

Public Joint Stock Company

Asian-Pacific Bank

**Consolidated Interim Condensed
Financial Information
for the six-month period ended
30 June 2020**

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

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

Introduction

We have reviewed the accompanying consolidated interim condensed statement of financial position of Public Joint Stock Company Asian-Pacific Bank (the "Bank") and its subsidiaries (the "Group") as at 30 June 2020, and the related consolidated interim condensed statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes to the consolidated interim condensed financial information (the "consolidated interim condensed financial information"). Management is responsible for the preparation and presentation of this consolidated interim condensed financial information in accordance with IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this consolidated interim condensed financial information based on our review.

Scope of review

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

Reviewed entity: Public Joint Stock Company Asian-Pacific Bank.
Registration No. in the United State Register of Legal Entities:
102280000079.
Blagoveshchensk, Russian Federation.

Independent auditor: JSC «KPMG», a company incorporated under the Laws of Russian Federation, a member firm of the KPMG network independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Registration No. in the United State Register of Legal Entities:
1022800000079.

Member of the Self-regulatory Organization of Auditors Association "Sodruzhestvo" (SRO AAS). The Principal Registration Number of the Entry in the Register of Auditors and Audit Organizations: No. 12006020351.



Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim condensed financial information as at 30 June 2020 and for the six-month period then ended is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

Other matter

Figures for the three-month period ended 30 June 2020 and corresponding figures for the three-month period ended 30 June 2019 are not reviewed.



Tatarinova E.V.
JSC «KPMG»
Moscow, Russia
28 August 2020

PJSC Asian-Pacific Bank
Consolidated Interim Condensed Statement of Profit or Loss and Other Comprehensive Income
for the six-month period ended 30 June 2020

		Six-Month Period Ended 30 June 2020 RUB'000 (unaudited)	Six-Month Period Ended 30 June 2019 RUB'000 (unaudited)	Three-Month Period Ended 30 June 2020 RUB'000 (unaudited)*	Three-Month Period Ended 30 June 2019 RUB'000 (unaudited)*
	Notes				
Interest income calculated using the effective interest method	4	5 029 187	5 031 661	2 655 575	2 277 677
Other interest income	4	264 148	253 879	113 662	108 644
Interest expense	4	(1 809 491)	(1 972 378)	(916 133)	(1 016 601)
Net interest income		3 483 844	3 313 162	1 853 104	1 369 720
Deposit insurance expenses		(122 921)	(91 169)	(60 144)	(91 169)
Net interest income after deposit insurance expenses		3 360 923	3 221 993	1 792 960	1 278 551
Fee and commission income	5	1 368 780	1 276 312	747 853	731 453
Fee and commission expense		(219 860)	(176 371)	(111 188)	(97 261)
Net fee and commission income		1 148 920	1 099 941	636 665	634 192
Net gain on financial instruments at fair value through profit or loss		131 532	39 903	170 999	60 427
Realised gain on financial assets at fair value through other comprehensive income		222 326	102 941	146 041	61 255
Loss from equity-accounted investee	15	(2 990)	(2 685)	(2 474)	(2 283)
Net foreign exchange gain		227 921	424 159	68 233	199 012
Net gain (loss) on operations with precious metals		12 987	(37 693)	(33 081)	(5 796)
Other operating income		290 504	438 477	93 539	226 545
Operating income		5 392 123	5 287 036	2 872 882	2 451 903
Allowance for expected credit losses	6	(660 416)	(3 349 448)	(297 522)	(213 952)
(Charge) reversal of allowance for loan commitments and financial guarantees	6	(19 692)	(74 487)	2 175	(72 847)
Other provisions	6	66 815	851 832	66 815	5 272
Personnel expenses	7	(2 209 478)	(1 799 838)	(1 184 816)	(931 491)
Other general administrative expenses		(1 363 068)	(1 747 551)	(641 591)	(1 046 139)
Income (loss) for the period before income tax		1 206 284	(832 456)	817 943	192 746
Income tax expense (benefit)		(254 015)	67 019	(110 207)	163 759
Profit (loss) for the period		952 269	(765 437)	707 736	356 505

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

PJSC Asian-Pacific Bank
Consolidated Interim Condensed Statement of Profit or Loss and Other Comprehensive Income
for the six-month period ended 30 June 2020

	Six-Month Period Ended 30 June 2020 RUB'000 Notes	Six-Month Period Ended 30 June 2019 RUB'000 (unaudited)	Three-Month Period Ended 30 June 2020 RUB'000 (unaudited)*	Three-Month Period Ended 30 June 2019 RUB'000 (unaudited)*
Other comprehensive(loss) income, net of income tax				
<i>Items that are or may be reclassified subsequently to profit or loss</i>				
Fair value reserve for financial assets at fair value through other comprehensive income				
- Net change in fair value	176 884	578 282	411 207	347 446
- Net change in fair value transferred to profit and loss	<u>(177 861)</u>	<u>(82 353)</u>	<u>(116 833)</u>	<u>(45 856)</u>
<i>Total items that are or may be reclassified subsequently to profit or loss</i>	<u>(977)</u>	<u>495 929</u>	<u>294 374</u>	<u>301 590</u>
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Revaluation reserve for unquoted equity assets at fair value through other comprehensive income	<u>(92)</u>	<u>364 951</u>	<u>(131)</u>	<u>(4 180)</u>
<i>Total items that will not be reclassified subsequently to profit or loss</i>	<u>(92)</u>	<u>364 951</u>	<u>(131)</u>	<u>(4 180)</u>
Other comprehensive (loss) income for the period, net of income tax	<u>(1 069)</u>	<u>860 880</u>	<u>294 243</u>	<u>297 410</u>
Total comprehensive income for the period	<u>951 200</u>	<u>95 443</u>	<u>1 001 979</u>	<u>653 915</u>

Consolidated Interim Condensed Financial Information was approved on 28 August 2020:


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




 Ms. N.A. Shelekhova
 Acting Chief Accountant

*Figures for the three-month period ended 30 June 2020 and corresponding figures for the three-month period ended 30 June 2019 are not reviewed.

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

PJSC Asian-Pacific Bank
Consolidated Interim Condensed Statement of Financial Position as at 30 June 2020

	Notes	30 June 2020 RUB'000 (unaudited)	31 December 2019 RUB'000
ASSETS			
Cash and cash equivalents	8	8 286 192	9 827 572
Obligatory reserves with the Central Bank of the Russian Federation		583 729	586 700
Financial instruments at fair value through profit or loss	9, 21	1 598 496	2 891 805
Financial assets at fair value through other comprehensive income	10, 21	10 618 957	13 225 829
<i>including assets pledged under repurchase agreements</i>	<i>10, 21</i>	<i>406 254</i>	<i>106 915</i>
Due from banks	11	2 134 868	1 801 066
Amounts receivable under reverse repurchase agreements	12	2 304 457	400 082
Loans to customers	13	63 608 221	54 087 231
Net investments in finance leases	14	1 612 645	1 297 461
Investments in associates and other investments	15	79 791	82 781
Investments at amortised cost	16, 21	860 596	976 784
<i>including assets pledged under repurchase agreements</i>	<i>16, 21</i>	<i>161 765</i>	<i>-</i>
Deferred tax assets		503 583	747 440
Property, equipment, intangible assets and investment property		5 470 328	5 717 343
Other assets		6 598 931	5 408 130
Total assets		104 260 794	97 050 224
LIABILITIES			
Financial instruments at fair value through profit or loss	9	878	5 113
Deposits and balances from banks	17	1 899 861	755 128
Amounts payable under repurchase agreements	18, 21	6 919 641	103 527
Current accounts and deposits from customers	19	76 693 385	77 950 925
Debt securities issued		106 361	93 869
Other liabilities		1 687 442	2 139 636
Total liabilities		87 307 568	81 048 198
EQUITY			
Share capital		6 000 000	6 000 000
Share premium		3 000 000	3 000 000
Fair value reserve for financial assets at fair value through other comprehensive income		94 793	95 862
Revaluation surplus for buildings		1 076 113	1 076 113
Retained earnings		6 782 320	5 830 051
Total equity		16 953 226	16 002 026
Total liabilities and equity		104 260 794	97 050 224


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


 Ms. N.A. Shelekhova
 Acting Chief Accountant

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

PJSC Asian-Pacific Bank
Consolidated Interim Condensed Statement of Cash Flows for the six-month period ended 30 June 2020

	Notes	Six-Month Period Ended 30 June 2020 RUB'000 (unaudited)	Six-Month Period Ended 30 June 2019 RUB'000 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest receipts		5 185 490	5 023 991
Interest receipts		(1 880 427)	(1 947 182)
Fee and commission receipts		1 391 265	1 246 194
Fee and commission payments		(227 328)	(177 773)
Net receipts from financial instruments at fair value through profit or loss and financial assets at fair value through other comprehensive income for the period		339 326	142 844
Net (payments) receipts from foreign exchange		(419 645)	936 485
Other income receipts		1 080 672	235 132
Net (payments) from operations with precious metals		(62 139)	(52 749)
Deposit insurance, personnel and other general administrative expenses paid		(3 473 050)	(3 402 592)
(Increase) decrease in operating assets			
Obligatory reserves with the Central Bank of the Russian Federation		2 971	(3 397)
Financial instruments at fair value through profit or loss		1 440 538	(405 614)
Financial assets at fair value through other comprehensive income		2 890 906	2 837 018
Due from banks		(313 746)	(45 321)
Amounts receivable under reverse repurchase agreements		(1 904 375)	(1 086 631)
Loans to customers		(10 498 157)	(4 556 514)
Net investments in finance lease		(297 521)	(21 759)
Other assets		(1 148 877)	(1 221 182)
Increase (decrease) in operating liabilities			
Deposits and balances from banks		1 103 797	(1 015 032)
Amounts payable under repurchase agreements		6 816 114	688 381
Current accounts and deposits from customers		(2 284 657)	4 115 645
Promissory notes		12 492	(1)
Other liabilities		47 164	(1 465 333)
Net cash flows used in operating activities before income tax paid		(2 199 187)	(175 390)
Income tax paid		(4 509)	(188 297)
Net cash flows used in operations		(2 203 696)	(363 687)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of investments at amortised cost		-	(604 164)
Net redemption of investments at amortised cost		122 871	973 927
Net purchases of property and equipment, intangible assets and investment property		(169 873)	(34 246)
Net cash flows (used in) from investing activities		(47 002)	335 517

