VTB BANK

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

30 JUNE 2020

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Совершенствуя бизнес,
улучшаем мир

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Report on Review of Interim Financial Information

To the Shareholders and Supervisory Council of
VTB Bank (public joint stock company)

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of VTB Bank (public joint stock company) and its subsidiaries (hereinafter "the Group"), which comprise the interim consolidated income statement and interim consolidated statement of comprehensive income for the three-month and six-month periods ended 30 June 2020, interim consolidated statement of financial position as at 30 June 2020, interim consolidated statement of cash flows and interim consolidated statement of changes in shareholders' equity for the six-month period then ended and selected notes to the interim condensed consolidated financial statement (interim financial information).

Management of VTB Bank (public joint stock company) is responsible for the preparation and presentation of this interim financial information in accordance with IAS 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

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

Совершенствуя бизнес,
улучшаем мир

Conclusion

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

A.F. Lapina
Partner
Center for Audit Technologies and Solutions, Limited Liability Company

7 August 2020

Details of the entity

Name: VTB Bank (public joint stock company)
Record made in the State Register of Legal Entities on 22 November 2002, State Registration Number 1027739609391.
Address: Russia 190000, Saint-Petersburg, Bolshaya Morskaya st., 29.

Details of the auditor

Name: Center for Audit Technologies and Solutions, Limited Liability Company
Record made in the State Register of Legal Entities on 4 February 2016, State Registration Number 1167746123478.
Address: Russia 115054, Moscow, Paveletskaya square, 2, building 2, office 401.
Center for Audit Technologies and Solutions, Limited Liability Company is a member of Self-regulatory organization of auditors Association "Sodruzhestvo". Center for Audit Technologies and Solutions, Limited Liability Company is included in the control copy of the register of auditors and audit organizations, main registration number 12006020373.

(IN BILLIONS OF RUSSIAN ROUBLES)

	Note	For the three-month period ended 30 June 2020	2019	For the six-month period ended 30 June 2020	2019	Change for the three-month period	Change for the six-month period
Interest income calculated using the effective interest method	4, 28	243.4	260.4	486.9	516.9	-6.5%	-5.8%
Other interest income	4, 28	19.8	16.3	39.9	28.5	21.5%	40.0%
Interest expense	4	(128.0)	(159.9)	(263.7)	(317.2)	-19.9%	-16.9%
Payments to deposit insurance system	4	(2.9)	(7.4)	(11.1)	(14.6)	-60.8%	-24.0%
Net interest income	4	**132.3**	**109.4**	**252.0**	**213.6**	20.9%	18.0%
Provision charge for credit losses on debt financial assets	12	(55.0)	(31.3)	(97.9)	(45.6)	75.7%	114.7%
Net interest income after charge for credit losses		**77.3**	**78.1**	**154.1**	**168.0**	-1.0%	-8.3%
Net fee and commission income	5	**24.9**	**26.0**	**52.9**	**44.9**	-4.2%	17.8%
(Losses net of gains) / gains net of losses arising from sale of loans at fair value through profit or loss		(0.2)	–	(1.1)	1.0	n/a	-210.0%
Gains net of losses arising from other financial instruments at fair value through profit or loss		7.6	11.5	10.5	22.7	-33.9%	-53.7%
Gains net of losses arising from sale of financial assets at fair value through other comprehensive income		0.8	0.4	0.9	0.5	100.0%	80.0%
Gains net of losses/(losses net of gains) arising from foreign currencies and precious metals	6	(19.3)	(12.1)	24.5	(20.2)	59.5%	221.3%
Gains net of losses arising from sale of financial assets at amortised cost	28	0.2	0.3	0.6	0.6	-33.3%	0.0%
Other (losses)/gains net of losses on financial instruments at amortised cost	28	(1.3)	0.2	(1.3)	1.3	-750.0%	-200.0%
Share in profit of associates and joint ventures		6.2	2.6	10.1	5.0	138.5%	102.0%
Gains from disposal of subsidiaries and associates	24	2.9	–	2.9	0.1	n/a	2,800.0%
Losses net of gains arising from extinguishment of liabilities		(0.2)	–	(0.3)	(0.1)	n/a	200.0%
(Provision charge) / reversal of provision for credit losses on credit related commitments and other financial assets	23	(14.0)	1.0	(16.0)	0.1	-1,500.0%	-16,100.0%
Reversal of provision for legal claims and other commitments		0.2	0.1	–	0.1	100.0%	-100.0%
Excess of fair value of acquired net asset over cost		–	–	–	5.6	n/a	-100.0%
Other operating income		0.8	1.9	1.7	3.2	-57.9%	-46.9%
Non-interest gains/(losses)		**(16.3)**	**5.9**	**32.5**	**19.9**	-376.3%	63.3%
Revenue from operating lease of equipment		7.2	7.0	14.3	14.5	2.9%	-1.4%
Expenses related to equipment leased out		(4.0)	(3.6)	(8.0)	(7.6)	11.1%	5.3%
Revenues less expenses from operating leasing		**3.2**	**3.4**	**6.3**	**6.9**	-5.9%	-8.7%
Net insurance premiums earned from non-state pension fund activity		1.3	0.4	8.8	38.4	225.0%	-77.1%
Net insurance claims incurred, movement in liabilities to policyholders and acquisition costs on non-state pension fund activity		(10.1)	(6.1)	(16.8)	(46.8)	65.6%	-64.1%
Revenues less expenses from non-state pension fund activity		**(8.8)**	**(5.7)**	**(8.0)**	**(8.4)**	54.4%	-4.8%
Revenue and other gains from other non-banking activities		19.5	13.4	48.4	28.6	45.5%	69.2%
Cost of sales and other expenses from other non-banking activities	8, 28	(20.0)	(11.4)	(46.2)	(24.2)	75.4%	90.9%
Expenses from write-down of property held for sale in the ordinary course of business	28	(0.4)	(2.9)	(12.1)	(3.0)	-86.2%	303.3%
(Impairment)/reversal of impairment of land, premises and intangible assets other than goodwill used in other non-banking activities		0.2	–	(14.1)	1.2	n/a	-1,275.0%
Net (loss)/profit from change in fair value of investment property recognised on revaluation or disposal		(17.2)	0.1	(29.0)	(1.1)	-17,300.0%	2,536.4%
Revenues less expenses from other non-banking activities		**(17.9)**	**(0.8)**	**(53.0)**	**1.5**	2,137.5%	-3,633.3%
Reversal of impairment of land, premises and intangible assets other than goodwill		–	–	–	0.2	n/a	-100.0%
Other operating expense		(3.9)	(4.3)	(8.2)	(8.6)	-9.3%	-4.7%
Staff costs and administrative expenses	7	(65.0)	(64.9)	(129.1)	(125.6)	0.2%	2.8%
Non-interest expenses		**(68.9)**	**(69.2)**	**(137.3)**	**(134.0)**	-0.4%	2.5%
Profit/(loss) before tax		**(6.5)**	**37.7**	**47.5**	**98.8**	-117.2%	-51.9%
Income tax (expense)/benefit		8.6	(7.4)	(5.6)	(22.0)	216.2%	-74.5%
Net profit		**2.1**	**30.3**	**41.9**	**76.8**	-93.1%	-45.4%
Net profit/(loss) attributable to:							
Shareholders of the parent		2.7	30.9	47.9	77.5	-91.3%	-38.2%
Non-controlling interests		(0.6)	(0.6)	(6.0)	(0.7)	0.0%	757.1%
Basic and diluted earnings per share (expressed in Russian roubles per share)	27	(0.00036)	0.00184	0.00313	0.00544	-119.6%	-42.5%

Notes № 1-28 form an integral part of these interim condensed consolidated financial statements.

(IN BILLIONS OF RUSSIAN ROUBLES)

	For the three-month period ended 30 June		For the six-month period ended 30 June	
	2020	2019	2020	2019
Net profit	**2.1**	**30.3**	**41.9**	**76.8**
Other comprehensive income/(loss)				
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:				
Net change in fair value of debt financial assets at fair value through other comprehensive income, net of tax	3.2	1.4	0.8	1.3
Reclassification of gains to income statement on sale of debt financial assets at fair value through other comprehensive income, net of tax	(0.6)	–	(0.7)	–
Cash flow hedges, net of tax	0.1	–	(0.8)	0.1
Share of other comprehensive income/(loss) of associates and joint ventures	(2.1)	(0.6)	3.0	(1.8)
Effect of translation, net of tax	(10.2)	(2.7)	15.9	(15.5)
Total other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	**(9.6)**	**(1.9)**	**18.2**	**(15.9)**
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods:				
Net change in fair value of equity financial assets at fair value through other comprehensive income, net of tax	0.1	(0.9)	0.6	–
Actuarial gains net of losses arising from difference between pension plan assets and obligations	0.2	(0.1)	0.3	(0.1)
Land and premises revaluation, net of tax	–	(0.2)	0.3	(0.2)
Total other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods	**0.3**	**(1.2)**	**1.2**	**(0.3)**
Other comprehensive income/(loss), net of tax	**(9.3)**	**(3.1)**	**19.4**	**(16.2)**
Total comprehensive income/(loss)	**(7.2)**	**27.2**	**61.3**	**60.6**
Total comprehensive income/(loss) attributable to:				
Shareholders of the parent	(6.9)	27.9	66.6	61.6
Non-controlling interests	(0.3)	(0.7)	(5.3)	(1.0)

Notes № 1-28 form an integral part of these interim condensed consolidated financial statements.

AS AT 30 JUNE 2020 AND 31 DECEMBER 2019 (IN BILLIONS OF RUSSIAN ROUBLES)

	Note	30 June 2020 (unaudited)	31 December 2019	Change
ASSETS				
Cash and short-term funds	9	1,427.7	1,335.0	6.9%
Mandatory cash balances with central banks		136.0	127.2	6.9%
Trading financial assets		620.7	501.3	23.8%
• Trading financial assets		544.7	481.9	13.0%
• Trading financial assets, pledged under repurchase agreements		76.0	19.4	291.8%
Derivative financial assets	10	206.4	142.8	44.5%
Due from other banks	11	732.5	610.1	20.1%
Loans and advances to customers	12	11,149.8	10,774.1	3.5%
• Loans and advances to customers		10,934.2	10,753.1	1.7%
• Loans and advances to customers, pledged under repurchase agreements		215.6	21.0	926.7%
Investment financial assets	13	262.5	316.6	-17.1%
• Investment financial assets		148.3	163.5	-9.3%
• Investment financial assets, pledged under repurchase agreements		114.2	153.1	-25.4%
Investments in associates and joint ventures	14	334.2	264.9	26.2%
Assets of disposal groups and non-current assets held for sale	15	9.8	75.8	-87.1%
Land, premises and equipment		419.3	422.5	-0.8%
Investment property		166.5	196.1	-15.1%
Goodwill and other intangible assets		182.5	209.2	-12.8%
Deferred income tax asset		150.5	129.9	15.9%
Other assets		548.5	410.6	33.6%
Total assets		**16,346.9**	**15,516.1**	5.4%
LIABILITIES				
Due to other banks	16	1,026.2	1,177.2	-12.8%
Customer deposits	17	11,852.4	10,974.2	8.0%
Derivative financial liabilities	10	235.9	176.5	33.7%
Other borrowed funds	18	403.7	348.9	15.7%
Debt securities issued		311.3	343.4	-9.3%
Liabilities of disposal groups held for sale	15	0.3	0.3	0.0%
Deferred income tax liability		15.7	15.7	0.0%
Other liabilities		556.0	603.5	-7.9%
Total liabilities before subordinated debt		**14,401.5**	**13,639.7**	5.6%
Subordinated debt		236.1	223.1	5.8%
Total liabilities		**14,637.6**	**13,862.8**	5.6%
EQUITY				
Share capital		659.5	659.5	0.0%
Share premium		433.8	433.8	0.0%
Perpetual loan participation notes		157.4	139.3	13.0%
Treasury shares and bought back perpetual loan participation notes		(0.7)	(0.4)	75.0%
Other reserves		85.1	66.1	28.7%
Retained earnings		387.6	362.1	7.0%
Equity attributable to shareholders of the parent		**1,722.7**	**1,660.4**	3.8%
Non-controlling interests		**(13.4)**	**(7.1)**	88.7%
Total equity		**1,709.3**	**1,653.3**	3.4%
Total liabilities and equity		**16,346.9**	**15,516.1**	5.4%

Approved for issue and signed on 7 August 2020.

A.L. Kostin
President – Chairman of the Management Board

D.V. Pyanov
Chief Financial Officer, Member of the Management Board

Notes № 1-28 form an integral part of these interim condensed consolidated financial statements.

(IN BILLIONS OF RUSSIAN ROUBLES)

	Note	2020	2019
Cash flows from / (used in) operating activities			
Interest received		492.4	544.5
Interest paid		(298.4)	(309.0)
Payments to deposit insurance system		(15.9)	(13.2)
(Losses incurred) / gains earned on operations with trading financial assets and derivative financial instruments		(11.2)	33.4
Gains earned / (losses incurred) on dealing in foreign currency		82.8	(92.7)
Fees and commissions received		80.4	75.3
Fees and commissions paid		(27.0)	(26.6)
Other operating income received		1.6	3.6
Other operating expenses paid		(9.4)	(3.9)
Revenue received from operating lease of equipment		7.6	14.5
Expenses paid related to equipment leased out		(1.0)	(2.8)
Staff costs and administrative expenses paid		(131.8)	(125.5)
Revenue received from non-banking activities		41.5	14.5
Expenses paid related to non-banking activities		(34.6)	(13.3)
Net insurance premiums received from non-state pension fund activity		8.8	38.4
Net insurance claims paid on non-state pension fund activity		(1.6)	(2.4)
Income tax paid		(28.2)	(38.3)
Cash flows from operating activities before changes in operating assets and liabilities		**156.0**	**96.5**
Net (increase)/decrease in operating assets			
Net increase in mandatory cash balances with central banks		(8.7)	(8.5)
Net decrease in correspondent accounts in precious metals		8.6	1.9
Net increase in trading financial assets		(104.8)	(74.9)
Net (increase)/decrease in due from other banks		(110.6)	42.2
Net decrease/(increase) in loans and advances to customers		54.8	(377.9)
Net increase in other assets		(126.5)	(36.6)
Net (decrease)/increase in operating liabilities			
Net decrease in due to other banks		(326.0)	(234.2)
Net increase in customer deposits		449.7	519.0
Net decrease in debt securities issued other than bonds issued		(9.8)	(0.2)
Net increase in other liabilities		34.5	11.2
Net cash from/(used) in operating activities		**17.2**	**(61.5)**
Cash flows (used in) / from investing activities			
Dividends and other distributions received		7.1	8.1
Proceeds from redemption and sale of investment financial assets		156.3	134.1
Purchase of investment financial assets		(93.9)	(74.7)
Purchase of subsidiaries, net of cash		–	(31.6)
Disposal of subsidiaries, net of cash disposed		(0.4)	–
Acquisition and other contributions of shares in associates and joint ventures		(65.2)	(0.1)
Proceeds from sale of shares in associates and other distributions		66.1	–
Purchase of land, premises and equipment		(11.5)	(4.9)
Proceeds from sale of land, premises and equipment		0.4	0.9
Purchase or construction of investment property		(1.1)	(3.7)
Proceeds from sale of investment property		2.5	4.7
Purchase of intangible assets		(13.0)	(4.3)
Sale of intangible assets		0.1	–
Net cash from investing activities		**47.4**	**28.5**

Notes № 1-28 form an integral part of these interim condensed consolidated financial statements.

