months ended 30 June		Three months ended 30 June	
<i>(unaudited)</i> <i>in billions of Russian Roubles</i>	2019	2018	2019	2018
Net gains from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation:				
- Net foreign exchange translation losses	(11.4)	(35.5)	(6.2)	(36.7)
- Net gains from operations with foreign currency and foreign currency interest rate derivatives	15.7	19.2	1.6	17.7
- Net gains from trading in foreign currencies	15.7	8.3	6.6	4.5
Net gains / (losses) from operations with precious metals, precious metals derivatives and precious metals accounts translation	3.0	0.9	(0.5)	0.8
Net gains / (losses) from operations with other derivatives	14.2	(4.8)	6.9	0.6
Total net gains / (losses) from derivatives, trading in foreign currencies, foreign exchange and precious metals accounts translation	37.2	(11.9)	8.4	(13.1)

14 Net Premiums, Claims, Benefits, Change in Contract Liabilities and Acquisition Costs on Insurance and Pension Fund Operations

Decrease in “Net premiums from insurance and pension fund operations” for the six months ended 30 June 2019 as compared with the six months ended 30 June 2018 was due to decrease in premiums collected on pension market. This is explained by a new regulation on use of an electronic signature technology for transfer of pension savings.

Excess of the charge on “Net claims, benefits, change in contract liabilities and acquisition costs on insurance and pension fund operations” over “Net premiums from insurance and pension fund operations” for the six months ended 30 June 2019 is explained by significant increase in actuarial provisions on investment contracts with DPF due to market recovery in first half of 2019. This increase in actuarial provisions was fully compensated by gains on financial instruments related to those investment contracts recorded in “Net gains / (losses) from derivatives, trading in foreign currencies, foreign exchange and precious metals accounts translation”, and overall life insurance business remains profitable.

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 June 2019

15 Staff and Administrative Expenses

	Six months ended 30 June		Three months ended 30 June	
<i>(unaudited)</i> <i>in billions of Russian Roubles</i>	2019	2018	2019	2018
Staff costs	205.4	191.2	103.6	90.8
Depreciation of premises, equipment and right-of-use assets	33.7	21.5	16.9	11.0
Administrative expenses	17.6	15.4	10.8	8.8
Taxes other than on income	13.7	12.9	9.8	7.1
Amortization of intangible assets	10.6	9.6	5.6	4.7
Repairs and maintenance of premises and equipment	12.7	13.8	8.3	9.6
Operating lease expenses	4.8	12.9	2.4	6.7
Telecommunication expenses	8.9	9.3	6.7	6.3
Consulting and assurance services	2.3	3.9	1.4	3.1
Advertising and marketing services	3.0	2.4	2.1	1.8
Other	6.5	3.6	0.9	1.8
Total staff and administrative expenses	319.2	296.5	168.5	151.7

For the six months ended 30 June 2019 expenses for defined benefit pension contribution plans amounted to RR 31.3 billion (for the six months ended 30 June 2018: RR 27.8 billion). For the three months ended 30 June 2019 expenses for defined benefit pension contribution plans amounted to RR 14.9 billion (for the three months ended 30 June 2018: RR 12.8 billion).

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 June 2019

16 Earnings per Share and Dividends

Basic earnings per share are calculated by dividing the profit attributable to the holders of ordinary shares of the Bank by the weighted average number of ordinary shares in issue during the period, excluding treasury shares. The Bank has no dilutive potential ordinary shares, therefore the diluted earnings per share equal to the basic earnings per share.

Earnings per ordinary share based on profit for the period attributable to the shareholders of the Bank, basic and diluted, are calculated in the table below.

	Six months ended 30 June		Three months ended 30 June	
<i>(unaudited)</i> <i>in billions of Russian Roubles</i>	2019	2018	2019	2018
Profit for the period attributable to the shareholders of the Bank	477.1	427.4	250.1	215.4
Less preference dividends declared	(15.6)	(11.7)	(15.6)	(11.7)
Profit attributable to the ordinary shareholders of the Bank	461.5	415.7	234.5	203.7
Weighted average number of ordinary shares in issue (billions)	21.5	21.5	21.5	21.5
Earnings per ordinary share based on profit for the period attributable to the shareholders of the Bank, basic and diluted (expressed in RR per share)	21.45	19.31	10.90	9.46

Earnings per ordinary share based on profit from continuing operations attributable to the shareholders of the Bank, basic and diluted, are calculated in the table below.

	Six months ended 30 June		Three months ended 30 June	
<i>(unaudited)</i> <i>in billions of Russian Roubles</i>	2019	2018	2019	2018
Profit from continuing operations attributable to the shareholders of the Bank	472.2	433.4	245.7	208.4
Less preference dividends declared	(15.6)	(11.7)	(15.6)	(11.7)
Profit from continuing operations attributable to the ordinary shareholders of the Bank	456.6	421.7	230.1	196.7
Weighted average number of ordinary shares in issue (billions)	21.5	21.5	21.5	21.5
Earnings per ordinary share based on profit from continuing operations attributable to the shareholders of the Bank, basic and diluted (expressed in RR per share)	21.23	19.58	10.70	9.13

On 24 May 2019, the Annual General Shareholders' Meeting of the Bank declared dividends of RR 361.4 billion for 2018 (including RR 0.9 billion of ordinary dividends and RR 0.4 billion of preference dividends attributable to the subsidiaries of the Bank). On 8 June 2018, the Annual General Shareholders' Meeting of the Bank declared dividends of RR 271.0 billion for 2017 (including RR 0.9 billion of ordinary dividends and RR 0.3 billion of preference dividends attributable to the subsidiaries of the Bank).

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 June 2019

16 Earnings per Share and Dividends (continued)

<i>(unaudited)</i> <i>in billions of Russian Roubles</i>	Six months ended 30 June 2019		Six months ended 30 June 2018	
	Ordinary	Preference	Ordinary	Preference
Dividends payable as at 1 January	1.6	0.3	0.5	0.1
Dividends declared during the period	344.5	15.6	258.1	11.7
Dividends paid during the period	(341.2)	(13.9)	—	—
Dividends payable as at 30 June	4.9	2.0	258.6	11.8
Dividends per share declared during the period (expressed in RR per share)	16.00	16.00	12.00	12.00

17 Other Reserves

<i>in billions of Russian Roubles</i>	Attributable to shareholders of the Bank				
	Revaluation reserve for office premises	Fair value reserve for debt instruments measured at FVOCI	Foreign currency translation reserve	Remeasurement of defined benefit pension plans	Total
Balance as at 1 January 2018	60.8	28.2	(26.4)	(1.3)	61.3
Changes in equity for the six months ended 30 June 2018 (unaudited)					
Transfer of revaluation reserve for office premises upon disposal or depreciation	(1.5)	—	—	—	(1.5)
Other comprehensive loss for the period	(0.7)	(24.5)	(10.9)	(1.1)	(37.2)
Balance as at 30 June 2018 (unaudited)	58.6	3.7	(37.3)	(2.4)	22.6
Balance as at 31 December 2018	56.2	(35.1)	(29.6)	(2.4)	(10.9)
Changes in equity for the six months ended 30 June 2019 (unaudited)					
Transfer of revaluation reserve for office premises upon disposal or depreciation	(2.3)	—	—	—	(2.3)
Other comprehensive (loss) / income for the period	(0.3)	49.6	(40.1)	0.8	10.0
Balance as at 30 June 2019 (unaudited)	53.6	14.5	(69.7)	(1.6)	(3.2)

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 June 2019

18 Segment Analysis

For the purposes of management the Group is divided into operating segments of activity – Central head office, 11 regional head offices and subsidiaries – which are defined on the basis of organizational structure of the Group and geographical areas. The principal activity of all operating segments is banking operations. For the purposes of presentation in these interim condensed consolidated financial statements the operating segments are aggregated in the following reportable segments:

- **Moscow, including:**
 - Central head office of the Group,
 - Regional head office of Moscow,
 - Subsidiaries of the Group located in the region.
- **Central and Northern regions of European part of Russia, including:**

Regional head offices:

 - Severo-Zapadny – Saint-Petersburg,
 - Tsentralno-Chernozemny – Voronezh,
 - Srednerussky – Moscow;

Subsidiaries of the Group located in the region.
- **Volga region and South of European part of Russia, including:**

Regional head offices:

 - Volgo-Vyatsky – Nizhniy Novgorod,
 - Povolzhsky – Samara,
 - Yugo-Zapadny – Rostov-on-Don;

Subsidiaries of the Group located in the region.
- **Ural, Siberia and Far East of Russia, including:**

Regional head offices:

 - Uralsky – Ekaterinburg,
 - Sibirsky – Novosibirsk,
 - Dalnevostochny – Khabarovsk,
 - Baikalsky – Irkutsk;

Subsidiaries of the Group located in the region.
- **Other countries, including:**
 - Subsidiaries located in Turkey,
 - Subsidiaries located in Ukraine, Kazakhstan, Belarus,
 - Subsidiaries located in Austria and Switzerland,
 - Subsidiaries of Sberbank Europe AG located in Central and Eastern Europe,
 - Sberbank CIB group companies located in the USA, the United Kingdom, Cyprus and certain other jurisdictions,
 - A branch office in India,
 - Representative offices in Germany and China.

The Management of the Group analyses operating results of every segment of activity for the purposes of making decision about allocation of resources and assessment of segments' business results. The segment reporting and operating results which are provided to the Management of the Group for analysis are prepared mainly under Russian accounting standards, except the segment reporting of the subsidiaries which is prepared under International Financial Reporting Standards.

Intersegment operations are performed on the basis of internal transfer pricing rates which are established, approved and regularly revised by the Management of the Group.

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 June 2019

18 Segment Analysis (continued)

The activity of each subsidiary is controlled by the Group integrally.