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

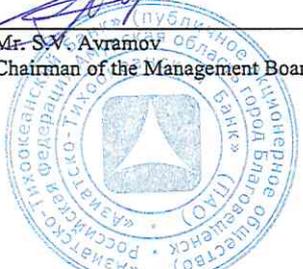
PJSC Asian-Pacific Bank

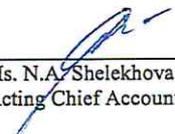
Consolidated Interim Condensed Statement of Cash Flows for the six-month period ended 30 June 2020

	Six-Month Period Ended 30 June 2020 RUB'000 (unaudited)	Six-Month Period Ended 30 June 2019 RUB'000 (unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on lease obligations	(53 744)	(60 889)
Redemption of bonds	-	(164 210)
Net cash flows used in financing activities	(53 744)	(225 099)
Net decrease in cash and cash equivalents	(2 304 442)	(253 269)
Effect of changes in exchange rates on cash and cash equivalents	763 066	(402 169)
Effect of changes in expected credit losses on cash and cash equivalents	(4)	12 290
Cash and cash equivalents as at the beginning of the period	9 827 572	11 995 863
Cash and cash equivalents as at the end of the period	8 286 192	11 352 715



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





 Ms. N.A. Shelekhova
 Acting Chief Accountant

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

PJSC Asian-Pacific Bank
Consolidated Interim Condensed Statement of Changes in Equity for the six-month period ended 30 June 2020

RUB'000	Share capital	Share premium	Fair value reserve for financial assets at fair value through other comprehensive income	Revaluation surplus for buildings	Retained earnings	Total equity
Balance as at 1 January 2019	6 000 000	3 000 000	(786 134)	1 068 591	5 152 279	14 434 736
Total comprehensive income for the period						
Loss for the period (unaudited)	-	-	-	-	(765 437)	(765 437)
Other comprehensive income, net of income tax						
<i>Items that are or may be reclassified subsequently to profit or loss</i>						
Net change in fair value of financial assets at fair value through other comprehensive income net of deferred tax of RUB 143 604 thousand (unaudited)	-	-	578 282	-	-	578 282
Net change in fair value of financial assets at fair value through other comprehensive income transferred to profit or loss, net of deferred tax of RUB 20 588 thousand (unaudited)	-	-	(82 353)	-	-	(82 353)
<i>Total items that are or may be reclassified subsequently to profit or loss (unaudited)</i>	-	-	495 929	-	-	495 929
<i>Items that will not be reclassified to profit or loss</i>						
Revaluation reserve for unquoted equity assets at fair value through other comprehensive income net of deferred tax of RUB 91 238 thousand (unaudited)	-	-	364 951	-	-	364 951
Reclassification of revaluation reserve for unquoted equity assets at fair value through other comprehensive income net of deferred tax of RUB 32 988 thousand for retained earnings at disposal of the instrument (unaudited)	-	-	(131 952)	-	131 952	-
<i>Total items that will not be reclassified to profit or loss (unaudited)</i>	-	-	232 999	-	131 952	364 951
Total comprehensive income for the period, net of income tax (unaudited)	-	-	728 928	-	(633 485)	95 443
Balance as at 30 June 2019 (unaudited)	6 000 000	3 000 000	(57 206)	1 068 591	4 518 794	14 530 179
Balance as at 1 January 2020	6 000 000	3 000 000	95 862	1 076 113	5 830 051	16 002 026

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

PJSC Asian-Pacific Bank
Consolidated Interim Condensed Statement of Changes in Equity for the six-month period ended 30 June 2020

RUB '000	Share capital	Share premium	Fair value reserve for financial assets at fair value through other comprehensive income	Revaluation surplus for buildings	Retained earnings	Total equity
Total comprehensive income for the period						
Profit for the period (unaudited)	-	-	-	-	952 269	952 269
Other comprehensive income, net of income tax						
<i>Items that are or may be reclassified subsequently to profit or loss</i>						
Net change in fair value of financial assets at fair value through other comprehensive income net of deferred tax of RUB 44 221 thousand (unaudited)	-	-	176 884	-	-	176 884
Net change in fair value of financial assets at fair value through other comprehensive income transferred to profit or loss, net of deferred tax of RUB 44 465 thousand (unaudited)	-	-	(177 861)	-	-	(177 861)
<i>Total items that are or may be reclassified subsequently to profit or loss (unaudited)</i>	-	-	(977)	-	-	(977)
<i>Items that will not be reclassified to profit or loss</i>						
Revaluation reserve for unquoted equity assets at fair value through other comprehensive income net of deferred tax of RUB 23 thousand (unaudited)	-	-	(92)	-	-	(92)
<i>Total items that will not be reclassified to profit or loss (unaudited)</i>	-	-	(92)	-	-	(92)
Total comprehensive income for the period, net of income tax (unaudited)	-	-	(1 069)	-	952 269	951 200
Balance as at 30 June 2020 (unaudited)	6 000 000	3 000 000	94 793	1 076 113	6 782 320	16 953 226


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


Ms. N.A. Shelekhova
 Acting Chief Accountant

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

1 Background

Organisation and operations

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

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

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

The Bank has 200 (31 December 2019: 199), offices from which it conducts business throughout the Russian Federation including a head office, 3 regional branches, 12 additional offices, 184 operational offices. The registered address of the head office is 225, Amurskaya Street, Blagoveschensk, 675000. The majority of the Bank’s assets and liabilities is located in the Russian Federation.

As at 30 June 2020 (unaudited) and 31 December 2019, the following shareholders held the issued shares of PJSC Asian-Pacific Bank:

Shareholder	30 June 2020 % (unaudited)	31 December 2019 %
Bank of Russia	99.99	99.99
Other	0.01	0.01
Total	100.00	100.00

Details of the subsidiaries and associates are as follows:

Name	Country of incorporation	Principal activities	Ownership, %	
			30 June 2020 (unaudited)	31 December 2019
LLC “Expo-Leasing”	Russian Federation	Leasing	100%	100%
LLC “Specialised financial company APB 2”	Russian Federation	Asset-backed securitisation	see below	see below
CUIF “Celena”	Russian Federation	Unit investment fund	41.09%	41.09%

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

LLC “Expo-Leasing” was registered in 2002 in Russian Federation. Its head office is in Moscow and it has 3 branches as at 30 June 2020 (31 December 2019: 3 branches), comprising a head office and 2 additional offices.

LLC “Specialised financial company APB 2” (“LLC SFC APB 2”) is structured entity established to ensure asset-backed securitisation. This entity is not owned by the Group. Control arises through the predetermination of the entity’ activities, having rights to obtain the majority of benefits of the structured entity, and retaining the majority of the residual risks related to the entity. All bonds in the amount of RUB 1 390 000 thousand, issued by LLC SFC APB 2, were repurchased by the Bank.

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

As at 30 June 2020 the average number of the Group’s employees was 3 971 (unaudited) (31 December 2019: 3 996).

Russian business environment

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

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

The first months of 2020 saw significant global market volatility caused by the outbreak of the COVID-19 pandemic. In response to the potentially serious threat posed to public health by the COVID-19 virus, the government of the Russian Federation has taken measures to contain the spread of the COVID-19 virus, including the introduction of restrictions on crossing the borders of the Russian Federation, restrictions on the entry of foreign citizens, and recommendations to

enterprises on transferring employees to a remote mode of work. During March 2020, local governments gradually introduced additional measures to ensure social distancing, including the closure of schools, higher education institutions, restaurants, cinemas, theaters, museums, and sports facilities. In order to ensure the sanitary and epidemiological well-being of the population, the President of the Russian Federation announced non-working days with the preservation of wages from March 30 to April 30, 2020 for all categories of workers, with the exception of employees of medical and pharmacy organizations, emergency services, companies providing the population with food and essential goods and continuous cycle enterprises.

Due to disruption to business activity and self-isolation regimes imposed in many countries, global oil demand has dropped sharply, leading to oversupply and a sharp drop in oil prices. On April 12, 2020, the world's largest oil producers, including Russia, agreed to a record cut in crude oil production to stabilize the oil market, which nevertheless did not reduce the pressure on oil prices. A sharp decline in oil prices and production volumes leads to a corresponding drop in oil companies' revenues and a decrease in federal budget contributions, which is likely to have serious economic and social consequences and provoke a decrease in public sector spending.

These events can have a negative impact on the economy, namely:

- disruption of business and economic activity, leading to disruptions in supplies and violation of contractual obligations;
- significant disruptions in the work of enterprises of certain industries operating both in the domestic market and export-oriented enterprises with a high degree of dependence on external workers. The most affected sectors include retail, tourism, entertainment and hospitality, transportation, oil, construction, automotive, insurance and financial sectors;
- a significant decrease in demand for goods and services that are not urgent or vital;
- growing economic uncertainty, reflected in the increasing volatility of asset values and exchange rates.