(IN BILLIONS OF RUSSIAN ROUBLES) (CONTINUED)

	Note	2020	2019
Cash flows from / (used in) financing activities			
Dividends paid		(0.3)	–
Proceeds, net of repayment, from short-term local bonds issued		–	19.8
Proceeds from local bonds issued		73.4	49.9
Repayment of local bonds		(96.9)	(5.7)
Buy-back of local bonds		(1.5)	(1.5)
Proceeds from sale of previously bought-back local bonds		–	0.1
Repayment of Eurobonds		(0.2)	–
Buy-back of Eurobonds		(5.2)	(2.9)
Proceeds from sale of previously bought-back Eurobonds		2.5	2.9
Repayment of syndicated loans		(0.8)	(0.9)
Proceeds from other borrowings and funds from local central banks		375.5	361.6
Repayment of other borrowings and funds from local central banks		(342.9)	(359.2)
Repayments of lease liabilities		(1.8)	–
Purchase of shares in subsidiaries from non-controlling interests		–	(4.4)
Cash received from sale of treasury shares		0.6	0.8
Cash paid for treasury shares		(0.4)	(0.2)
Buy-back of perpetual loan participation notes		(0.5)	(4.9)
Proceeds from sale of previously bought-back perpetual loan participation notes		–	5.1
Amounts paid on perpetual loan participation notes		(7.4)	(7.0)
Net cash (used in) / from financing activities		**(5.9)**	**53.5**
Effect of exchange rate changes on cash and cash equivalents		38.1	(36.1)
Effect of change in expected credit loss for correspondent accounts		0.1	–
Net increase/(decrease) in cash and cash equivalents		**96.9**	**(15.6)**
At the beginning of period	9	**1,325.6**	**929.3**
At the end of period	9	**1,422.5**	**913.7**

(IN BILLIONS OF RUSSIAN ROUBLES)

	Attributable to shareholders of the parent								
	Share capital	Share premium	Perpetual loan participation notes	Treasury shares and bought back perpetual loan participation loan notes	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2019	**659.5**	**433.8**	**156.3**	**(1.0)**	**82.4**	**190.3**	**1,521.3**	**(5.0)**	**1,516.3**
Net result from treasury shares transactions	–	–	–	0.6	–	–	**0.6**	–	**0.6**
Net result from bought-back perpetual loan participation notes transactions	–	–	–	0.2	–	–	**0.2**	–	**0.2**
Profit/(loss) for the period	–	–	–	–	–	77.5	**77.5**	(0.7)	**76.8**
Other comprehensive loss	–	–	–	–	(15.8)	(0.1)	**(15.9)**	(0.3)	**(16.2)**
Total comprehensive income/(loss) for the period	**–**	**–**	**–**	**–**	**(15.8)**	**77.4**	**61.6**	**(1.0)**	**60.6**
Transfer of premises revaluation reserve upon disposal or depreciation	–	–	–	–	(0.2)	0.2	**–**	–	**–**
Share-based payments	–	–	–	–	–	(0.4)	**(0.4)**	–	**(0.4)**
Acquisition of subsidiaries	–	–	–	–	–	0.6	**0.6**	4.8	**5.4**
Acquisition of non-controlling interests	–	–	–	–	–	3.0	**3.0**	(5.2)	**(2.2)**
Amounts paid on perpetual loan participation notes	–	–	–	–	–	(7.0)	**(7.0)**	–	**(7.0)**
Foreign exchange translation of perpetual loan participation notes	–	–	(14.4)	–	–	14.4	**–**	–	**–**
Tax effect recognised on perpetual loan participation notes	–	–	–	–	–	(2.9)	**(2.9)**	–	**(2.9)**
Dividends declared and other distributions to shareholders	–	–	–	–	–	(29.7)	**(29.7)**	(0.3)	**(30.0)**
Balance at 30 June 2019	**659.5**	**433.8**	**141.9**	**(0.2)**	**66.4**	**245.9**	**1,547.3**	**(6.7)**	**1,540.6**
Balance at 1 January 2020	**659.5**	**433.8**	**139.3**	**(0.4)**	**66.1**	**362.1**	**1,660.4**	**(7.1)**	**1,653.3**
Net result from treasury shares transactions	–	–	–	0.2	–	–	**0.2**	–	**0.2**
Net result from bought-back perpetual loan participation notes transactions	–	–	–	(0.5)	–	–	**(0.5)**	–	**(0.5)**
Profit/(loss) for the period	–	–	–	–	–	47.9	**47.9**	(6.0)	**41.9**
Other comprehensive income	–	–	–	–	18.3	0.4	**18.7**	0.7	**19.4**
Total comprehensive income/(loss) for the period	**–**	**–**	**–**	**–**	**18.3**	**48.3**	**66.6**	**(5.3)**	**61.3**
Transfer of premises revaluation reserve upon disposal or depreciation	–	–	–	–	(0.1)	0.1	**–**	–	**–**
Reclassification of net change in fair value of equity instruments upon derecognition	–	–	–	–	0.8	(0.8)	**–**		**–**
Share-based payments	–	–	–	–	–	(0.2)	**(0.2)**	–	**(0.2)**
Amounts paid on perpetual loan participation notes (Note 19)	–	–	–	–	–	(7.4)	**(7.4)**	–	**(7.4)**
Foreign exchange translation of perpetual loan participation notes	–	–	18.1	–	–	(18.1)	**–**	–	**–**
Tax effect recognised on perpetual loan participation notes	–	–	–	–	–	3.6	**3.6**	–	**3.6**
Dividends declared (Note 19)	–	–	–	–	–	–	**–**	(1.0)	**(1.0)**
Balance at 30 June 2020	**659.5**	**433.8**	**157.4**	**(0.7)**	**85.1**	**387.6**	**1,722.7**	**(13.4)**	**1,709.3**

1. PRINCIPAL ACTIVITIES

VTB Bank (the "Bank", or "VTB") and its subsidiaries (the "Group") comprise Russian and foreign commercial banks, leasing and other entities controlled by the Group.

The Group operates in the corporate and investment banking, retail banking, real estate and other sectors. The Group's operations are conducted in both Russian and international markets. The Group conducts its banking business in Russia through VTB as a parent and several subsidiary banks.

The Group operates outside Russia through 8 subsidiary banks, located in Germany, the UK, Armenia, Belarus, Kazakhstan, Azerbaijan, Georgia and Angola; through 2 representative offices located in Italy and China; through 2 VTB branches in China and India, a branch of "VTB Bank (Europe)" in Austria and a branch of "VTB Capital", Plc in Singapore. The Group investment banking division also engages in securities dealing and financial advisory in Hong Kong and investment banking operations in Bulgaria.

VTB's majority shareholder is the Russian Federation, acting through the Federal Property Agency, which holds 60.9% of VTB's issued and outstanding ordinary shares as at 30 June 2020 (31 December 2019: 60.9%).

2. BASIS OF PREPARATION

These interim condensed consolidated financial statements as at 30 June 2020 and for the three-month and six-month periods ended 30 June 2020 ("financial statements") have been prepared in accordance with International Accounting Standard (IAS) 34, *Interim Financial Reporting*. As a result, they do not include all of the information required by International Financial Reporting Standards (IFRS) for a complete set of financial statements. The Bank and its subsidiaries and associates maintain their accounting records in accordance with regulations applicable in their country of registration. These interim condensed consolidated financial statements are based on those accounting books and records, as adjusted and reclassified to comply with IAS 34, *Interim Financial Reporting.*

These interim condensed consolidated financial statements have been prepared under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value, by the revaluation of land, premises and investment properties, financial instruments at fair value through other comprehensive income and through profit or loss, by assets of disposal groups held for sale measured at the lower of carrying value and fair value less costs to sell, and property held for sale in the ordinary course of business measured at the lower of cost and net realisable value.

Income tax expense in respect of the current tax assets and liabilities is recognised based on the income tax rates enacted as at the end of the reporting period in relevant tax jurisdictions where the Group is present. Income tax expense in respect of the deferred tax assets and liabilities is measured at the income tax rates that are expected to apply to the period when deferred tax assets are realized or tax liabilities are settled based on the income tax rates officially enacted as at the end of the reporting period.

These interim condensed consolidated financial statements should be read in conjunction with the complete consolidated financial statements as at 31 December 2019. Operating results for the six-month period ended 30 June 2020 are not necessarily indicative of the results that may be expected for the year ending 31 December 2020.

These interim condensed consolidated financial statements are presented in Russian roubles (RUR), the national currency of the Russian Federation, where the Bank is domiciled.

Unless otherwise noted herein, all amounts are expressed in billions of Russian roubles rounded off to one decimal. Due to rounding, numbers presented throughout this document may not sum precisely to the totals provided and percentages may not precisely reflect the absolute figures.

New and revised standards

The following amended standards and interpretations became effective from 1 January 2020, but did not have any material impact on the Group:

- Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020);
- Definition of a business – Amendments to IFRS 3 (issued on 22 October 2018 and effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020);
- Definition of material – Amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020);
- "Interest rate benchmark reform" – Amendments to IFRS 9, IAS 39 and IFRS 7 (issued on 26 September 2019 and effective for annual periods beginning on or after 1 January 2020).

Estimates and assumptions

The preparation of financial statements requires management to make estimates and assumptions that affect reported amounts. These estimates are based on information available as at the date of the financial statements. Actual results can differ significantly from such estimates.

Judgments and significant estimates in these financial statements are consistent with those applied in the preparation of the Group's annual financial statements for the year ended 31 December 2019, except for the adoption of new and revised Standards effective as of 1 January 2020 and changes in significant estimates reflecting changes in operating environment.

The information about significant changes in operating environment of the Group is disclosed in Note 20.

DELVING INTO NUMBERS

3. ANALYSIS BY SEGMENT

In accordance with IFRS 8, *Operating Segments*, the Group has defined five reportable segments.

- Corporate-Investment banking (CIB)
- Medium and Small banking (MSB)
- Retail business (RB)
- Treasury
- Other business

The Group has also separately disclosed Corporate Centre.

The Group also disclosed the new acquisitions – non distributed items as a separate reportable segment that presents data of subsidiary banks for the quarter when these subsidiary banks were acquired. Following the further integration of activities of the subsidiary into the Group's global business lines the data for the subsidiary are presented within reportable segments listed above.

In 2019 included in the new acquisitions-non distributed reportable segment are the financial results of "Sarovbusinessbank", PJSC and "Zapsibcombank", PJSC for the 1st quarter of 2019. Their financial results for the 2nd, 3rd and 4th quarters of 2019 have been reallocated to respective reportable segments following completion of internal procedures.

The composition of the reportable segments is approved by resolutions of VTB Group's Management Committee (Chief Decision Makers), the body that on a regular basis assesses performance of the reportable segments and allocates resources to them.

3. ANALYSIS BY SEGMENT (CONTINUED)

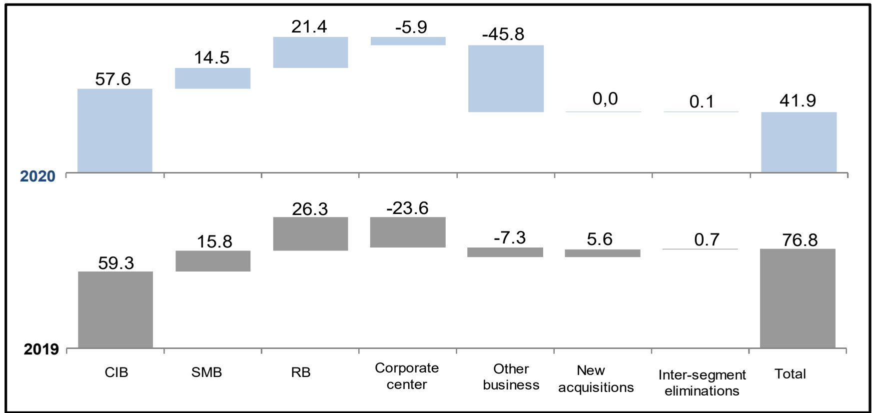
For the six-month period ended 30 June (unaudited)	CIB		SMB		RB		Treasury		Corporate centre		Other business		New acquisitions – non distributed		Inter-segment eliminations		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Revenues from:																		
External customers	345.1	338.4	75.3	74.9	267.9	284.1	31.5	29.8	0.7	0.4	23.5	23.0	–	4.5	–	–	**744.0**	**755.1**
Other segments	96.3	120.7	46.0	52.6	136.1	137.0	374.9	401.3	–	–	4.8	2.5	–	0.3	(658.1)	(714.4)	**–**	**–**
Total revenues	**441.4**	**459.1**	**121.3**	**127.5**	**404.0**	**421.1**	**406.4**	**431.1**	**0.7**	**0.4**	**28.3**	**25.5**	**–**	**4.8**	**(658.1)**	**(714.4)**	**744.0**	**755.1**
Segment income and expense:																		
Interest income	336.6	378.4	103.5	110.8	335.8	328.1	396.8	429.4	–	0.1	2.5	2.5	–	3.9	(648.4)	(707.8)	**526.8**	**545.4**
Interest expense	(264.9)	(316.8)	(72.9)	(80.4)	(229.6)	(227.7)	(331.9)	(385.1)	–	(0.1)	(12.6)	(13.4)	–	(1.9)	648.2	708.2	**(263.7)**	**(317.2)**
Payments to deposit insurance system	(0.2)	(0.1)	(1.2)	(1.6)	(9.6)	(12.6)	(0.1)	(0.1)	–	–	–	–	–	(0.2)	–	–	**(11.1)**	**(14.6)**
Treasury result allocation	9.9	(1.7)	7.2	2.1	12.5	9.2	(58.9)	(2.7)	26.8	(11.1)	2.5	4.2	–	–	–	–	–	**–**
Net interest income/(expense)	**81.4**	**59.8**	**36.6**	**30.9**	**109.1**	**97.0**	**5.9**	**41.5**	**26.8**	**(11.1)**	**(7.6)**	**(6.7)**	–	1.8	(0.2)	0.4	**252.0**	**213.6**
(Provision charge)/reversal of provision for credit losses on debt financial assets	(22.3)	(10.3)	(12.9)	(7.4)	(45.7)	(26.6)	0.2	–	(17.2)	–	–	(0.3)	–	(1.0)	–	–	**(97.9)**	**(45.6)**
Net interest income/(expense) after provision charge for credit losses	**59.1**	**49.5**	**23.7**	**23.5**	**63.4**	**70.4**	**6.1**	**41.5**	**9.6**	**(11.1)**	**(7.6)**	**(7.0)**	**–**	**0.8**	**(0.2)**	**0.4**	**154.1**	**168.0**
Net fee and commission income	13.5	8.7	13.6	13.1	23.3	20.7	**1.7**	**1.0**	–	–	**0.4**	**0.4**	**–**	**0.7**	**0.4**	**0.3**	**52.9**	**44.9**
Gains net of losses / (losses net of gains) arising from financial instruments and foreign currencies	34.1	39.5	1.4	1.3	2.1	4.6	(7.0)	(42.4)	–	–	3.1	2.8	–	–	0.1	–	**33.8**	**5.8**
Share in profit/(loss) of associates and joint ventures	5.1	1.0	0.2	–	4.6	3.7	0.1	(0.1)	0.4	0.3	(0.3)	0.1	–	–	–	–	**10.1**	**5.0**
Gains from disposal of subsidiaries and associates	2.9	–	–	–	–	–	–	0.1	–	–	–	–	–	–	–	–	**2.9**	**0.1**
(Provision charge)/reversal of provision for impairment of other assets, credit related commitments and legal claims	(14.7)	0.7	(1.2)	–	–	(0.4)	(0.1)	–	–	–	–	(0.1)	–	–	–	–	**(16.0)**	**0.2**
Other operating (expense)/income	11.3	12.2	1.1	0.7	(14.9)	(17.2)	(0.8)	(0.1)	(0.5)	(0.1)	(54.7)	(0.3)	–	5.5	(2.7)	(0.3)	**(61.2)**	**0.4**
Net operating income/(expense)	**111.3**	**111.6**	**38.8**	**38.6**	**78.5**	**81.8**	–	–	**9.5**	**(10.9)**	**(59.1)**	**(4.1)**	**–**	**7.0**	**(2.4)**	**0.4**	**176.6**	**224.4**
Staff costs and administrative expenses	(35.6)	(34.0)	(20.7)	(18.8)	(52.6)	(49.9)	–	–	(17.2)	(17.0)	(5.5)	(5.1)	–	(1.3)	2.5	0.5	**(129.1)**	**(125.6)**
Profit/(loss) before tax	**75.7**	**77.6**	**18.1**	**19.8**	**25.9**	**31.9**	**–**	**–**	**(7.7)**	**(27.9)**	**(64.6)**	**(9.2)**	**–**	**5.7**	**0.1**	**0.9**	**47.5**	**98.8**
Income tax (expense)/benefit	(18.1)	(18.3)	(3.6)	(4.0)	(4.5)	(5.6)	–	–	1.8	4.3	18.8	1.9	–	(0.1)	–	(0.2)	**(5.6)**	**(22.0)**
Net profit/(loss)	**57.6**	**59.3**	**14.5**	**15.8**	**21.4**	**26.3**	**–**	**–**	**(5.9)**	**(23.6)**	**(45.8)**	**(7.3)**	**–**	**5.6**	**0.1**	**0.7**	**41.9**	**76.8**