Segment reporting of the Group's assets and liabilities as at 30 June 2019 is as follows:

<i>(unaudited)</i> <i>in billions of Russian Roubles</i>	Moscow	Central and Northern regions of European part of Russia	Volga region and South of European part of Russia	Ural, Siberia and Far East of Russia	Other countries	Total
Total assets	16,002.6	4,041.4	3,319.8	3,882.8	4,068.1	31,314.7
Total liabilities	11,880.4	5,000.2	3,797.0	3,789.6	3,125.1	27,592.3

Segment reporting of the Group's assets and liabilities as at 31 December 2018 is as follows:

<i>in billions of Russian Roubles</i>	Moscow	Central and Northern regions of European part of Russia	Volga region and South of European part of Russia	Ural, Siberia and Far East of Russia	Other countries	Total
Total assets	15,451.3	4,036.6	3,329.3	3,741.3	4,418.3	30,976.8
Total liabilities	11,529.3	4,978.1	3,763.9	3,705.6	3,423.3	27,400.2

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 June 2019

18 Segment Analysis (continued)

Reconciliation of total assets and total liabilities as per the reportable segments with the Group's total assets and total liabilities under IFRS as at 30 June 2019 and 31 December 2018 is as follows:

<i>in billions of Russian Roubles</i>	30 June 2019 (unaudited)		31 December 2018	
	Total assets	Total liabilities	Total assets	Total liabilities
Total segment assets and liabilities	31,314.7	27,592.3	30,976.8	27,400.2
Difference in netting sets	15.1	15.1	51.9	51.9
Adjustment to staff expenses accrued (bonuses, annual leave, pension liabilities)	—	1.9	—	(0.1)
Adjustment of credit loss allowance for debt financial assets	136.9	—	57.8	—
Accounting for derivatives at fair value	(9.0)	(9.2)	2.6	(4.7)
Accounting for loans by effective rate method	—	—	47.1	—
Write-down of low value assets	(10.9)	—	(10.0)	—
Adjustment of other provisions	181.6	2.3	195.3	—
Adjustment of depreciation and initial cost or revalued amount of premises, equipment and right-of-use assets	58.0	52.0	5.7	—
Accounting for financial contracts with embedded derivatives	—	—	(0.2)	—
Accounting for financing by the effective rate method and early redemption of debt securities in issue	(110.6)	(107.9)	(129.6)	(132.2)
Adjustments for customer loyalty programs	—	(6.3)	—	0.9
Currency translation of investments in subsidiaries and associates	(3.3)	—	(3.3)	—
Adjustment for credit related commitments credit loss allowance	—	(0.9)	—	(34.3)
Adjustment for legal claims provision	—	4.6	—	3.4
Commission income adjustment	9.9	(1.9)	16.3	12.5
Reclassification of securities between portfolios	0.4	2.8	—	—
Accounting for mortgage loans securitisation	1.8	1.8	2.4	2.4
Adjustment for deferred tax	(19.2)	37.9	(10.0)	44.2
Accounting for loans at fair value	8.1	0.1	5.6	(0.2)
Effect of initial recognition of financial instruments at fair value	—	—	(15.5)	—
Other	(11.6)	(5.8)	4.6	(2.3)
The Group's total assets/liabilities under IFRS	31,561.9	27,578.8	31,197.5	27,341.7

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 June 2019

18 Segment Analysis (continued)

Segment reporting of the Group's income and expenses for the six months ended 30 June 2019 is as follows:

<i>(unaudited) in billions of Russian Roubles</i>	Moscow	Central and Northern regions of European part of Russia	Volga region and South of European part of Russia	Ural, Siberia and Far East of Russia	Other countries	Inter- company eliminations	Total
Interest income	597.2	214.7	181.7	208.3	159.8	(56.6)	1,305.1
Interest expense	(287.4)	(100.7)	(75.1)	(79.7)	(91.1)	53.4	(580.6)
Intersegment income / (expense)	70.4	(22.3)	(24.1)	(24.0)	—	—	—
Net interest income	380.2	91.7	82.5	104.6	68.7	(3.2)	724.5
Net fee and commission income	27.2	62.3	53.0	57.3	31.2	(12.3)	218.7
Net trading income and fair valuation results	37.5	0.9	1.0	0.6	12.3	(3.7)	48.6
Other net operating gains/(losses)	34.3	0.1	(2.0)	(1.3)	2.3	(1.0)	32.4
Net operating income before credit loss allowance	479.2	155.0	134.5	161.2	114.5	(20.2)	1,024.2
Net credit loss allowance charge for debt financial assets	(38.1)	(10.8)	(11.3)	(11.3)	(25.6)	0.2	(96.9)
Staff and administrative expenses	(114.0)	(64.9)	(60.8)	(64.2)	(43.1)	9.8	(337.2)
Profit before tax (Segment result)	327.1	79.3	62.4	85.7	45.8	(10.2)	590.1
Other disclosures							
Capital expenditure incurred (additions of premises, equipment, intangible assets and investment property)	39.5	5.1	8.7	5.4	21.5	—	80.2
Depreciation of premises, equipment and right-of-use assets and amortisation of intangible assets	(25.8)	(3.3)	(3.8)	(3.5)	(5.6)	—	(42.0)

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 June 2019

18 Segment Analysis (continued)

Segment reporting of the Group's income and expenses for the three months ended 30 June 2019 is as follows:

<i>(unaudited) in billions of Russian Roubles</i>	Moscow	Central and Northern regions of European part of Russia	Volga region and South of European part of Russia	Ural, Siberia and Far East of Russia	Other countries	Inter- company eliminations	Total
Interest income	303.5	106.0	90.7	104.3	78.0	(24.0)	658.5
Interest expense	(144.7)	(51.0)	(38.3)	(40.6)	(43.1)	26.6	(291.1)
Intersegment income / (expense)	36.8	(11.6)	(12.8)	(12.4)	—	—	—
Net interest income	195.6	43.4	39.6	51.3	34.9	2.6	367.4
Net fee and commission income	15.6	32.8	27.9	30.2	15.1	(6.3)	115.3
Net trading income and fair valuation results	24.4	0.8	0.6	0.3	9.7	(7.2)	28.6
Other net operating gains/(losses)	22.4	(0.4)	(1.4)	(1.4)	(2.5)	(0.9)	15.8
Net operating income before credit loss allowance	258.0	76.6	66.7	80.4	57.2	(11.8)	527.1
Net credit loss allowance charge for debt financial assets	9.4	(6.4)	(7.2)	(7.5)	(6.4)	1.0	(17.1)
Staff and administrative expenses	(58.5)	(33.9)	(31.5)	(33.9)	(19.5)	5.0	(172.3)
Profit before tax (Segment result)	208.9	36.3	28.0	39.0	31.3	(5.8)	337.7
Other disclosures							
Capital expenditure incurred (additions of premises, equipment, intangible assets and investment property)	13.5	3.0	7.8	3.3	7.6	—	35.2
Depreciation of premises, equipment and right-of-use assets and amortisation of intangible assets	(13.3)	(1.6)	(1.9)	(1.8)	(2.5)	—	(21.1)

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 June 2019

18 Segment Analysis (continued)

Segment reporting of the Group's income and expenses for the six months ended 30 June 2018 is as follows:

<i>(unaudited) in billions of Russian Roubles</i>	Moscow	Central and Northern regions of European part of Russia	Volga region and South of European part of Russia	Ural, Siberia and Far East of Russia	Other countries	Inter- company eliminations	Total
Interest income	509.5	186.3	176.9	192.6	155.4	(40.0)	1,180.7
Interest expense	(194.6)	(84.8)	(62.7)	(59.3)	(84.0)	38.5	(446.9)
Intersegment income / (expense)	64.0	(20.9)	(21.2)	(21.9)	—	—	—
Net interest income	378.9	80.6	93.0	111.4	71.4	(1.5)	733.8
Net fee and commission income	18.6	65.6	58.7	61.8	23.5	(12.1)	216.1
Net trading income and fair valuation results	13.0	0.1	—	—	(2.3)	(2.9)	7.9
Other net operating gains/(losses)	17.4	(4.8)	(13.4)	(5.0)	(7.5)	(13.8)	(27.1)
Net operating income before credit loss allowance	427.9	141.5	138.3	168.2	85.1	(30.3)	930.7
Net credit loss allowance charge for debt financial assets	(6.8)	(16.9)	(17.4)	(20.1)	(49.3)	16.8	(93.7)
Staff and administrative expenses	(157.3)	(44.9)	(40.3)	(44.9)	(46.2)	9.9	(323.7)
Profit/(loss) before tax (Segment result)	263.8	79.7	80.6	103.2	(10.4)	(3.6)	513.3
Other disclosures							
Capital expenditure incurred (additions of premises, equipment, intangible assets and investment property)	24.7	7.1	7.7	7.0	13.7	—	60.2
Depreciation of premises and equipment and amortisation of intangible assets	(19.6)	(3.5)	(4.2)	(4.0)	(5.3)	—	(36.6)

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 June 2019

18 Segment Analysis (continued)

Segment reporting of the Group's income and expenses for the three months ended 30 June 2018 is as follows:

<i>(unaudited) in billions of Russian Roubles</i>	Moscow	Central and Northern regions of European part of Russia	Volga region and South of European part of Russia	Ural, Siberia and Far East of Russia	Other countries	Inter- company eliminations	Total
Interest income	260.7	94.1	88.8	97.1	79.8	(22.9)	597.6
Interest expense	(99.2)	(41.4)	(30.8)	(29.2)	(43.5)	21.0	(223.1)
Intersegment income / (expense)	35.1	(11.1)	(11.7)	(12.3)	—	—	—
Net interest income	196.6	41.6	46.3	55.6	36.3	(1.9)	374.5
Net fee and commission income	8.1	35.9	31.6	33.5	12.7	(6.5)	115.3
Net trading income and fair valuation results	6.3	0.1	—	—	(4.3)	(3.4)	(1.3)
Other net operating gains/(losses)	16.4	(1.7)	(9.7)	(2.0)	(0.7)	(8.0)	(5.7)
Net operating income before credit loss allowance	227.4	75.9	68.2	87.1	44.0	(19.8)	482.8
Net credit loss allowance charge for debt financial assets	(8.0)	(8.3)	(14.6)	(11.7)	(22.8)	15.0	(50.4)
Staff and administrative expenses	(82.2)	(22.9)	(20.0)	(23.2)	(23.3)	5.4	(166.2)
Profit/(loss) before tax (Segment result)	137.2	44.7	33.6	52.2	(2.1)	0.6	266.2
Other disclosures							
Capital expenditure incurred (additions of premises, equipment, intangible assets and investment property)	18.0	5.0	5.1	4.9	2.8	—	35.8
Depreciation of premises and equipment and amortisation of intangible assets	(9.7)	(1.7)	(2.1)	(2.0)	(2.7)	—	(18.2)

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 June 2019

18 Segment Analysis (continued)

Reconciliation of profit before tax for the reportable segments with the Group's profit before tax under IFRS for the six months ended 30 June 2019 and 30 June 2018 is as follows:

<i>(unaudited)</i> <i>in billions of Russian Roubles</i>	Six months ended 30 June		Three months ended 30 June	
	2019	2018	2019	2018
Total segments result	590.1	513.3	337.7	266.2
Adjustment to staff expenses accrued (bonuses, annual leave, pension liabilities)	0.1	0.3	(1.9)	(1.3)
Adjustment of credit loss allowance and other provisions	24.2	45.8	13.6	34.0
Accounting for derivatives at fair value	(3.7)	10.2	(12.8)	0.1
Write-down of low value assets	(0.9)	—	—	(0.1)
Adjustment of depreciation and initial cost or revalued amount of premises, equipment and right-of-use assets	(0.6)	2.8	—	0.4
Accounting for financial contracts with embedded derivatives	—	0.4	—	—
Accounting for financing by the effective rate method and early redemption of debt securities in issue	(2.9)	0.3	(0.5)	0.3
Adjustments for customer loyalty programs	(2.9)	1.2	(3.9)	—
Adjustment for credit related commitments credit loss allowance	(4.7)	8.0	(3.4)	(0.9)
Adjustment for legal claims provision	(1.1)	(3.8)	0.3	(0.4)
Commission income adjustment	(1.5)	5.2	(2.3)	(0.1)
Reclassification of securities between portfolios	(0.1)	(0.6)	(6.5)	(0.6)
Accounting for mortgage loans securitisation	(1.9)	(0.1)	(1.9)	0.2
Adjustment for deferred tax	2.0	—	—	—
Effect of initial recognition of financial instruments at fair value	—	(12.2)	(3.3)	—
Accounting for loans at fair value	(8.7)	(27.1)	(11.5)	(26.5)
Other	8.9	(4.5)	8.5	3.5
The Group's profit before tax under IFRS	596.3	539.2	312.1	274.8

The differences shown above arise from classification variances as well as different accounting policies.