In March 2020, the Government of the Russian Federation announced a package of measures to support the industries most affected by the spread of COVID-19. The program includes, in particular, deferred payment of taxes and fees for small and medium-sized businesses, deferred loan repayment, deferred lease payments for federal and municipal property, government support for refinancing and restructuring loans for companies in particularly problematic industries. In addition, the rate of insurance premiums for small and medium-sized businesses has been reduced. The list of sectors heavily affected by the crisis is closely monitored and may be adjusted to reflect further changes in the economic situation.

The Group conducted stress testing of the impact of the COVID-19 pandemic and related restrictive measures on the financial results and operations of the Group.

As part of the stress testing, three possible scenarios for the development of the situation were considered and the degree of their impact on the work of the Group was evaluated:

- V-shaped implies a fairly quick (one to two months) return of the country and the economy to normal operation.
- U-shaped is designed taking into account the gradual recovery with a time delay between the elimination of the epidemiological factor and the beginning of recovery.
- The L-shaped scenario is the most stringent, calculated on the basis of pessimistic expectations and does not imply a significant restoration of the country's economic and financial life in 2020.

The calculations were carried out on the basis of available scenarios from federal authorities and other sources. The scenarios involve various pandemic behavior patterns, oil price levels, the US dollar rate, inflation, unemployment rates, sales of the Group's products and the cost of risk.

According to the results of the stress testing, the sensitivity of the Group to the current situation can be characterized as quite high, the main performance indicators of the Group may be under high pressure. Under the L-shaped scenario, the Group's profit may go into the negative zone, which will lead to a significant reduction in the amount of regulatory capital (equity), but this decrease will not lead to a violation of the capital adequacy ratio. In all three scenarios, there is no threat of liquidity loss; the Group ensures current payments and fulfills liquidity ratios even with a significant (up to 15-20%) outflow of borrowed funds from customers. For this purpose, the Group maintains a high stock of liquid assets, including in the form of highly liquid securities.

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

The Group's operations are not seasonal or cyclical.

2 Basis of the consolidated financial statements preparation

Statement of compliance

The accompanying consolidated interim condensed financial information is prepared in accordance with International Financial Reporting Standard *IAS 34 Interim Financial Reporting*. As a result, it does not include all of the information required for full consolidated financial statements, and should be read in conjunction with the consolidated financial statements as at and for the year ended 31 December 2019, as this consolidated interim condensed financial information provides an update of previously reported consolidated financial statements.

Basis of measurement

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

Functional and presentation currency

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

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

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

Use of estimates and judgments

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

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

In preparing this consolidated interim condensed financial information, the significant judgments made by the Management in applying the Group's accounting policies and the key sources of uncertainty in estimations were the same as those used for the consolidated financial statements prepared as at 31 December 2019 and 2019 year except as described below.

In accordance with the latest guidance from the IASB on the application of IFRS 9 Financial Instruments in a time of heightened economic uncertainty caused by the COVID-19 pandemic, the Group has reassessed its expected credit losses (ECLs) by restating macro adjustments to the probability of borrowers' default to reflect the changed economic conditions. ECLs for individually assessed loans have also been restated based on the most recent information on the impact of current economic conditions on clients' businesses and the most relevant macroeconomic forecast.

Average increase in macro adjustments for 12-month default probabilities is as follows:

- for loans to legal entities - from 1.15 to 1.25 on average;
- for loans to individuals - from 1.0 to 1.25 on average;
- the increase in the probability of default on due from banks, as well as financial assets at fair value through other comprehensive income, due to the increase in the macro adjustment, was offset by positive changes in the financial position of companies in the portfolio. The Group assesses the resulting change in the probability of default for due from banks and financial assets at fair value through other comprehensive income as neutral.

During 2020, the Group changed its approach to calculating LGD for the retail portfolio, namely, it extended the accounting period for payments from 2 years after the date of default to 7 years after the date of default. Average LGD decreased from 73.18% to 56.72%. The effect on expected credit losses from the change in estimate amounted to RUB 1 697 573 thousand.

3 Significant accounting policies

In preparing this consolidated interim condensed financial information, the Group has applied the same accounting policies applied in the annual consolidated financial statements as at 31 December 2019.

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2020 and did not have a significant impact on the Group's consolidated interim condensed financial information:

- Amendments to references to the Conceptual Framework for Financial Reporting in IFRS;
- Business definition (amendments to IFRS 3);
- Definition of "significant" (amendments to IAS 1 and IAS 8);
- Reform of base interest rates (amendments to IFRS 9, IAS 39 and IFRS 7).

4 Interest income and expense

	Six-Month Period Ended 30 June 2020 RUB'000 (unaudited)	Six-Month Period Ended 30 June 2019 RUB'000 (unaudited)	Three-Month Period Ended 30 June 2020 RUB'000 (unaudited, unreviewed)	Three -Month Period Ended 30 June 2019 RUB'000 (unaudited, unreviewed)
Interest income calculated using the effective interest rate				
Loans to customers	4 566 324	4 484 107	2 428 712	2 017 481
Financial assets at FVOCI	351 373	356 664	169 293	180 453
Due from banks and cash equivalents	55 003	128 198	17 192	42 880
Investments at amortised cost	56 487	62 692	40 378	36 863
	5 029 187	5 031 661	2 655 575	2 277 677
Other interest income				
Net investments in finance leases	150 764	122 310	77 265	54 636
Financial instruments at FVTPL	113 384	131 569	36 397	54 008
	264 148	253 879	113 662	108 644
Interest expense				
Current accounts and deposits from customers	1 659 116	1 915 034	799 140	989 112
<i>including lease obligations</i>	5 777	7 997	3 028	4 498
Deposits and balances from banks	148 314	43 691	115 901	19 980
Debt securities issued	2 061	13 653	1 092	7 509
	1 809 491	1 972 378	916 133	1 016 601

5 Fee and commission income

	Six-Month Period Ended 30 June 2020 RUB'000 (unaudited)	Six-Month Period Ended 30 June 2019 RUB'000 (unaudited)	Three-Month Period Ended 30 June 2020 RUB'000 (unaudited, unreviewed)	Three -Month Period Ended 30 June 2019 RUB'000 (unaudited, unreviewed)
Settlement operations	446 424	382 726	234 950	193 560
Accounts opening and maintenance	432 671	414 835	224 271	226 066
Insurance agent commission	379 294	374 046	226 880	247 749
Guarantees issuance	43 597	16 475	25 916	7 744
Consulting and information services agent commission	31 090	78 576	15 997	52 634
Other	35 704	9 654	19 839	3 700
	1 368 780	1 276 312	747 853	731 453

Fee and commission income of the Group is recognised as the related services are performed, except fee and commission on guarantees issued, which is paid by the customer in advance and is allocated to income over the guarantee period.

6 Allowance for expected credit losses and other allowances

	Six-Month Period Ended 30 June 2020 RUB'000 (unaudited)	Six-Month Period Ended 30 June 2019 RUB'000 (unaudited)
Loans to customers	661 777	3 425 388
Financial instruments at fair value through other comprehensive income	5 057	(37 727)
Cash and cash equivalents and Due from banks	(8 673)	(13 516)
Investments at amortised cost	(353)	118
Credit related commitments	19 692	74 487
Net investments in finance leases	(24 703)	(10 598)
Other assets	27 311	(14 217)
	680 108	3 423 935

Other provisions in the amount of RUB 66 815 thousand represent a change in the provision for other contingent liabilities that are presented by litigations.

As at 31 December 2019, non-credit related contingent liabilities amounted to RUB 638 815 thousand, including:

- a lawsuit by the bankruptcy trustee of PJSC “M2M Private Bank” - the State Corporation “Deposit Insurance Agency” in the amount of RUB 572 000 thousand;

- a lawsuit by the Territorial Administration of the Federal Property Management Agency in the Primorsky District to challenge the purchase and sale of real estate in the amount of RUB 66 815 thousand;

In the reporting period, there was a following change in non-credit related contingent liabilities:

- provision in the amount of 572 000 thousand rubles at the claim of the bankruptcy administrator of PJSC “M2M Private Bank” - State Corporation “Deposit Insurance Agency” are not at the balance sheet as at June 30, 2020, as compensation was made: partially by payment in cash at the expense of a previously created provision, partially by the way of write-off of assets;

- in the amount of 66,815 thousand rubles on the claim of the Territorial Administration of the Federal Property Management Agency in the Primorsky Territory in connection with the end of the court proceedings in favor of the Bank.

Provisions for litigation are recorded under “Other liabilities”.

