



FG BCS LIMITED

**Condensed Interim Consolidated
Financial Information (Unaudited)**

Six-month period ended 30 June 2020

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

To the Shareholders and Board of Directors of FG BCS LIMITED

Introduction

We have reviewed the accompanying condensed interim consolidated statement of financial position of FG BCS LIMITED (the "Company") and its subsidiaries (the "Group") as at 30 June 2020, and the related condensed interim consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes to the condensed interim consolidated financial information (the "condensed interim consolidated financial information"). Management is responsible for the preparation and presentation of this condensed interim consolidated financial information in accordance with IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this condensed interim consolidated 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 condensed interim consolidated financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Reviewed entity: FG BCS LIMITED.

Registration No. in the Registrar of Companies HE 347295.

Nicosia, Cyprus.

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

Registration No. in the Unified State Register of Legal Entities 1027700125628.

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



FG BCS LIMITED

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Conclusion

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



Kolosov A.E.

JSC "KPMG"

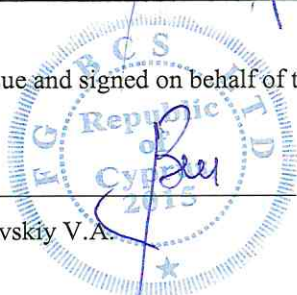
Moscow, Russian Federation

8 October 2020

<i>(In thousands of Russian Roubles)</i>	Not e	30 June 2020	31 December 2019
ASSETS			
Cash and cash equivalents	7	33 870 155	21 365 732
Mandatory cash balances with the CBR		518 405	545 478
Receivables from brokerage transactions	8	1 153 555	794 536
Receivables under resale agreements	9	82 793 804	63 404 713
Trading assets except derivatives	10		
- pledged under repurchase agreement		6 310 414	14 056 640
- unpledged		103 952 597	101 886 466
Investment securities measured at fair value through other comprehensive income	11		
- pledged under repurchase agreement		-	1 808 165
- unpledged		5 091 953	12 228 480
Investment securities measured at amortised cost	12		
- unpledged		11 380 588	-
Goodwill	24	1 102 748	1 471 543
Investment in an associate		21 730	17 221
Derivative assets	13	17 757 179	9 198 956
Loans to customers	14	30 602 425	36 091 280
Loans to banks	15	5 423 314	4 493 568
Investment properties		897 112	897 112
Property, equipment and intangible assets		7 756 572	7 485 161
Prepayments and other assets	16	16 959 867	6 822 487
Deferred tax assets		603 586	742 586
TOTAL ASSETS		326 196 004	283 310 124
LIABILITIES			
Payables under repurchase agreements	9	48 644 573	51 040 024
Customer brokerage accounts	17	144 999 461	115 929 893
Trading liabilities except derivatives	10	3 124 122	1 844 440
Derivative liabilities	13	9 754 685	3 521 943
Current accounts, deposits and borrowings	18	70 317 493	70 215 193
Payables and other liabilities	19	8 734 670	7 603 933
Deferred tax liabilities		2 540 321	1 328 942
TOTAL LIABILITIES		288 115 325	251 484 368
EQUITY			
Share capital	20	24 480	24 480
Share premium		2 803	2 803
Revaluation surplus for land and buildings		1 043 569	1 043 569
Revaluation reserve for investment securities		98 356	345 745
Translation reserve		6 392 342	4 018 894
Retained earnings		30 460 016	26 339 303
Total equity attributable to the sole participant		38 021 566	31 774 794
Non-controlling interests		59 113	50 962
TOTAL EQUITY		38 080 679	31 825 756
TOTAL EQUITY AND LIABILITIES		326 196 004	283 310 124

Approved for issue and signed on behalf of the Board of Directors on 8 October 2020.

 Shelikhovskiy V.A.
 Director



*Condensed Interim Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the six-month period ended 30 June 2020 (unaudited)*

<i>(In thousands of Russian Roubles)</i>	Note	For the six-month period ended 30 June 2020	For the six-month period ended 30 June 2019
Fee and commission income	3	4 962 057	2 867 079
Fee and commission expense	3	(2 151 186)	(1 726 663)
Net fee and commission income		2 810 871	1 140 416
Interest income calculated using the effective interest method	4	6 228 934	13 490 661
Other interest income	4	8 999	22 888
Interest expense	4	(3 160 942)	(8 745 065)
Net interest income		3 076 991	4 768 484
Net trading income	5	9 219 062	2 290 903
Impairment of debt financial assets	7,8,9,11,12,14,15,16,19	(579 754)	(63 343)
Impairment of other non-financial assets	16	(11 494)	(94 981)
Impairment of goodwill	24	(368 795)	-
Rental income from investment properties		33 992	99 237
Net gain on disposal of subsidiaries		-	42 568
Other operating income		260 178	76 744
Income/(loss) from associate		4 509	(7 330)
Administrative and other operating expenses	6	(8 653 058)	(8 159 063)
Profit before tax		5 792 502	93 635
Income tax (expense)/benefit		(1 537 134)	1 193 635
Profit for the period		4 255 368	1 287 270
Other comprehensive income/(loss)			
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences for foreign operations		2 373 448	(1 838 751)
Net change in fair value of investment securities		(35 628)	395 355
Net change in fair value of investment securities transferred to profit or loss		(226 624)	(5 695)
Income tax relating to items that are or may be reclassified to profit or loss		14 863	(40 931)
Total items that are or may be reclassified subsequently to profit or loss		2 126 059	(1 490 022)
Other comprehensive income/(loss) for the period net of tax		2 126 059	(1 490 022)
Total comprehensive income/(loss) for the period		6 381 427	(202 752)
Profit for the period attributable to:		4 255 368	1 287 270
- Sole participant		4 247 217	1 292 766
- Non-controlling interests		8 151	(5 496)
Total comprehensive income/(loss) for the period attributable to:		6 381 427	(202 752)
- Sole participant		6 373 276	(197 256)
- Non-controlling interests		8 151	(5 496)

<i>(In thousands of Russian Roubles)</i>	For the six-month period ended 30 June 2020								Non- controlling interests	Total equity
	Attributable to the sole participant									
	Share capital	Share premium	Revaluation surplus for land and buildings	Revaluation reserve for investment securities	Translation reserve	Retained earnings	Total			
Balance at 31 December 2019	24 480	2 803	1 043 569	345 745	4 018 894	26 339 303	31 774 794	50 962	31 825 756	
Profit for the period (unaudited)	-	-	-	-	-	4 247 217	4 247 217	8 151	4 255 368	
Other comprehensive income										
<i>Items that are or may be reclassified subsequently to profit or loss:</i>										
Foreign currency translation differences for foreign operations (unaudited)	-	-	-	-	2 373 448	-	2 373 448	-	2 373 448	
Revaluation reserve for investment securities (unaudited)	-	-	-	(247 389)	-	-	(247 389)	-	(247 389)	
Total items that are or may be reclassified subsequently to profit or loss	-	-	-	(247 389)	2 373 448	-	2 126 059	-	2 126 059	
Other comprehensive income for the period	-	-	-	(247 389)	2 373 448	-	2 126 059	-	2 126 059	
Total comprehensive income for the period	-	-	-	(247 389)	2 373 448	4 247 217	6 373 276	8 151	6 381 427	
Distribution to the shareholder (Note 20) (unaudited)	-	-	-	-	-	(126 504)	(126 504)	-	(126 504)	
Total transactions with owners	-	-	-	-	-	(126 504)	(126 504)	-	(126 504)	
Balance at 30 June 2020 (unaudited)	24 480	2 803	1 043 569	98 356	6 392 342	30 460 016	38 021 566	59 113	38 080 679	