Adjustment of provisions is related to the difference between methodology applied in statutory accounting records used primarily as a basis for management reporting and IFRS impairment methodology.

For the six months ended 30 June 2019 the Group's revenues from customers in the Russian Federation amounted to RR 1,590.5 billion (for the six months ended 30 June 2018: RR 1,481.8 billion); revenues from customers in all foreign countries from which the Group derives revenues amounted to RR 189.4 billion (for the six months ended 30 June 2018: RR 179.3 billion). For the six months ended 30 June 2019 intersegment revenues amounted to RR 84.1 billion (for the six months ended 30 June 2018: RR 78.2 billion).

For the three months ended 30 June 2019 the Group's revenues from customers in the Russian Federation amounted to RR 823.5 billion (for the three months ended 30 June 2018: RR 692.4 billion); revenues from customers in all foreign countries from which the Group derives revenues amounted to RR 90.7 billion (for the three months ended 30 June 2018: RR 97.5 billion). For the three months ended 30 June 2019 intersegment revenues amounted to RR 40.7 billion (for the three months ended 30 June 2018: RR 42.5 billion).

No revenue from transactions with a single external customer or counterparty amounted to 10.0% or more of the Group's total revenue during the six months and the three months ended 30 June 2019 and 30 June 2018.

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 June 2019

19 Financial Risk Management

The Bank manages the following types of risks: credit risk, market risk, liquidity risk, insurance risk, operational risk, compliance risk and other types of risks.

Risk management system is the part of the overall management system of the Group which aims to provide sustainable development of the Bank and the Group members in line with the approved Development Strategy.

The Group's risk management policies and procedures are consistent with those disclosed in the annual consolidated financial statements of the Group for the year ended 31 December 2018.

Currency risk. Currency risk results from fluctuations in the prevailing foreign currency exchange rates. The Group is exposed to foreign exchange risk on open positions, mainly US dollar/Russian Rouble, Euro/Russian Rouble and Turkish Lira/Russian Rouble exchange rate fluctuations.

The table below summarizes the Group's exposure to foreign exchange risk in respect of financial assets, liabilities and derivatives as at 30 June 2019.

<i>(unaudited) in billions of Russian Roubles</i>	Russian Rouble	US Dollar	Euro	Turkish Lira	Other	Total
Assets						
Cash and cash equivalents	1,328.9	505.6	264.4	—	228.1	2,327.0
Mandatory cash balances with central banks	199.7	—	7.5	—	29.1	236.3
Due from banks	1,043.0	447.0	22.2	—	35.8	1,548.0
Loans and advances to customers	14,897.6	2,633.8	1,158.7	—	517.1	19,207.2
Securities	2,573.6	852.7	114.2	—	95.6	3,636.1
Financial instruments pledged under repurchase agreements	671.9	32.8	1.9	—	0.4	707.0
Financial assets of discontinued operations (except for derivatives)	11.8	459.2	813.8	849.2	40.9	2,174.9
Other financial assets	248.8	58.5	86.7	—	3.2	397.2
Total financial assets	20,975.3	4,989.6	2,469.4	849.2	950.2	30,233.7
Liabilities						
Due to banks	490.5	31.6	111.8	—	26.7	660.6
Due to individuals	10,935.5	1,766.3	662.1	—	308.6	13,672.5
Due to corporate customers	4,773.6	2,452.9	585.0	—	324.0	8,135.5
Debt securities in issue	416.9	171.4	49.0	—	16.4	653.7
Other borrowed funds	0.1	0.2	45.3	—	0.5	46.1
Obligations to deliver securities	9.5	32.5	3.6	—	0.7	46.3
Financial liabilities of discontinued operations (except for derivatives)	4.3	559.2	755.7	592.4	22.8	1,934.4
Other financial liabilities	383.3	67.1	20.7	—	11.4	482.5
Subordinated debt	521.9	119.5	0.6	—	0.8	642.8
Total financial liabilities	17,535.6	5,200.7	2,233.8	592.4	711.9	26,274.4
Net financial assets/(liabilities)	3,439.7	(211.1)	235.6	256.8	238.3	3,959.3
Net derivatives (including derivatives of discontinued operations)	166.2	293.7	(219.8)	(1.7)	(168.4)	70.0
Credit related commitments and performance guarantees before loss allowance (including discontinued operations) (Note 20)	3,827.2	399.6	343.3	514.8	180.9	5,265.8

Foreign exchange risk on forward and futures contracts is represented by their discounted positions. Foreign exchange options are disclosed in the amount that reflects theoretical sensitivity of their fair value to reasonable change in exchange rates. Commodity options are shown at their fair value in relative settlement currency. Equity instruments are classified based on the country of origin of issuer.

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 June 2019

19 Financial Risk Management (continued)

The table below summarizes the Group's exposure to foreign exchange risk in respect of financial assets, liabilities and derivatives as at 31 December 2018.

<i>in billions of Russian Roubles</i>	Russian Rouble	US Dollar	Euro	Turkish Lyra	Other	Total
Assets						
Cash and cash equivalents	1,089.2	587.8	274.5	—	147.3	2,098.8
Mandatory cash balances with central banks	188.0	—	5.9	—	28.2	222.1
Due from banks	1,064.3	271.1	23.1	—	62.2	1,420.7
Loans and advances to customers	14,793.0	2,996.7	1,246.2	—	549.1	19,585.0
Securities	2,539.2	676.6	145.2	—	81.5	3,442.5
Financial instruments pledged under repurchase agreements	265.3	40.8	0.9	—	—	307.0
Financial assets of discontinued operations (except for derivatives)	10.3	576.9	864.8	972.3	50.1	2,474.4
Other financial assets	300.2	46.5	86.8	—	2.3	435.8
Total financial assets	20,249.5	5,196.4	2,647.4	972.3	920.7	29,986.3
Liabilities						
Due to banks	903.0	61.2	104.5	—	28.1	1,096.8
Due to individuals	10,587.1	1,853.2	713.3	—	341.5	13,495.1
Due to corporate customers	3,762.3	2,719.1	591.1	—	329.7	7,402.2
Debt securities in issue	441.2	290.9	93.6	—	17.9	843.6
Other borrowed funds	0.1	0.5	54.9	—	1.0	56.5
Obligations to deliver securities	13.5	19.4	1.0	—	—	33.9
Financial liabilities of discontinued operations (except for derivatives)	4.7	552.1	841.8	765.9	20.7	2,185.2
Other financial liabilities	204.1	41.1	11.4	—	10.3	266.9
Subordinated debt	506.0	199.7	0.7	—	0.9	707.3
Total financial liabilities	16,422.0	5,737.2	2,412.3	765.9	750.1	26,087.5
Net financial assets/(liabilities)	3,827.5	(540.8)	235.1	206.4	170.6	3,898.8
Net derivatives (including derivatives of discontinued operations)	(244.9)	561.6	(265.9)	(11.4)	(10.2)	29.2
Credit related commitments and performance guarantees before loss allowance (including discontinued operations) (Note 20)	3,831.2	506.0	429.1	582.2	114.9	5,463.4

The Group provides loans and advances to customers in foreign currency. Fluctuations of foreign currency exchange rates may negatively affect the ability of borrowers to repay loans, which will in turn increase the probability of loan loss.

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 June 2019

19 Financial Risk Management (continued)

Liquidity risk. Liquidity risk is defined as the risk of inability of the Group to finance its performance, i.e. to ensure the growth of assets and/or fulfil its obligations as far as they arise on the condition of compliance to the requirements of the local regulator in the normal course of business as well as during stress situations. The Group is exposed to daily calls on its available cash resources from interbank overnight deposits, customer's current accounts, term deposits, loan drawdowns, guarantees, margin calls and on cash settled derivative instruments.

Principles that are used to analyze liquidity position presentation and manage the Group liquidity risk management are based on the Bank's of Russia prudential initiatives and the Bank's practice:

- cash and cash equivalents represent highly liquid assets and are classified as "On demand and less than 1 month";
- securities mandatorily measured and designated at fair value through profit or loss and highly liquid portion of securities measured at fair value through other comprehensive income are considered to be liquid assets as these securities could be easily converted into cash within short period of time. Such financial instruments are disclosed in the analysis of liquidity position as "on demand and less than 1 month";
- securities measured at fair value through other comprehensive income which are less liquid are disclosed according to remaining contractual maturities (for debt instruments) or as "No stated maturity / overdue" (for equity instruments);
- securities measured at amortized cost including those pledged under repurchase agreements are classified based on the earliest of two dates: redemption offer date or maturity date of security;
- highly liquid portion of financial instruments pledged under repurchase agreements is disclosed based on the remaining maturities of repurchase agreements;
- loans and advances to customers, amounts due from banks, other assets, debt securities in issue, amounts due to banks, other borrowed funds and other liabilities are included into analysis of liquidity position based on remaining contractual maturities (for loans and advances to customers "No stated maturity / overdue" category represents only actual payments which were overdue);
- due to individuals are not disclosed as "On demand and less than 1 month" in full amount although individuals have a right to withdraw money from any account, including term deposits, before maturity date, losing the right to accrued interest;
- diversification of current accounts of individuals and corporate customers by number and type of customers and the past experience of the Group indicate that such balances provide a long-term and stable source of funding. As a result in the analysis of liquidity position current accounts of individuals and corporate customers are allocated on the basis of expected time of funds outflow and assumptions regarding the "permanent" part of current account balances. Term deposits of individuals and corporate customers are allocated on the basis of their contractual maturity for the purposes of liquidity analysis;
- assets and liabilities other than those discussed above are generally classified on the basis of their contractual maturities.

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 June 2019

19 Financial Risk Management (continued)

The analysis of liquidity position of the Group's assets and liabilities as at 30 June 2019 is set out below.