3. ANALYSIS BY SEGMENT (CONTINUED)

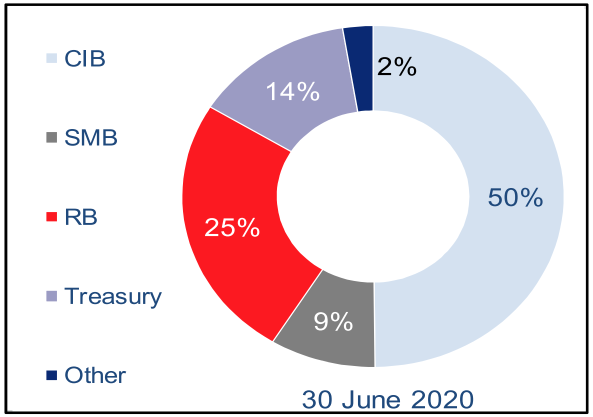
For the six-month period ended	CIB		SMB		RB		Treasury		Corporate centre		Other business		New acquisitions – non distributed		Inter-segment eliminations		Total	
30 June (unaudited)	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Net profit/(loss)	**57.6**	**59.3**	**14.5**	**15.8**	**21.4**	**26.3**	**–**	**–**	**(5.9)**	**(23.6)**	**(45.8)**	**(7.3)**	**–**	**5.6**	**0.1**	**0.7**	**41.9**	**76.8**
Net result on debt financial assets at fair value through other comprehensive income, net of tax	0.4	0.1	–	–	2.4	–	(2.3)	1.2	–	–	0.2	–	–	0.1	–	(0.1)	**0.7**	**1.3**
Cash flow hedges, net of tax	(0.3)	0.1	–	–	–	–	–	–	–	–	(0.5)	–		–	–	–	**(0.8)**	**0.1**
Share of other comprehensive loss of associates and joint ventures	0.1	–	–	–	0.1	–	2.8	(1.9)	–	0.1	–	–	–	–	–	–	**3.0**	**(1.8)**
Effect of translation, net of tax	–	–	–	–	–	–	15.9	(15.5)	–	–	–	–	–	–	–	–	**15.9**	**(15.5)**
Land and premises revaluation, net of tax	0.3	–	–	–	–	–	–	–	–	–	–	(0.2)	–	–	–	–	**0.3**	**(0.2)**
Actuarial (losses net of gains) / gains net of losses arising from difference between pension plan assets and obligations	0.3	(0.1)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	**0.3**	**(0.1)**
Total other comprehensive income/(loss) before treasury result allocation	**0.8**	**0.1**	**–**	**–**	**2.5**	**–**	**16.4**	**(16.2)**	**–**	**0.1**	**(0.3)**	**(0.2)**	**–**	**0.1**	**–**	**(0.1)**	**19.4**	**(16.2)**
Treasury result allocation	–	0.4	–	0.2	–	0.4	(16.4)	16.2	16.4	(17.2)	–	–	–	–	–	–	–	–
Total other comprehensive income/(loss)	**0.8**	**0.5**	**–**	**0.2**	**2.5**	**0.4**	**–**	**–**	**16.4**	**(17.1)**	**(0.3)**	**(0.2)**	**–**	**0.1**	**–**	**(0.1)**	**19.4**	**(16.2)**
Total comprehensive income/(loss)	**58.4**	**59.8**	**14.5**	**16.0**	**23.9**	**26.7**	**–**	**–**	**10.5**	**(40.7)**	**(46.1)**	**(7.5)**	**–**	**5.7**	**0.1**	**0.6**	**61.3**	**60.6**

3. ANALYSIS BY SEGMENT (CONTINUED)

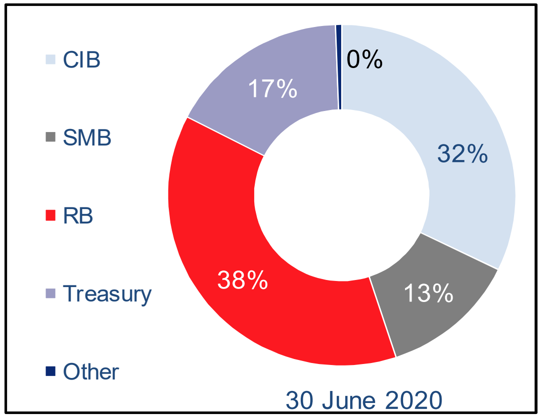
Net profit/(loss) after tax by segment



Segment assets



Segment liabilities



	CIB		MSB		RB		Treasury		Corporate centre		Other business		New acquisitions – non distributed		Inter-segment eliminations		Total	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019	30 June 2020	31 December 2019	30 June 2020	31 December 2019	30 June 2020	31 December 2019	30 June 2020	31 December 2019	30 June 2020	31 December 2019	30 June 2020	31 December 2019	30 June 2020	31 December 2019
Cash and short-term funds	47.5	28.5	12.5	–	163.3	113.4	1,204.3	1,193.0	–	–	0.1	0.1	–	–	–	–	**1,427.7**	**1,335.0**
Mandatory cash balances with central banks	–	–	–	–	–	–	136.0	127.2	–	–	–	–	–	–	–	–	**136.0**	**127.2**
Due from other banks	352.2	275.0	–	–	6.9	16.7	373.4	318.3	–	0.1	–	–	–	–	–	–	**732.5**	**610.1**
Loans and advances to customers	6,203.8	5,951.2	1,348.7	1,340.3	3,331.8	3,157.8	287.9	329.6	(35.1)	(17.9)	12.7	13.1	–	–	–	–	**11,149.8**	**10,774.1**
Other financial instruments	606.4	452.8	0.8	0.4	257.8	223.9	214.7	265.1	0.3	0.3	9.6	18.2	–	–	–	–	**1 089.6**	**960.7**
Investments in associates and joint ventures	205.3	141.9	0.8	0.8	89.5	86.1	4.8	4.2	18.9	17.5	14.9	14.4	–	–	–	–	**334.2**	**264.9**
Other assets items	731.8	676.1	104.0	94.1	233.4	241.9	12.0	9.7	22.9	22.7	373.0	399.6	–	–	–	–	**1,477.1**	**1,444.1**
Net amount of intersegment settlements	–	–	555.0	383.0	1,798.7	1,952.1	756.0	559.7	33.7	15.7	–	–	–	–	(3,143.4)	(2,910.5)	**–**	**–**
Segment assets	**8,147.0**	**7,525.5**	**2,021.8**	**1,818.6**	**5,881.4**	**5,791.9**	**2,989.1**	**2,806.8**	**40.7**	**38.4**	**410.3**	**445.4**	**–**	**–**	**(3,143.4)**	**(2,910.5)**	**16,346.9**	**15,516.1**
Due to other banks	290.0	149.6	0.2	0.3	2.0	0.5	734.0	1,026.8	–	–	–	–	–	–	–	–	**1,026.2**	**1,177.2**
Customer deposits	3,887.9	3,740.9	1,822.8	1,624.5	5,016.1	4,921.8	1,123.9	685.7	–	–	1.7	1.3	–	–	–	–	**11,852.4**	**10,974.2**
Other borrowed funds	156.6	142.3	2.4	0.8	3.6	2.3	241.1	203.5	–	–	–	–	–	–	–	–	**403.7**	**348.9**
Debt securities issued	33.2	34.4	19.1	22.5	155.6	194.6	103.4	91.9	–	–	–	–	–	–	–	–	**311.3**	**343.4**
Subordinated debt	–	–	–	–	–	–	236.1	223.1	–	–	–	–	–	–	–	–	**236.1**	**223.1**
Other liabilities items	342.6	327.1	24.4	23.8	333.4	330.3	26.2	31.8	24.2	22.4	57.1	60.6	–	–	–	–	**807.9**	**796.0**
Net amount of intersegment settlements	2,753.2	2,507.9	–	–	–	–	–	–	–	–	390.2	402.6	–	–	(3,143.4)	(2,910.5)	**–**	**–**
Segment liabilities	**7,463.5**	**6,902.2**	**1,868.9**	**1,671.9**	**5,510.7**	**5,449.5**	**2,464.7**	**2,262.8**	**24.2**	**22.4**	**449.0**	**464.5**	**–**	**–**	**(3,143.4)**	**(2,910.5)**	**14,637.6**	**13,862.8**

4. INTEREST INCOME AND EXPENSE

	For the three-month period ended 30 June (unaudited)		For the six-month period ended 30 June (unaudited)	
	2020	2019	2020	2019
Interest income calculated using the effective interest method				
Financial assets measured at amortised cost				
• Loans and advances to customers	226.1	243.2	452.7	481.5
• Due from other banks and margin calls received	6.6	11.2	13.6	23.3
• Investment financial assets	0.4	0.3	0.7	0.5
Debt financial assets measured at fair value through other comprehensive income	10.3	5.7	19.9	11.6
Total interest income calculated using the effective interest method	**243.4**	**260.4**	**486.9**	**516.9**
Other interest income				
Financial assets at fair value through profit or loss	12.5	9.4	24.9	15.0
Net investments in finance lease	7.3	6.9	15.0	13.5
Total other interest income	**19.8**	**16.3**	**39.9**	**28.5**
Total interest income	**263.2**	**276.7**	**526.8**	**545.4**
Interest expense				
Customer deposits	(99.7)	(125.2)	(210.1)	(244.4)
Due to other banks, other borrowed funds and margin calls provided	(18.2)	(26.2)	(32.3)	(56.1)
Debt securities issued	(5.4)	(4.2)	(11.8)	(8.1)
Subordinated debt	(3.4)	(3.2)	(7.0)	(6.2)
Total interest expense calculated using the effective interest method	**(126.7)**	**(158.8)**	**(261.2)**	**(314.8)**
Lease liabilities	(1.0)	(0.9)	(1.9)	(1.9)
Advances received under construction agreements and other	(0.3)	(0.2)	(0.6)	(0.5)
Total interest expense	**(128.0)**	**(159.9)**	**(263.7)**	**(317.2)**
Payments to deposit insurance system	**(2.9)**	**(7.4)**	**(11.1)**	**(14.6)**
Net interest income	**132.3**	**109.4**	**252.0**	**213.6**

In May 2020 the State Corporation “Deposit Insurance Agency” decreased retrospectively the rate of payment to the obligatory deposit insurance system starting 1 January 2020.

5. NET FEE AND COMMISSION INCOME

	For the three-month period ended 30 June (unaudited)		For the six-month period ended 30 June (unaudited)	
	2020	2019	2020	2019
Commission on settlement transactions and trade finance	17.8	24.6	37.7	40.6
Fees received for insurance products distribution and other agency services	8.8	6.9	18.6	13.1
Commission on securities and capital markets transactions	5.1	2.9	11.9	4.9
Commission on guarantees and other credit related commitments issued	2.8	2.4	5.7	5.0
Commission on cash transactions	2.4	1.5	4.5	4.3
Other	1.6	2.1	3.4	3.4
Total fee and commission income	**38.5**	**40.4**	**81.8**	**71.3**
Commission on settlement transactions and trade finance	(11.6)	(12.2)	(24.3)	(22.4)
Commission on cash transactions	(0.7)	(0.7)	(1.4)	(1.4)
Commission on securities and capital markets transactions	(0.5)	(0.8)	(1.1)	(1.2)
Commission on guarantees and other credit related facilities received	(0.4)	(0.2)	(1.1)	(0.5)
Other	(0.4)	(0.5)	(1.0)	(0.9)
Total fee and commission expense	**(13.6)**	**(14.4)**	**(28.9)**	**(26.4)**
Net fee and commission income	**24.9**	**26.0**	**52.9**	**44.9**

6. GAINS NET OF LOSSES / (LOSSES NET OF GAINS) ARISING FROM FOREIGN CURRENCIES AND PRECIOUS METALS

	For the three-month period ended 30 June (unaudited)		For the six-month period ended 30 June (unaudited)	
	2020	2019	2020	2019
Gains net of losses / (losses net of gains) arising from dealing in foreign currencies and precious metals	(168.0)	(60.8)	93.2	(100.5)
• derivative financial instruments	(175.7)	(63.1)	61.3	(105.9)
• non-derivative financial assets	7.7	2.3	31.9	5.4
Foreign exchange translation (losses net of gains) / gains net of losses	148.7	48.7	(68.7)	80.3
Total gains net of losses / (losses net of gains) arising from foreign currencies and precious metals	**(19.3)**	**(12.1)**	**24.5**	**(20.2)**

Gains net of losses / (losses net of gains) arising from dealing in foreign currencies represent foreign currency trading results and changes in fair value of foreign currency derivative positions, including those economically hedging net foreign currency positions.