<i>(In thousands of Russian Roubles)</i>	For the six-month period ended 30 June 2019 Attributable to the sole participant								
	Share capital	Share premium	Revaluation surplus for land and buildings	Revaluation reserve for investment securities	Translation reserve	Retained earnings	Total	Non- controlling interests	Total equity
Balance at 31 December 2018	151	2 803	830 855	(203 284)	5 973 120	26 406 184	33 009 829	(57 885)	32 951 944
Profit for the period (unaudited)	-	-	-	-	-	1 292 766	1 292 766	(5 496)	1 287 270
Other comprehensive loss									
<i>Items that are or may be reclassified subsequently to profit or loss:</i>									
Foreign currency translation differences for foreign operations (unaudited)	-	-	-	-	(1 838 751)	-	(1 838 751)	-	(1 838 751)
Revaluation reserve for Investment securities (unaudited)	-	-	-	348 729	-	-	348 729	-	348 729
Total items that are or may be reclassified subsequently to profit or loss	-	-	-	348 729	(1 838 751)	-	(1 490 022)	-	(1 490 022)
<i>Items that will not be reclassified to profit or loss:</i>									
Transfer of the revaluation reserve relating to the items of land and buildings reclassified to investment property (unaudited)	-	-	(3 634)	-	-	3 634	-	-	-
Total items that will not be reclassified to profit or loss	-	-	(3 634)	-	-	3 634	-	-	-
Other comprehensive loss for the period	-	-	(3 634)	348 729	(1 838 751)	3 634	(1 490 022)	-	(1 490 022)
Total comprehensive loss for the period	-	-	(3 634)	348 729	(1 838 751)	1 296 400	(197 256)	(5 496)	(202 752)
Changes in non-controlling interests (unaudited)	-	-	-	-	-	-	-	90	90
Distribution to the shareholder (Note 20) (unaudited)	-	-	-	-	-	(249 244)	(249 244)	-	(249 244)
Total transactions with owners	-	-	-	-	-	(249 244)	(249 244)	90	(249 154)
Balance at 30 June 2019 (unaudited)	151	2 803	827 221	145 445	4 134 369	27 453 340	32 563 329	(63 291)	32 500 038

The accompanying notes are an integral part of this condensed interim consolidated financial information.

FG BCS LIMITED
Condensed Interim Consolidated Statement of Cash flows
for the six-month period ended 30 June 2020 (unaudited)

<i>(In thousands of Russian Roubles)</i>	Note	For the six-month period ended 30 June 2020	For the six-month period ended 30 June 2019
Cash flows from operating activities			
Profit before income tax		5 792 502	93 635
Adjustments for:			
Depreciation and amortisation		526 241	479 631
Impairment losses	7,8,9,11,12,14,15,16,19	591 248	158 324
Impairment of goodwill	24	368 795	-
Change in accruals of expenses		(770 447)	45 329
Unrealised loss (gain) on debt and equity instruments		9 221 944	(3 409 957)
Revaluation of derivatives		(12 564 183)	8 411 177
Net gain on disposal of subsidiaries		-	(42 568)
(Income) loss from associate		(4 509)	7 330
Unrealised gain from foreign currencies revaluation		(4 266 468)	(1 583 821)
(Gain) loss on disposal of premises and equipment		(5 197)	8 961
Net interest income	4	(3 076 991)	(4 768 484)
Other operation and non-operation (income) expense		(63 819)	20 447
Cash flows used in operating activities before changes in working capital		(4 250 885)	(579 996)
(Increase) decrease in operating assets			
Mandatory cash balances with the CBR		27 073	(22 304)
Receivables from brokerage transactions		(237 432)	(517 013)
Receivables under resale agreements		(14 907 787)	(24 460 295)
Trading assets except derivatives		13 705 241	5 659 058
Loans to customers		9 120 741	(1 782 420)
Loans to banks		(20 269)	(2 751 220)
Prepayments and other assets		(8 454 109)	(8 734 624)
Interest received during the year		6 124 584	13 296 996
Increase (decrease) in operating liabilities			
Payables under repurchase agreements		(5 938 773)	(8 788 413)
Customer brokerage accounts		11 935 595	40 997 615
Trading liabilities except derivatives		909 822	(10 004 885)
Current accounts, deposits and borrowings		4 690 536	7 129 091
Payables and other liabilities		1 219 037	3 546 676
Interest paid during the year		(3 364 515)	(9 563 358)
Income taxes paid		(160 335)	(498 368)
Net cash provided by operating activities		10 398 525	2 926 540
Cash flows from investing activities			
Acquisition of property and equipment		(764 672)	(537 099)
Acquisition of associate		-	(17 219)
Proceeds from sale of property and equipment		201 389	142 261
Proceeds from sale of subsidiaries		-	39 543
Acquisition of securities measured at amortised cost		(10 552 511)	-
Acquisition of investment securities		(2 307 970)	(44 074 281)
Proceeds from sale of investment securities		11 563 079	44 277 745
Acquisition of subsidiaries		-	(86 553)
Net cash used in investing activities		(1 860 685)	(255 603)
Payment of lease liabilities		(105 034)	(111 369)
Payment of dividends	20	(126 504)	-
Changes in non-controlling interests		-	90
Net cash used in financing activities		(231 538)	(111 279)
Net increase in cash and cash equivalents		8 306 302	2 559 658
Cash and cash equivalents at the beginning of the period		21 365 732	32 482 767
Effect of changes in exchange rates on cash and cash equivalents		4 202 234	(4 518 256)
Effect of changes in allowance for credit losses on cash and cash equivalents		(4 113)	24 032
Cash and cash equivalents as at the end of the period	7	33 870 155	30 548 201

The accompanying notes are an integral part of this condensed interim consolidated financial information.

1 Principal activities and organization

FG BCS LIMITED (the Company), together with its consolidated subsidiaries (collectively, the Group), is a leading broker and asset management company with a focus on Russia. The Group, through its custody, clearing and depository platforms, using both proprietary and third-party technology, provides an integrated platform of brokerage, retail and investment banking, depository and asset management services to individuals and corporate customers in the Russian Federation and abroad. The Group offers integrated web- and software-based trading platforms, which incorporate intelligent order routing technology, real-time market data, options trading, premium research, and multi-channel access, as well as sophisticated account and trade management features, risk management tools, decision support tools, and dedicated personal support. The Group serves its clients through a combination of its wide branch network and web-based and telephonic services, and provides direct-market-access to equity and derivatives brokerage services on MOEX (Russia), LSE and other major exchanges (AMEX, NASDAQ, NYSE, CME/CBOT, Eurex, Euronext, LIFFE, XETRA) and on the FX market.

The Company's registered address is Prevezis, 13, 1st floor, Office 101, 1065, Nicosia, Cyprus. The Group's headquarter offices are located at Str. Sovetskaya 37, Novosibirsk, Russian Federation. The sole beneficiary and ultimate controlling party of the Group is Oleg Mikhasenko

As at 30 June 2020, the Group had full-time, part-time and temporary employees, and persons employed on a contract basis that represented the equivalent of about 5 002 full-time employees (31 December 2019: 4 652).

As a professional stock and security market participant in the Russian Federation, Cyprus, UK and USA, the Group's operations are regulated by the Central Bank of Russia (the CBR), the CySEC, the FCA and FINRA. The Group is a member of Moscow Exchange, Saint-Petersburg Exchange, London Stock Exchange, New York Stock Exchange and Eurex and the following financial associations and self-regulatory organisations: National Association of Stock Market Participants (NAUFOR), National Finance Association, International Capital Market Association, The International Securities Lending Association and International Swaps and Derivatives Association.

Also the Group includes managing companies whose principal activity is to manage assets and liabilities of clients. Activities connected with securities management are licensed under the current legislation. The activities of managing companies are regulated by the CBR and other authorities common for all market participants, for example, tax authorities.