<i>(unaudited)</i> <i>in billions of Russian Roubles</i>	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 3 years	More than 3 years	No stated maturity/ overdue	Total
Assets							
Cash and cash equivalents	2,327.0	—	—	—	—	—	2,327.0
Mandatory cash balances with central banks	47.7	51.6	46.2	26.3	64.5	—	236.3
Due from banks	1,158.7	368.8	11.0	5.5	3.2	0.8	1,548.0
Loans and advances to customers	401.2	2,099.2	2,188.4	5,786.1	8,600.1	132.2	19,207.2
Securities	2,359.5	53.9	89.4	269.0	840.6	23.7	3,636.1
Financial instruments pledged under repurchase agreements	686.4	0.6	—	1.7	18.3	—	707.0
Derivative financial assets	44.0	21.9	22.2	42.1	34.7	—	164.9
Deferred tax asset	—	—	—	—	—	16.0	16.0
Premises, equipment and right-of- use assets	—	—	—	—	—	676.0	676.0
Assets of the disposal groups and non-current assets held for sale	2,284.4	6.0	2.7	—	—	—	2,293.1
Other assets	385.0	67.5	38.9	36.0	40.2	182.7	750.3
Total assets	9,693.9	2,669.5	2,398.8	6,166.7	9,601.6	1,031.4	31,561.9
Liabilities							
Due to banks	552.5	22.9	32.3	38.8	13.7	0.4	660.6
Due to individuals	1,025.5	3,618.0	4,398.0	1,512.3	3,118.7	—	13,672.5
Due to corporate customers	1,827.2	1,535.1	294.9	1,044.3	3,434.0	—	8,135.5
Debt securities in issue	49.1	95.2	64.2	385.7	59.5	—	653.7
Other borrowed funds	0.5	17.7	2.6	4.9	20.4	—	46.1
Derivative financial liabilities and obligations to deliver securities	79.1	26.0	10.5	21.6	14.4	—	151.6
Deferred tax liability	—	—	—	—	—	22.5	22.5
Liabilities of the disposal groups	1,988.6	—	—	—	—	—	1,988.6
Other liabilities	362.2	99.6	78.3	165.6	824.0	75.2	1,604.9
Subordinated debt	0.1	36.2	491.2	11.2	104.1	—	642.8
Total liabilities	5,884.8	5,450.7	5,372.0	3,184.4	7,588.8	98.1	27,578.8
Net liquidity gap	3,809.1	(2,781.2)	(2,973.2)	2,982.3	2,012.8	933.3	3,983.1
Cumulative liquidity gap as at 30 June 2019	3,809.1	1,027.9	(1,945.3)	1,037.0	3,049.8	3,983.1	—

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 June 2019

19 Financial Risk Management (continued)

The analysis of liquidity position of the Group's assets and liabilities as at 31 December 2018 is set out below.

<i>in billions of Russian Roubles</i>	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 3 years	More than 3 years	No stated maturity/ overdue	Total
Assets							
Cash and cash equivalents	2,098.8	—	—	—	—	—	2,098.8
Mandatory cash balances with central banks	50.8	51.6	32.2	25.9	61.6	—	222.1
Due from banks	1,329.7	66.7	12.9	6.5	4.9	—	1,420.7
Loans and advances to customers	907.5	1,751.8	2,054.4	6,028.4	8,756.8	86.1	19,585.0
Securities	2,111.0	58.2	44.3	271.6	916.1	41.3	3,442.5
Financial instruments pledged under repurchase agreements	301.0	—	—	0.5	5.5	—	307.0
Derivative financial assets	25.0	73.6	7.7	47.7	23.6	—	177.6
Deferred tax asset	—	—	—	—	—	15.3	15.3
Premises, equipment and right-of- use assets	—	—	—	—	—	593.9	593.9
Assets of the disposal groups and non-current assets held for sale	—	2,568.2	1.7	—	—	—	2,569.9
Other assets	401.0	58.1	55.3	30.3	40.2	179.8	764.7
Total assets	7,224.8	4,628.2	2,208.5	6,410.9	9,808.7	916.4	31,197.5
Liabilities							
Due to banks	684.2	266.9	19.6	108.6	17.5	—	1,096.8
Due to individuals	1,861.5	4,384.5	2,831.8	1,289.3	3,128.0	—	13,495.1
Due to corporate customers	1,683.1	805.1	371.1	1,158.1	3,384.8	—	7,402.2
Debt securities in issue	70.6	266.5	99.2	228.2	179.1	—	843.6
Other borrowed funds	—	2.9	20.7	10.1	22.8	—	56.5
Derivative financial liabilities and obligations to deliver securities	70.9	44.1	12.6	25.6	28.4	—	181.6
Deferred tax liability	—	—	—	—	—	33.4	33.4
Liabilities of the disposal groups	—	2,235.1	—	—	—	—	2,235.1
Other liabilities	175.0	126.4	61.2	92.0	781.5	54.0	1,290.1
Subordinated debt	—	5.2	510.7	23.0	168.4	—	707.3
Total liabilities	4,545.3	8,136.7	3,926.9	2,934.9	7,710.5	87.4	27,341.7
Net liquidity gap	2,679.5	(3,508.5)	(1,718.4)	3,476.0	2,098.2	829.0	3,855.8
Cumulative liquidity gap as at 31 December 2018	2,679.5	(829.0)	(2,547.4)	928.6	3,026.8	3,855.8	—

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 June 2019

20 Contingencies and Commitments

Legal proceedings. From time to time and in the normal course of business, claims against the Group are received. On the basis of its own estimates and internal professional advice the 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.

Moscow Prosecutor's office filed a claim in the Moscow Arbitration Court against the Bank and a customer of the Bank (together - parties) to void the derivative deals concluded between the parties. In the first quarter of 2019 the court of first instance delivered judgement in favour of the plaintiff. In the third quarter of 2019 the arbitration court approved the judgement of the court of first instance. At the same time assessment of the Bank has not changed and the Bank's management continues to estimate the outflow of resources on this lawsuit as possible. In relation to this claim the Group booked a provision in the amount of expected losses.

In the context of recognition and enforcement on Ukrainian territory of the decision of the international commercial arbitration court (Hague, Kingdom of Netherlands) in relation to the legal claim of residents of Ukraine against the Russian Federation (represented by the Ministry of Justice of the Russian Federation) Kiev Appeal Court has imposed an arrest / restrictions on the shares of Sberbank JSC (Ukraine) owned by the Group, imposing restrictions on operations with these shares. Besides, Kiev appeal court set restrictions on disposal of movable and immovable property of Sberbank JSC (Ukraine) as well as liquidation and reorganization of Sberbank JSC (Ukraine). In January 2019 the Supreme Court of Ukraine satisfied the appeal complaint of the Group and removed arrest of the shares of Sberbank JSC (Ukraine) and restrictions on disposal of movable and immovable property of Sberbank JSC (Ukraine). However restrictions on liquidation and reorganization of Sberbank JSC (Ukraine) were not formally removed, the Group continues analyzing the documents on this legal claim.

Credit related commitments and performance guarantees. Outstanding credit related commitments and performance guarantees are as follows:

	30 June 2019 (unaudited)	31 December 2018
<i>in billions of Russian Roubles</i>		
Commitments to extend credit	2,395.4	2,427.3
Guarantees issued:		
- Performance guarantees	611.8	820.5
- Financial guarantees	773.0	609.8
Undrawn credit lines	396.4	418.8
Export letters of credit with credit risk	17.2	3.0
Import letters of credit and letters of credit for domestic settlements	263.8	233.2
Total credit related commitments and performance guarantees before loss allowance / provision (except for those of discontinued operations)	4,457.6	4,512.6
Loss allowance / provision	(27.0)	(28.7)
Credit related commitments and performance guarantees of discontinued operations before loss allowance / provision	808.2	950.8
Loss allowance / provision related to discontinued operations	(5.1)	(4.3)
Total credit related commitments and performance guarantees	5,233.7	5,430.4

As at 30 June 2019 included in due to corporate customers are deposits of RR 181.5 billion (31 December 2018: RR 163.9 billion) held as collateral for irrevocable commitments under letters of credit. Refer to Note 9.

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

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 June 2019

21 Fair Value Disclosures

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 Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 June 2019

21 Fair Value Disclosures (continued)

The following table shows an analysis of assets carried at fair value by level of the fair value hierarchy as at 30 June 2019:

<i>(unaudited)</i> <i>in billions of Russian Roubles</i>	Level 1	Level 2	Level 3	Total
Assets carried at fair value or revalued amount				
Cash and cash equivalents	—	59.3	—	59.3
Due from banks	—	484.1	—	484.1
Loans and advances to customers	—	—	683.4	683.4
- Commercial loans to legal entities	—	—	220.8	220.8
- Project finance loans to legal entities	—	—	441.9	441.9
- Consumer and other loans to individuals	—	—	20.7	20.7
Securities				
- Securities measured at fair value through other comprehensive income	1,269.8	661.7	78.6	2,010.1
Russian federal loan bonds (OFZ bonds)	579.2	113.7	—	692.9
Corporate bonds	274.5	264.1	—	538.6
Bonds of the Bank of Russia	196.8	233.6	—	430.4
Russian Federation Eurobonds	168.3	—	—	168.3
Foreign government and municipal bonds	48.8	39.9	1.3	90.0
Mortgage-backed securities	—	—	77.3	77.3
Russian municipal and subfederal bonds	2.0	9.0	—	11.0
Promissory notes	—	1.4	—	1.4
Corporate shares	0.2	—	—	0.2
- Securities mandatorily measured at fair value through profit or loss	369.0	75.3	42.7	487.0
Russian federal loan bonds (OFZ bonds)	242.6	5.0	—	247.6
Corporate bonds	84.4	70.3	0.7	155.4
Corporate shares	32.8	—	26.7	59.5
Investments in mutual funds	1.0	—	15.3	16.3
Russian Federation Eurobonds	6.8	—	—	6.8
Foreign government and municipal bonds	1.4	—	—	1.4
Financial instruments pledged under repurchase agreements				
- Securities measured at fair value through other comprehensive income	591.6	93.8	—	685.4
Russian federal loan bonds (OFZ bonds)	562.3	93.8	—	656.1
Russian Federation Eurobonds	17.3	—	—	17.3
Corporate bonds	12.0	—	—	12.0
- Securities mandatorily measured at fair value through profit or loss	1.1	—	—	1.1
Russian federal loan bonds (OFZ bonds)	1.0	—	—	1.0
Corporate shares	0.1	—	—	0.1
Derivative financial assets	—	163.3	1.6	164.9
Foreign currency derivatives	—	41.5	—	41.5
Interest rate derivatives	—	35.3	—	35.3
Foreign currency interest rate derivatives	—	26.3	—	26.3
Equity securities derivatives	—	20.9	1.4	22.3
Commodity derivatives including precious metals derivatives	—	14.6	—	14.6
Debt securities derivatives	—	12.6	—	12.6
Credit risk derivatives	—	0.1	—	0.1
Other derivatives	—	12.0	0.2	12.2
Investment property	—	—	5.2	5.2
Office premises	—	—	296.1	296.1
Assets of discontinued operations	142.0	21.9	4.8	168.7
Total assets carried at fair value or revalued amount	2,373.5	1,559.4	1,112.4	5,045.3