7. STAFF COSTS AND ADMINISTRATIVE EXPENSES

	For the three-month period ended 30 June (unaudited)		For the six-month period ended 30 June (unaudited)	
	2020	2019	2020	2019
Staff costs	36.3	35.4	71.9	70.8
Defined contribution pension expense	4.1	4.1	9.4	9.2
Depreciation and other expenses related to premises and equipment	8.4	6.6	16.0	13.5
Amortisation and other expenses related to intangibles, except for amortisation of core deposit and customer loan intangible	4.2	3.6	7.4	6.3
Other administrative expenses	12.0	15.2	24.4	25.8
Total staff costs and administrative expenses	**65.0**	**64.9**	**129.1**	**125.6**

8. COST OF SALES AND OTHER EXPENSES FROM OTHER NON-BANKING ACTIVITIES

	For the three-month period ended 30 June (unaudited)		For the six-month period ended 30 June (unaudited)	
	2020	2019	2020	2019
Cost of sales	13.5	6.3	33.8	14.5
Administrative expenses	4.0	3.5	7.5	6.5
Staff costs	1.3	0.9	2.8	1.9
Depreciation and amortisation	1.1	0.5	1.9	1.0
Impairment of other assets related to non-banking activities	0.1	0.2	0.2	0.3
Total cost of sales and other expenses from other non-banking activities	**20.0**	**11.4**	**46.2**	**24.2**

9. CASH AND SHORT-TERM FUNDS

	30 June 2020 (unaudited)	31 December 2019
Cash on hand	284.8	276.3
Cash balances (other than mandatory) with central banks	1,022.5	911.0
Correspondent accounts with other banks	120.6	148.0
Less: expected credit loss for correspondent accounts	(0.2)	(0.3)
Total cash and short-term funds	**1,427.7**	**1,335.0**
Less: correspondent accounts in precious metals	(5.1)	(9.3)
Less: restricted cash	(0.1)	(0.1)
Total cash and cash equivalents	**1,422.5**	**1,325.6**

10. DERIVATIVE FINANCIAL INSTRUMENTS

	30 June 2020 (unaudited)		31 December 2019	
	Positive fair value	Negative fair value	Positive fair value	Negative fair value
Derivative financial assets and liabilities at fair value through profit or loss held for trading				
Interest rate contracts	121.7	(106.7)	75.1	(70.9)
Foreign exchange and precious metals contracts	58.1	(103.4)	43.5	(70.7)
Contracts with commodities	19.8	(16.5)	12.0	(12.8)
Contracts with securities	6.2	(5.4)	11.1	(18.7)
Contracts with other underlyings	0.6	(3.4)	1.0	(3.2)
Total derivative financial assets and liabilities at fair value through profit or loss held for trading	**206.4**	**(235.4)**	**142.7**	**(176.3)**
Derivative financial assets and liabilities designated as hedging instruments				
Derivatives held as fair value hedges	–	(0.2)	–	–
Derivatives held as cash flow hedges	–	(0.3)	0.1	(0.2)
Total derivative financial assets and liabilities designated as hedging instruments	**–**	**(0.5)**	**0.1**	**(0.2)**
Total derivative financial assets and liabilities	**206.4**	**(235.9)**	**142.8**	**(176.5)**

11. DUE FROM OTHER BANKS

	30 June 2020 (unaudited)	31 December 2019
Due from other banks at amortised cost	714.9	595.5
Less: Expected credit loss	(0.4)	(0.4)
Total net due from other banks at amortised cost	**714.5**	**595.1**
Due from other banks at fair value through profit or loss	18.0	15.0
Total due from other banks	**732.5**	**610.1**

12. LOANS AND ADVANCES TO CUSTOMERS

	30 June 2020 (unaudited)	31 December 2019
Loans and advances to customers at amortised cost		
Loans at amortised cost to legal entities		
• Current activity financing	5,849.3	5,704.4
• Project finance and other	1,366.8	1,341.6
• Finance leases	405.2	412.1
• Reverse sale and repurchase agreements	367.8	413.9
Total gross loans at amortised cost to legal entities	7,989.1	7,872.0
Less: Expected credit loss	(549.4)	(485.6)
Loans and advances to legal entities at amortised cost pledged under repurchase agreements		
• Current activity financing	155.3	–
Total loans and advances to legal entities at amortised cost pledged under repurchase agreements	155.3	–
Net loans at amortised cost to legal entities	**7,595.0**	**7,386.4**
Loans at amortised cost to individuals		
• Consumer loans and other	1,520.1	1,463.1
• Mortgages	1,514.0	1,456.8
• Credit cards	145.2	143.8
• Car loans	121.2	129.6
• Reverse sale and repurchase agreements	26.1	14.8
Total gross loans at amortised cost to individuals	3,326.6	3,208.1
Less: Expected credit loss	(248.0)	(201.8)
Net loans at amortised cost to individuals	**3,078.6**	**3,006.3**
Loans and advances to customers at fair value through profit or loss		
Loans at fair value through profit or loss to legal entities	142.2	149.4
Total loans and advances to customers at fair value through profit or loss	**142.2**	**149.4**
Loans and advances to customers at fair value through other comprehensive income		
Loans at fair value through other comprehensive income to individuals	273.6	157.2
Loans at fair value through other comprehensive income to legal entities pledged under repurchase agreements	60.3	21.0
Loans at fair value through other comprehensive income to legal entities	0.1	53.8
Total loans and advances to customers at fair value through other comprehensive income	**334.0**	**232.0**
Total loans and advances to customers	**11,149.8**	**10,774.1**

As at 30 June 2020, the total amount of outstanding loans issued by the Group to 10 largest groups of interrelated borrowers comprises RUR 1,914.0 billion or 16.0% of the gross loan portfolio, including loans pledged under repurchase agreements (31 December 2019: RUR 1,914.6 billion or 16.7%).

As at 30 June 2020, the gross amount of non-performing loans was RUR 605.3 billion or 5.1% of the aggregate of the gross loan portfolio, including loans pledged under repurchase agreements and loans at fair value through profit or loss (31 December 2019: RUR 534.3 billion or 4.7%).

12. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

As at 30 June 2020 loans and advances to customers accounted at amortised cost are presented below by credit quality risk grades and by ECL stages (unaudited):

	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchased or originated credit-impaired	Total
Loans to legal entities					
• Pass	5,420.6	337.6	–	–	**5,758.2**
• Watch	242.8	248.5	–	–	**491.3**
• Sub-Standard	100.2	1,076.3	253.0	52.0	**1,481.5**
• Doubtful	–	–	34.1	0.7	**34.8**
• NPL	n/a	n/a	362.2	16.4	**378.6**
Total gross loans to legal entities	**5,763.6**	**1,662.4**	**649.3**	**69.1**	**8,144.4**
Less: Expected credit loss	(55.7)	(146.8)	(339.2)	(7.7)	**(549.4)**
Net loans to legal entities	**5,707.9**	**1,515.6**	**310.1**	**61.4**	**7,595.0**
Loans to individuals					
• Pass	2,621.7	–	–	–	**2,621.7**
• Watch	259.5	0.7	–	–	**260.2**
• Sub-Standard	50.8	176.2	–	0.1	**227.1**
• Doubtful	–	–	6.6	0.2	**6.8**
• NPL	n/a	n/a	209.5	1.3	**210.8**
Total gross loans to individuals	**2,932.0**	**176.9**	**216.1**	**1.6**	**3,326.6**
Less: Expected credit loss	(39.8)	(25.1)	(184.0)	0.9	**(248.0)**
Net loans to individuals	**2,892.2**	**151.8**	**32.1**	**2.5**	**3,078.6**

As at 31 December 2019 loans and advances to customers accounted at amortised cost are presented below by credit quality risk grades and by ECL stages:

	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchased or originated credit-impaired	Total
Loans to legal entities					
• Pass	5,443.6	447.3	–	0.2	**5,891.1**
• Watch	126.6	26.7	–	–	**153.3**
• Sub-Standard	13.2	1,078.1	313.0	59.9	**1,464.2**
• Doubtful	–	–	10.2	0.7	**10.9**
• NPL	n/a	n/a	333.8	18.7	**352.5**
Total gross loans to legal entities	**5,583.4**	**1,552.1**	**657.0**	**79.5**	**7,872.0**
Less: Expected credit loss	(34.5)	(137.2)	(307.7)	(6.2)	**(485.6)**
Net loans to legal entities	**5,548.9**	**1,414.9**	**349.3**	**73.3**	**7,386.4**
Loans to individuals					
• Pass	2 643.3	–	–	0.1	**2,643.4**
• Watch	279.6	0.2	–	–	**279.8**
• Sub-Standard	44.5	65.3	–	0.1	**109.9**
• Doubtful	–	–	6.1	0.3	**6.4**
• NPL	n/a	n/a	167.5	1.1	**168.6**
Total gross loans to individuals	**2,967.4**	**65.5**	**173.6**	**1.6**	**3,208.1**
Less: Expected credit loss	(40.7)	(12.9)	(147.4)	(0.8)	**(201.8)**
Net loans to individuals	**2,926.7**	**52.6**	**26.2**	**0.8**	**3,006.3**

During six-month period ended 30 June 2020, the Group has modified the terms and conditions of loans to legal entities and loans to individuals, including introduction of payment holidays, as part of the measures introduced by the Government related to consequences of COVID-19 pandemic. The Group considered these modifications to be non-substantial and reported a modification loss within Other losses on financial instruments at amortised cost.

12. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

As at 30 June 2020 the Group updated forward looking information in the expected credit loss models, including forecasts of macroeconomic indicators, to reflect appropriately the uncertainty associated with fall in market prices and spread of COVID-19 pandemic (Note 20) taking into account:

- the GDP reduction and decrease in income of individuals and business caused by a limited economic activity;
- updated forecasts for prices of major commodities and exchange rates;
- measures of state support;
- impact of changes on different sectors.

Subsequently, as at 30 June 2020 the Group:

- used the updated macro-adjustment;
- increased weighted estimates of credit losses for certain industries for the purpose of assessment on portfolio basis;
- reassessed 12-month PDs;
- transferred certain borrowers from “12-month ECL” to “Lifetime ECL not credit-impaired” stage; and
- downgraded credit ratings for certain borrowers assessed on individual basis.

The following table shows reconciliation from the opening to the closing balance of the expected credit loss for loans and advances to legal entities, including pledged under repurchase agreements, at amortised cost by class:

	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchased credit-impaired	Total
Current activity financing					
Balance at 1 January 2020	**24.6**	**95.8**	**252.1**	**1.7**	**374.2**
Transfer to 12-month ECL	3.2	(2.9)	(0.3)	–	**–**
Transfer to lifetime ECL not credit-impaired	(1.6)	1.9	(0.3)	–	**–**
Transfer to lifetime ECL credit-impaired	–	(4.6)	4.6	–	**–**
Net remeasurement of expected credit loss	12.7	7.5	19.9	(0.1)	**40.0**
Unwinding of discount	–	–	5.3	0.2	**5.5**
Write-offs	–	–	(4.1)	(0.3)	**(4.4)**
Recoveries of amounts previously written off	–	–	0.5	0.4	**0.9**
Financial assets that have been derecognised during the period	(0.3)	(0.3)	(8.0)	–	**(8.6)**
Foreign exchange	0.8	1.6	8.9	0.2	**11.5**
Balance at 30 June 2020 (unaudited)	**39.4**	**99.0**	**278.6**	**2.1**	**419.1**
Project finance and other					
Balance at 1 January 2020	**7.9**	**27.0**	**33.7**	**4.4**	**73.0**
Transfer to 12-month ECL	0.2	(0.2)	–	–	**–**
Transfer to lifetime ECL not credit-impaired	(1.6)	1.7	(0.1)	–	**–**
Transfer to lifetime ECL credit-impaired	–	(0.3)	0.3	–	**–**
Net remeasurement of expected credit loss	3.9	7.3	1.5	1.1	**13.8**
Unwinding of discount	–	–	0.3	–	**0.3**
Write-offs	–	–	(0.9)	(0.1)	**(1.0)**
Foreign exchange	0.3	1.5	1.7	–	**3.5**
Balance at 30 June 2020 (unaudited)	**10.7**	**37.0**	**36.5**	**5.4**	**89.6**
Reverse sale and repurchase agreements					
Balance at 1 January 2020	**0.8**	**9.2**	**–**	**–**	**10.0**
Transfer to 12-month ECL	1.7	(1.7)	–	–	**–**
Net remeasurement of expected credit loss	1.2	(2.3)	–	–	**(1.1)**
Foreign exchange	–	0.1	–	–	**0.1**
Balance at 30 June 2020 (unaudited)	**3.7**	**5.3**	**–**	**–**	**9.0**
Finance leases					
Balance at 1 January 2020	**1.2**	**5.2**	**21.9**	**0.1**	**28.4**
Transfer to 12-month ECL	0.1	–	(0.1)	–	**–**
Transfer to lifetime ECL not credit-impaired	(0.1)	0.1	–	–	**–**
Net remeasurement of expected credit loss	0.7	0.2	0.5	0.1	**1.5**
Unwinding of discount	–	–	0.1	–	**0.1**
Write-offs	–	–	(0.1)	–	**(0.1)**
Foreign exchange	–	–	1.8	–	**1.8**
Balance at 30 June 2020 (unaudited)	**1.9**	**5.5**	**24.1**	**0.2**	**31.7**

12. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchased credit-impaired	Total
Current activity financing					
Balance at 1 January 2019	**29.8**	**76.3**	**273.7**	**6.4**	**386.2**
Transfer to 12-month ECL	3.2	(3.1)	(0.1)	–	**–**
Transfer to lifetime ECL not credit-impaired	(3.5)	4.9	(1.4)	–	**–**
Transfer to lifetime ECL credit-impaired	(1.8)	(2.3)	4.1	–	**–**
Net remeasurement of expected credit loss	3.1	6.0	(4.1)	10.0	**15.0**
Financial assets that have been derecognised during the period	–	–	–	2.9	**2.9**
Unwinding of discount	–	–	3.7	0.8	**4.5**
Write-offs	–	–	(24.6)	(1.7)	**(26.3)**
Recoveries of amounts previously written off	–	–	2.5	–	**2.5**
Foreign exchange	(0.9)	(1.1)	(6.1)	0.3	**(7.8)**
Balance at 30 June 2019 (unaudited)	**29.9**	**80.7**	**247.7**	**18.7**	**377.0**
Project finance and other					
Balance at 1 January 2019	**8.0**	**18.9**	**50.1**	**4.1**	**81.1**
Transfer to 12-month ECL	0.1	(0.1)	–	–	**–**
Transfer to lifetime ECL not credit-impaired	(0.1)	0.4	(0.3)	–	**–**
Net remeasurement of expected credit loss	3.2	1.8	(2.9)	0.1	**2.2**
Unwinding of discount	–	–	0.9	0.1	**1.0**
Write-offs	–	–	(6.6)	(0.2)	**(6.8)**
Recoveries of amounts previously written off	–	–	0.2	–	**0.2**
Foreign exchange	0.1	(0.9)	(1.7)	(0.3)	**(2.8)**
Balance at 30 June 2019 (unaudited)	**11.3**	**20.1**	**39.7**	**3.8**	**74.9**
Reverse sale and repurchase agreements					
Balance at 1 January 2019	**0.4**	**6.5**	**0.1**	**–**	**7.0**
Net remeasurement of expected credit loss	0.2	–	–	–	**0.2**
Foreign exchange	(0.1)	0.1	–	–	**–**
Balance at 30 June 2019 (unaudited)	**0.5**	**6.6**	**0.1**	**–**	**7.2**
Finance leases					
Balance at 1 January 2019	**0.8**	**3.4**	**22.7**	**0.1**	**27.0**
Transfer to 12-month ECL	0.1	–	(0.1)	–	**–**
Net remeasurement of expected credit loss	–	0.1	1.0	–	**1.1**
Unwinding of discount	–	–	0.1	–	**0.1**
Write-offs	–	–	(0.1)	–	**(0.1)**
Foreign exchange	(0.2)	–	(1.2)	–	**(1.4)**
Balance at 30 June 2019 (unaudited)	**0.7**	**3.5**	**22.4**	**0.1**	**26.7**

Expected credit loss for finance leases represents expected credit loss for loans to leasing companies and net investment in leases.

12. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

The following table shows reconciliation from the opening to the closing balance of the expected credit loss for loans and advances to individuals at amortised cost by class:

	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchased credit-impaired	Total
Mortgages					
Balance at 1 January 2020	**1.9**	**1.8**	**12.2**	**0.4**	**16.3**
Transfer to 12-month ECL	1.0	(1.0)	–	–	**–**
Transfer to lifetime ECL not credit-impaired	(0.4)	1.2	(0.8)	–	**–**
Transfer to lifetime ECL credit-impaired	(0.1)	(1.1)	1.2	–	**–**
Net remeasurement of expected credit loss	(0.5)	2.1	1.2	(2.0)	**0.8**
Unwinding of discount	–	–	0.3	–	**0.3**
Financial assets that have been derecognised	–	–	–	0.1	**0.1**
Write-offs	–	–	(0.9)	–	**(0.9)**
Recoveries of amounts previously written off	–	–	0.6	–	**0.6**
Foreign exchange	–	–	0.5	0.1	**0.6**
Balance at 30 June 2020 (unaudited)	**1.9**	**3.0**	**14.3**	**(1.4)**	**17.8**
Consumer loans and other					
Balance at 1 January 2020	**35.0**	**9.8**	**97.2**	**0.4**	**142.4**
Transfer to 12-month ECL	5.2	(5.2)	–	–	**–**
Transfer to lifetime ECL not credit-impaired	(8.9)	10.3	(1.4)	–	**–**
Transfer to lifetime ECL credit-impaired	(2.5)	(11.5)	14.0	–	**–**
Net remeasurement of expected credit loss	5.3	17.7	15.9	(0.2)	**38.7**
Unwinding of discount	–	–	3.1	0.1	**3.2**
Financial assets that have been derecognised	–	–	–	0.1	**0.1**
Write-offs	–	–	(3.7)	–	**(3.7)**
Recoveries of amounts previously written off	–	–	0.7	–	**0.7**
Foreign exchange	(0.1)	(0.1)	0.7	–	**0.5**
Balance at 30 June 2020 (unaudited)	**34.0**	**21.0**	**126.5**	**0.4**	**181.9**
Credit cards					
Balance at 1 January 2020	**2.7**	**1.1**	**26.2**	**–**	**30.0**
Transfer to 12-month ECL	0.8	(0.8)	–	–	**–**
Transfer to lifetime ECL not credit-impaired	(0.7)	1.3	(0.6)	–	**–**
Transfer to lifetime ECL credit-impaired	(0.6)	(2.2)	2.8	–	**–**
Net remeasurement of expected credit loss	0.6	1.2	1.3	–	**3.1**
Unwinding of discount	–	–	1.3	–	**1.3**
Write-offs	–	–	(0.4)	–	**(0.4)**
Recoveries of amounts previously written off	–	–	0.1	–	**0.1**
Foreign exchange	–	–	0.1	–	**0.1**
Balance at 30 June 2020 (unaudited)	**2.8**	**0.6**	**30.8**	**–**	**34.2**
Car loans					
Balance at 1 January 2020	**1.1**	**0.2**	**11.8**	**–**	**13.1**
Transfer to 12-month ECL	0.2	(0.2)	–	–	**–**
Transfer to lifetime ECL not credit-impaired	(0.2)	0.3	(0.1)	–	**–**
Transfer to lifetime ECL credit-impaired	(0.1)	(0.2)	0.3	–	**–**
Net remeasurement of expected credit loss	0.1	0.4	0.3	–	**0.8**
Unwinding of discount	–	–	0.1	–	**0.1**
Write-offs	–	–	(0.3)	–	**(0.3)**
Recoveries of amounts previously written off	–	–	0.2	–	**0.2**
Foreign exchange	–	–	0.2	–	**0.2**
Balance at 30 June 2020 (unaudited)	**1.1**	**0.5**	**12.5**	**–**	**14.1**

12. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchased credit-impaired	Total
Mortgages					
Balance at 1 January 2019	**2.1**	**1.4**	**10.5**	**0.1**	**14.1**
Transfer to 12-month ECL	0.9	(0.9)	–	–	**–**
Transfer to lifetime ECL not credit-impaired	(0.3)	0.8	(0.5)	–	**–**
Transfer to lifetime ECL credit-impaired	(0.1)	(0.3)	0.4	–	**–**
Net remeasurement of expected credit loss	(0.4)	0.8	0.7	–	**1.1**
Financial assets that have been derecognised	–	–	(0.1)	0.2	**0.1**
Unwinding of discount	–	–	0.2	–	**0.2**
Write-offs	–	–	(1.0)	–	**(1.0)**
Recoveries of amounts previously written off	–	–	0.6	–	**0.6**
Foreign exchange	(0.1)	(0.1)	–	0.1	**(0.1)**
Balance at 30 June 2019 (unaudited)	**2.1**	**1.7**	**10.8**	**0.4**	**15.0**
Consumer loans and other					
Balance at 1 January 2019	**29.1**	**8.0**	**131.8**	**–**	**168.9**
Transfer to 12-month ECL	5.5	(5.4)	(0.1)	–	**–**
Transfer to lifetime ECL not credit-impaired	(3.9)	5.0	(1.1)	–	**–**
Transfer to lifetime ECL credit-impaired	(3.7)	(6.2)	9.9	–	**–**
Net remeasurement of expected credit loss	7.8	8.1	8.5	(0.2)	**24.2**
Financial assets that have been derecognised	–	–	–	0.3	**0.3**
Unwinding of discount	–	–	4.1	0.1	**4.2**
Write-offs	–	–	(17.8)	–	**(17.8)**
Recoveries of amounts previously written off	–	–	0.5	–	**0.5**
Foreign exchange	(0.3)	0.1	(0.5)	0.1	**(0.6)**
Balance at 30 June 2019 (unaudited)	**34.5**	**9.6**	**135.3**	**0.3**	**179.7**
Credit cards					
Balance at 1 January 2019	**2.8**	**1.0**	**28.7**	**–**	**32.5**
Transfer to 12-month ECL	0.5	(0.5)	–	–	**–**
Transfer to lifetime ECL not credit-impaired	(0.5)	0.8	(0.3)	–	**–**
Transfer to lifetime ECL credit-impaired	(0.7)	(1.6)	2.3	–	**–**
Net remeasurement of expected credit loss	0.9	1.3	–	–	**2.2**
Unwinding of discount	–	–	1.3	–	**1.3**
Write-offs	–	–	(1.3)	–	**(1.3)**
Recoveries of amounts previously written off	–	–	0.1	–	**0.1**
Foreign exchange	0.1	0.1	(0.2)	–	**–**
Balance at 30 June 2019 (unaudited)	**3.1**	**1.1**	**30.6**	**–**	**34.8**
Car loans					
Balance at 1 January 2019	**1.0**	**0.2**	**13.6**	**–**	**14.8**
Transfer to 12-month ECL	0.2	(0.2)	–	–	**–**
Transfer to lifetime ECL not credit-impaired	(0.2)	0.2	–	–	**–**
Transfer to lifetime ECL credit-impaired	–	(0.2)	0.2	–	**–**
Net remeasurement of expected credit loss	(0.1)	0.2	(0.5)	–	**(0.4)**
Unwinding of discount	–	–	0.1	–	**0.1**
Write-offs	–	–	(1.7)	–	**(1.7)**
Recoveries of amounts previously written off	–	–	0.3	–	**0.3**
Foreign exchange	–	–	(0.1)	–	**(0.1)**
Balance at 30 June 2019 (unaudited)	**0.9**	**0.2**	**11.9**	**–**	**13.0**

13. INVESTMENT FINANCIAL ASSETS

	30 June 2020 (unaudited)	31 December 2019
Investment financial assets measured at fair value through other comprehensive income	175.0	247.2
Investment financial assets mandatorily measured at fair value through profit or loss	50.8	34.6
Investment financial assets measured at amortised cost	30.1	28.5
Investment financial assets designated as at fair value through profit or loss	6.6	6.3
Total investment financial assets	**262.5**	**316.6**

14. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	30 June 2020 (unaudited)	31 December 2019
Investments accounted for under equity method		
• Investments in associates	204.2	188.8
• Investments in joint ventures	79.9	33.7
Investments designated as at fair value through profit or loss		
• Investments in joint ventures	34.5	28.6
• Investments in associates	15.6	13.8
Total investments in associates and joint ventures	**334.2**	**264.9**

In March 2020, the Group has closed the deal to sell 55% share in T2 RTK Holding LLC owned by T2 (Netherlands) B.V. to PJSC Rostelecom.

T2 (Netherlands) B.V. is a joint venture of the Group and the consortium of investors. On the transaction date the Group owned 50% in T2 (Netherlands) B.V. Also the Group held 25% share in Invintel BV which was obtained in February 2020. Invintel BV owned 40% in T2 (Netherlands) B.V.

The consideration for the transaction received by the subsidiary of T2 (Netherlands) B.V. consisted of 7.84% of PSJC Rostelecom ordinary shares and RUR 108.0 billion. Simultaneously the Bank acquired 21.57% of PJSC Rostelecom ordinary shares issued through additional offering for consideration of RUR 66.0 billion.

Subsequently the ordinary shares of PJSC Rostelecom received by the subsidiary of T2 (Netherlands) B.V. and the portion of the ordinary shares acquired by the Bank through additional offering was transferred by means of sale to JSC Telecom Investment which is a joint venture of the Group and the consortium of investors.

As a result of the abovementioned deals the Group obtained:

- 8.44% of PJSC Rostelecom ordinary shares (certain Group rights for handling and disposal of these shares are restricted during the 4-year period from the transaction date in accordance with the terms of shareholder agreement between the Group and Russian Federation);
- 43.91% of JSC Telecom Investment possessing 20.98% of PJSC Rostelecom ordinary shares.

As of 30 June 2020, the Group's share in PJSC Rostelecom ordinary and preference shares amounted to 9.72% which also includes the preference and ordinary shares purchased by the Group before and after the abovementioned deals.

PJSC Rostelecom is Russia's largest provider of digital services and solutions with presence in all market segments, and passing through millions of Russian households, governmental and private organizations.

The Group exercises significant influence over PSJC Rostelecom due participation of Groups' representatives on the Board of directors of PSJC Rostelecom and due to other factors indicating Group's influence on decision making process in relation to financial and operating policies of the investee.

The Group accounts for its investments in JSC Telecom Investment and PJSC Rostelecom as investment in joint venture and investment in associate under equity method. As at 30 June 2020, the initial accounting for these acquisitions is incomplete and the Group expects to complete its identification and measurement of the various components of these investments' identified assets and liabilities as at the acquisition date by 31 December 2020.

In March 2020 the Group acquired 50.0% of the ordinary shares of Taman Grain Terminal Holdings Limited for consideration of EUR 61 million or RUR 5.3 billion. Prior to disposal (Note 24) the Group exercised joint control over the investee and accounted for it as an investment in joint ventures under equity method.

In April 2020 the Group entered into an agreement to attract strategic investors in Demetra Holding LLC which was a Group subsidiary controlling "Novorossiysk Grain Terminal" LLC, "MiroGroup Resources" LLC, as well as holding investments in the following associates and joint ventures of the Group: "Novorossiysk Grain Plant" PJSC, "United Grain Company" JSC, Rustranscom plc and Taman Grain Terminal Holdings Limited, as of 31 March 2020. The deal turned Demetra Holding LLC into a joint venture of the Group and the investors with a Group share of 50.001%.

15. DISPOSAL GROUPS AND NON-CURRENT ASSETS HELD FOR SALE

The Group has non-current assets and investments in the disposal groups held for sale, including subsidiaries acquired exclusively with a view to resale, accounted for in accordance with IFRS 5. The Management of the Group is committed to dispose of these non-current assets and investments in the near future, within one year from the initial classification as a disposal group.

		30 June 2020 (unaudited)	31 December 2019
Assets of disposal groups held for sale:			
Viva Telecom Bulgaria OOD	19.99% owned associate	7.3	7.3
GOK Pekin	100% owned subsidiary	2.5	2.5
T2 (Netherlands) B.V.	50% owned joint venture	–	66.0
Total assets of disposal groups and non-current assets held for sale		**9.8**	**75.8**
Liabilities of disposal groups held for sale:			
GOK Pekin	100% owned subsidiary	0.3	0.3
Total liabilities of disposal groups held for sale		**0.3**	**0.3**

In March 2020, the Group has closed the deal to sell 55% share in T2 RTK Holding LLC owned by T2 (Netherlands) B.V. (joint venture of the Group and the consortium of investors) to PJSC Rostelecom (Note 14).

The transaction does not have any impact on the income statement for the six-month period ended 30 June 2020, as the investments were measured at fair value as of 31 December 2019 with the value approximating to the consideration received by the Group in March 2020.

16. DUE TO OTHER BANKS

	30 June 2020 (unaudited)	31 December 2019
Term loans and deposits	627.6	736.7
Sale and repurchase agreements	321.4	231.2
Correspondent accounts and overnight deposits of other banks	77.2	209.3
Total due to other banks	**1,026.2**	**1,177.2**

17. CUSTOMER DEPOSITS

	30 June 2020 (unaudited)	31 December 2019
Government bodies	1,392.0	1,292.1
Other legal entities	4,846.9	4,580.6
Individuals	5,264.1	5,038.0
Sale and repurchase agreements	349.4	63.5
Total customer deposits	**11,852.4**	**10,974.2**

As at 30 June 2020, the Group's 10 largest groups of interrelated customers had aggregated balances amounting to RUR 2,806.3 billion, or 23.7% of total customer deposits (31 December 2019: RUR 2,570.2 billion or 23.4%).

As at 30 June 2020, deposits of RUR 25.3 billion (31 December 2019: RUR 22.8 billion) were held as collateral against irrevocable commitments under import letters of credit and guarantees (Note 23).

18. OTHER BORROWED FUNDS

	30 June 2020 (unaudited)	31 December 2019
Term deposits from local central banks	88.8	55.4
Syndicated loans	6.8	6.6
Other borrowings	308.1	286.9
Total other borrowed funds	**403.7**	**348.9**

19. DIVIDENDS DECLARED AND AMOUNTS PAID UNDER PERPETUAL LOAN PARTICIPATION NOTES

In February 2020 the Annual General Meeting of VTB Capital AD shareholders approved dividends for 2019 in the amount of RUR 1,062,789.0 (EUR 14,452.0) for each Class B share. The total amount of dividends to non-controlling shareholders was RUR 0.3 billion.