The Group conducts its business primarily through the following operating legal entities:

Subsidiary	Country of incorporation	Ownership/voting	
		30 June 2020	31 December 2019
Brokercreditservice Ltd.	Russia	99.9%	99.9%
BrokerCreditService (Cyprus) Limited	Cyprus	100.0%	100.0%
"BCS Bank" AO	Russia	100.0%	100.0%
Joint Stock Company management company "BrokerCreditService"	Russia	100.0%	100.0%
OOO "Investment Management Company Brokercreditservice – Real Estate Funds"	Russia	100.0%	100.0%
BCS Prime Brokerage Limited	UK	100.0%	100.0%
URALSIB AM (JSC)	Russia	100.0%	100.0%
Brokercreditservice Structured Products PLC	Cyprus	100.0%	100.0%
Kertina Group Ltd.	Cyprus	100.0%	100.0%
Seldthorn Private Equity Ltd.	Cyprus	100.0%	100.0%
OOO "BCS Consulting"	Russia	99.9%	99.9%
OOO "BCS Insurance"	Russia	99.9%	99.9%

Brokercreditservice Ltd is a limited liability company that was incorporated in the Russian Federation in 1995. Brokercreditservice Ltd provides a range of brokerage and depository services to retail and corporate clients. It holds licenses issued by Federal Financial Markets Service (FFMS) for securities management, dealer and brokerage services, custody services. Offered brokerage services comprise an array of brokerage accounts; individual retirement accounts; retirement plans for small to large businesses; designated brokerage accounts; equity incentive plan accounts; and margin loans, as well as access to fixed income securities, equity and debt offerings, options, and futures; Brokercreditservice Ltd is a clearing broker-dealer and an investment adviser that principally transacts business as an agent in a broad array of financial products and services. It also holds a license issued by the Commission for Commodity Exchanges under FFMS as an intermediary for dealing in futures and options at stock exchanges in the Russian Federation.

BrokerCreditService (Cyprus) Limited (BCS Cyprus) is a licensed investment company regulated by CySEC. BCS Cyprus is a member the world major exchanges: AMEX, NASDAQ, NYSE, CME/CBOT, Eurex, Euronext, XETRA, FORTS,

LSE (until 31 December 2019). On 1 January 2020 BCS Cyprus has withdrawn voluntarily from LSE and starting from 1 May 2020 BCS Cyprus is a member of Association for Financial Markets in Europe (AFME).

BCS Prime Brokerage Limited (BCS UK) was granted UK regulatory authorisation by the Financial Conduct Authority (FCA) to deal and advise on investments and to hold client assets on 19 June 2013. In 2018 an additional permission to act as a payment services provider was received and in 2019 – a permission to deal on own account. Now BCS UK provides a wide range of brokerage and advising services, including access to Moscow Exchange, LSE, EBS, CHI-X/BATS, NYSE/NASDAQ/AMEX.

BCS Americas, Inc. is a broker-dealer company established in New York, registered with and regulated by the United States Securities and Exchange Commission (SEC) and the Financial Industry Regulatory Authority (FINRA). The company provides US institutional investors with the access to Russian and European markets. BCS Americas, Inc. obtained direct membership with New York Stock Exchange in 2018.

«BCS Bank» AO (the Bank) is incorporated as a Joint Stock Company under the laws of the Russian Federation. The Bank's principal business activity is commercial banking operations within the Russian Federation. The Bank operates under a banking license issued by the CBR. The Bank is a member of the state deposit insurance system in the Russian Federation. The activities of the Bank are regulated by the CBR.

The investment management business is run via JSC MC «BCS», LLC «Investment Management Company Brokercreditservice - Real Estate Funds» and URALSIB AM (JSC) which are the investment advisors for the Group's proprietary mutual funds, referred to as the BCS Funds, which offers asset management solutions including separately managed accounts, customized personal advice for tailored portfolios, and specialized planning and full-time portfolio management, and also provides a wide range of trust, investment management oversight and custodial services to non-government pension funds.

The Group through its subsidiary JSC MC «BCS» operates the following open ended mutual funds:

- Open Investment Fund of Bonds BCS Foundation
- Open Investment Fund of Multi – Asset Investments BCS Empire
- Open Investment Fund of mixed investments BCS Perspective
- Open Investment Fund of Funds XXII century
- Open Investment Fund of Funds BCS Precious Metals
- Open index investment Fund BCS Russian Shares
- Open Investment Fund BCS International bonds
- Open Investment Fund BCS Russian Eurobonds
- Open Investment Fund BCS Fundamental choice
- Closed Real Estate Fund Pension Fund real estate

The Group also manages the following real estate funds operated by LLC «Investment Management Company Brokercreditservice - Real Estate Funds»:

- Combined Closed Fund – FNB Business
- Combined Closed Fund – Perspective
- Closed Real Estate Fund – Light-Invest

The Group also manages the following funds operated by URALSIB AM (JSC):

- Open Investment Fund URALSIB Growth stocks
- Open Investment Fund URALSIB Global Equities
- Open Investment Fund URALSIB Global innovations
- Open Investment Fund URALSIB Global Fixed income
- Open Investment Fund URALSIB Precious metals
- Open Investment Fund URALSIB Conservative
- Open Investment Fund URALSIB First
- Open Investment Fund URALSIB Natural resources
- Open Investment Fund URALSIB Professional
- Open Investment Fund URALSIB Energy perspective

The Group has other subsidiaries which are consolidated based on trust agreements held with the direct owners. The Group exercises full control over the financial, strategic and operational activities of these subsidiaries for the benefit of the Group.

The Group is not exposed to significant seasonal or cyclical variations in operating income during the financial year.

2 Basis of preparation

a) General

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

Management is responsible for the preparation of the condensed interim consolidated financial information in accordance with International Financial Reporting Standards (IFRS).

The preparation of financial information in conformity with IFRS requires management to make judgements and key estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial information and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In preparing this condensed interim consolidated financial information the significant judgments made by management in applying the accounting policies and the key sources of estimation uncertainty are the same as those that applied to the consolidated financial statements for the year ended 31 December 2019 except for the COVID-19 pandemic impact.

b) Business environment

Russian business environment

A significant part of the Group's operations are conducted in the Russian Federation. Consequently, the Group is exposed to the economic and financial markets of the Russian Federation which display characteristics of an emerging market. The legal, currency, tax and regulatory frameworks continue development and are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Russian Federation. Furthermore, the need for further developments in the bankruptcy laws, the absence of formalised procedures for the registration and enforcement of collateral, and other legal and fiscal impediments further contribute to the challenges faced by financial institutions operating in the Russian Federation.

The Group's major sources of net revenues are fees and commission from brokerage business, asset management and administration fees, net interest income, and trading revenue. The Group's business can be adversely affected by the general environment – economic, corporate, securities market, regulatory, and geopolitical developments all play a role in client asset valuations, trading activity, interest rates and overall investor engagement, and are outside of the Group's control. Deterioration in credit markets, reductions in short-term interest rates, and decreases in securities valuations negatively impact the fees and commission income, net interest income, asset management and administration fees, and capital resources.

On 1 March 2020, the World Health Organization announced that the spread of a new coronavirus infection had become pandemic. In response to the potentially serious threat posed to the health of the population by the COVID-19 virus, the state authorities of the Russian Federation took measures to curb the spread of coronavirus infection, including the introduction of restrictions on crossing the borders of the Russian Federation, restrictions on entry of foreign citizens, as well as recommendations to enterprises on transferring employees to remote work mode. During March 2020, local authorities gradually introduced additional measures to ensure social distance, including the cessation of schools, universities, restaurants, cinemas, theatres, museums, and sports facilities. In order to ensure the sanitary and epidemiological well-being of the population, the President of the Russian Federation announced non-working days with salary retention from 30 March 2020 to 11 May 2020 for all categories of workers, with the exception of employees of medical and pharmacy organizations, emergency services, companies providing the population with food and essential goods and continuous-cycle enterprises.