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 June 2019

21 Fair Value Disclosures (continued)

The following table shows an analysis of assets carried at fair value by level of the fair value hierarchy as at 31 December 2018:

<i>in billions of Russian Roubles</i>	Level 1	Level 2	Level 3	Total
Assets carried at fair value or revalued amount				
Cash and cash equivalents	—	6.2	—	6.2
Due from banks	—	649.9	—	649.9
Loans and advances to customers	—	—	685.9	685.9
- Commercial loans to legal entities	—	—	214.8	214.8
- Project finance loans to legal entities	—	—	466.7	466.7
- Consumer and other loans to individuals	—	—	4.4	4.4
Securities				
- Securities measured at fair value through other comprehensive income	1,546.0	231.4	80.9	1,858.3
Russian federal loan bonds (OFZ bonds)	831.1	108.1	—	939.2
Corporate bonds	266.0	70.7	—	336.7
Russian Federation Eurobonds	190.5	—	—	190.5
Bonds of the Bank of Russia	185.7	—	—	185.7
Foreign government and municipal bonds	70.1	42.2	0.7	113.0
Mortgage-backed securities	—	—	80.2	80.2
Russian municipal and subfederal bonds	2.4	8.9	—	11.3
Promissory notes	—	1.4	—	1.4
Corporate shares	0.2	0.1	—	0.3
- Securities mandatorily measured at fair value through profit or loss	353.7	60.8	48.2	462.7
Russian federal loan bonds (OFZ bonds)	231.0	—	—	231.0
Corporate bonds	91.8	60.8	—	152.6
Corporate shares	24.2	—	32.7	56.9
Investments in mutual funds	0.3	—	15.5	15.8
Russian Federation Eurobonds	4.6	—	—	4.6
Foreign government and municipal bonds	1.8	—	—	1.8
- Securities designated at fair value through profit or loss	2.6	—	—	2.6
Foreign government and municipal bonds	2.6	—	—	2.6
Financial instruments pledged under repurchase agreements				
- Securities measured at fair value through other comprehensive income	272.3	28.7	—	301.0
Russian federal loan bonds (OFZ bonds)	230.7	28.7	—	259.4
Russian Federation Eurobonds	30.2	—	—	30.2
Corporate bonds	7.9	—	—	7.9
Bonds of the Bank of Russia	3.5	—	—	3.5
- Securities mandatorily measured at fair value through profit or loss	0.1	—	—	0.1
Corporate bonds	—	—	—	—
Corporate shares	0.1	—	—	0.1
Derivative financial assets	—	176.5	1.1	177.6
Foreign currency derivatives	—	55.8	—	55.8
Foreign currency interest rate derivatives	—	54.5	—	54.5
Interest rate derivatives	—	25.7	—	25.7
Commodity derivatives including precious metals derivatives	—	12.4	—	12.4
Equity securities derivatives	—	10.5	1.1	11.6
Debt securities derivatives	—	3.1	—	3.1
Credit risk derivatives	—	0.3	—	0.3
Other derivatives	—	14.2	—	14.2
Investment property	—	—	4.8	4.8
Office premises	—	—	288.2	288.2
Assets of discontinued operations	107.2	26.3	5.7	139.2
Total assets carried at fair value or revalued amount	2,281.9	1,179.8	1,114.8	4,576.5

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 June 2019

21 Fair Value Disclosures (continued)

The following table shows fair values of assets for which fair values are disclosed, by level of the fair value hierarchy as at 30 June 2019:

<i>(unaudited)</i> <i>in billions of Russian Roubles</i>	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets carried at amortized cost					
Cash and cash equivalents	2,267.7	575.3	1,692.4	—	2,267.7
Mandatory cash balances with central banks	236.3	—	236.3	—	236.3
Due from banks	1,063.9	—	1,063.9	—	1,063.9
Loans and advances to customers					
- Loans to corporate customers	11,610.1	—	—	11,851.3	11,851.3
- Loans to individuals	6,913.7	—	—	6,852.8	6,852.8
Securities measured at amortized cost	1,139.0	788.0	373.4	1.0	1,162.4
Financial instruments pledged under repurchase agreements measured at amortized cost	20.5	16.7	4.6	—	21.3
Other financial assets	397.2	—	—	397.2	397.2
Assets of discontinued operations	2,032.9	67.5	419.6	1,557.2	2,044.3
Total financial assets carried at amortized cost	25,681.3	1,447.5	3,790.2	20,659.5	25,897.2

The following table shows fair values of assets for which fair values are disclosed, by level of the fair value hierarchy as at 31 December 2018:

<i>in billions of Russian Roubles</i>	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets carried at amortized cost					
Cash and cash equivalents	2,092.6	695.0	1,397.6	—	2,092.6
Mandatory cash balances with central banks	222.1	—	222.1	—	222.1
Due from banks	770.8	—	770.8	—	770.8
Loans and advances to customers					
- Loans to corporate customers	12,449.4	—	—	13,324.5	13,324.5
- Loans to individuals	6,449.7	—	—	6,625.0	6,625.0
Securities measured at amortized cost	1,118.9	752.3	358.4	1.0	1,111.7
Financial instruments pledged under repurchase agreements measured at amortized cost	5.9	3.8	2.2	—	6.0
Other financial assets	435.8	—	—	435.8	435.8
Assets of discontinued operations	2,367.3	76.7	457.9	1,789.8	2,324.4
Total financial assets carried at amortized cost	25,912.5	1,527.8	3,209.0	22,176.1	26,912.9

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 June 2019

21 Fair Value Disclosures (continued)

The following table shows an analysis of liabilities carried at fair value by level of the fair value hierarchy as at 30 June 2019:

<i>(unaudited)</i> <i>in billions of Russian Roubles</i>	Level 1	Level 2	Level 3	Total
Liabilities carried at fair value				
Due to banks designated at fair value through profit or loss	—	278.7	—	278.7
Due to corporate customers designated at fair value through profit or loss	—	0.9	—	0.9
Derivative financial instruments	—	105.3	—	105.3
Interest rate derivatives	—	32.2	—	32.2
Foreign currency derivatives	—	27.4	—	27.4
Foreign currency interest rate derivatives	—	26.7	—	26.7
Commodity derivatives including precious metals derivatives	—	5.5	—	5.5
Equity securities derivatives	—	2.7	—	2.7
Credit risk derivatives	—	0.1	—	0.1
Other derivatives	—	10.7	—	10.7
Obligation to deliver securities	44.9	1.4	—	46.3
Corporate bonds	25.1	1.4	—	26.5
Corporate shares	9.8	—	—	9.8
Russian Federation Eurobonds	7.0	—	—	7.0
Foreign government and municipal bonds	2.0	—	—	2.0
Russian federal loan bonds (OFZ bonds)	1.0	—	—	1.0
Liabilities of discontinued operations	—	11.5	—	11.5
Total liabilities carried at fair value	44.9	397.8	—	442.7

The following table shows an analysis of liabilities carried at fair value by level of the fair value hierarchy as at 31 December 2018:

<i>in billions of Russian Roubles</i>	Level 1	Level 2	Level 3	Total
Liabilities carried at fair value				
Due to banks designated at fair value through profit or loss	—	562.6	—	562.6
Due to corporate customers designated at fair value through profit or loss	—	—	1.0	1.0
Derivative financial instruments	—	147.7	—	147.7
Foreign currency interest rate derivatives	—	53.5	—	53.5
Foreign currency derivatives	—	46.1	—	46.1
Interest rate derivatives	—	25.1	—	25.1
Commodity derivatives including precious metals derivatives	—	4.9	—	4.9
Equity securities derivatives	—	1.7	—	1.7
Other derivatives	—	16.4	—	16.4
Obligation to deliver securities	33.9	—	—	33.9
Corporate bonds	12.6	—	—	12.6
Russian federal loan bonds (OFZ bonds)	11.9	—	—	11.9
Russian Federation Eurobonds	7.3	—	—	7.3
Corporate shares	2.1	—	—	2.1
Liabilities of discontinued operations	—	27.0	—	27.0
Total liabilities carried at fair value	33.9	737.3	1.0	772.2

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 June 2019

21 Fair Value Disclosures (continued)

The following table shows fair values of liabilities for which fair values are disclosed, by level of the fair value hierarchy as at 30 June 2019:

(unaudited) in billions of Russian Roubles	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
Financial liabilities carried at amortized cost					
Due to banks	381.9	—	371.9	8.3	380.2
Due to individuals					
- Current/demand accounts	3,304.1	—	3,304.1	—	3,304.1
- Term deposits and direct repo agreements	10,368.4	—	—	10,316.9	10,316.9
Due to corporate customers					
- Current/demand accounts	2,410.7	—	2,410.7	—	2,410.7
- Term deposits and direct repo agreements	5,723.9	—	—	5,691.5	5,691.5
Debt securities in issue	653.7	187.2	469.7	4.8	661.7
Other borrowed funds	46.1	—	45.5	0.6	46.1
Other financial liabilities	482.5	—	—	482.5	482.5
Subordinated debt	642.8	123.9	3.3	520.0	647.2
Liabilities of discontinued operations	1,934.4	—	—	1,934.1	1,934.1
Total liabilities carried at amortized cost	25,948.5	311.1	6,605.2	18,958.7	25,875.0

The following table shows fair values of liabilities for which fair values are disclosed, by level of the fair value hierarchy as at 31 December 2018:

	Carrying value	Fair value			
<i>in billions of Russian Roubles</i>		Level 1	Level 2	Level 3	Total
Financial liabilities carried at amortized cost					
Due to banks	534.2	—	513.3	15.2	528.5
Due to individuals					
- Current/demand accounts	3,368.1	—	3,368.1	—	3,368.1
- Term deposits and direct repo agreements	10,127.0	—	—	10,055.1	10,055.1
Due to corporate customers					
- Current/demand accounts	2,423.9	—	2,423.9	—	2,423.9
- Term deposits and direct repo agreements	4,977.3	—	—	4,795.1	4,795.1
Debt securities in issue	843.6	602.1	269.0	4.2	875.3
Other borrowed funds	56.5	—	55.9	0.5	56.4
Other financial liabilities	266.9	—	—	266.9	266.9
Subordinated debt	707.3	196.6	3.4	504.1	704.1
Liabilities of discontinued operations	2,185.2	—	—	2,186.7	2,186.7
Total liabilities carried at amortized cost	25,490.0	798.7	6,633.6	17,827.8	25,260.1

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 June 2019

21 Fair Value Disclosures (continued)

Level 2 assets carried at fair value include short term liquid balances due from banks, debt securities of first-class borrowers and derivative financial instruments that are not actively traded on the market. Fair value of these financial instruments was calculated using techniques for which all inputs which have a significant effect on the recorded fair value are observable on the active market. Financial characteristics of comparable financial instruments actively traded on the market were used as inputs for the fair valuation models.