In May-June 2020 the General Meetings of JSC Asgard shareholders approved dividends for 2019 in the amount of RUR 33.3 and for the first quarter of 2020 in the amount of RUR 30.0 for each ordinary share. The total amount of dividends to non-controlling shareholders was RUR 0.2 billion.

In April-May 2020 the General Meetings of JSC Crystal Tower shareholders approved dividends for 2019 in the total amount of RUR 1.3 billion and for the first quarter of 2020 in the total amount of RUR 0.9 for each ordinary share. The total amount of dividends to non-controlling shareholders was RUR 0.2 billion.

In April 2020, the General Meeting of Citer Invest B.V. shareholders approved dividends for 2019 in the amount of RUR 0.5 billion pro rata to each respective share. The total amount of dividends to non-controlling shareholders was RUR 0.3 billion.

In June 2019, Annual General Meeting of VTB shareholders declared dividends for 2018 for ordinary shares in the total amount of RUR 14.2 billion (RUR 0.00109867761463259 per ordinary share); for Type 1 preference shares in the total amount of RUR 5.2 billion (RUR 0.00024127074137541 per Type 1 preference share); for Type 2 preference shares in the total amount of RUR 7.4 billion (RUR 0.0024127074137541 per Type 2 preference share).

In February 2019, the Annual General Meeting of VTB Capital AD shareholders approved dividends for 2018 in the amount of RUR 1,305,800.0 (EUR 17,452.0) for each Class B share.

The total amount of dividends to non-controlling shareholders was RUR 0.3 billion.

VTB paid the amounts under Perpetual Loan Participation Notes in the total amount of USD 106.9 million (RUR 7.4 billion) in June 2020 (USD 106.9 million (RUR 7.0 billion) in June 2019).

RISK

20. OPERATING ENVIRONMENT OF THE GROUP

The Russian Federation

The Group conducts the majority of its operations in the Russian Federation (Russia). The Russian Federation displays certain characteristics of an emerging market. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations. Its economy is particularly sensitive to oil and gas prices. The Russian economy is susceptible also to the ongoing political tension in the region and international sanctions against certain Russian companies and individuals.

These matters may have significant impact on the Group's future operations and financial position, the effect of which is difficult to predict. The future economic and regulatory situation and its impact on the Group's operations may differ from management's current expectations. Additionally, certain economic factors, including contraction of real incomes of households, reduced corporate liquidity and profitability and increased corporate and personal insolvencies, may affect the Group's borrowers' ability to repay the amounts due to the Group.

Adverse changes in economic conditions may result in deterioration in the value of collateral held against loans and other obligations. The Group considered available current macro-economic information in its impairment assessments.

As of 30 June 2020 and 31 December 2019, selected Russian macro-economic indicators were as follows:

(1) The CBR key interest rate was 4.50% p.a. and 6.25% p.a., respectively;

(2) The CBR foreign exchange rate was RUR 69.9513 per USD 1 and RUR 61.9057 per USD 1, respectively;

(3) The RTS stock exchange index was 1,212.6 points and 1,548.9 points, respectively;

(4) Brent crude price was 41.6 USD/bbl. and 66.0 USD/bbl., respectively.

Other jurisdictions

In addition to Russia, the Group conducts operations in Belarus, Kazakhstan, Azerbaijan, Armenia and Georgia, certain European countries (Austria, Germany, United Kingdom (UK)) and several other countries.

Difficult economic and financial market situation in certain of these jurisdictions led to a decrease or negative growth of GDP, currency devaluation, reduced consumption, as well as a decline in investment activities.

The Group operates in the UK via a subsidiary bank. 31 January 2020 the UK left the European Union ('EU'). During the transitional period due to run to 31 December 2020 the UK is no longer a member of the EU but is still subject to EU rules and remains a member of the Customs Union. During the transition period, the UK and EU will negotiate the rules to be applied to future trading and other relationships. The UK can request, and the EU will grant, an extension to the transition period of up to another two years if it appears that negotiations are taking longer than expected.

Due to the uncertainty surrounding the subsequent UK relationship with the EU, the net effect on business and markets cannot be accurately gauged. The Group has been analysing different scenarios and their impact on the Group's client offering and trading business, and is taking measures to minimize the potential impact.

Sanctions

Since the second half of 2014 the Group operates under limited sectorial sanctions imposed by several countries on the Group. The Group considers these sanctions in its activities, continuously monitors them and analyses the effect of the sanctions on the Group's financial position and its financial performance.

While management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances, unexpected further deterioration in the areas described above could negatively affect the Group's results and financial position in a manner not currently determinable.

Coronavirus pandemic

In the first half of 2020 the global economy was negatively impacted by coronavirus pandemic (COVID-19) spread from central China to six continents.

During period of March-May 2020 the increasingly stringent lock-down measures to combat COVID-19 in numerous countries were heavily depressing the levels of consumer and business spending. Social distancing and lock-down measures were resulting in the closure of retail, transport, travel, catering, entertainment and many other businesses. The impact on local and global growth was unlike any other period in the past as governments came up with economic rescue packages.

Support measures were introduced by the Government and the Central Bank of Russia to counter the economic downturn caused by the COVID-19 pandemic. These measures include, among others, subsidised lending to affected industries and individuals, payment holidays and easing of certain regulatory restrictions to help the financial sector maintain its capabilities to provide resources and to help customers avoid liquidity shortages as a result of the COVID-19 containment measures.

20. OPERATING ENVIRONMENT OF THE GROUP (CONTINUED)

By June 2020 many counties have started to demonstrate signs that the coronavirus pandemic is waning. Governments are starting to gradually lift or ease restrictions. This tendency has supported a recovery in global financial and commodity markets. However, many countries are experiencing growing unemployment and subdued economic activity.

The downside risk would be a more protracted pandemic, with the virus persisting well into the second half of 2020 before being managed or controlled.

The Russian economy is vulnerable to market downturns and economic slowdowns elsewhere in the world. The ongoing global crisis has resulted in markets instability and significant deterioration of liquidity in the banking sector. While the Russian Government has introduced a range of stabilization measures aimed at providing liquidity and supporting for Russian banks and companies, there continues to be uncertainty regarding the future operating conditions for the Group and its counterparties, which could affect the Group’s financial position, results of operations and business prospects.

The Group considers its current liquidity position to be sufficient for the sustainable functioning. The Group monitors its liquidity position on daily basis and intends to use liquidity provision instruments, provided by the Bank of Russia, if necessary.

Due to the fall in prices in global and Russian markets, the Group may face a significant decrease in the values of securities and other instruments accounted at fair value, which may have a material negative impact on the financial result of the Group.

The lending activity decreased as banks are reassessing the business models of their borrowers and their ability to withstand the increased exchange rates and the reduction of business activity.

Also, factors, including increased unemployment, reduced corporate liquidity and profitability and increased corporate and personal insolvencies may affect the Group’s borrowers’ ability to repay the amounts due to the Group. In addition, adverse changes in economic conditions may result in deterioration in the value of collateral held against loans and other obligations. To the extent that information is available, the Group has reflected revised estimates of expected future cash flows in its ECL assessment.

In the first half of 2020 the Group impaired real estate, including investment property and property held for sale. The decline of purchasing power and reduction of business activity of prospective buyers and lessees may result in further impairment of real estate owned by the Group, including investment property and property held for sale.

These events may have a further significant impact on the Group’s future operations and financial position, the effect of which is difficult to predict. The future economic and regulatory situation and its impact on the Group’s operations may differ from management’s current expectations.

Due to the high level of uncertainty and limited actual and consistent information on the financial position of the Group’s counterparties and borrowers, it is practically impossible to present a reliable assessment of the impact of the changes in the economic environment on the Group’s 2020 results in these interim condensed consolidated financial statements.

21. FAIR VALUE MEASUREMENT

Assets and liabilities measured at fair value

The following table shows an analysis of assets and liabilities recorded at fair value by level of the fair value hierarchy as at 30 June 2020 (unaudited):

	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	Total
Financial assets measured at fair value				
Trading financial assets	432.1	172.1	16.5	**620.7**
Derivative financial assets	1.1	202.1	3.2	**206.4**
Due from other banks				
Due from other banks at fair value through profit or loss	–	–	18.0	**18.0**
Loans and advances to customers				
Loans and advances to customers at fair value through profit or loss	–	–	142.2	**142.2**
Loans and advances to customers through other comprehensive income	60.4	–	273.6	**334.0**
Investment financial assets				
Investment financial assets measured at fair value through profit or loss	20.4	14.2	22.8	**57.4**
Investment financial assets measured at fair value through other comprehensive income	152.8	17.8	4.4	**175.0**
Investments in associates and joint ventures designated as at fair value through profit or loss	–	5.1	45.0	**50.1**
Other financial assets	–	0.8	4.1	**4.9**
Financial liabilities measured at fair value				
Derivative financial liabilities	2.3	231.0	2.6	**235.9**
Other financial liabilities	14.2	1.5	5.2	**20.9**

The following table shows an analysis of assets and liabilities recorded at fair value by level of the fair value hierarchy as at 31 December 2019:

	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	Total
Financial assets measured at fair value				
Trading financial assets	382.4	110.9	8.0	**501.3**
Derivative financial assets	–	140.1	2.7	**142.8**
Due from other banks				
Due from other banks at fair value through profit or loss	–	–	15.0	**15.0**
Loans and advances to customers				
Loans and advances to customers at fair value through profit or loss	–	–	149.4	**149.4**
Loans and advances to customers through other comprehensive income	74.8	–	157.2	**232.0**
Investment financial assets				
Investment financial assets measured at fair value through profit or loss	5.4	14.0	21.5	**40.9**
Investment financial assets measured at fair value through other comprehensive income	198.7	43.2	5.3	**247.2**
Investments in associates and joint ventures designated as at fair value through profit or loss	–	–	42.4	**42.4**
Other financial assets	–	0.1	4.1	**4.2**
Financial liabilities measured at fair value				
Derivative financial liabilities	0.4	173.5	2.6	**176.5**
Other financial liabilities	23.9	2.3	5.9	**32.1**

For financial instruments that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

A significant portion of the investment financial assets in Level 3 is invested in shares of non-listed companies, which are valued based on non-market observable information. Changes in assumptions can lead to adjustments in the fair value of these investments.

21. FAIR VALUE MEASUREMENT (CONTINUED)

Movement in Level 3 financial instruments measured at fair value

A reconciliation of movements in Level 3 of the fair value hierarchy by class of financial instruments for the six-month period ended 30 June 2020 is as follows:

		Investment financial assets								
	Trading financial assets	Investment financial assets measured at fair value through profit or loss,	Investment financial assets measured at fair value through other comprehen-sive income	Investments in associates and joint ventures at fair value through profit or loss	Derivative financial assets and liabilities held for trading (net)	Due from other banks at fair value through profit or loss	Loans and advances to customers at fair value through profit or loss	Loans and advances to customers at fair value through other comprehen-sive income	Other financial assets	Other financial liabilities measured at fair value
Fair value at 1 January 2020	**8.0**	**21.5**	**5.3**	**42.4**	**0.1**	**15.0**	**149.4**	**157.2**	**4.1**	**(5.9)**
Interest income and gains or (losses) recognised in income statement	–	(0.4)	0.2	2.7	0.1	0.9	22.2	10.9	–	(0.1)
• of which unrealised gains or (losses)	–	(0.4)	0.2	2.7	0.5	0.3	16.9	(0.3)	–	(0.1)
Gains/(losses) recognised in other comprehensive income	–	–	–	–	–	–	–	4.1	–	–
Purchase	6.8	–	–	–	–	–	–	–	–	–
Sale	(0.1)	–	(1.1)	(0.1)	–	–	–	–	–	0.8
Issue	–	1.7	–	–	–	2.7	0.6	140.8	–	–
Settlement	–	–	–	–	0.4	(0.6)	(30.0)	(39.4)	–	–
Transfers into Level 3	4.6	–	–	–	–	–	–	–	–	–
Transfers out of Level 3	(2.8)	–	–	–	–	–	–	–	–	–
Fair value at 30 June 2020 (unaudited)	**16.5**	**22.8**	**4.4**	**45.0**	**0.6**	**18.0**	**142.2**	**273.6**	**4.1**	**(5.2)**

A reconciliation of movements in Level 3 of the fair value hierarchy by class of financial instruments for the six-month period ended 30 June 2019 is as follows:

		Investment financial assets						
	Trading financial assets	Investment financial assets mandatorily measured at fair value through profit or loss	Investment financial assets measured at fair value through other comp-rehensive income	Invest-ments in associates nd joint ventures at fair value through profit or loss	Derivative financial assets and liabilities held for trading (net)	Due from other banks at fair value through profit or loss	Loans and advances to customers at fair value through profit or loss	Other financial liabilities measured at fair value
Fair value at 1 January 2019	**12.6**	**11.2**	**5.5**	**70.7**	**(1.2)**	**7.6**	**107.4**	**(5.1)**
Interest income and gains or (losses) recognised in income statement	0.2	–	1.6	2.9	0.1	3.0	1.2	0.2
• of which unrealised gains or (losses)	0.2	–	0.3	2.9	1.0	0.2	(2.1)	0.2
Gains recognised in other comprehensive income	–	–	(1.1)	–	–	–	–	–
Purchase	12.5	6.1	1.3	–	–	–	–	–
Sale	(2.1)	–	(2.1)	–	–	–	(2.0)	–
Issue	–	9.4	–	–	–	9.0	1.9	(0.1)
Settlement	(1.0)	–	(0.1)	–	0.9	(2.8)	–	–
Acquisition of subsidiaries	0.7	–	–	–	–	–	–	–
Transfers into Level 3	8.8	–	0.1	0.5	–	–	–	–
Transfers out of Level 3	(25.1)	–	–	–	0.2	–	–	–
Derecognition	–	–	–	–	–	–	(23.5)	–
Fair value at 30 June 2019 (unaudited)	**6.6**	**26.7**	**5.2**	**74.1**	**–**	**16.8**	**85.0**	**(5.0)**

21. FAIR VALUE MEASUREMENT (CONTINUED)

Transfers between levels

For the six-month period ended 30 June 2020 (unaudited)	Reason for transfer (valuation at the reporting date)	Trading financial assets	Investment financial assets measured at fair value through other comprehensive income	Total
From Level 1:				
• to Level 2	valuation models with market observable inputs	84.8	6.8	**91.6**
• to Level 3	valuation models with non-market-observable inputs	1.8	–	**1.8**
From Level 2:				
• to Level 1	active market quotes	41.4	23.4	**64.8**
• to Level 3	valuation models with non-market-observable inputs	2.8	–	**2.8**
From Level 3:				
• to Level 1	active market quotes	0.7	–	**0.7**
• to Level 2	valuation models with market observable inputs	2.1	–	**2.1**
Total		**133.6**	**30.2**	**163.8**