Due to the disruption of business activity and the self-isolation regime introduced in many countries, global oil demand has fallen sharply, which has led to oversupply and a sharp drop in oil prices. On 12 April 2020, the world's largest oil producers, including Russia, agreed on a record reduction in crude oil production to stabilize the oil market, which nevertheless did not reduce the pressure on oil prices. A sharp decrease in prices and volumes of oil production leads to a corresponding drop in revenues of oil companies and a decrease in deductions to the federal budget, which in can entail serious economic and social consequences and will provoke a reduction in public sector spending.

These events will have a more significant negative impact on the economy, including:

- Violation of business and economic activity, leading to supply disruptions and violation of contractual obligations;
- Significant failures in the work of enterprises of certain industries operating in the domestic market, as well as export-oriented enterprises with a high degree of dependence on foreign markets. The most affected sectors include retail, tourism, the entertainment and hospitality sectors, transportation, the oil industry, construction, the automotive industry, insurance, and the financial sector;
- A significant reduction in demand for goods and services that are not urgent or vital;
- The growth of economic uncertainty, reflected in the increasing volatility of the value of assets and exchange rates.

In March 2020, the Government of the Russian Federation announced the adoption of a package of measures to support the sectors that were most affected by the spread of coronavirus infection. The program includes, in particular, deferment of taxes and fees for small and medium-sized businesses, deferred repayment of loans, deferred rental payments for federal and municipal property, state support for refinancing and restructuring loans for companies in particularly problematic sectors. In addition, the rate of insurance premiums was reduced for all small and medium-sized businesses. The list of sectors strongly affected by the crisis is closely monitored and can be adjusted to take into account further changes in the economic situation.

In July 2020, the Russian gross domestic product (GDP) was measured at 4.7 percent lower than in the corresponding period of the previous year. The growth rate recovered slowly from April 2020, when the GDP decline was above ten percent. At the same time representatives of the World Health Organization announce the second wave or second peak of the first wave of the COVID-19 pandemic in the third quarter of 2020 that could lead to a further deterioration of the macroeconomic situation.

The rapid spread of coronavirus infection did not have a strong negative impact on the finance sector. Over the second quarter of 2020, the volume of the Group's operations has remained stable, and its activities have not been interrupted. In general, a deterioration in the quality of corporate borrowers and a decrease in the creditworthiness of the population are expected. The Group has introduced more stringent criteria for issuing new loans.

Despite the fact that it is possible to reduce the Group's profitability indicators by the end of 2020, management believes that the measures taken will ensure the availability of sufficient resources to continue the Group's activities without significant disruptions. The Group analyzes possible negative scenarios for the development of the situation and is ready to adapt its operating plans accordingly. Management continues to closely monitor the development of the situation and will take the necessary measures to mitigate the consequences of possible negative events and circumstances as they arise.

The accompanying condensed interim consolidated financial information reflect management's estimates of the potential effect of the current operating and business environment on the results and financial position. The future business environment may differ from management's estimates.

Cyprus business environment

Cyprus recorded a fiscal surplus of 1.7% of GDP in 2019 which reduced the debt-to-GDP ratio to 95.5% from 100.6% at the end of 2018. The outbreak of the COVID-19 pandemic and the measures introduced to contain it and support companies and employment, will push the budget into deficit which will be substantial. Spending will be significantly higher in the year reflecting the financial support packages, and tax revenues will be lower as a result of the recession.

The recovery of Cyprus following the financial crisis in 2013 was relatively solid. Real GDP grew annually at an average pace of 4.4% in 2015-2019. This was primarily driven by gross fixed investment expenditures and the export of services. On the supply side the recovery was broad, driven primarily by construction, manufacturing, trade, tourism, information and communication, and professional services. As a result, total output surpassed its pre-crisis level by about 10% in 2019. In 2020, the Cyprus economy faces the prospect of a recession as a result of the COVID-19 crisis. It is expected that the Cyprus economy will contract by 7.8% in the year. The recovery in 2021 is expected to be only partial with GDP rising by 5.3% and will thus take longer to restore output to pre-COVID-19 levels.

The sovereign risk ratings of the Cyprus Government improved considerably in recent years reflecting improvements in economic resilience and consistent fiscal outperformance. Cyprus demonstrated policy commitment to correcting fiscal imbalances through reform and restructuring of its banking system. Cyprus continues to face high public debt and a large remaining stock of non-performing loans. While the COVID-19 crisis is expected to cause a recession near-term reversing some of the gains achieved in previous years, the longer-term outlook remains solid and the impact on the credit profile is expected to be temporary.

Moody's maintains a long-term credit rating of Ba2 since July 2018 and a positive outlook since September 2019. In April 2020 Moody's Investors Service issued an Update on their credit opinion for the Cyprus Sovereign and revised their

forecasts for the Cyprus economy in view of the COVID-19 outbreak. According to the Update, the outbreak will weigh on near-term growth and fiscal prospects but the impact on the credit profile is expected to be temporary. S&P Global Ratings maintains an investment grade rating of BBB with a stable outlook since September 2018. The rating and the outlook were last affirmed in March 2020. Fitch Ratings maintains a Long-Term Issuer Default rating of investment grade at BBB- since November 2018, last affirmed in April 2020. Its outlook was upgraded to positive in October 2019 and revised it to stable in April 2020, reflecting the significant impact the global COVID-19 pandemic might have on the Cyprus economy and fiscal position.

c) Basis of measurement

Condensed interim consolidated financial information is prepared on the historical cost basis, except that trading assets and liabilities, investments securities, derivative assets and liabilities, investment properties, certain loans to customers are stated at fair value and land and buildings are stated at revalued amounts.

d) Functional and presentation currency

The functional currency of each of the Group entities is the currency of the primary economic environment in which the entities operate. The Company and the majority of the Group's subsidiaries have determined that their functional currency is the Russian rouble (RR) as it reflects the economic substance of the majority of underlying events and circumstances relevant to them. The RR is also the presentation currency for the purposes of this condensed interim consolidated financial information. All financial information presented in RR is rounded to the nearest thousands, except when otherwise indicated.

e) Changes in accounting policies and presentation

The accounting policies applied in this condensed interim consolidated financial information are the same as those applied in the last annual consolidated financial statements for the year ended 31 December 2019.

3 Fee and commission income and expense

<i>(in thousands of Russian Roubles)</i>	For the six-month period ended 30 June 2020	For the six-month period ended 30 June 2019
Fee and commission income		
Agency fees related to brokerage and asset management activity	4 219 477	2 178 740
Income from consulting activities and market-making services	229 351	228 891
Insurance fees	197 520	163 654
Commissions on cash and settlement transactions	197 388	169 995
Income from depository activities	73 610	55 561
Commissions for using trading floor	44 711	70 238
Total fee and commission income	4 962 057	2 867 079
Fee and commission expense		
Stock exchanges services	(1 282 421)	(940 754)
Information services	(329 907)	(206 934)
Cash and settlements services	(174 017)	(194 524)
Agency fees for brokerage services and asset management	(174 004)	(193 497)
Depository services	(80 744)	(103 198)
Expense on market-making services	(23 949)	(20 484)
Other	(86 144)	(67 272)
Total fee and commission expense	(2 151 186)	(1 726 663)
Net fee and commission income	2 810 871	1 140 416

Revenues are derived primarily from commissions and fees generated from brokerage services. The Group also generates asset-based fees from investment management and other financial product sponsor relationships, the cash sweep programs and other processing and networking services.