7 Personnel expenses

	Six-Month Period Ended 30 June 2020 RUB'000 (unaudited)	Six-Month Period Ended 30 June 2019 RUB'000 (unaudited)	Three-Month Period Ended 30 June 2020 RUB'000 (unaudited, unreviewed)	Three -Month Period Ended 30 June 2019 RUB'000 (unaudited, unreviewed)
Employee compensation	1 719 333	1 389 447	931 811	727 633
Payroll related taxes	490 145	410 391	253 005	203 858
	2 209 478	1 799 838	1 184 816	931 491

8 Cash and cash equivalents

	30 June 2020 RUB'000 (unaudited)	31 December 2019 RUB'000
Cash on hand	3 573 390	2 093 085
Nostro accounts with the CBR	3 128 184	2 047 040
Nostro accounts with other banks		
Rated from AA- to AA+	86 193	138 338
Rated from A- to A+	131 791	103 983
Rated from BBB- to BBB+	1 228 548	366 506
Rated from BB- to BB+	133 045	212 039
Rated below BB- and not rated	6 773	17 328
Total nostro accounts with other banks	1 586 350	838 194
Term deposits with other banks		
Rated from BBB- to BBB+	-	4 000 685
Rated from BB- to BB+	-	850 296
Total term accounts with other banks	-	4 850 981
Allowance for expected credit losses	(1 732)	(1 728)
Total cash and cash equivalents	8 286 192	9 827 572

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

Analysis of changes in allowance for expected credit losses for cash and cash equivalents for the six-month period ended 30 June 2020 (unaudited):

RUB'000	Six-Month Period Ended 30 June 2020 (unaudited)	
	Stage 1	Total
Allowance for expected credit losses at the beginning of the period	1 728	1 728
Net change in allowance for expected credit losses	4	4
Allowance for expected credit losses at the period end	1 732	1 732

Analysis of changes in allowance for expected credit losses for cash and cash equivalents for the six-month period ended 30 June 2019 (unaudited):

RUB'000	Six-Month Period Ended 30 June 2019 (unaudited)	
	Stage 1	Total
Allowance for expected credit losses at the beginning of the period	15 736	15 736
Net change in allowance for expected credit losses	(14 954)	(14 954)
New financial assets originated or purchased	2 664	2 664
Allowance for expected credit losses at the period end	3 446	3 446

None of cash and cash equivalents are past due or credit-impaired. Allowance for expected credit losses is 12-month expected credit losses after the reporting date.

9 Financial instruments at fair value through profit or loss

	30 June 2020 RUB'000 (unaudited)	31 December 2019 RUB'000
ASSETS		
Debt securities at fair value through profit or loss		
Debt securities owned by the Group		
- Government bonds		
Russian Government Federal bonds (OFZ) (rated BBB)	282 277	1 152 392
Total government bonds	282 277	1 152 392
- Corporate bonds		
Rated from AA- to AA+	-	-
Rated from A- to A+	159 621	376 753
Rated from BBB- to BBB+	1 023 431	1 348 956
Total corporate bonds	1 183 052	1 725 709
Total debt securities at fair value through profit or loss owned by the Group	1 465 329	2 878 101
Debt securities at fair value through profit or loss introduced into General Collateral Certificate Pool and pledged as General Collateral Certificate Pool (GCC)		
- Corporate bonds		
Rated from BBB- to BBB+	87 490	-
Total corporate bonds	87 490	-
Total debt securities at fair value through profit or loss introduced into General Collateral Certificate Pool and pledged as General Collateral Certificate Pool (GCC)	87 490	-
Total debt securities at fair value through profit or loss	1 552 819	2 878 101
Derivative financial instruments		
Foreign currency and securities contracts	45 677	13 704
	1 598 496	2 891 805
LIABILITIES		
Derivative financial instruments		
Foreign currency and securities contracts	878	5 113
	878	5 113

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

None of financial assets at fair value through profit or loss are past due or credit-impaired.

10 Financial assets at fair value through other comprehensive income

	30 June 2020 RUB'000 (unaudited)	31 December 2019 RUB'000
Held by the Group		
- Government and municipal bonds		
Russian Government Federal bonds (OFZ) (rated BBB)	1 478 613	1 261 100
Regional authorities and municipal bonds, including:	-	43 334
Rated BB	-	28 856
Not rated	-	14 478
Total government and municipal bonds	1 478 613	1 304 434
- Corporate bonds		
Rated from A- to A+	322 578	91 563
Rated from BBB- to BBB+	540 821	9 195 521
Rated from BB- to BB+	-	2 088 840
Rated from B- to B+	126 872	129 954
Banks with revoked license	102 651	102 651
Total corporate bonds	1 092 922	11 608 529
- Corporate shares		
Not rated	205 837	205 951
Total corporate shares	205 837	205 951
Total financial assets at fair value through other comprehensive income held by the Group	2 777 372	13 118 914
Financial assets at fair value through other comprehensive income pledged under sale and repurchase agreements, and introduced into General Collateral Certificate Pool and pledged as General Collateral Certificate Pool (GCC)		
- Government and municipal bonds		
Russian Government Federal bonds (OFZ) (rated BBB)	-	106 915
Total government and municipal bonds	-	106 915
- Corporate bonds		
Rated from BBB- to BBB+	7 194 506	-
Rated from BB- to BB+	647 079	-
Total corporate bonds	7 841 585	-
Total financial assets at fair value through other comprehensive income pledged under sale and repurchase agreements, and introduced into General Collateral Certificate Pool and pledged as General Collateral Certificate Pool (GCC)	7 841 585	106 915
Total financial assets at fair value through other comprehensive income	10 618 957	13 225 829
Allowance for expected credit losses*	(115 398)	(121 951)
Total financial assets at fair value through other comprehensive income (carrying amount)	10 618 957	13 225 829

* The above loss allowance is not recognized in the consolidated interim condensed statement of financial position because the carrying amount of debt securities at fair value through other comprehensive income is their fair value.

The following table sets out information about the credit quality of debt financial assets at fair value through other comprehensive income as at 30 June 2020 (unaudited):

RUB'000	30 June 2020 (unaudited)				Total
	12-month ECLs	Lifetime ECLs for not credit-impaired assets	Lifetime ECLs for credit-impaired assets	POCI	
<i>Debt financial assets at FVOCI</i>					
Rated from A- to A+	322 578	-	-	-	322 578
Rated from BBB- to BBB+	9 213 940	-	-	-	9 213 940
Rated from BB- to BB+	647 079	-	-	-	647 079
Rated from B- to B+	126 872	-	-	-	126 872
Not rated	-	-	-	102 651	102 651
	10 310 469	-	-	102 651	10 413 120
Loss allowance	(12 747)	-	-	(102 651)	(115 398)
Gross carrying amount	10 532 469	-	-	122 675	10 655 144
Carrying amount - fair value	10 310 469	-	-	102 651	10 413 120

The following table sets out information about the credit quality of debt financial assets at fair value through other comprehensive income as at 31 December 2019:

RUB'000	31 December 2019				Total
	12-month ECLs	Lifetime ECLs for not credit-impaired assets	Lifetime ECLd for credit-impaired assets	POCI	
<i>Debt financial assets at FVOCI</i>					
Rated from A- to A+	91 563	-	-	-	91 563
Rated from BBB- to BBB+	10 563 536	-	-	-	10 563 536
Rated from BB- to BB+	2 117 696	-	-	-	2 117 696
Rated from B- to B+	129 954	-	-	-	129 954
Not rated	14 478	-	-	102 651	117 129
	12 917 227	-	-	102 651	13 019 878
Allowance for expected credit losses	(19 300)	-	-	(102 651)	(121 951)
Gross carrying amount	13 168 491	-	-	122 675	13 291 166
Carrying amount-fair value	12 917 227	-	-	102 651	13 019 878

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

The following table presents a reconciliation of allowance for expected credit losses as at the beginning and as at the end of the reporting period for financial assets at fair value through other comprehensive income for the six-month period ended 30 June 2020 (unaudited):

RUB'000	Six-Month Period Ended 30 June 2020 (unaudited)				
	Stage 1	Stage 2	Stage 3	POCI	Total
Financial assets at fair value through other comprehensive income for the period					
Balance at 1 January 2020	19 300	-	-	102 651	121 951
Net remeasurement of loss allowance	1 196	-	-	-	1 196
New financial assets originated or purchased	3 861	-	-	-	3 861
Financial assets that have been derecognized	(11 610)	-	-	-	(11 610)
Balance at 30 June 2020	12 747	-	-	102 651	115 398

The following table presents a reconciliation of allowance for expected credit losses as at the beginning and as at the end of the reporting period for financial assets at fair value through other comprehensive income for the six-month period ended 30 June 2019 (unaudited):

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

As at 30 June 2020 the unquoted corporate shares at fair value through other comprehensive income amount to RUB 205 837 thousand and are categorised as Level 3 in the fair value hierarchy (unaudited).

As at 31 December 2019, unquoted corporate shares at fair value through other comprehensive income amounted to RUB 205 951 thousand and are categorised as Level 3 in the fair value hierarchy.

11 Due from banks

	30 June 2020 RUB'000 (unaudited)	31 December 2019 RUB'000
Due from banks		
Rated from A- to A+	1 787	1 593
Rated from BBB- to BBB+	123 442	125 899
Rated from BB- to BB+	395 077	209 171
Rated from B- to B+	1 627 025	1 485 543
Total due from banks	2 147 331	1 822 206
Allowance for expected credit losses	(12 463)	(21 140)
Total due from banks net of allowance for expected credit losses	2 134 868	1 801 066

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

Analysis of changes in allowance for expected credit losses for due from banks for the six-month period ended 30 June 2020 (unaudited):

RUB'000	Six-Month Period Ended 30 June 2020 (unaudited)	
	Stage 1	Total
Due from banks		
Balance at 1 January 2020	21 140	21 140
Net remeasurement of loss allowance	(10 000)	(10 000)
New financial assets originated or purchased	1 323	1 323
Balance at 30 June 2020	12 463	12 463

Analysis of changes in allowance for expected credit losses for due from banks for the six-month period ended 30 June 2019 (unaudited):

RUB'000	Six-Month Period Ended 30 June 2019 (unaudited)	
	Stage 3	Total
Due from banks		
Balance at 1 January 2019	6 514 477	6 514 477
Net remeasurement of loss allowance	(1 226)	(1 226)
Balance at 30 June 2019	6 513 251	6 513 251

As at 30 June 2020, all due from banks were classified as Stage 1 financial assets (unaudited) (31 December 2019: all due from banks are classified as Stage 1 financial assets).

As at 30 June 2020, none of amounts due from banks are past due or credit-impaired. Allowance for expected credit losses is 12-month ECLs (unaudited) (31 December 2019: none of amounts due from banks are past due or credit-impaired. Allowance for expected credit losses is 12-month ECLs).