For the six-month period ended 30 June 2019 (unaudited)	Reason for transfer (valuation at the reporting date)	Trading financial assets	Investment financial assets measured at fair value through other comprehensive income	Derivative financial assets and liabilities held for trading	Investments in associates and joint ventures at fair value through profit or loss	Total
From Level 1:						
• to Level 2	valuation models with market observable inputs	36.8	0.7	–	–	**37.5**
• to Level 3	valuation models with non-market-observable inputs	0.7	–	–	–	**0.7**
From Level 2:						
• to Level 1	active market quotes	28.4	1.2	–	–	**29.6**
• to Level 3	valuation models with non-market-observable inputs	8.1	0.1	–	0.5	**8.7**
From Level 3:						
• to Level 1	active market quotes	4.3	–	–	–	**4.3**
• to Level 2	valuation models with market observable inputs	20.8	–	(0.2)	–	**20.6**
Total		**99.1**	**2.0**	**(0.2)**	**0.5**	**101.4**

21. FAIR VALUE MEASUREMENT (CONTINUED)

Impact on fair value of Level 3 financial instruments of changes to key assumptions

The following table shows the quantitative information as at 30 June 2020 (unaudited) about significant unobservable inputs used in the fair value measurement categorised within Level 3 of the fair value hierarchy:

	Fair value	Valuation techniques	Unobservable input description	Reasonable range (values used)
Trading financial assets	16.5	Traders price	Traders price	117.9%-127.9% (122.9%)
		Other	n/a	n/a
Derivative financial assets and liabilities held for trading (net)	0.6	Other	n/a	n/a
Investment financial assets measured at fair value through profit or loss	22.8	Discounted Cash flow	Discount rate	(1.0)%-1.0% (various)
		Discounted Cash flow; EV/EBITDA multiple	WACC	6.5%-10.5% (8.5%)
			Terminal Growth	1.0%-3.0% (2.0%)
			EV/EBITDA	6.5X – 10.5X (8.5X)
		Other	n/a	n/a
Investment financial assets measured at fair value through other comprehensive income	4.4	Gordon and Exit multiple	Discount rate that can be changed based changes in macroeconomic backdrop	6.7%-10.7% (8.7%)
			exit multiple	0.4-0.8 (0.6)
		Other	n/a	n/a
Loans and advances to customers at fair value through profit or loss	142.2	Discounted Cash flow	Discount rate	(1.0)%-1.0% (various)
Loans and advances to customers at fair value through other comprehensive income	273.6	Discounted Cash flow	Interest rates currently available for mortgages	(0.1)%-0.1% (various)
			Percentage of early repayment	1.8%-2.2% (2.0%)
Due from other banks at fair value through profit or loss	18.0	Fair value model	Discount rate	(1.0)%-1.0% (various)
		Discounted Cash flow	Discount rate	(1.0)%-1.0% (various)
Investments in associates and joint ventures designated as at fair value through profit or loss	45.0	Discounted Dividend flow	Base equity risk premium	7.0%-8.0% (7.5%)
			RUR inflation (CPI) from 2021	3.2%-4.2% (3.7%)
			Growth rate of duty free revenue (in euro) per international passenger	0.0%-2.9% (1.5%)
		Discounted Cash flow; EV/EBITDA multiple	WACC	13.2%-15.2% (14.2%)
			Terminal Growth	2.0%-6.0% (4.0%)
			Fleet growth 2020-2024	2.0%-6.0% (4.0%)
		Discounted Cash flow; EV/EBITDA multiple	Liquidity discount	20.0%-30.0% (25.0%)
			Weight of multiples-based valuation	0.0%-100.0% (50.0% & 50.0%)
			LFL sales CAGR 2020-2024	3.6%-5.6% (4.6%)
			WACC	10.5%-14.5% (12.5%)
			Terminal Growth	2.0%-6.0% (4.0%)
		Discounted Dividend flow	Base equity risk premium	7.0% - 8.0% (7.5%)
			RUR inflation (CPI) from 2022	2.0% - 4.7% (3.7%)
			Project specific risk premium	0.0% - (2.3%) (1.1%)
		Other	n/a	n/a
Other financial assets accounted at fair value	4.1	Other	n/a	n/a
Other financial liabilities accounted at fair value	(5.2)	Net asset value	n/a	n/a
		Discounted Cash flow	Discount rate	22.5%-24.0% (23.2%)

21. FAIR VALUE MEASUREMENT (CONTINUED)

Impact on fair value of Level 3 financial instruments of changes to key assumptions (continued)

The following table shows the quantitative information as at 31 December 2019 about significant unobservable inputs used in the fair value measurement categorised within Level 3 of the fair value hierarchy:

	Fair value	Valuation techniques	Unobservable input description	Reasonable range (values used)
Trading financial assets	8.0	Traders price	Traders price	117.0%-127.0% (122.0%)
		Other	n/a	n/a
Derivative financial assets and liabilities held for trading (net)	0.1	Other	n/a	n/a
Investment financial assets mandatorily measured at fair value through profit or loss	21.5	Discounted Cash flow	Discount rate	(1.0)%-1.0% (various)
		Discounted Cash flow; EV/EBITDA multiple	WACC	6.5%-10.5% (8.5%)
			Terminal Growth	1.0%-3.0% (2.0%)
			EV/EBITDA	6.5X – 10.5X (8.5X)
		Other	n/a	n/a
Investment financial assets measured at fair value through other comprehensive income	5.3	Gordon and Exit multiple	Discount rate that can be changed based changes in macroeconomic backdrop	6.7%-10.7% (8.7%)
			exit multiple	0.4-0.8 (0.6)
		Other	n/a	n/a
Loans and advances to customers at fair value through profit or loss	149.4	Fair value model	Fair value of collateral	43.0-53.5 (53.5)
		Discounted Cash flow	Discount rate	(1.0)%-1.0% (various)
Loans and advances to customers at fair value through other comprehensive income	157.2	Discounted Cash flow	Interest rates currently available for mortgages	(0.1)%-0.1% (various)
			Percentage of early repayment	1.8%-2.2% (2.0%)
Due from other banks at fair value through profit or loss	15.0	Fair value model	Discount rate	(1.0)%-1.0% (various)
Investments in associates and joint ventures designated as at fair value through profit or loss	42.4	Discounted Dividend flow	Base equity risk premium	7.0%-8.0% (7.5%)
			RUR inflation (CPI) from 2020	3.5%-4.5% (4.0%)
			Growth rate of duty free revenue (in euro) per international passenger	0.0%-4.0% (1.6%)
		Discounted Cash flow; EV/EBITDA multiple	WACC	13.4%-15.4% (14.4%)
			Terminal Growth	2.0%-6.0% (4.0%)
			Fleet growth 2020-2024	2.0%-6.0% (4.0%)
		Discounted Cash flow; EV/EBITDA multiple	Liquidity discount	20.0%-30.0% (25.0%)
			Weight of multiples-based valuation	0.0%-100.0% (50.0% & 50.0%)
			LFL sales CAGR 2020-2024	4.8%-6.8% (5.8%)
			WACC	11.0%-15.0% (13.0%)
			Terminal Growth	2.0%-6.0% (4.0%)
		Other	n/a	n/a
Other financial assets accounted at fair value	4.1	Other	n/a	n/a
Other financial liabilities accounted at fair value	(5.9)	Net asset value	n/a	n/a
		Discounted Cash flow	Discount rate	22.5%-24.0% (23.2%)
			Grain transhipment volume 2020-2022	3.0-13.0 (8.0)

21. FAIR VALUE MEASUREMENT (CONTINUED)

Impact on fair value of Level 3 financial instruments of changes to key assumptions (continued)

The following table shows the quantitative information about sensitivity of the fair value measurement categorised within Level 3 of the fair value hierarchy to changes in significant unobservable inputs:

	30 June 2020 (unaudited)		31 December 2019	
	Carrying amount	Effect of reasonably possible alternative assumptions	Carrying amount	Effect of reasonably possible alternative assumptions
Trading financial assets	16.5	16.3-16.8	8.0	7.7-8.3
Derivative financial assets and liabilities held for trading (net)	0.6	0.6-0.6	0.1	0.1-0.1
Investment financial assets measured at fair value through profit or loss	22.8	22.7-22.9	21.5	21.4-21.6
Investment financial assets measured at fair value through other comprehensive income	4.4	3.8-5.2	5.3	4.7-5.9
Due from other banks at fair value through profit or loss	18.0	16.4-19.6	15.0	11.1-15.7
Loans and advances to customers at fair value through profit or loss	142.2	140.6-143.8	149.4	145.4-150.0
Loans and advances to customers at fair value through other comprehensive income	273.6	272.7-274.7	157.2	156.7-157.7
Investments in associates and joint ventures designated as at fair value through profit or loss	45.0	35.9-54.7	42.4	33.4-52.9
Other financial assets	4.1	4.1-4.1	4.1	4.1-4.1
Other financial liabilities	(5.2)	(4.9)-(5.6)	(5.9)	(5.3)-(6.5)

Fair value of financial assets and liabilities not carried at fair value

Set out below is a comparison by class of the carrying amounts and fair values of the Group's financial instruments that are not carried at fair value in the consolidated statement of financial position. The table does not include the fair values of non-financial assets and non-financial liabilities.

	30 June 2020 (unaudited)		31 December 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets for which fair values are disclosed				
Cash and short-term funds	1,427.7	1,427.7	1,335.0	1,335.0
Mandatory cash balances with central banks	136.0	136.0	127.2	127.2
Due from other banks at amortised cost	714.5	721.9	595.1	600.4
Loans and advances to customers at amortised cost	10,673.6	10,877.7	10,392.7	10,502.0
Investment financial assets at amortised cost	30.1	30.8	28.5	28.6
Financial assets within assets of disposal groups held for sale	7.3	7.3	73.3	73.3
Other financial assets at amortised cost	225.7	225.7	85.1	85.1
Financial liabilities for which fair values are disclosed				
Due to other banks	1,026.2	1,026.1	1,177.2	1,177.3
Customer deposits	11,852.4	11,846.9	10,974.2	10,976.5
Other borrowed funds	403.7	477.9	348.9	384.8
Debt securities issued	311.3	313.4	343.4	346.7
Other financial liabilities	119.4	119.5	147.7	147.8
Subordinated debt	236.1	238.2	223.1	231.4

22. CAPITAL MANAGEMENT AND CAPITAL ADEQUACY

Capital adequacy is of a critical importance to the Group. The Group's intention is to have a strong capital base in order to maintain investor, creditor and market confidence and to sustain future development of its business.

The Group applies CBR requirements to manage its capital base. The Group is subject to consolidated regulatory capital requirements which are calculated in accordance with the regulations of the CBR.

CBR has designated the Bank as a systemically important bank (SIB). Accordingly, the capital requirements calculated in accordance with the CBR rules include the risk-based capital buffers and SIB surcharge.

The risk-based capital buffers, applicable to the Group, include capital conservation buffer of 2.5% and the countercyclical capital buffer, which the CBR has set to 0%. In addition, the SIB surcharge applicable to the Group as of 30 June 2020 is 1.0%. The risk-based capital buffers and SIB surcharge in the future may differ due to additional guidance from the CBR.

The Group controls its capital adequacy ratios, determined in accordance with the CBR requirements by following categories of capital: core equity adequacy ratio of the Group (N 20.1); common capital adequacy ratio of the Group (N 20.2) and total capital adequacy ratio of the Group (N 20.0).

	30 June 2020 (unaudited)	31 December 2019
Common capital	1,619.9	1,552.9
Additional capital	253.2	276.1
Total capital	**1,873.1**	**1,829.0**
Risk-weighted assets after consolidation adjustments for N 20.1	15,874.7	16,278.1
Risk-weighted assets after consolidation adjustments for N 20.2	15,863.4	16,268.4
Risk-weighted assets after consolidation adjustments for N 20.0	**15,831.3**	**16,259.3**
Core equity adequacy ratio of the Group (N 20.1)	9.3%	8.7%
Common capital adequacy ratio of the Group (N 20.2)	10.2%	9.5%
Total capital adequacy ratio of the Group (N 20.0)	**11.8%**	**11.2%**

As at 30 June 2020 the Bank was in compliance with the CBR requirements to maintain minimum capital adequacy ratios of the Bank as a percentage of risk-weighted assets, determined in accordance with CBR's requirements by the following categories of capital: core equity adequacy ratio (N 1.1); common capital adequacy ratio (N 1.2) and total capital adequacy ratio (N 1.0).

	30 June 2020 (unaudited)	31 December 2019
Core equity adequacy ratio (N 1.1)	9.3%	8.9%
Common capital adequacy ratio (N 1.2)	10.3%	9.7%
Total capital adequacy ratio (N 1.0)	**11.6%**	**11.2%**

In the context of the coronavirus pandemic and a sharp drop in oil prices, the Bank of Russia has decided to implement a package of measures to help the financial sector maintain its capability to provide resources to the economy of RF, in particular:

1) credit institutions, which apply Bank of Russia regulations to their accounting procedures, are entitled to recognise equity and debt securities, acquired before 1 March 2020, at fair value in the accounting records; and to recognise debt securities, acquired from 1 March 2020 through 30 September 2020, at fair value as of the acquisition date. These measures will be effective until 1 January 2021;

2) credit institutions can use the opportunity, through 30 September 2020, to sustain the quality of debt servicing and to make a decision confirming a non-deteriorated assessment of a financial position of certain borrowers;

3) the Lombard List of Bank of Russia has expanded to include a number of mortgage bonds which are of appropriate credit quality and meet other statutory requirements;

4) easier conditions are offered for providing irrevocable credit lines in accordance with the liquidity coverage ratio N26 (N27) until 1 April 2021. The limit for irrevocable credit line will be calculated in line with the new procedure, offering more opportunities for systemically important credit institutions to manage their liquidity amid elevated volatility;

5) the Bank of Russia allows credit institutions to include operations in six foreign currencies (US dollar, euro, Pound sterling, Swiss franc, Japanese yen, and Chinese yuan) into their required ratios calculations (excluding calculations of the values (limits) of open currency positions) at the official exchange rate of the respective currency, set by the Bank of Russia as of 1 March 2020 for the period from 1 March 2020 through 30 September 2020 inclusive;

6) the national countercyclical capital buffer is retained at zero per cent.

22. CAPITAL MANAGEMENT AND CAPITAL ADEQUACY (CONTINUED)

As at 30 June 2020 the Bank used following opportunities provided by the CBR:

1) Subordinated instruments, being sources of capital, were revalued at CBR exchange rate of appropriate currencies as at 1 March 2020;
2) Values of other sources of capital and measures, reducing them, were calculated applying CBR exchange rates as at 30 June 2020;
3) Risk-weighted assets and other values used for N1.1, N1.2 and N1.0 ratios calculation were calculated applying CBR exchange rates as at 1 March 2020.

Other members of the Group, including those located In other countries, comply with the applicable regulatory capital requirements of the CBR, local central banks or other supervisory authorities.

23. CONTINGENCIES AND COMMITMENTS

Legal proceedings

From time to time and in the normal course of business, claims against the Group are received. As at the reporting date the Group had several unresolved legal claims. Management assessed probable outflow of resources and the respective provision in the amount of RUR 1.2 billion has been made as at 30 June 2020 (31 December 2019: RUR 1.5 billion).