Asset management and administration fees are earned on fiduciary activities where the Group holds or invests assets on behalf of its clients, and provides other asset-based financial services. These fees are based upon daily balances of client assets invested in these assets.

Insurance fees for the period ended 30 June 2020 are represented by insurance agent fees in the amount of RR 56 824 thousand (30 June 2019: RR 33 471 thousand), gross written premiums in the amount of RR 1 279 654 thousand (30 June 2019: RR 780 081 thousand) and change in insurance reserves in the amount of RR 1 138 958 thousand (30 June 2019: RR 649 898 thousand).

4 Net interest income

<i>(In thousands of Russian Roubles)</i>	For the six-month period ended 30 June 2020	For the six-month period ended 30 June 2019
Interest income calculated using the effective interest method		
Resale and securities lending agreements	3 468 752	9 057 654
Loans to customers	2 204 465	3 644 529
Current accounts with banks	303 996	204 933
Securities	156 197	519 589
Loans to banks	95 524	63 956
Total interest income calculated using the effective interest method	6 228 934	13 490 661
Other interest income	8 999	22 888
Interest expense		
Repurchase and securities borrowing agreements	(1 903 932)	(7 240 058)
Current accounts, deposits and borrowings	(700 121)	(746 716)
Overnight loans	(519 054)	(731 006)
Lease liability	(37 835)	(27 285)
Total interest expense	(3 160 942)	(8 745 065)
Net interest income	3 076 991	4 768 484

Interest income primarily represents interest earned on certain assets, which include cash and cash equivalents, receivables from brokers, dealers, and clearing organizations, receivables from brokerage clients, investments securities and securities measured at amortised cost, loans, securities resale/repurchase agreements.

5 Net trading income

<i>(In thousands of Russian Roubles)</i>	For the six-month period ended 30 June 2020	For the six-month period ended 30 June 2019
Net trading gain (loss) from derivatives	11 545 690	(11 304 465)
Gain from trading in foreign currencies and currency revaluation	4 129 579	4 519 155
Dividend income from trading assets	572 141	262 066
Net trading gain from investment securities	226 892	5 695
Net trading (loss) gain from trading assets and liabilities	(7 255 240)	8 808 452
Net trading income	9 219 062	2 290 903

6 Administrative and other operating expenses

<i>(In thousands of Russian Roubles)</i>	For the six-month period ended 30 June 2020	For the six-month period ended 30 June 2019
Staff costs	(6 117 249)	(5 725 540)
Depreciation and amortisation	(526 241)	(479 631)
Advertising and marketing	(415 239)	(435 045)
Taxes other than on income	(300 613)	(332 175)
Software maintenance	(279 641)	(226 772)
Communication and transportation	(259 280)	(248 699)
Professional services	(175 072)	(222 014)
Materials	(132 913)	(108 290)
Administrative expenses	(113 707)	(90 410)
Repair and maintenance of equipment	(88 407)	(106 414)
Operating lease	(70 526)	(58 528)
Security services	(15 628)	(15 453)
Other	(158 542)	(110 092)
Total administrative and other operating expenses	(8 653 058)	(8 159 063)

Staff costs include salaries and wages, incentive compensation, and related employee benefits and taxes. Incentive compensation includes variable compensation and discretionary bonus payments. Variable compensation includes payments to certain individuals based on their sales performance. Discretionary bonus payments are based on the Group's overall performance, achievement of specified performance objectives, including revenue growth and pre-tax profit margin. Included in staff costs for the six-month period ended 30 June 2020 are statutory social and pension tax contributions of RR 1 175 190 thousand (30 June 2019: RR 1 092 507 thousand).

7 Cash and cash equivalents

<i>(In thousands of Russian Roubles)</i>	30 June 2020	31 December 2019
Cash balances and overnight placements with the CBR	4 846 391	2 590 002
Cash on hand	3 983 407	2 769 208
Correspondent accounts and overnight placements with banks	11 188 669	3 760 039
Cash balances on brokerage accounts	13 769 537	12 180 629
Deposits with banks	88 338	75 014
Placements with investor compensation fund	38 932	34 304
Cash in transit	(2)	(2 460)
Loss allowance	(45 117)	(41 004)
Total cash and cash equivalents	33 870 155	21 365 732

The following table sets out information about the credit quality of cash and cash equivalents as at 30 June 2020 and as at 31 December 2019. The amounts in the table represent gross carrying amounts.

	30 June 2020			Total
	Balances with the CBR, including overnight placements	Correspondent accounts, deposits and overnight placements with banks	Cash balances on brokerage accounts	
<i>(In thousands of Russian Roubles)</i>				
12-month ECL				
CBR	4 846 391	-	-	4 846 391
AA- to AA+	-	-	1 521 689	1 521 689
A- to A+	-	7 628 817	6 001 083	13 629 900
BBB- to BBB+	-	3 193 149	5 257 409	8 450 558
BB- to BB+	-	141 600	396 810	538 410
B- to B+	-	267 134	592 197	859 331
Rated below B-	-	1 549	349	1 898
Lifetime ECL credit impaired				
Unrated	-	44 758	-	44 758
Loss allowance	(41)	(44 848)	(228)	(45 117)
Total cash and cash equivalents excluding cash in transit, investor compensation fund, cash on hand	4 846 350	11 232 159	13 769 309	29 847 818

	31 December 2019			Total
	Balances with the CBR, including overnight placements	Correspondent accounts, deposits and overnight placements with banks	Cash balances on brokerage accounts	
<i>(In thousands of Russian Roubles)</i>				
12-month ECL				
CBR	2 590 002	-	-	2 590 002
AA- to AA+	-	-	1 865 037	1 865 037
A- to A+	-	2 063 514	8 134 864	10 198 378
BBB- to BBB+	-	1 375 235	1 494 216	2 869 451
BB- to BB+	-	118 351	104 352	222 703
B- to B+	-	235 867	552 118	787 985
Rated below B-	-	1 308	30 042	31 350
Lifetime ECL credit impaired				
Unrated	-	40 778	-	40 778
Loss allowance	(11)	(40 860)	(133)	(41 004)
Total cash and cash equivalents excluding cash in transit, investor compensation fund, cash on hand	2 589 991	3 794 193	12 180 496	18 564 680

Movement in the loss allowance during the six-month periods ended 30 June 2020 and 30 June 2019 is as follows:

	Six-month period ended 30 June 2020			Six-month period ended 30 June 2019		
	12-month ECL	Lifetime ECL credit impaired	Total	12-month ECL	Lifetime ECL credit impaired	Total
<i>(In thousands of Russian Roubles)</i>						
Loss allowance at 1 January	(226)	(40 778)	(41 004)	(100)	(65 454)	(65 554)
(Charge)/recovery of loss allowance	(133)	(3 980)	(4 113)	(52)	24 084	24 032
Loss allowance at 31 December	(359)	(44 758)	(45 117)	(152)	(41 370)	(41 522)

8 Receivables from brokerage transactions

<i>(In thousands of Russian Roubles)</i>	30 June 2020	31 December 2019
Initial margin at rating BBB	32 827	33 977
Receivables from unrated customers	1 301 719	896 921
Loss allowance	(180 991)	(136 362)
Total receivables from brokerage transactions	1 153 555	794 536

Analysis by credit quality of receivables from brokerage transactions at 30 June 2020 and 31 December 2019 is as follows:

<i>(In thousands of Russian Roubles)</i>	30 June 2020	31 December 2019
12-month ECL		
Initial margin at rating BBB	32 827	33 977
Loss allowance	-	-
Lifetime ECL non-credit impaired		
Receivables from unrated customers	1 088 017	743 208
Loss allowance	-	-
Lifetime ECL credit-impaired		
Receivables from unrated customers	213 702	153 713
Loss allowance	(180 991)	(136 362)
Total receivables from brokerage transactions	1 153 555	794 536

Movement in the loss allowance during the six-month period ended 30 June 2020 is as follows:

<i>(In thousands of Russian Roubles)</i>	
Loss allowance at 1 January 2020	(136 362)
Redemption	19 967
Charge of loss allowance	(64 596)
Loss allowance at 30 June 2020	(180 991)

Movement in the loss allowance during the six-month period ended 30 June 2019 is as follows:

<i>(In thousands of Russian Roubles)</i>	
Loss allowance at 1 January 2019	(372 047)
Recovery of loss allowance	38 968
Loss allowance at 30 June 2019	(333 079)

9 Transfers of financial assets

The Group has transactions to lend securities and to sell securities under agreements to repurchase and to purchase securities under agreements to resell.