12 Amounts receivable under reverse repurchase agreements

The table below sets out receivables under reverse repurchase agreements showing individual types of securities received as collateral under reverse repurchase agreements outstanding as at 30 June 2020 (unaudited):

	Corporate bonds RUB'000	Corporate shares RUB'000	Total RUB'000
Amounts receivable under reverse repurchase agreements			
Rated from BB to BBB	2 304 304	153	2 304 457
	2 304 304	153	2 304 457

As at 30 June 2020, the fair value of securities collateralising reverse repurchase agreements is RUB 2 620 690 thousand (unaudited).

The table below sets out receivables under reverse repurchase agreements showing individual types of securities received as collateral under reverse repurchase agreements outstanding as at 31 December 2019:

	Russian Federation Government bonds RUB'000	Corporate bonds RUB'000	Corporate shares RUB'000	Total RUB'000
Amounts receivable under reverse repurchase agreements				
Rated from BB to BBB	282 177	110 627	7 278	400 082
	282 177	110 627	7 278	400 082

As at 31 December 2019, the fair value of securities collateralising reverse repurchase agreements is RUB 452 959 thousand.

The following table sets out information about the credit quality of receivables under reverse repurchase agreements as at 30 June 2020 (unaudited):

RUB'000	30 June 2020 (unaudited)				Total
	12-month ECLs	Lifetime ECLs for not credit-impaired assets	Lifetime ECLs for credit-impaired assets	POCI	
<i>Accounts receivable under reverse repurchase agreements</i>					
Rated from BB to BBB	2 304 457	-	-	-	2 304 457
	2 304 457	-	-	-	2 304 457
Allowance for expected credit losses	-	-	-	-	-
Carrying amount	2 304 457	-	-	-	2 304 457

The following table sets out information about the credit quality of receivables under reverse repurchase agreements as at 31 December 2019:

RUB'000	31 December 2019				Total
	12-month ECLs	Lifetime ECLs for not credit-impaired assets	Lifetime ECLs for credit-impaired assets	POCI	
<i>Accounts receivable under reverse repurchase agreements</i>					
Rated from BB to BBB	400 082	-	-	-	400 082
	400 082	-	-	-	400 082
Allowance for expected credit losses	-	-	-	-	-
Carrying amount	400 082	-	-	-	400 082

In the tables above, the credit rating is shown in accordance with the rating scale of the rating agencies Standard & Poors and Fitch.

13 Loans to customers

	30 June 2020 RUB'000 (unaudited)	31 December 2019 RUB'000
Loans to corporate customers	25 682 228	23 200 654
Loans to retail customers		
Consumer loans	40 966 431	43 669 276
Mortgage loans	9 130 237	6 646 349
Total loans to retail customers	50 096 668	50 315 625
Gross loans to customers	75 778 896	73 516 279
Allowance for expected credit losses	(12 170 675)	(19 429 048)
Loans to customers net of allowance for expected credit losses	63 608 221	54 087 231

The table below shows analysis of changes in allowance for expected credit losses by class of loans issued to customers for for the six-month period ended 30 June 2020 (unaudited):

	Loans to corporate customers RUB'000	Loans to retail customers RUB'000	Total RUB'000
Allowance for expected credit losses at the beginning of the period	4 693 765	14 735 283	19 429 048
Unwinding of discount	36 038	86 315	122 353
Net allowance for expected credit losses	308 350	354 078	662 428
Financial assets that have been derecognised	(1 492 208)	(6 307 978)	(7 800 186)
Write-offs	(76 272)	(230 337)	(306 609)
Other changes	63 641	-	63 641
Allowance for expected credit losses at the period end	3 533 314	8 637 361	12 170 675

The table below shows analysis of changes in allowance for expected credit losses by class of loans issued to customers for for the six-month period ended 30 June 2019 (restated) (unaudited):

	Loans to corporate customers RUB'000	Loans to retail customers RUB'000	Total RUB'000
Allowance for expected credit losses at the beginning of the period	8 225 258	20 606 386	28 831 644
Unwinding of discount	189 174	330 801	519 975
Net allowance for expected credit losses	1 513 269	1 912 119	3 425 388
Financial assets that have been derecognised	(1 590 796)	(10 121)	(1 600 917)
Write -offs	(32 275)	(358 688)	(390 963)
Allowance for expected credit losses at the period end	8 304 630	22 480 497	30 785 127

In 2019, the Group revised the composition of loans issued to corporate and retail customers in order to provide more reliable and fair information, allowance for expected credit losses as at 1 January 2019 were reclassified accordingly.

Credit quality analysis

The following table sets out information about the credit quality of corporate loans issued as at 30 June 2020 (unaudited):

	30 June 2020 (unaudited):				Total
	12-month ECLs	Lifetime ECLs for assets that are not credit- impaired	Lifetime ECLs for credit- impaired assets	POCI	
RUB'000					
Loans to corporate customers					
Standard	19 725 460	-	-	-	19 725 460
Below standard	-	455 411	-	-	455 411
Doubtful	-	-	5 501 357	-	5 501 357
	19 725 460	455 411	5 501 357	-	25 682 228
Allowance for expected credit losses	(631 030)	(23 575)	(2 878 709)	-	(3 533 314)
Carrying amount	19 094 430	431 836	2 622 648	-	22 148 914

The following table sets out information about the credit quality of corporate loans issued as at 31 December 2019.

31 December 2019					
RUB'000	12-month ECLs	Lifetime ECLs for assets that are not credit- impaired	Lifetime ECLs for credit- impaired assets	POCI	Total
<i>Loans to corporate customers</i>					
Standard	15 947 414	-	-	-	15 947 414
Below standard	-	85 170	2 610 720	-	2 695 890
Doubtful	-	-	4 557 350	-	4 557 350
	15 947 414	85 170	7 168 070	-	23 200 654
Allowance for expected credit losses	(400 103)	(2 820)	(4 290 842)	-	(4 693 765)
Carrying amount	15 547 311	82 350	2 877 228	-	18 506 889

The credit quality categories presented in the table above represent an assessment of the financial position that the Bank carries out on the basis of financial and non-financial information:

- “Standard” - assets where the counterparties have a low probability of default, have a high ability to timely fulfil financial obligations: these are loans where Borrowers have a “Good” financial position, the absence of modifications leading to a significant increase in credit risk. A delay of no more than 30 days is also allowed with a “Good” financial position.
- “Below standard” - assets where the counterparties have a moderate probability of default, demonstrate an average ability to timely fulfil financial obligations and require more careful attention at the monitoring stage: these are loans for which the financial position has deteriorated, modifications leading to a significant increase of credit risk, an overdue of 31 to 90 days has occurred.
- “Doubtful” - assets that, based on the signs of impairment, meet the definition of default: borrowers have overdue payments by more than 90 days, modifications leading to impairment of the financial instrument, the Group has initiated a bankruptcy procedure or entered into an agreement with the borrower on the terms of repayment of an overdue loan.

The following table sets out information about the credit quality of retail loans issued as at 30 June 2020 (unaudited):

30 June 2020 (unaudited)					
RUB'000	12-month ECLs	Lifetime ECLs for assets that are not credit-impaired	Lifetime ECLs for credit- impaired assets	POCI	Total
<i>Loans to customers – retail customers</i>					
Not overdue	33 362 858	6 649 880	-	29 159	40 041 897
Overdue less than 30 days	772 136	283 323	-	8 721	1 064 180
Overdue 30-89 days	-	1 119 210	-	8 345	1 127 555
Overdue 90-723 days	-	-	3 678 444	82 936	3 761 380
Overdue more than 724 days	-	-	4 097 271	4 385	4 101 656
	34 134 994	8 052 413	7 775 715	133 546	50 096 668
Allowance for expected credit losses	(1 465 032)	(936 000)	(6 539 134)	302 805	(8 637 361)
Carrying amount	32 669 962	7 116 413	1 236 581	436 351	41 459 307

The following table sets out information about the credit quality of retail loans issued as at 31 December 2019:

	31 December 2019				Total
	12-month ECLs	Lifetime ECLs for assets that are not credit-impaired	Lifetime ECLs for credit- impaired assets	POCI	
RUB'000					
<i>Loans to customers – retail customers</i>					
Not overdue	34 842 665	640 273	-	22 957	35 505 895
Overdue less than 30 days	382 618	132 755	-	3 762	519 135
Overdue 30-89 days	-	658 636	-	5 294	663 930
Overdue 90-723 days	-	-	3 921 493	259 993	4 181 486
Overdue more than 724 days	-	-	9 445 179	-	9 445 179
	35 225 283	1 431 664	13 366 672	292 006	50 315 625
Allowance for expected credit losses	(1 350 577)	(390 271)	(12 994 435)	-	(14 735 283)
Carrying amount	33 874 706	1 041 393	372 237	292 006	35 580 342

The following table reconciles opening and closing balances of allowance for expected credit losses for corporate and retail loans measured at amortised cost for the six-months period ended 30 June 2020 (unaudited):

	Six-Month Period Ended 30 June 2020 (unaudited)				
	Stage 1	Stage 2	Stage 3	POCI	Total
RUB'000					
Loans to corporate customers					
			4 290		
Balance at 1 January 2020	400 103	2 820	842		4 693 765
Transfer to Stage 1	1 059	(1 059)	-		-
Transfer to Stage 2	(20 834)	20 834	-		-
Transfer to Stage 3	(1 357)	-	1 357		-
Net remeasurement of loss allowance	92 016	980	59 732		152 728
New financial assets originated or purchased	155 622	-	-		155 622
Unwinding of discount	-	-	36 038		36 038
Financial assets that have been derecognized	-	-	(1 492 208)		(1 492 208)
Write-offs	-	-	(76 272)		(76 272)
Other changes	4 421	-	59 220		63 641
Balance at 30 June 2020	631 030	23 575	2 878 709		3 533 314