As at 30 June 2020, the Group was involved in several legal cases related to its borrowers which are currently undergoing bankruptcy procedures. In these cases, the bankruptcy trustees' claims against the Group aggregate RUR 1.3 billion (31 December 2019: RUR 2.2 billion). Management views the risk of loss from these legal cases as possible but not probable, therefore, no provision for these legal claims is made in these consolidated financial statements.

Tax contingencies

Major part of the Group's business activity is carried out in the Russian Federation. Russian tax, currency and customs legislation as currently in effect is vaguely drafted and is subject to varying interpretations, selective and inconsistent application and changes, which can occur frequently, at short notice and may apply retrospectively. Management's interpretation of such legislation as applied to the transactions and activities of the Group may be challenged by the relevant state authorities.

As at 30 June 2020 and 31 December 2019, management believes that its interpretation of the relevant legislation is appropriate and that the Group's tax, currency and customs positions should be sustained vis-à-vis tax authorities and courts.

Credit related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties.

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

Outstanding credit related commitments are as follows:

	30 June 2020 (unaudited)	31 December 2019
Financial guarantees issued	138.0	139.7
Undrawn credit lines (irrevocable)	65.1	50.8
Import letters of credit	25.2	25.5
Commitments to extend credit (irrevocable)	0.3	0.3
Less: provision for credit related commitments	(3.1)	(2.9)
Total credit related commitments	**225.5**	**213.4**

The Bank has received export letters of credit for further advising to its customers. The total amount of received letters of credit as at 30 June 2020 is RUR 89.0 billion (31 December 2019: RUR 93.4 billion).

Commitments under import letters of credit and guarantees are collateralised by customer deposits of RUR 25.3 billion (31 December 2019: RUR 22.8 billion) (Note 17).

As at 30 June 2020, the 10 largest groups of interrelated customers accounted for RUR 70.9 billion or 51.4% of the financial guarantees issued (31 December 2019: RUR 62.3 billion or 44.6%).

As at 30 June 2020 revocable loan commitments amounted to RUR 3,983.2 billion with the loss allowance of RUR 21.0 billion (31 December 2019: RUR 3,698.6 billion with the loss allowance of RUR 18.4 billion). The loss allowance is disclosed within provision for credit related commitments.

23. CONTINGENCIES AND COMMITMENTS (CONTINUED)

The movements in expected credit loss for loan commitments and financial guarantees were as follows:

	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchased credit-impaired	Total
Financial guarantees					
Balance at 1 January 2020	**0.5**	**1.3**	**0.7**	**–**	**2.5**
Net remeasurement of expected credit loss	0.1	(0.1)	0.2	–	**0.2**
Foreign exchange	(0.1)	–	0.1	–	**–**
Balance at 30 June 2020 (unaudited)	**0.5**	**1.2**	**1.0**	**–**	**2.7**
Loan commitments and letters of credit					
Balance at 1 January 2020	**2.9**	**14.8**	**0.7**	**0.4**	**18.8**
Transfer to 12-month ECL	0.2	(0.2)	–	–	**–**
Transfer to lifetime ECL not credit-impaired	(0.1)	0.2	(0.1)	–	**–**
Transfer to lifetime ECL credit-impaired	(0.2)	–	0.2	–	**–**
Net remeasurement of expected credit loss	4.8	(1.9)	12.8	(0.3)	**15.4**
Write-offs	–	–	(12.9)	–	**(12.9)**
Foreign exchange	0.1	–	0.1	(0.1)	**0.1**
Balance at 30 June 2020 (unaudited)	**7.7**	**12.9**	**0.8**	**–**	**21.4**

	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Financial guarantees				
Balance at 1 January 2019	**0.3**	**0.2**	**0.8**	**1.3**
Net remeasurement of expected credit loss	–	0.2	0.1	**0.3**
Write-offs	–	–	(0.1)	**(0.1)**
Balance at 30 June 2019 (unaudited)	**0.3**	**0.4**	**0.8**	**1.5**
Loan commitments and letters of credit				
Balance at 1 January 2019	**4.2**	**9.4**	**0.1**	**13.7**
Transfer to 12-month ECL	–	–	–	**–**
Transfer to lifetime ECL not credit-impaired	–	–	–	**–**
Net remeasurement of expected credit loss	(0.6)	–	(0.1)	**(0.7)**
Financial assets that have been derecognised during the period	–	–	–	**–**
Foreign exchange	(0.1)	(0.1)	0.1	**(0.1)**
Balance at 30 June 2019 (unaudited)	**3.5**	**9.3**	**0.1**	**12.9**

Performance guarantees

As at 30 June 2020, the Group has provided performance guarantees in the gross amount of RUR 628.9 billion (31 December 2019: RUR 672.2 billion).

As at 30 June 2020, the 10 largest groups of interrelated customers accounted for RUR 209.0 billion or 33.2% of the performance guarantees issued (31 December 2019: RUR 207.0 billion or 30.8%).

As at 30 June 2020, the Group was involved in a number of legal cases with claims in the total amount of RUR 1.6 billion (31 December 2019: RUR 0.7 billion) related to issued performance guarantees. The Group contests the validity or amount of the claims made by the beneficiaries and has created the provision in the amount of RUR 0.7 billion (31 December 2019: RUR 0.7 billion), which is the Group's best estimate of the loss under these guarantees. In addition to the legal claims mentioned above, as at 30 June 2020, the Group was involved in legal cases related debt collection under provided bank guarantees. Aggregated amount of claims against the Group is RUR 4.2 billion (31 December 2019: RUR 4.2 billion). Management views the risk of loss from these legal cases as possible but not probable, therefore, no provision for these legal claims is made in these consolidated financial statements.

Purchase commitments

As at 30 June 2020 the Group had RUR 170.2 billion of outstanding commitments for the purchase of precious metals (31 December 2019: RUR 96.7 billion). As the price of these contracts is linked to the fair value of precious metals at the date of delivery, no gain or loss is recognised on these contracts.

24. DISPOSAL OF SUBSIDIARIES

In April 2020, the Group entered into an agreement to attract strategic investors in Demetra Holding LLC which was a Group subsidiary. Demetra Holding LLC is controlling Novorossiysk Grain Terminal LLC, MiroGroup Resources LLC, as well as holding stakes in the following associates and joint ventures of the Group: Novorossiysk Grain Plant PJSC, United Grain Company JSC, Rustranscom plc and Taman Grain Terminal Holdings Limited.

Following the introduction of new investors, the Group's share in Demetra Holding LLC decreased to 50.001%. The Group and the new investors exercise joint control over Demetra Holding LLC in accordance with the new shareholder agreement which requires unanimous approval of all shareholders for all key decisions in relation to significant activities.

The Group lost control over Demetra Holding LLC and its subsidiaries, except for QSR Holdings LLC, which is a shareholder of Rustranscom plc. The Group continues to control QSR Holdings LLC due to the Group's ability to appoint and direct the decisions of the management of QSR Holdings LLC, based on the corporate governance structure agreed between the Group and the new investors.

The Group derecognized net assets of Demetra Holding LLC and its subsidiaries (except for QSR Holdings LLC) and recognized gain on disposal of RUR 2.9 billion. The Group accounts for the remaining 50.001% stake in Demetra Holding LLC as an investment in joint venture designated at fair value through profit and loss, which fair value was equal to RUR 5.1 billion as at transaction date.

The assets and liabilities disposed as of the date of disposal were as follows:

Assets	
Cash and short-term funds	0.4
Due from other banks	5.0
Loans and advances to customers	32.9
Investments in associate and joint ventures	22.4
Land, premises and equipment	1.8
Goodwill and other intangible assets	37.0
Deferred tax asset	0.8
Other assets	9.4
Total assets	**109.7**
Liabilities	
Due to other banks	89.7
Customer deposits	12.4
Deferred tax liability	2.8
Other liabilities	3.2
Total liabilities	**108.1**
Non-controlling interest	0.6
Fair value of investment in joint venture	5.1
Gains arising from disposal	2.9

25. SUBSEQUENT EVENTS

In July 2020, InterV Investments S.a r.L, where the Group indirectly holds 19.99% shares, completed the sale of 100% shares in Viva Telecom Bulgaria OOD (holding company of Vivacom Group) to United Group Bulgaria EOOD. The proceeds from the sale were used to repay the consortium facility provided by VTB Group in its entirety and to upstream the rest of the funds to shareholders pro rata to their shareholding in the form of repayment of outstanding convertible subordinated shareholders' loans and interim liquidation payments.

In July 2020 the Group has purchased 17.3% of shares of "MC Dynamo", JSC for RUR 0.7 billion and increased share of participation in subsidiary by 92.3%.

In July 2020 Vozrozhdenie Bank repaid upon maturity subordinated debt in the amount of RUR 3.0 billion.

In July and August 2020 VTB repaid upon maturity local bonds in the amount of RUR 40.9 billion.

26. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions as defined by IAS 24, *Related Party Disclosures*. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.
A government-related entity is an entity that is controlled, jointly controlled or significantly influenced by a government.

Transactions and balances with related parties comprise transactions and balances with Russian government-related entities and associates and joint ventures and are stated in the tables below:

	30 June 2020 (unaudited)			31 December 2019		
Statement of financial position	Government-related entities	Associates	Joint ventures	Government-related entities	Associates	Joint ventures
Assets						
Cash and short-term funds	875.2	0.1	0.1	577.2	0.1	0.1
Mandatory cash balances with central banks	117.9	–	–	113.3	–	–
Trading financial assets	400.6	20.5	–	303.0	3.3	–
Derivative financial assets	51.6	0.3	–	40.0	0.1	0.2
Due from other banks	286.1	122.8	16.3	274.1	105.6	13.5
Less: expected credit loss	–	–	–	(0.1)	–	–
Loans and advances to customers	1,893.4	254.7	150.7	1,975.8	215.6	141.0
Less: expected credit loss	(23.3)	(18.8)	(1.7)	(27.0)	(17.9)	(1.1)
Investment financial assets	159.2	0.1	11.1	240.8	–	9.4
Other assets	6.5	–	0.6	0.7	–	0.6
Liabilities						
Due to other banks	477.3	130.2	6.7	645.9	105.9	5.5
Customer deposits	3,201.8	84.9	67.2	2,557.0	95.1	24.2
Derivatives financial liabilities	39.6	0.1	–	24.8	–	–
Other borrowed funds	237.9	–	–	201.6	–	–
Subordinated debt	101.1	–	–	101.4	–	–
Other liabilities	10.8	1.1	–	8.8	0.9	–
Credit related commitments	42.8	1.0	–	20.1	2.8	–
Performance guarantees issued	253.4	22.5	–	281.3	12.0	0.1

	For the six-month period ended 30 June (unaudited)					
	2020			2019		
Income statement	Government-related entities	Associates	Joint ventures	Government-related entities	Associates	Joint ventures
Interest income calculated using the effective interest method	68.9	8.9	2.2	98.2	11.0	3.1
Other interest income	12.1	2.0	3.2	9.7	–	1.0
Interest expense	(83.5)	(8.6)	(0.3)	(128.0)	(6.3)	(1.5)
(Provision charge) / reversal of provision for credit losses on debt financial assets	(2.8)	(0.3)	(0.8)	0.1	–	0.1
Provision chargefor credit losses on credit related commitments	(0.1)	–	–	(0.3)	(0.2)	–

The key management personnel includes members of the Management Board of VTB Bank and members of the Supervisory Council of VTB Bank. The aggregate remuneration for the six-month period ended 30 June 2020 amounted to RUR 1.9 billion (for the six-month period ended 30 June 2019: RUR 2.2 billion).

Compensation of key management personnel consists primarily of short-term employee benefits, including pension contributions.

As at 30 June 2020 the liability arising from cash-settled share-based payment transaction amounted to RUR 1.3 billion and was recognized in Other liabilities (31 December 2019: RUR 1.2 billion).

27. BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit or loss attributable to ordinary shareholders of the parent by the weighted average number of ordinary shares in issue during the period, excluding the average number of ordinary shares purchased by the Group and held as treasury shares.

The Group has no dilutive potential ordinary shares; therefore, the diluted earnings per share are equal to basic earnings per share.

	For the three-month period ended 30 June (unaudited)		For the six-month period ended 30 June (unaudited)	
	2020	2019	2020	2019
Weighted average number of ordinary shares in issue	12,958,068,363,992	12,954,842,227,691	12,957,343,393,843	12,953,424,564,103
Net profit attributable to shareholders of the parent	2.7	30.9	47.9	77.5
Amounts paid on perpetual loan participation notes	(7.4)	(7.0)	(7.4)	(7.0)
Total net profit/(loss) attributable to shareholders of the parent	**(4.7)**	**23.9**	**40.5**	**70.5**
Basic and diluted earnings per share (expressed in Russian roubles per share)	**(0.00036)**	**0.00184**	**0.00313**	**0.00544**

28. CHANGES IN PRESENTATION AND CORRECTION

In the fourth quarter of 2019 the Group reclassified interest income on certain items among Interest income calculated using the effective interest method and Other interest income.

The effects of changes for the three-month period and six-month period ended 30 June 2019 were as follows:

	As previously reported		Reclassification		As reclassified	
	For the three-month period	For the six-month period	For the three-month period	For the six-month period	For the three-month period	For the six-month period
	ended 30 June 2019		ended 30 June 2019		ended 30 June 2019	
Interim consolidated income statement						
Interest income calculated using the effective interest method	257.8	513.9	2.6	3.0	260.4	516.9
Other interest income	18.9	31.5	(2.6)	(3.0)	16.3	28.5
Note 4 Interest Income and Expense						
Loans and advances to customers	242.7	480.6	0.5	0.9	243.2	481.5
Due from other banks	9.1	21.2	2.1	2.1	11.2	23.3
Financial assets at fair value through profit or loss	12.0	18.0	(2.6)	(3.0)	9.4	15.0

Starting 2019, the Group presents Gains net of losses arising from sale of financial assets at amortised cost as a separate line in the accompanying consolidated income statement. Starting 2020, the Group presents Expenses from write-down of property held for sale in the ordinary course of business as a separate line in the accompanying consolidated income statement.

The effects of the changes for the three-month period and six-month period ended 30 June 2019 were as follows:

	As previously reported		Reclassification		As reclassified	
	For the three-month period	For the six-month period	For the three-month period	For the six-month period	For the three-month period	For the six-month period
	ended 30 June 2019		ended 30 June 2019		ended 30 June 2019	
Interim consolidated income statement						
Gains net of losses arising from sale of financial assets at amortised cost	–	–	0.3	0.6	0.3	0.6
Other gains net of losses on financial instruments at amortised cost	0.5	1.9	(0.3)	(0.6)	0.2	1.3
Cost of sales and other expenses from other non-banking activities	(14.3)	(27.2)	2.9	3.0	(11.4)	(24.2)
Expenses from write-down of property held for sale in the ordinary course of business	–	–	(2.9)	(3.0)	(2.9)	(3.0)
Note 8 cost of sales and other expenses from other non-banking activities						
Impairment of other assets related to non-banking activities	–	–	0.2	0.3	0.2	0.3
Expenses from write-down of property held for sale and impairment for other assets related to non-banking activities	3.1	3.3	(3.1)	(3.3)	–	–