The following describes the methodologies and assumptions used to determine fair values for financial instruments.

Derivatives

Derivatives valued using a valuation technique with market observable inputs derived from well-known market information systems are mainly foreign currency interest rate swaps, interest rate swaps, currency swaps, forward foreign exchange contracts and foreign exchange option contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. Option-pricing is mostly done with Black-Scholes model and for certain types of options with stochastic local volatility model. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, interest rate curves and implied volatility. In rare exceptional cases, DCF model may be applied, in case where it is impossible to obtain market data.

Securities measured at fair value through profit or loss and securities at fair value through other comprehensive income

Securities measured at fair value through profit or loss, securities measured at fair value through other comprehensive income valued using a valuation technique or pricing models primarily consist of unquoted equity and debt securities. These securities are valued using models which sometimes only incorporate data observable in the market and at other times use both observable and non-observable data. The non-observable inputs to the models include assumptions regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates.

The following table shows transfers between Level 1 and Level 2 of the fair value hierarchy for financial assets measured at fair value during the six months ended 30 June 2019:

<i>(unaudited)</i> <i>in billions of Russian Roubles</i>	Transfers between Level 1 and Level 2	
	From Level 1 to Level 2	From Level 2 to Level 1
Financial assets		
Securities measured at fair value through other comprehensive income	53.0	53.2
Securities mandatorily measured at fair value through profit or loss	41.5	24.6
Securities measured at fair value through other comprehensive income pledged under repurchase agreements	—	11.3
Total transfers of financial assets	94.5	89.1

The following table shows transfers between Level 1 and Level 2 of the fair value hierarchy for financial assets measured at fair value during the year ended 31 December 2018:

<i>in billions of Russian Roubles</i>	Transfers between Level 1 and Level 2	
	From Level 1 to Level 2	From Level 2 to Level 1
Financial assets		
Securities measured at fair value through other comprehensive income	232.8	36.5
Securities mandatorily measured at fair value through profit or loss	44.4	7.5
Securities measured at fair value through other comprehensive income pledged under repurchase agreements	43.5	—
Total transfers of financial assets	320.7	44.0

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 June 2019

21 Fair Value Disclosures (continued)

The financial instruments are transferred from Level 2 and Level 3 to Level 1 when they become actively traded and fair values are determined using quoted prices in an active market.

The financial instruments are transferred from Level 1 to Level 2 when they ceased to be actively traded, the liquidity of the market is not sufficient to use the market quotation for the valuation and fair values are consequently obtained from valuation techniques using observable market inputs.

The financial instruments are transferred to Level 3 when they ceased to be actively traded and there is no possibility to use valuation techniques with observable market inputs.

The following table shows a reconciliation of the opening and closing amount of Level 3 assets and liabilities which are recorded at fair value as at 30 June 2019:

<i>(unaudited)</i> <i>in billions of Russian Roubles</i>	At 31 December 2018	Total gains/ (losses) reported in profit or loss	Foreign currency revaluation	Total gains/ (losses) reported in other compre- hensive income	Origination/ Purchases	Sales/ Settlements	Transfers from Level 3	At 30 June 2019
Securities mandatorily measured at fair value through profit or loss	48.2	(1.5)	(0.7)	—	2.6	(5.9)	—	42.7
Securities measured at fair value through other comprehensive income	80.9	(0.4)	—	(2.6)	0.7	—	—	78.6
Loans and advances to customers	685.9	5.6	(41.1)	—	98.4	(65.4)	—	683.4
Derivative financial assets	1.1	(0.1)	—	—	0.6	—	—	1.6
Investment property	4.8	—	—	—	1.1	(0.7)	—	5.2
Office premises	288.2	(3.2)	(0.9)	(0.9)	20.0	(6.6)	(0.5)	296.1
Assets of discontinued operations	5.7	—	(0.9)	—	—	—	—	4.8
Total level 3 assets	1,114.8	0.4	(43.6)	(3.5)	123.4	(78.6)	(0.5)	1,112.4
Due to corporate customers	1.0	—	—	—	—	(1.0)	—	—
Total level 3 liabilities	1.0	—	—	—	—	(1.0)	—	—

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 June 2019

21 Fair Value Disclosures (continued)

For the six months ended 30 June 2019 the losses in the amount of RR 29.6 billion reported in the interim consolidated statement of profit or loss on Level 3 financial assets were unrealized.

For the six months ended 30 June 2019 the losses in the amount RR 2.6 billion reported in the interim consolidated statement of comprehensive income on Level 3 financial assets were unrealized.

Details of valuation of significant assets as at 30 June 2019 are summarised below.

Valuation of loans using valuation techniques based on non-observable inputs

The Group determined fair value of loans based on discounted cash flow models and using the pricing of embedded derivatives. The models use a number of observable and non-observable inputs on the market, key of which are the interest rates and the credit spread.

Should the interest rate used by the Group in the valuation model for loans to a chemical company with fair value of RR 163.4 billion increase / decrease by 1.0%, the carrying value of the loans would be RR 0.4 billion lower / RR 0.4 billion higher. Should the credit spread used by the Group in the valuation model for loans to the company increase / decrease by 1.0%, the carrying value of the loans would be RR 0.3 billion lower / RR 0.3 billion higher.

Should the interest rate used by the Group in the valuation model for loans to another chemical company with fair value of 60.9 billion increase / decrease by 1.0%, the carrying value of the loans would be RR 0.1 billion lower / RR 0.1 billion higher. Should the credit spread used by the Group in the valuation model for loans to the company increase / decrease by 1.0%, the carrying value of the loans would be RR 0.1 billion lower / RR 0.1 billion higher.

Should the interest rate used by the Group in the valuation model for loans to metallurgical company with fair value of 31.5 billion increase / decrease by 1.0%, the carrying value of the loans would be RR 0.3 billion lower / RR 0.3 billion higher. Should the credit spread used by the Group in the valuation model for loans to the company increase / decrease by 1.0%, the carrying value of the loans RR 0.1 billion lower / RR 0.1 billion higher.

In valuation above the credit spread should be interpreted with market convention LGD equal to 75%.

The Group determined fair value of loans to two oil refining companies based on discounted cash flow models and using the pricing of embedded derivatives. The models use a number of observable and non-observable inputs on the market, key of which are the discount rate and estimated cash flows.

Should the sum of discounted cash flows used by the Group in the valuation model for loans to an oil refining company with fair value of RR 74.5 billion increase / decrease by 5.0%, the carrying value of the loans would be RR 3.7 billion higher / RR 3.7 billion lower.

Should the sum of discounted cash flows used by the Group in the valuation model for loans to another oil refining company with fair value of RR 72.1 billion increase / decrease by 5.0%, the carrying value of the loans would be RR 3.6 billion higher / RR 3.6 billion lower.

Valuation of mortgage-backed securities using valuation techniques based on non-observable inputs

The model uses a number of observable and unobservable inputs to derive a valuation, key of which include risk-free curve and the credit spread for JSC "DOM.RF" (all considered observable), while portfolio aging period and behavioral adjustment on refinancing position represent key unobservable inputs.

Should the risk-free curve used by the Group in the valuation model for securities of RR 32.7 billion increase / decrease by 1.0%, the carrying value of the financial instrument would be RR 0.9 billion lower / RR 1.2 billion higher. Should the JSC "DOM.RF" credit spread used by the Group in the valuation model increase / decrease by 1.0%, the carrying value of the financial instrument would be RR 0.9 billion lower / RR 1.2 billion higher.

Should the risk-free curve used by the Group in the valuation model for securities of RR 44.6 billion increase / decrease by 1.0%, the carrying value of the financial instrument would be RR 1.7 billion lower / RR 2.2 billion higher. Should the JSC "DOM.RF" credit spread used by the Group in the valuation model increase / decrease by 1.0%, the carrying value of the financial instrument would be RR 1.7 billion lower / RR 2.2 billion higher.

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 June 2019

21 Fair Value Disclosures (continued)

The following table shows a reconciliation of the opening and closing amount of Level 3 assets which are recorded at fair value as at 31 December 2018:

<i>in billions of Russian Roubles</i>	At 1 January 2018 as adjusted under IFRS 9	Total gains/ (losses) reported in profit or loss	Foreign currency revaluation	Total losses reported in other compre- hensive income	Purchases	Sales/ Settlements	Transfers from Level 3	Transfers to assets of discontinued operations	Transfers to Level 3	At 31 December 2018
Securities mandatorily measured at fair value through profit or loss	36.9	5.9	2.4	—	1.6	(0.8)	—	—	2.2	48.2
Securities measured at fair value through other comprehensive income	45.7	0.1	—	1.8	46.7	(13.4)	—	—	—	80.9
Loans and advances to customers	561.2	(14.4)	91.5	—	405.9	(358.3)	—	—	—	685.9
Derivative financial instruments	0.9	0.2	—	—	—	—	—	—	—	1.1
Investment property	7.7	(0.7)	0.2	—	2.3	(2.2)	—	(2.5)	—	4.8
Office premises	276.7	(6.2)	0.8	(2.1)	32.8	(11.4)	0.3	(2.7)	—	288.2
Assets of discontinued operations	—	0.3	(0.2)	0.3	0.1	—	—	5.2	—	5.7
Total level 3 assets	929.1	(14.8)	94.7	—	489.4	(386.1)	0.3	—	2.2	1,114.8
Due to corporate customers	0.6	—	—	—	0.4	—	—	—	—	1.0
Total level 3 liabilities	0.6	—	—	—	0.4	—	—	—	—	1.0

For the year ended 31 December 2018 the losses in the amount of RR 1.2 billion reported in the consolidated statement of profit or loss on Level 3 financial assets were unrealized.

For the year ended 31 December 2018 the losses in the amount RR 1.8 billion reported in the consolidated statement of comprehensive income on Level 3 financial assets were unrealized.

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 June 2019

21 Fair Value Disclosures (continued)

Details of valuation of significant assets as at 31 December 2018 are summarised below.

Valuation of loans using valuation techniques based on non-observable inputs

The Group determined fair value of loans based on discounted cash flow models and using the pricing of embedded derivatives. The models use a number of observable and non-observable inputs on the market, key of which are the discount rate and the credit spread.

Should the discount rate used by the Group in the valuation model for loans to a chemical company of RR 152.6 billion increase / decrease by 1.0%, the carrying value of the loans would be RR 2.2 billion lower / RR 2.2 billion higher. Should the credit spread used by the Group in the valuation model for loans to the company increase / decrease by 1.0%, the carrying value of the loans would be RR 1.3 billion lower / RR 1.3 billion higher.