The securities lent or sold under agreements to repurchase are transferred to a third party and the Group receives cash in exchange. These financial assets may be repledged or resold by counterparties in the absence of default by the Group, but the counterparty has an obligation to return the securities at the maturity of the contract. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognised them. In addition, the Group recognises a financial liability for cash received as collateral included in payables under repurchase agreements.

These transactions are conducted under terms that are usual and customary to standard lending, and securities borrowing and lending activities, as well as requirements determined by exchanges where the Group acts as intermediary.

<i>(In thousands of Russian Roubles)</i>	30 June 2020	31 December 2019
Carrying amount of own trading assets and investment securities transferred and pledged under repurchase agreements	6 310 414	15 864 805
Fair value of repledged assets that were received under stock borrowing agreements	16 620 718	9 948 141
Fair value of repledged assets that were received as collateral for reverse repurchase agreements	9 220 377	10 632 056
Total financial assets transferred and pledged under repurchase and securities borrowing agreements	32 151 510	36 445 002
Carrying amount of associated liabilities	48 644 573	51 040 024

The Group issues notes that can be used as collateral under direct repo. The total amount of direct repo liabilities collateralised by own notes issued as at 30 June 2020 is amounted to RR 19 617 324 thousand (31 December 2019: RR 21 894 486 thousand).

Movement in the loss allowance for the receivables under resale agreements during the six-month periods ended 30 June 2020 and 30 June 2019 are as follows:

<i>(In thousands of Russian Roubles)</i>	
Loss allowance at 1 January 2020	(21 643)
Charge of loss allowance	(1 566)
Loss allowance at 30 June 2020	(23 209)

<i>(In thousands of Russian Roubles)</i>	
Loss allowance at 1 January 2019	(18 547)
Charge of loss allowance	(13 243)
Loss allowance at 30 June 2019	(31 790)

At 30 June 2020, part of the receivables under resale agreements in the amount of RR 64 981 959 thousand (31 December 2019: RR 39 105 641 thousand) are collateralised by debt and equity securities with a fair value of RR 77 575 379 thousand (31 December 2019: RR 51 375 369 thousand), while the other part in the amount of RR 17 835 054 thousand (31 December 2019: RR 24 320 715 thousand) is collateralised by debt and equity securities with a fair value of RR 17 112 297 thousand (31 December 2019: RR 23 871 600 thousand).

The following table sets out information about the credit quality of the receivables under resale agreements:

				30 June 2020
<i>(In thousands of Russian Roubles)</i>	Gross amount of the receivable under REPO fully collateralized by securities	Gross amount of the receivable under REPO partially collateralized by securities	Total gross amount of the receivables under REPO	Gross carrying amount of the receivables under REPO, which is not collateralised by securities
AA- to AA+	1 541 513	348 830	1 890 344	8 248
A- to A+	79 315	38 163	117 478	25 435
BBB- to BBB+	5 876 390	49 029 881	54 906 271	1 972
BB- to BB+	2 849 237	4 739 201	7 588 438	3 694
B- to B+	2 589 880	679 923	3 269 803	28
Rated below B-	11 840	17 179	29 019	24 428
Unrated	4 886 878	10 128 782	15 015 660	658 952
Total gross amount	17 835 054	64 981 959	82 817 013	722 757
Loss allowance	(23 209)	-	(23 209)	(23 209)
Total carrying amount	17 811 845	64 981 959	82 793 804	699 548

<i>(In thousands of Russian Roubles)</i>	31 December 2019			
	Gross amount of the receivable under REPO fully collateralized by securities	Gross amount of the receivable under REPO partially collateralized by securities	Total gross amount of the receivables under REPO	Gross carrying amount of the receivables under REPO, which is not collateralised by securities
A- to A+	2 867 890	293 304	3 161 194	109 483
BBB- to BBB+	19 743 997	18 196 498	37 940 495	146 990
BB- to BB+	318 033	403 589	721 622	9 536
B- to B+	304 537	1 142 977	1 447 514	132 537
Rated below B-	-	1 587 130	1 587 130	-
Unrated	1 086 258	17 482 143	18 568 401	50 569
Total gross amount	24 320 715	39 105 641	63 426 356	449 115
Loss allowance	(21 643)	-	(21 643)	(21 643)
Total carrying amount	24 299 072	39 105 641	63 404 713	427 472

At 30 June 2020 and 31 December 2019 the Group measures loss allowances as 12-month ECL as far as credit risk on receivables under resale agreements has not increased significantly since their initial recognition.

A total of 66% of receivables under resale agreement in amount of RR 54 515 325 thousand at 30 June 2020 represent balance due from National Clearing Centre (31 December 2019: 59% and RR 37 643 037 thousand).

10 Trading assets and liabilities

<i>(In thousands of Russian Roubles)</i>	30 June 2020			31 December 2019		
	Pledged under repurchase agreements	Unpledged	Total	Pledged under repurchase agreements	Unpledged	Total
Financial Assets						
Municipal and Government Bonds						
BBB+ to BBB-	-	298 644	298 644	707 565	7 262 180	7 969 745
Corporate Bonds						
AAA	-	-	-	-	125 836	125 836
AA+ to AA-	-	142 726	142 726	-	197 959	197 959
A+ to A-	-	507 604	507 604	-	107 615	107 615
BBB+ to BBB-	117 616	24 587 529	24 705 145	2 769 706	18 931 641	21 701 347
BB+ to BB-	245 216	12 848 778	13 093 994	2 308 850	18 678 424	20 987 274
B+ to B-	-	10 992 675	10 992 675	1 216 486	9 016 625	10 233 111
CCC	-	3 399 925	3 399 925	-	3 109	3 109
Total debt instruments	362 832	52 777 881	53 140 713	7 002 607	54 323 389	61 325 996
Equity instruments						
Corporate shares	5 264 062	49 395 320	54 659 382	6 999 478	47 024 917	54 024 395
Exchange traded funds	683 520	1 702 014	2 385 534	54 555	383 520	438 075
Units in mutual funds	-	77 382	77 382	-	154 640	154 640
Total equity instruments	5 947 582	51 174 716	57 122 298	7 054 033	47 563 077	54 617 110
Total trading assets	6 310 414	103 952 597	110 263 011	14 056 640	101 886 466	115 943 106
Financial liabilities						
Corporate equity instruments	-	2 496 866	2 496 866	-	617 532	617 532
Corporate debt instruments	-	627 256	627 256	-	1 226 908	1 226 908
Total trading liabilities	-	3 124 122	3 124 122	-	1 844 440	1 844 440

As at 30 June 2020 corporate eurobonds in amount of RR 820 555 thousand are pledged under intraday and overnight loans from the CBR (31 December 2019: nil)

Trading assets are represented by shares and bonds of large Russian companies and government and municipal bonds. Management assesses the performance of these instruments based on their fair values and irrevocably designated these securities as Trading assets. None of the trading financial assets are past due.