	Six-Month Period Ended 30 June 2020 (unaudited)				
	Stage 1	Stage 2	Stage 3	POCI	Total
RUB'000					
Loans to retail customers					
Balance at 1 January 2020	1 350 577	390 271	12 994 435	-	14 735 283
Transfer to Stage 1	99 664	(47 429)	(52 235)	-	-
Transfer to Stage 2	(208 051)	286 416	(78 365)	-	-
Transfer to Stage 3	(91 568)	(470 048)	561 616	-	-
Net remeasurement of loss allowance	(513 087)	776 790	(434 317)	(302 805)	(473 419)

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RUB'000	Six-Month Period Ended 30 June 2020 (unaudited)				
	Stage 1	Stage 2	Stage 3	POCI	Total
New financial assets originated or purchased	827 497	-	-	-	827 497
Unwinding of discount	-	-	86 315	-	86 315
Financial assets that have been derecognised	-	-	(6 292 992)	-	(6 292 992)
Derecognition due to significant modification	-	-	(14 986)	-	(14 986)
Write-offs	-	-	(230 337)	-	(230 337)
Balance at 30 June 2020	1 465 032	936 000	6 539 134	(302 805)	8 637 361

Below is the explanation of how significant changes in the gross carrying amount of corporate loans during the six-month period ended 30 June 2020 affected changes in allowance for expected credit losses (unaudited):

- Write-offs of corporate loans in the amount of RUB 76 272 thousand during the six-month period ended 30 June 2020 led to a reduction in ECLs by RUB 76 272 thousand.
- Derecognition due to the assignment of claims for loans to corporate customers with a gross carrying amount of RUB 1 846 731 thousand reduced the ECL of stage 3 in the amount of RUB 1 492 208 thousand. The assignment is represented by the sale of loans to corporate customers to unrelated parties for RUB 459 587 thousand.
- The issuance of loans to corporate customers in the amount of RUB 5 052 043 thousand during the six-month period ended 30 June 2020 led to an increase in ECLs by RUB 155 622 thousand.

Below is the explanation of how significant changes in the gross carrying amount of retail loans issued during the six-month period ended 30 June 2020 affected changes in allowance for expected credit losses (unaudited):

- Write-offs of retail loans in the amount of RUB 230 337 thousand during the six-month period ended 30 June 2020 led to a reduction in ECLs of loans referred to stage 3 by RUB 230 337 thousand.
- Derecognition of loans to retail customers resulting from the exercise of claims with a gross carrying amount of RUB 6 450 708 thousand during the six-month period ended 30 June 2020 reduced the ECL of loans classified as Stage 3 by RUB 6 292 992 thousand. The assignment is represented by the sale of retail loans to unrelated parties for RUB 360 786 thousand.
- Loans to retail customers classified as POCI with a gross carrying amount of RUB 176 270 thousand were derecognised as a result of the assignment of claims of these loans to unrelated parties for RUB 170 188 thousand.
- For loans with a gross carrying amount of RUB 31 900 thousand during the reporting period, there was a significant modification, the provision for expected credit losses on these loans at the date of modification was RUB 14 986 thousand. As a result of a significant modification, the assets were derecognised and new assets recognized as POCI assets.
- Transfer from Stage 1 to Stage 2 during the six-month period ended 30 June 2020 in the amount of RUB 5 267 042 thousand and to Stage 3 in the amount of RUB 192 475 thousand resulted in an increase in the ECL of Stage 2 and Stage 3 by RUB 299 619 thousand.
- Transfer from Stage 2 to Stage 1 during the six-month period ended 30 June 2020 in the amount of RUB 347 773 thousand and to Stage 3 in the amount of RUB 972 783 thousand

led to an increase in the ECL of Stage 1 by RUB 47 429 thousand and Stage 3 by RUB 470 048 thousand.

- Issue of retail loans in the amount of RUB 18 067 627 thousand during the six-month period ended 30 June 2020 led to an increase in ECLs by RUB 827 497 thousand.

The following table reconciles opening and closing balances of allowance for expected credit losses for corporate and retail loans measured at amortised cost for the six-months period ended 30 June 2019 (unaudited):

RUB'000	Six-Month Period Ended 30 June 2019 (unaudited)			
	Stage 1	Stage 2	Stage 3	Total
Loans to corporate customers				
Balance at 1 January 2019	174 575	11 294	8 039 389	8 225 258
Transfer to Stage 1	15 278	(678)	(14 600)	-
Transfer to Stage 2	(18 803)	36 312	(17 509)	-
Transfer to Stage 3	(6 655)	(9 845)	16 500	-
Net remeasurement of loss allowance	46 417	24 699	1 369 759	1 440 875
New financial assets originated or purchased	71 551	843	-	72 394
Unwinding of discount	-	-	189 174	189 174
Financial assets that have been derecognised	-	-	(1 590 796)	(1 590 796)
Write-offs	-	-	(32 275)	(32 275)
Balance at 30 June 2019	282 363	62 625	7 959 642	8 304 630

RUB'000	Six-Month Period Ended 30 June 2019 (unaudited)			
	Stage 1	Stage 2	Stage 3	Total
Loans to retail customers				
Balance at 1 January 2019	845 834	827 837	18 932 715	20 606 386
Transfer to Stage 1	34 247	(17 773)	(16 474)	-
Transfer to Stage 2	(45 527)	326 374	(280 847)	-
Transfer to Stage 3	(48 470)	(298 997)	347 467	-
Net remeasurement of loss allowance	(153 713)	(76 726)	1 727 079	1 496 640
New financial assets originated or purchased	279 154	136 325	-	415 479
Unwinding of discount	-	-	330 801	330 801
Financial assets that have been derecognised	-	-	(10 121)	(10 121)
Write-offs	-	-	(358 688)	(358 688)
Balance at 30 June 2019	911 525	897 040	20 671 932	22 480 497

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

- Write-offs of corporate loans in the amount of RUB 32 275 thousand during the six-month period ended 30 June 2019 led to a reduction of ECLs by RUB 32 275 thousand.

- Cession of corporate loans in amount RUB 1 590 796 thousand during the six-month period ended 30 June 2019 led to reduction in ECL in the amount of RUB 1 590 796 thousand. Cession of corporate loans is mainly presented by sale of 100% provided loan issued to LLC FTK in the amount of RUB 1 589 706 thousand to FBSC AMC Ltd.
- Corporate loans issued in the amount of RUB 2 671 819 thousand during the six-month period ended 30 June 2019 led to an increase in ECLs by RUB 72 394 thousand.

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

- Write-offs of retail loans in the amount of RUB 358 688 thousand during the six-month period ended 30 June 2019 led to a reduction of ECLs by RUB 358 688 thousand.
- Cession of retail loans in the amount of RUB 10 121 thousand during the six-month period ended 30 June 2019 led to a reduction in ECL by RUB 10 121 thousand.
- Transfer from Stage 1 to Stage 2 and Stage 3 during the six-month period ended 30 June 2019 in the amount of RUB 1 328 580 thousand resulted in an increase in ECL by RUB 93 997 thousand.
- Issue of retail loans in the amount of RUB 8 333 963 thousand during the six-month period ended 30 June 2019 led to an increase in ECLs by RUB 370 258 thousand.
- Increase of ECLs within Stage 3 in the amount of RUB 1 727 079 was mainly due to the increase in the number of loans, the allowance for which was increased to 100% during the six-month period ended 30 June 2019 due to deterioration in quality and transfer to the category of overdue more than 724 days.

14 Net investments in finance leases

Net investments in finance leases comprise:

	30 June 2020 RUB'000 (unaudited)	31 December 2019 RUB'000
Gross investments in finance leases	1 982 829	1 712 695
Unearned finance lease income	(349 048)	(368 124)
	1 633 781	1 344 571
Allowance for expected credit losses	(21 136)	(47 110)
Net investments in finance leases	1 612 645	1 297 461

Net investments in finance leases generally comprise lease contracts on various types of equipment and vehicles.

The following tables set out information about the credit quality of net investments in finance leases as at 30 June 2020 (unaudited) and as at 31 December 2019:

30 June 2020 (unaudited)					
	12-month ECLs	Lifetime ECLs for assets that are not credit- impaired	Lifetime ECLs for credit- impaired assets	POCI	Total
RUB'000					
Standard	1 173 512	-	-	-	1 173 512
Below standard	-	437 890	-	-	437 890
Doubtful	-	-	22 379	-	22 379
	1 173 512	437 890	22 379	-	1 633 781
Allowance for expected credit losses	(9 178)	(3 909)	(8 049)	-	(21 136)
Carrying amount	1 164 334	433 981	14 330	-	1 612 645
31 December 2019					
	12-month ECLs	Lifetime ECLs for assets that are not credit- impaired	Lifetime ECLs for credit- impaired assets	POCI	Total
RUB'000					
Standard	1 228 649	52 982	-	-	1 281 631
Below standard	-	-	-	-	-
Doubtful	-	-	62 940	-	62 940
	1 228 649	52 982	62 940	-	1 344 571
Allowance for expected credit losses	(16 065)	(657)	(30 388)	-	(47 110)
Carrying amount	1 212 584	52 325	32 552	-	1 297 461

The credit quality categories presented in the table above are described in Note 13.