Should the discount rate used by the Group in the valuation model for loans to another chemical company of RR 65.7 billion increase / decrease by 1.0%, the carrying value of the loans would be RR 0.3 billion lower / RR 0.3 billion higher. Should the credit spread used by the Group in the valuation model for loans to the company increase / decrease by 1.0%, the carrying value of the loans would be RR 0.1 billion lower / RR 0.1 billion higher.

Should the discount rate used by the Group in the valuation model for loans to metallurgical company of RR 34.9 billion increase / decrease by 1.0%, the carrying value of the loans would be RR 0.2 billion lower / RR 0.2 billion higher. Should the credit spread used by the Group in the valuation model for loans to the company increase / decrease by 1%, the carrying value of the loans would be RR 0.1 billion lower / RR 0.1 billion higher.

In valuation above the credit spread should be interpreted with market convention LGD equal to 75%.

The Group determined fair value of loans to two oil refining companies based on discounted cash flow models and using the pricing of embedded derivatives. The models use a number of observable and non-observable inputs on the market, key of which are the discount rate and estimated cash flows.

Should the discount rate used by the Group in the valuation model for loans to an oil refining company of RR 105.2 billion increase / decrease by 1.0%, the carrying value of the loans would be RR 7.3 billion lower / RR 7.3 billion higher. Should the sum of discounted cash flows used by the Group in the valuation model increase / decrease by 5.0%, the carrying value of the loans would be RR 5.3 billion higher / RR 5.3 billion lower.

Should the discount rate used by the Group in the valuation model for loans to another oil refining company of RR 66.4 billion increase / decrease by 1.0%, the carrying value of the loans would be RR 3.4 billion lower / RR 3.4 billion higher. Should the sum of discounted cash flows used by the Group in the valuation model increase / decrease by 5.0%, the carrying value of the loans would be RR 3.3 billion higher / RR 3.3 billion lower.

Valuation of mortgage-backed securities using valuation techniques based on non-observable inputs

The model uses a number of observable and unobservable inputs to derive a valuation, key of which include risk-free curve and the credit spread for JSC "DOM.RF" (all considered observable), while portfolio aging period and behavioral adjustment on refinancing position represent key unobservable inputs.

Should the risk-free curve used by the Group in the valuation model for securities of RR 34.2 billion increase / decrease by 1.0%, the carrying value of the financial instrument would be RR 1.1 billion lower / RR 0.9 billion higher. Should the JSC "DOM.RF" credit spread used by the Group in the valuation model increase / decrease by 1.0%, the carrying value of the financial instrument would be RR 1.2 billion lower / RR 1.3 billion higher.

Should the risk-free curve used by the Group in the valuation model for securities of RR 46.0 billion increase / decrease by 1.0%, the carrying value of the financial instrument would be RR 1.5 billion lower / RR 1.4 billion higher. Should the JSC "DOM.RF" credit spread used by the Group in the valuation model increase / decrease by 1.0%, the carrying value of the financial instrument would be RR 1.6 billion lower / RR 1.7 billion higher.

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 June 2019

22 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. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

The Group's principal shareholder is the Bank of Russia (refer to Note 1). Other related parties in the tables below comprise subsidiaries and associates of the Bank of Russia Group, key management personnel, their close family members, associated companies of the Group. Disclosures are made in Note 23 for significant transactions with state-controlled entities and government bodies.

As at 30 June 2019 and 31 December 2018, the outstanding balances with the Bank of Russia and other related parties were as follows:

<i>in billions of Russian Roubles</i>	30 June 2019 (unaudited)		31 December 2018	
	Bank of Russia	Other related parties	Bank of Russia	Other related parties
Assets				
Cash and cash equivalents	925.2	1.2	681.5	0.4
Mandatory cash balances with the Bank of Russia	199.7	—	188.0	—
Derivative financial assets	—	0.9	—	1.5
Due from banks	10.1	—	8.6	—
Loans and advances to customers before credit loss allowance	—	200.0	—	80.5
Securities	430.4	—	189.2	—
Assets of the disposal groups and non-current assets held for sale	0.5	—	2.4	—
Other assets	—	7.6	—	8.6
Liabilities				
Due to banks	61.8	43.6	71.2	3.8
Due to individuals	—	11.7	—	13.6
Due to corporate customers	—	33.3	—	3.8
Derivative financial liabilities and obligations to deliver securities	—	2.1	—	9.0
Subordinated debt	520.0	—	504.1	—
Liabilities of the disposal groups	—	0.1	—	—
Other liabilities	—	13.3	—	4.5

As a result of the bad debt recovery operations the Group has received a significant influence over one of its borrowers in the second quarter of 2019. The operations with this company since the date of obtaining of significant influence are presented as related party transactions.

As at 30 June 2019 included in operations with other related parties are deposits attracted from key management personnel and their close family members in the amount of RR 11.7 billion (31 December 2018: RR 13.6 billion). As at 30 June 2019 and 31 December 2018 there were no loans and advances granted to key management personnel and their close family members.

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 June 2019

22 Related Party Transactions (continued)

The income and expense items with the Bank of Russia and other related parties for the six months ended 30 June 2019 and 30 June 2018 were as follows:

<i>(unaudited)</i> <i>in billions of Russian Roubles</i>	Six months ended 30 June			
	2019		2018	
	Bank of Russia	Other related parties	Bank of Russia	Other related parties
Interest income calculated using the effective interest method	15.2	5.7	9.0	0.6
Interest expense on subordinated debt calculated using the effective interest method	(15.9)	—	(15.9)	—
Interest expense calculated using the effective interest method other than on subordinated debt	(2.6)	(1.4)	(2.8)	(0.3)
Revenue of non-core business activities	0.1	—	—	—
Fee and commission income	—	0.2	0.2	0.1
Fee and commission expense	(1.0)	(0.2)	(0.8)	—
Net gains from derivatives, trading in foreign currencies, foreign exchange and precious metals accounts translation	0.1	7.0	—	—
Other net operating income	0.1	0.2	—	—
Staff and administrative expenses	—	(5.6)	—	(3.1)
Loss from discontinued operations	—	(0.4)	—	—

The income and expense items with the Bank of Russia and other related parties for the three months ended 30 June 2019 and 30 June 2018 were as follows:

<i>(unaudited)</i> <i>in billions of Russian Roubles</i>	Three months ended 30 June			
	2019		2018	
	Bank of Russia	Other related parties	Bank of Russia	Other related parties
Interest income calculated using the effective interest method	8.2	3.0	3.4	0.1
Interest expense on subordinated debt calculated using the effective interest method	(8.1)	—	(8.1)	—
Interest expense calculated using the effective interest method other than on subordinated debt	(1.3)	(0.6)	(1.2)	(0.1)
Revenue of non-core business activities	0.1	—	—	—
Fee and commission income	—	0.2	0.1	0.1
Fee and commission expense	(0.8)	(0.1)	(0.5)	—
Net gains from non-derivative financial instruments at fair value through profit or loss	—	0.1	—	—
Net gains from derivatives, trading in foreign currencies, foreign exchange and precious metals accounts translation	—	5.7	—	—
Other net operating expenses	0.1	0.1	—	—
Staff and administrative expenses	—	(3.1)	—	(0.3)
Loss from discontinued operations	—	(0.2)	—	—

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 June 2019

22 Related Party Transactions (continued)

For the six months ended 30 June 2019, interest expense on deposits attracted from key management personnel and their close family members comprised RR 0.3 billion (for the six months ended 30 June 2018: RR 0.2 billion). For the three months ended 30 June 2019, interest expense on deposits attracted from key management personnel and their close family members comprised RR 0.2 billion (for the three months ended 30 June 2018: RR 0.1 billion).

For the six months ended 30 June 2019, regular remuneration of the members of the key management personnel comprised salaries and bonuses totaling RR 2.3 billion (for the six months ended 30 June 2018: RR 2.2 billion). For the three months ended 30 June 2019, regular remuneration of the members of the key management personnel comprised salaries and bonuses totaling RR 1.1 billion (for the three months ended 30 June 2018: RR 1.0 billion). Payments to the key management personnel on regular remuneration for the six months ended 30 June 2019 comprised RR 1.4 billion (for the six months ended 30 June 2018: RR 1.4 billion). Payments to the key management personnel on regular remuneration for the three months ended 30 June 2019 comprised RR 0.3 billion (for the three months ended 30 June 2018: RR 0.4 billion).

Also in 2015 the Bank has introduced a long term cash settled motivation program for the key management personnel with share-based features. The program has been designed within a framework of risk oriented remuneration and is in full compliance with the requirements of the Bank of Russia on the remuneration system for Russian credit institutions. The program parameters are as follows:

- 40% of the variable part of the annual compensation is deferred and is paid in 3 annual installments;
- payments to the participants of the program are contingent upon the Bank's positive performance, e.g. if the Bank has a loss in any of the 3 years following the year in which the award was granted, payments to the participants are forfeited for that particular year;
- awards may be fully or partially forfeited, for example, due to individual misconduct (including a breach of regulations) or termination for cause and also due to negative individual contributions to the Bank's results.

Share-based long term compensation is payable in cash, and is remeasured at each reporting date based on the forward price of the Bank's ordinary shares. For the six months ended 30 June 2019 share-based long term compensation (including remeasurement of the outstanding balance to reflect changes in the price of the Bank's ordinary shares) has amounted to RR 2.0 billion (for the six months ended 30 June 2018: RR 1.2 billion). For the three months ended 30 June 2019 share-based long term compensation (including remeasurement of the outstanding balance to reflect changes in the price of the Bank's ordinary shares) has amounted to RR 1.2 billion (for the three months ended 30 June 2018: RR (0.2) billion). There were no payments to the key management personnel on share-based long term compensation for the six months and for the three months ended 30 June 2019 and 30 June 2018.

Payables on share-based long term compensation as at 30 June 2019 amounted to RR 4.8 billion (31 December 2018: RR 2.8 billion). The related obligations are included in other financial liabilities in the interim consolidated statement of financial position until paid.

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 June 2019

23 Operations with State-Controlled Entities and Government Bodies

In the normal course of business, the Group enters into contractual agreements with the government of the Russian Federation and entities controlled by it. The Group provides the state-controlled entities and government bodies with a full range of banking services including, but not limited to, lending, deposit-taking, issue of guarantees, operations with securities, cash and settlement transactions. Operations with state-controlled entities and government bodies are generally carried out on market terms and constitute the minority of the Group's operations.