Trading liabilities represent liabilities for short sale transactions.

11 Investment securities measured at fair value through other comprehensive income

<i>(In thousands of Russian Roubles)</i>	30 June 2020			31 December 2019		
	Pledged under repurchase agreements	Unpledged	Total	Pledged under repurchase agreements	Unpledged	Total
Equity instruments						
Corporate shares	-	98 760	98 760	-	12 255	12 255
Total equity instruments	-	98 760	98 760	-	12 255	12 255
Municipal and Government Bonds						
BBB+ to BBB-	-	1 918 888	1 918 888	1 808 165	3 508 455	5 316 620
Corporate Bonds						
AAA	-	416 757	416 757	-	366 202	366 202
BBB+ to BBB-	-	1 061 392	1 061 392	-	5 157 682	5 157 682
BB+ to BB-	-	496 640	496 640	-	1 629 402	1 629 402
B+ to B-	-	1 099 516	1 099 516	-	1 554 484	1 554 484
Total debt instruments	-	4 993 193	4 993 193	1 808 165	12 216 225	14 024 390
Total investment securities measured at fair value through other comprehensive income	-	5 091 953	5 091 953	1 808 165	12 228 480	14 036 645

As at 30 June 2020 corporate eurobonds in amount of RR 1 026 941 thousand (31 December 2019: RR 1 278 541 thousand) and corporate bonds of Russian issuers in amount of RR 942 069 thousand (31 December 2019: RR 2 763 805 thousand) are pledged under intraday and overnight loans from the CBR.

Movement in the loss allowance for investment securities measured at fair value through other comprehensive income during the six-month period ended 30 June 2020 is as follows:

<i>(In thousands of Russian Roubles)</i>	
Loss allowance at 1 January 2020	(39 348)
Charge of loss allowance	(7 551)
Loss allowance at 30 June 2020	(46 899)

Movement in the loss allowance for investment securities measured at fair value through other comprehensive income during the six-month period ended 30 June 2019 is as follows:

<i>(In thousands of Russian Roubles)</i>	
Loss allowance at 1 January 2019	(14 537)
Charge of loss allowance	(14 070)
Loss allowance at 30 June 2019	(28 607)

At 30 June 2020 and 31 December 2019 the Group measures loss allowances as 12-month ECL as far as credit risk on debt investment securities measured at fair value through other comprehensive income has not increased significantly since their initial recognition.

12 Investment securities measured at amortised cost

<i>(In thousands of Russian Roubles)</i>	30 June 2020
Municipal and Government Bonds	
BBB+ to BBB-	957 158
Corporate Bonds	
BBB+ to BBB-	10 271 722
BB+ to BB-	193 736
Total gross amount of investment securities measured at amortised cost	11 422 616
Loss allowance	(42 028)
Total net amount of investment securities measured at amortised cost	11 380 588

Movement in the loss allowance for investment securities measured at amortised cost during the six-month period ended 30 June 2020 is as follows:

<i>(In thousands of Russian Roubles)</i>	
Loss allowance at 1 January 2020	-
New originated assets	(42 136)
Recovery of loss allowance	108
Loss allowance at 30 June 2020	(42 028)

At 30 June 2020 the Group measures loss allowances as 12-month ECL as far as credit risk on investment securities measured at amortised cost has not increased significantly since their initial recognition.

13 Derivative financial instruments

The Group issues derivative products for clients structured as options and forwards on underlying such as bonds, equities, indexes and commodities. The Group trades spot instruments, exchange traded derivatives, OTC options and forward contracts, not designated in a qualifying hedge relationship, to manage its exposure to equity securities, exchange indices and commodity prices arising from the structured derivative instruments with clients.

All structured products are fully funded, the Group receives cash or securities from clients in amount of product initial value.

Derivative financial instruments – assets

<i>(In thousands of Russian Roubles)</i>	30 June 2020	31 December 2019
Options and hybrid derivatives	17 088 025	8 402 114
Currency SWAPs	332 809	664 980
Credit default swaps	336 345	131 862
Total derivative financial instruments	17 757 179	9 198 956

At 30 June 2020 and 31 December 2019 the Group did not have any past due derivative financial instruments.

The credit quality of derivative financial instruments – assets analysed based on Standard & Poor's or other ratings converted to the nearest equivalent to the Standard & Poor's rating scale at 30 June 2020 and 31 December 2019 were as follows:

<i>(In thousands of Russian Roubles)</i>	30 June 2020	31 December 2019
A- to A+	652 375	705 981
BBB- to BBB+	141 848	18 756
BB- to BB+	67	74 208
B- to B+	43 868	72 844
Unrated	48 743	80 277
Individuals	16 870 278	8 246 890
Total derivative financial instruments	17 757 179	9 198 956

Derivative financial instruments - liabilities

<i>(In thousands of Russian Roubles)</i>	30 June 2020	31 December 2019
Options and hybrid derivatives	1 199 511	1 466 761
Currency SWAPs	1 450 110	1 698 232
Credit default swaps	7 105 064	356 950
Total derivative financial instruments	9 754 685	3 521 943

14 Loans to customers

<i>(In thousands of Russian Roubles)</i>	30 June 2020			31 December 2019		
	Loans to customers at amortised cost	Loans to customers at FVTPL	Total	Loans to customers at amortised cost	Loans to customers at FVTPL	Total
Individual loans	2 386 183	861 076	3 247 259	2 218 231	803 586	3 021 817
Corporate loans	28 465 606	197 570	28 663 176	34 137 932	65 382	34 203 314
Loss allowance	(1 308 010)	-	(1 308 010)	(1 133 851)	-	(1 133 851)
Total loans to customers	29 543 779	1 058 646	30 602 425	35 222 312	868 968	36 091 280

Movement in the loss allowance for loans to customers during the six-month periods ended 30 June 2020 and 30 June 2019 is as follows:

Corporate loans

<i>(In thousands of Russian Roubles)</i>	Six-month period ended 30 June 2020			
	12-month ECL	Lifetime ECL not-credit impaired	Lifetime ECL credit impaired	Total
Loss allowance at 1 January 2020	(159 904)	(3 613)	(352 563)	(516 080)
(Charge for)/recovery of loss allowance	(25 156)	(86 720)	(15 237)	(127 113)
Financial assets that have been derecognised	67 074	-	-	67 074
Transfer to Lifetime ECL not-credit impaired	1 197	(1 197)	-	-
Foreign exchange and other movements	(1 636)	(39)	-	(1 675)
Unwinding effect	-	-	(44 851)	(44 851)
New financial assets originated or purchased	(17 399)	-	-	(17 399)
Loss allowance at 30 June 2020	(135 824)	(91 569)	(412 651)	(640 044)

Six-month period ended 30 June 2019					
<i>(In thousands of Russian Roubles)</i>	12-month ECL	Lifetime ECL not-credit impaired	Lifetime ECL credit impaired	Purchased credit- impaired	Total
Loss allowance at 1 January 2019	(43 513)	(10 517)	(201 389)	(9 052)	(264 471)
(Charge for)/recovery of loss allowance	6 455	(50 506)	88	1 633	(42 330)
Financial assets that have been derecognised	-	8 253	74 690	-	82 943
Transfer to Lifetime ECL not-credit impaired	8 753	(8 753)	-	-	-
Foreign exchange and other movements	6 695	6	-	714	7 415
New financial assets originated or purchased	(6 437)	-	-	-	(6 437)
Loss allowance at 30 June 2019	(28 047)	(61 517)	(126 611)	(6 705)	(222 880)