The following table present a reconciliation of allowance for expected credit losses for the six-month period ended 30 June 2020 (unaudited):

Six-Month Period Ended 30 June 2020 (unaudited)				
	Stage 1	Stage 2	Stage 3	Total
RUB'000				
Balance at 1 January 2020	16 065	657	30 388	47 110
Transfer to Stage 1	5 573	(5 573)	-	-
Transfer to Stage 2	(3 324)	3 324	-	-
Transfer to Stage 3	-	(78)	78	-
Net remeasurement of loss allowance	(13 315)	5 579	(21 146)	(28 882)
New financial assets originated or purchased	4 179	-	-	4 179
Write-offs	-	-	(1 271)	(1 271)
Balance at 30 June 2020	9 178	3 909	8 049	21 136

The following table present a reconciliation of allowance for expected credit losses for the six months ended 30 June 2019 (unaudited):

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

15 Investments in associates and other investments

Associates and other investments comprise the following:

Name	Country of incorporation	Main activity	Ownership, %		30 June 2020	31 December 2019
			30 June 2020 (unaudited)	31 December 2019	Carrying value RUB'000 (unaudited)	Carrying value RUB'000
CUIF "Celena"	Russian Federation	Unit investment fund	41.09%	41.09%	79 791	82 781
					79 791	82 781

The following table summarises the financial information of CUIF "Celena" as at 30 June 2020 (unaudited) and 31 December 2019 and for the six-month period ended 30 June 2020 (unaudited) and 30 June 2019 (unaudited), and reconciliation of carrying amount of the Group's interest in associate:

	30 June 2020 RUB'000 (unaudited)	31 December 2019 RUB'000
Total assets	196 050	206 339
Total liabilities	(1 864)	(4 876)
Net assets	194 186	201 463
Group's share of net assets (41.09%)	79 791	82 781
	Six-Month Period Ended 30 June 2020 RUB'000 (unaudited)	Six-Month Period Ended 30 June 2019 RUB'000 (unaudited)
Net loss for the reporting period	(7 277)	(978)
The Group's share in the loss of the associate (41.09%)	(2 990)	(402)

16 Investments measured at amortised cost

	30 June 2020 RUB'000 (unaudited)	31 December 2019 RUB'000
Held by the Group		
Corporate bonds		
Rated from BBB- to BBB+	109 549	977 394
Total corporate bonds	109 549	977 394
Total investments at amortised cost held by Group	109 549	977 394
Investments at amortised cost pledged under sale and repurchase agreements, and contributed to the General Collateral Certificate Pool (GCC) and pledged as General Collateral Certificate Pool (GCC)		
- Corporate bonds		
Rated from BBB- to BBB+	751 286	-
Total corporate bonds	751 286	-
Total investments at amortised cost pledged under sale and repurchase agreements, and contributed to the General Collateral Certificate Pool (GCC) and pledged as General Collateral Certificate Pool (GCC)	751 286	-
Total investments at amortised cost	860 835	977 394
Allowance for expected credit losses	(239)	(610)
Total investments at amortised cost net of allowance for expected credit losses	860 596	976 784

Rating in the table above are based on Standard&Poors and Fitch ratings.

The following table presents a reconciliation of allowance for expected credit losses for investments at amortised cost for the six-month period ended 30 June 2020 (unaudited):

RUB'000	Six-Month Period Ended 30 June 2020 (unaudited)	
	Stage 1	Total
Investments at amortised cost		
Balance at 1 January 2020	610	610
Net change in allowance for expected credit losses	(353)	(353)
Financial assets that have been derecognised	(18)	(18)
Balance at 30 June 2020	239	239

The following table presents a reconciliation of allowance for expected credit losses for investments at amortised cost for the six-month period ended 30 June 2019 (unaudited):

RUB'000	Six-Month Period Ended 30 June 2019 (unaudited)	
	Stage 1	Total
Investments at amortised cost		
Balance at 1 January 2019	1 134	1 134
Net change in allowance for expected credit losses	118	118
Balance at 30 June 2019	1 252	1 252

None of investments measured at amortised cost are past due or credit-impaired. Allowance for expected credit losses is 12-month ECLs after the reporting date.

17 Deposits and balances from banks

	30 June 2020 RUB'000 (unaudited)	31 December 2019 RUB'000
Vostro accounts	1 237 464	177 424
Term deposits from banks	662 397	577 704
	1 899 861	755 128

As at 30 June 2020 the Group has no counterparties or groups of related counterparties (unaudited) (31 December 2019: no counterparties) whose balances individually exceed 10% of equity.

18 Amounts payable under repurchase agreements

The table below sets out payables under repurchase agreements showing individual types of counterparties under REPO agreements from which funds were received as at 30 June 2020 (unaudited):

RUB'000	Corporate bonds	General collateral certificates	Total
Amounts payable under repurchase agreements			
- Largest 30 Russian banks	519 641	6 400 000	6 919 641
	519 641	6 400 000	6 919 641

The table below sets out payables under repurchase agreements showing individual types of counterparties under REPO agreements from which funds were received as at 31 December 2019:

RUB'000	Government and municipal bonds	Total
Amounts payable under repurchase agreements		
- Largest 30 Russian banks	103 527	103 527
	103 527	103 527

Fair value of securities pledged under repurchase agreements as at 30 June, 2020 comprised RUB 568 019 thousand (unaudited) (31 December 2019: RUB 106 915 thousand), nominal value of general collateral certificates pledged under repurchase agreements as at 30 June 2020 comprised RUB 6 400 000 thousand (unaudited) (31 December 2019: there were general collateral certificates pledged under repurchase agreements). Also see Note 21.

19 Current accounts and deposits from customers

	30 June 2020 RUB'000 (unaudited)	31 December 2019 RUB'000
Current accounts and demand deposits		
- Retail	12 192 100	12 481 597
- Corporate	15 053 102	12 802 377
Term deposits		
- Retail	39 485 850	41 028 560
- Corporate	9 962 333	11 638 391
	76 693 385	77 950 925

As at 30 June 2020, the Group has one client (unaudited) (31 December 2019: one client), whose balances individually exceeds 10% of the Group's equity. The amount of funds on the accounts of this client as at 30 June 2020 was RUB 4 391 546 thousand or 25.9% of the Group's equity (unaudited) (31 December 2019: RUB 3 499 999 thousand or 21.9% of the Group's equity).

20 Involvement with unconsolidated structured entities

The table below describes the structured entities that the Group does not consolidate but in which it holds an interest as at 30 June 2020 (unaudited):

Description	Country of registration	The main types of activity	Interest held by the Group	30 June 2020 Total assets, RUB'000 (unaudited)	31 December 2019 Total assets, RUB'000
CJSC "Multi Originator Mortgage Agent 1"	Russian Federation	Mortgage agent	See below	3 359 375	3 948 081

CJSC "Multi Originator Mortgage Agent 1" ("MMA 1") is a structured entity established to facilitate the issue of mortgage backed securities. The Group does not control MMA 1. The involvement of the Group refers to retaining risks and benefits of the entity in the amount of the issued lower tranche of bonds by MMA 1 which was bought by the Group, as well as the fees for transferred mortgage loan servicing.

The table below sets out the carrying amounts of interests held by the Group in MMA 1 representing the maximum exposure to loss:

	30 June 2020	31 December 2019
	Other assets, RUB'000 (unaudited)	Other assets, RUB'000
Continuing involvement with sold loan portfolio	563 048	563 048
Allowance for expected credit losses	(25 900)	(32 679)
Total net continuing involvement with sold loan portfolio net of impairment allowance	537 148	530 369

21 Transferred financial assets and pledged assets

This note contains information about pledged financial assets and financial assets transferred in whole or in part without derecognition.

The table below provides information on the sale and repurchase of financial assets carried out by the Group in the normal course of business:

RUB'000	30 June 2020		31 December 2019	
	Accounts payable under repo agreements		Accounts payable under repo agreements	
	Book value of assets/ nominal value of GCC	Carrying amount of the associated liability	Book value of assets/ nominal value of GCC	Carrying amount of the associated liability
Securities pledged under REPO agreements	568 019	519 641	106 915	103 527
GCC, pledged under REPO agreements	6 400 000	6 400 000	-	-
	6 968 019	6 919 641	106 915	103 527

Information about the Group's own portfolio of securities pledged under repurchase agreements, as well as securities introduced into General Collateral Certificate Pool and pledged under repurchase agreements (GCC) is presented in Note 9, Note 10 and Note 16.

The Group carries out REPO agreements with General Collateral Certificates ("GCC") on the Moscow Exchange. GCC, a clearing certificate of participation in the General Collateral Certificate Pool, is a homogeneous universal collateral for REPO agreements with a Central Counterparty. GCC is obtained through reverse REPO agreements or by depositing assets into the General Collateral Certificate Pool. A pool member has the right to manage assets in the General Collateral Certificate Pool, including their replacement. The Central Counterparty assesses the assets contributed by the participants to the General Collateral Certificate Pool using a methodology that ensures coverage of all emerging risks. GCC are issued to the Participants at their nominal value as the value equivalent of the assessed collateral value of the instruments contributed to the General Collateral Certificate Pool. GCC can be used exclusively as collateral in REPO agreements. On a daily basis, the General Collateral Certificate Pool is revalued at the new assessed collateral value, and the number of GCC is rebalanced, reflecting the new collateral value. Ownership of the Participant's assets in the General Collateral Certificate Pool remains with the Participant. If a

participant violates obligations under REPO agreements with the GCC, the Central Counterparty settles monetary obligations by selling assets contributed by the Participant to the GCC Pool.