Balances with state-controlled entities and government bodies which are significant in terms of the carrying amounts as at 30 June 2019 are disclosed below:

<i>in billions of Russian Roubles</i>		30 June 2019 (unaudited)		
		Loans and advances to customers / Due from banks	Due to corporate customers / Due to banks	Guarantees issued/ Undrawn credit lines
Client	Sector			
Client 1	Government and municipal bodies	—	948.1	—
Client 2	Banking	446.0	68.9	—
Client 3	Oil and gas	430.5	5.5	11.3
Client 4	Government and municipal bodies	—	373.2	—
Client 5	Oil and gas	290.1	49.1	24.8
Client 6	Energy	42.5	189.9	15.7
Client 7	Oil and gas	174.1	31.1	0.4
Client 8	Machinery	137.1	39.6	11.1
Client 9	Machinery	—	54.5	107.4
Client 10	Energy	130.2	20.1	—
Client 11	Machinery	89.8	27.3	18.8
Client 12	Machinery	—	32.5	80.6
Client 13	Machinery	—	15.6	81.1
Client 14	Machinery	79.0	10.7	1.8
Client 15	Energy	0.1	89.5	—
Client 16	Banking	—	84.0	—
Client 17	Machinery	3.3	29.5	44.8
Client 18	Government and municipal bodies	73.0	—	—
Client 19	Machinery	—	40.7	14.7
Client 20	Energy	48.0	—	—

Additionally as at 30 June 2019 balances from operations with state-controlled entities and government bodies include receivables from Deposit Insurance Agency of RR 0.2 billion (31 December 2018: RR 14.1 billion) which represent receivables recognized from settlements on deposit compensations to clients of the banks whose license was withdrawn by the Bank of Russia. These balances are included in other assets in the interim consolidated statement of financial position. Refer to Note 8.

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 June 2019

23 Operations with State-Controlled Entities and Government Bodies (continued)

Balances with state-controlled entities and government bodies as at 31 December 2018 disclosed below contain balances of clients which are significant in terms of the carrying amounts as at 30 June 2019 (Clients 1 -20), and in addition the entity with the balances which were significant as at 31 December 2018 (Client 21):

<i>in billions of Russian Roubles</i>		31 December 2018		
		Loans and advances to customers / Due from banks	Due to corporate customers / Due to banks	Guarantees issued/ Undrawn credit lines
Client	Sector			
Client 1	Government and municipal bodies	—	235.0	—
Client 2	Banking	300.3	128.4	—
Client 3	Oil and gas	531.1	2.4	20.7
Client 5	Oil and gas	288.2	14.5	4.5
Client 6	Energy	48.6	151.7	16.2
Client 7	Oil and gas	184.9	43.1	0.3
Client 8	Machinery	194.9	42.9	16.4
Client 9	Machinery	40.6	52.1	99.6
Client 10	Energy	140.3	30.6	—
Client 11	Machinery	91.0	32.7	11.5
Client 12	Machinery	21.8	36.3	80.4
Client 13	Machinery	—	31.6	93.9
Client 14	Machinery	87.3	11.7	2.1
Client 15	Energy	—	58.7	—
Client 16	Banking	2.8	103.8	—
Client 17	Machinery	—	25.2	66.9
Client 18	Government and municipal bodies	61.7	—	—
Client 19	Machinery	29.2	33.1	17.6
Client 20	Energy	45.4	—	—
Client 21	Transport and logistics	94.9	—	4.3

As at 30 June 2019 and 31 December 2018 the Group's investments in securities issued by government-controlled corporate entities were as follows:

<i>In billions of Russian Roubles</i>	30 June 2019 (unaudited)		31 December 2018	
	Corporate bonds	Corporate shares	Corporate bonds	Corporate shares
Securities mandatorily measured at fair value through profit or loss	116.5	5.3	139.6	2.3
Securities measured at amortized cost	324.2	—	222.2	—
Securities measured at fair value through other comprehensive income - debt instruments	218.1	—	196.5	—
Financial instruments pledged under repurchase agreements	10.6	—	3.6	3.8

For disclosures on investments in government debt securities please refer to Notes 5 and 6.

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 June 2019

24 Principal Subsidiaries

The table below provides details on principal subsidiaries of the Bank as at 30 June 2019:

<i>(unaudited)</i> Name	Nature of business	Percentage of ownership	Country of registration
DenizBank (DenizBank AS)	banking	99.85%	Turkey
Sberbank Europe AG	banking	100.00%	Austria
OJSC BPS-Sberbank	banking	98.43%	Belarus
SB JSC Sberbank	banking	100.00%	Kazakhstan
SBERBANK JSC	banking	100.00%	Ukraine
Sberbank (Switzerland) AG	banking	99.28%	Switzerland
Cetelem Bank LLC	banking	79.20%	Russia
JSC Sberbank Leasing	leasing	100.00%	Russia
LLC Sberbank Capital	finance	100.00%	Russia
SB CIB Holding LLC	finance	100.00%	Russia
Insurance company "Sberbank life insurance" LLC	finance	100.00%	Russia
Insurance company "Sberbank insurance" LLC	finance	100.00%	Russia
Sberbank Factoring LLC	finance	100.00%	Russia
JSC Rublyovo-Arkhangelskoye	construction	100.00%	Russia
LLC Sberbank Investments	finance	100.00%	Russia
Aukcion LLC	services	100.00%	Russia
PS Yandex.Money LLC	finance	75.00% minus one Russian Rouble	Russia
LLC Digital Technologies	digital business	100.00%	Russia
JSC Non-state Pension Fund of Sberbank	finance	100.00%	Russia

The share of the subsidiaries of the Bank in the consolidated assets of the Group as at 30 June 2019 was 19.8% (31 December 2018: 20.9%).

25 Capital Adequacy Ratio

The Group's objectives when managing capital are (i) to comply with the regulatory capital requirements set by the Bank of Russia and (ii) to safeguard the Group's ability to continue as a going concern.

According to requirements set by the Bank of Russia regulatory capital ratio N1.0 has to be maintained by the Bank above the minimum level of 8.0% (31 December 2018: 8.0%).

The total regulatory capital of the Bank and regulatory capital adequacy ratios of the Bank as at 30 June 2019 and 31 December 2018 are disclosed below.

<i>in billions of Russian Roubles</i>	30 June 2019 (unaudited)	31 December 2018
Total capital	4,119.4	4,243.8
Common equity adequacy ratio N1.1, %	11.4	11.1
Tier 1 capital adequacy ratio N1.2, %	11.4	11.1
Total capital adequacy ratio N1.0, %	14.2	14.8

The Bank calculates capital adequacy ratios using internal ratings-based ("IRB") approach for part of certain classes of financial instruments:

- Loans to corporate customers;
- Loans to individuals;
- Debt securities;
- Derivatives;
- Credit related commitments.

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 June 2019

25 Capital Adequacy Ratio (continued)

The Group also monitors capital adequacy ratio based on requirements of Basel Committee of Banking Supervision “Basel III: A global regulatory framework for more resilient banks and banking systems” (December 2010, updated in June 2011), commonly known as Basel III requirements. According to Basel III requirements minimum level of capital adequacy ratio is 6.0% for Tier 1 capital and 8.0% for total capital.

For assessment of credit risk in accordance with standardised approach the requirements of the national regulator (the Bank of Russia Instruction № 180-E “Mandatory bank ratios” dated 28 June 2017) were applied in the calculation of risk weighted assets where Basel III requirements allow to apply such national regulator requirements. In particular such approach was used for the following main types of assets:

- government and municipal debt financial instruments of the Russian Federation and its subjects nominated and funded in Russian Roubles;
- specific types of loans to which higher risk weights are applied in accordance with the Bank of Russia requirements;
- correspondent accounts and mandatory cash balances with the Bank of Russia.

For the purposes of calculation of capital adequacy ratio in accordance with Basel III requirements credit risk was assessed using IRB approach for part of certain classes of financial instruments. Financial instruments to which IRB approach is applied for the purposes of credit risk calculation under Basel III requirements are the same as financial instruments to which IRB approach is applied for the purposes of regulatory reporting.

The capital adequacy ratio of the Group as at 30 June 2019 and 31 December 2018 calculated in accordance with Basel III requirements is disclosed below.

	30 June 2019 (unaudited)	31 December 2018
<i>in billions of Russian Roubles</i>		
Tier 1 capital		
Share capital	87.7	87.7
Share premium	232.6	232.6
Retained earnings	3,680.8	3,560.7
Non-controlling interest	7.5	7.1
Treasury shares	(15.9)	(18.1)
Revaluation reserve for office premises	53.6	56.2
Fair value reserve for debt instruments measured at fair value through other comprehensive income	14.5	(35.1)
Foreign currency translation reserve	(69.7)	(29.6)
Remeasurement of defined benefit pension plans	(1.6)	(2.4)
less goodwill	(12.9)	(10.8)
less intangible assets	(62.8)	(64.6)
Other deductions from capital	(19.4)	(17.2)
Tier 1 capital	3,894.4	3,766.5
Tier 2 capital		
Eligible subordinated debt	59.9	142.1
Excess of total eligible provisions over expected loss amount under IRB approach	51.9	42.0
Tier 2 capital	111.8	184.1
Total capital	4,006.2	3,950.6
Risk weighted assets (RWA)		
Credit risk	27,218.0	27,477.4
Operational risk	3,339.9	3,339.9
Market risk	1,124.3	975.8
Total risk weighted assets (RWA)	31,682.2	31,793.1
Common equity Tier 1 capital adequacy ratio (Common equity Tier 1 capital / Total RWA), %	12.3	11.8
Tier 1 capital adequacy ratio (Tier 1 capital / Total RWA), %	12.3	11.8
Total capital adequacy ratio (Total capital / Total RWA), %	12.6	12.4

Selected Notes to the Interim Condensed Consolidated Financial Statements – 30 June 2019

25 Capital Adequacy Ratio (continued)

In the table below is disclosed the leverage ratio as at 30 June 2019 and 31 December 2018 calculated in accordance with “Basel III: Leverage ratio framework and disclosure requirements” issued in January 2014 updated with “Basel III: Finalising post-crisis reforms” requirements issued in December 2017.

	30 June 2019 (unaudited)	31 December 2018
<i>in billions of Russian Roubles</i>		
Tier 1 capital	3,894.4	3,766.5
Total leverage ratio exposure	33,798.2	33,471.1
Leverage ratio, %	11.5	11.3

The Group was in compliance with external capital requirements during the six months ended 30 June 2019 and the year ended 31 December 2018.

26 Subsequent events

On 15 July 2019 Sberbank placed 3 issues of bonds with a total nominal amount of RUB 45.0 billion. The two issues have coupon rates at 7.55% per annum and mature in two years after the placement. The third issue has coupon rate at 7.7% per annum and matures in three years after the placement.

In July 2019 the Group and Mail.ru Group signed a letter of intent to set up the Joint Venture (the “JV”) in order to create leading Russian O2O (online-to-offline) services platform focused on the key areas of food and transportation. The JV is to set up based on Delivery Club and Citymobil companies. The partners will hold equal 50/50 stakes in the JV. The Group will contribute to the JV its share in Foodplex and approximately RR 38 bln in cash. Further RR 13 bln could be invested by the Group in the JV on the condition that key performance indicators are achieved over the 12-month period following the closing of the transaction. The legally binding agreement is planned to be signed in autumn 2019, upon receipt of approvals from corporate governance bodies, anti-monopoly authorities and other regulators.