The table below provides information on securities included in the General Collateral Certificate Pool of the GCC:

RUB'000	30 June 2020		31 December 2019	
	Book value of assets included in the GCC Pool of the GCC	Nominal value of GCC	Book value of assets included in the GCC Pool of the GCC	Nominal value of GCC
Securities included in the GCC Pool of the GCC:				
- corporate bonds	8 112 342	6 670 391	-	-
	8 112 342	6 670 391	-	-

22 Related party transactions

a) Control relationships

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

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

b) Transactions with the Bank of Russia and the banks under its control

As at 30 June 2020 (unaudited) and 31 December 2019, the balances on the accounts with the Bank of Russia and the banks/companies under its control are as follows:

Consolidated interim condensed statement of financial position	30 June 2020 RUB'000 (unaudited)	31 December 2019 RUB'000
ASSETS		
Cash and cash equivalents, including:	4 235 169	2 471 678
Allowance for expected credit losses	(347)	(492)
Obligatory reserves with the Central Bank of the Russian Federation	583 729	586 700
Financial instruments at fair value through profit or loss	45 034	6 215
Due from banks, including:	56 057	54 343
Allowance for expected credit losses	(1 029)	(77)
Loans to customers, including:	134 534	332 104
Allowance for expected credit losses	(159 924)	(178 743)
Amounts receivable under reverse repurchase agreements	2 304 457	400 082
Other assets, including:	16 989	16 961
Allowance for expected credit losses	(21)	(2)

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Consolidated interim condensed statement of financial position	30 June 2020 RUB'000 (unaudited)	31 December 2019 RUB'000
LIABILITIES		
Financial instruments at fair value through profit or loss	-	463
Deposits and balances from banks	661 836	577 704
Amounts payable under repurchase agreements	6 919 641	103 527
Current accounts and deposits from customers	-	74 532
Debt securities issued	22 610	22 610
Other liabilities	45	404

The amounts included in the consolidated interim condensed statement of profit or loss and other comprehensive income for transactions with the Bank of Russia and the banks/companies under its control for the six-month period ended 30 June 2020 (unaudited) and for the six-month period ended 30 June 2019 (unaudited) can be presented as follows:

Consolidated interim condensed statement of profit or loss and other comprehensive income	Six-Month Period Ended 30 June 2020 RUB'000 (unaudited)	Six-Month Period Ended 30 June 2019 RUB'000 (unaudited)
Interest income on funds placed with the Bank of Russia	11 245	15 224
Interest income calculated using the effective interest method	21 253	23 183
Interest expense	(103 583)	(18 731)
Fee and commission expense	(4 031)	(707)
Net income from operations with precious metals	62 459	11 071
Net (loss) income from foreign currency transactions	(511 312)	451 631
Interest expense on funds received from the Bank of Russia	(15 483)	(93)
Change in allowance for expected credit losses	19 083	(845)

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

Total remuneration to the Board of Directors and the Management Board included in personnel expenses for the six-month period ended 30 June 2020 (unaudited) and for the six-month period ended 30 June 2019 (unaudited) can be presented as follows:

	Six-Month Period Ended 30 June 2020 RUB'000 (unaudited)	Six-Month Period Ended 30 June 2019 RUB'000 (unaudited)
Short term employee benefits	27 845	5 766
Long term employee benefits	328	168
	28 173	5 934

d) Transactions with government-related entities

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

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Consolidated interim condensed statement of financial position	30 June 2020 RUB'000 (unaudited)	31 December 2019 RUB'000
ASSETS		
Cash and cash equivalents	78 690	4 055 591
Financial instruments at fair value through profit or loss	1 305 708	2 387 603
Financial assets at fair value through other comprehensive income for the period	8 341 287	7 073 867
Loans to customers	1 399 171	1 344 760
Investments at amortised cost	718 924	713 747
Other assets	15 306	7 161
LIABILITIES		
Current accounts and deposits from customers	6 933 757	5 816 216
Debt securities issued	487	600
Other liabilities	1 153	1 028
Commitments		
Non-credit related commitments	-	638 815

Amounts included in the consolidated interim condensed statement of profit or loss and other comprehensive income in relation to transactions with government-related entities for the six-month period ended 30 June 2020 (unaudited) and for the six-month period ended 30 June 2019 (unaudited) can be presented as follows:

Consolidated interim condensed statement of profit or loss and other comprehensive income	Six-Month Period Ended 30 June 2020 RUB'000 (unaudited)	Six-Month Period Ended 30 June 2019 RUB'000 (unaudited)
Interest income	137 432	244 128
Interest expense	(152 065)	(18 807)
Net income from operations with precious metals	8 049	(268)
Net income from operations with financial instruments at FVTPL	(331)	(103 265)
Net income from operations with financial instruments at FVOCI	50 161	268 375
Change in allowance for expected credit losses	21 145	1 468
Other provisions	66 815	5 272

23 Financial assets and liabilities: fair values and accounting classifications

a) Accounting classifications and fair values

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

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

The estimated fair value of all financial instruments as at 30 June 2020 approximates their carrying value.

The estimated fair value of all financial instruments as at 31 December 2019 approximates their carrying value.

b) Fair value hierarchy

The Group measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements:

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

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

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

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

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

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

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

The table below analyses financial instruments measured at fair value as at 30 June 2020 (unaudited), by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the consolidated interim condensed statement of financial position:

PJSC Asian-Pacific Bank
*Notes to, and forming part of, the Consolidated Interim Condensed Financial Information
for the six-month period ended 30 June 2020*

RUB '000	Level 1	Level 2	Level 3	Total
Financial instruments at fair value through profit or loss:				
- Derivative assets	-	45 677	-	45 677
- Debt instruments	1 465 330	87 489	-	1 552 819
- Derivative liabilities	-	(878)	-	(878)
Financial assets at fair value through other comprehensive income for the period				
- Debt instruments	6 314 789	3 744 945	250 735	10 310 469
- Equity instruments	-	-	205 837	205 837

As at 30 June 2020, the value of unquoted financial assets at fair value through other comprehensive income for the period amount to RUB 456 572 thousand is categorised in Level 3 in the fair value hierarchy (unaudited).

The table below analyses financial instruments measured at fair value as at 31 December 2019, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the consolidated statement of financial position:

RUB '000	Level 1	Level 2	Level 3	Total
Financial instruments at fair value through profit or loss:				
- Derivative assets	-	13 704	-	13 704
- Debt instruments	2 792 334	85 768	-	2 878 102
- Derivative liabilities	-	(5 113)	-	(5 113)
Financial assets at fair value through other comprehensive income for the period				
- Debt instruments	10 129 458	2 890 420	-	13 019 878
- Equity instruments	-	-	205 951	205 951

As at 31 December 2019, the value of unquoted financial assets at fair value through other comprehensive income for the period amounted RUB 205 951 thousand is categorised in Level 3 in the fair value hierarchy.

The table below presents a reconciliation of amounts recognized at the beginning and end of the reporting period for financial assets categorised in Level 3 in the fair value hierarchy measured at fair value through other comprehensive income for the six-month period ended 30 June 2020 (unaudited):

RUB '000	31 December 2019	Revaluation recognised in OCI	Purchased	Sold	30 June 2020
Financial assets at FVOCI	205 951	(114)	250 735	-	456 572

The table below presents a reconciliation of amounts recognized at the beginning and end of the reporting period for financial assets categorised in Level 3 in the fair value hierarchy measured at fair value through other comprehensive income for the six-month period ended 30 June 2019 (unaudited):

RUB '000	31 December 2018	Revaluation recognised in OCI	Sold	30 June 2019
Financial assets at FVOCI	942 485	456 189	(1 193 460)	205 214

The table below provides information on significant unobservable inputs used in valuation of financial instruments categorised in Level 3 in the fair value hierarchy as at 30 June 2020 (unaudited):

Type of instrument	Fair value	Valuation technique	Significant unobservable inputs	Amount of unobservable inputs used	Range of estimates of unobservable inputs used	Sensitivity of fair value measurements to unobservable inputs
Financial assets at FVOCI						
Other equity instruments Sanyon Corporation	186 335	Income approach	Discount rate.	17.12%	n/a	Significant increases in any of these inputs in isolation would result in lower fair values. A significant reduction would result in higher fair values.
			Discount for non-controlling interest	50%	n/a	
			Other risks related to ownership	33.30%	n/a	
Non-controlling interest in "Kvant" real estate closed-end investment fund	19 502	Net assets value	Adjustments for condition of the object	54.55%	0-35%	Significant increases in any of these inputs in isolation would result in lower fair values. A significant reduction would result in higher fair values.
Other debt instruments	250 735	Factorial Price Decomposition Method	Market price of NRD's price center, % of par	98.87%	98.2-99.55%	Significant increases in any of these inputs in isolation would result in lower fair values. A significant reduction would result in higher fair values.

The table below analyses information about unobservable inputs used in valuation of financial instruments categorised in Level 3 in the fair value hierarchy as at 31 December 2019:

Type of instrument	Fair value	Valuation technique	Significant unobservable inputs	Amount of unobservable inputs used	Range of estimates of unobservable inputs used	Sensitivity of fair value measurements to unobservable inputs
Financial assets at FVOCI						
Other equity instruments Sanyon Corporation	186 334	Income approach	Discount rate. Other risks related to ownership	17.12% n/a	n/a n/a	Significant increases in any of these inputs in isolation would result in lower fair values. A significant reduction would result in higher fair values.
Non-controlling interest in "Kvant" real estate closed-end investment fund	19 617	Net assets value	Adjustments for condition of the object	54.28%	0-35%	Significant increases in any of these inputs in isolation would result in lower fair values. A significant reduction would result in higher fair values.

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

As at 31 December 2019 buildings within property and equipment and investment property were revalued based on the results of an independent appraisal performed by LL-Consult.

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