Individual loans

Six-month period ended 30 June 2020					
<i>(In thousands of Russian Roubles)</i>	12-month ECL	Lifetime ECL not-credit impaired	Lifetime ECL credit impaired	Total	
Loss allowance at 1 January 2020	(21 081)	(112)	(596 578)	(617 771)	
Write-off	-	-	12 431	12 431	
Charge of loss allowance	(11 199)	(412)	(1 553)	(13 164)	
Financial assets that have been derecognised	281	-	-	281	
Transfer to 12 month ECL	(578)	-	578	-	
Transfer to Lifetime ECL not-credit impaired	6	(6)	-	-	
Transfer to Lifetime ECL credit impaired	110	72	(182)	-	
Foreign exchange and other movements	(4 028)	-	(238)	(4 266)	
Unwinding effect	-	-	(44 954)	(44 954)	
New financial assets originated or purchased	(523)	-	-	(523)	
Loss allowance at 30 June 2020	(37 012)	(458)	(630 496)	(667 966)	

Six-month period ended 30 June 2019					
<i>(In thousands of Russian Roubles)</i>	12-month ECL	Lifetime ECL not-credit impaired	Lifetime ECL credit impaired	Total	
Loss allowance at 1 January 2019	(8 492)	(1 899)	(328 273)	(338 664)	
Write-off	-	-	30	30	
(Charge)/recovery of loss allowance	(2 223)	1 853	(4 132)	(4 501)	
Financial assets that have been derecognised	5 299	1	287	5 588	
Transfer to 12 month ECL	(50)	12	38	-	
Transfer to Lifetime ECL not-credit impaired	1 425	(1 549)	123	-	
Transfer to Lifetime ECL credit impaired	-	410	(410)	-	
Foreign exchange and other movements	-	43	16 348	16 391	
Unwinding effect	-	-	(7 750)	(7 750)	
New financial assets originated or purchased	(1 991)	(1 186)	-	(3 178)	
Loss allowance at 30 June 2019	(6 032)	(2 314)	(323 738)	(332 084)	

The credit quality analysis of corporate loans presented in the table above is based on the internal rating model developed by the Group. The internal rating scale is mapped to external credit ratings; so the internal rating categories match with ratings of S&P. Default rates are calculated on statistical data of the International rating agencies.

The Internal credit model is used for entities non- rated by International rating agencies. When there is no external credit rating the Group assessed credit risk based on internal model that considers credit risk characteristics such as: financial viability, ownership structure, industry, collateral type, past-due status and other relevant factors.

Analysis by credit quality of loans to customers outstanding as at 30 June 2020 and 31 December 2019 is as follows:

Corporate loans

	30 June 2020			Total
	12-month ECL	Lifetime ECL not-credit impaired	Lifetime ECL credit impaired	
<i>(In thousands of Russian Roubles)</i>				
Not overdue				
<i>Internal rating:</i>				
BBB- to BBB+	1 755 790	-	-	1 755 790
BB- to BB+	12 414 813	4 624 256	-	17 039 069
B- to B+	1 678 279	3 233 195	-	4 911 474
below B-	3 464 948	107 375	-	3 572 323
Overdue				
Internal rating D+	-	-	1 186 950	1 186 950
Total loans to customers	19 313 830	7 964 826	1 186 950	28 465 606
Loss allowance	(135 824)	(91 569)	(412 651)	(640 044)
Net loans to customers	19 178 006	7 873 257	774 299	27 825 562

	31 December 2019			Total
	12-month ECL	Lifetime ECL not-credit impaired	Lifetime ECL credit impaired	
<i>(In thousands of Russian Roubles)</i>				
Not overdue				
<i>Internal rating:</i>				
BBB- to BBB+	1 553 830	-	-	1 553 830
BB- to BB+	8 158 324	3 617 364	-	11 775 688
B- to B+	13 500 098	110 574	-	13 610 672
below B-	6 053 040	-	-	6 053 040
Overdue				
Internal rating D+	-	-	1 144 702	1 144 702
Total loans to customers	29 265 292	3 727 938	1 144 702	34 137 932
Loss allowance	(159 904)	(3 613)	(352 563)	(516 080)
Net loans to customers	29 105 388	3 724 325	792 139	33 621 852

Individual loans

	30 June 2020			Total
	12-month ECL	Lifetime ECL not-credit impaired	Lifetime ECL credit impaired	
<i>(In thousands of Russian Roubles)</i>				
<i>Not overdue</i>				
Standart loans	1 723 966	-	6 228	1 730 194
<i>Overdue</i>				
less than 30 days	3 994	-	-	3 994
30 to 60 days	-	189	-	189
from 60 to 90 days	-	534	-	534
over 90 days	-	-	651 272	651 272
Total loans to customers	1 727 960	723	657 500	2 386 183
Loss allowance	(37 012)	(458)	(630 496)	(667 966)
Net loans to customers	1 690 948	265	27 004	1 718 217

	31 December 2019			Total
	12-month ECL	Lifetime ECL not-credit impaired	Lifetime ECL credit impaired	
<i>(In thousands of Russian Roubles)</i>				
<i>Not overdue</i>				
Standart loans	1 592 030	-	6 067	1 598 097
<i>Overdue</i>				
less than 30 days	1 692	-	192 624	194 316
30 to 60 days	-	128	-	128
from 60 to 90 days	-	66	-	66
over 90 days	-	-	425 624	425 624
Total loans to customers	1 593 722	194	624 315	2 218 231
Loss allowance	(21 081)	(112)	(596 578)	(617 771)
Net loans to customers	1 572 641	82	27 737	1 600 460

Economic sector risk concentrations within the loan portfolio (before loss allowance) as at 30 June 2020 and 31 December 2019 are as follows:

	30 June 2020		31 December 2019	
	Amount	%	Amount	%
<i>(In thousands of Russian Roubles)</i>				
Finance	16 047 263	50,29	21 651 472	58,17
Construction	5 094 789	15,97	5 445 030	14,63
Individuals	3 247 259	10,18	3 021 817	8,12
Manufacturing	3 107 305	9,74	2 815 100	7,56
Gas transportation and sale	1 755 790	5,50	1 553 830	4,17
Trade	1 600 737	5,02	1 552 911	4,17
Other	1 057 292	3,30	1 184 971	3,18
Total loans to customers	31 910 435	100	37 225 131	100

Significant changes in the gross carrying amount of loans to customers during the six-month periods ended 30 June 2020 and 30 June 2019 contributed to the change in the estimated loss allowance as follows:

	Six-month period ended 30 June 2020		
	Effect: (increase)/decrease		
	Stage 1	Stage 2	Stage 3
<i>(In thousands of Russian Roubles)</i>			
Loans to customers measured at amortized cost - corporate			
New financial assets originated during the period in the amount of RR 4 550 364 thousand	(17 399)	-	-
Financial assets that have been derecognized during the period in the amount of RR 11 542 091 thousand	67 074	-	-
Transfer to Lifetime ECL not-credit impaired during the period in the amount of RR 3 683 195 thousand	1 197	(61 085)	-
Loans to customers measured at amortized cost – individual			
New financial assets originated during the period in the amount of RR 46 015 thousand	(523)	-	-
Write-off financial assets during the period in the amount of RR 12 431 thousand	-	-	12 431
Financial assets that have been derecognized during the period in the amount of RR 48 790 thousand	281	-	-

<i>(In thousands of Russian Roubles)</i>	Six-month period ended 30 June 2019		
	Stage 1	Effect: (increase)/decrease	
		Stage 2	Stage 3
Loans to customers measured at amortized cost - corporate			
New financial assets originated during the period in the amount of RR 7 246 795 thousand	(6 437)	-	-
Financial assets that have been derecognized during the period in the amount of RR 3 041 295 thousand	-	8 253	74 690
Transfer to Lifetime ECL not-credit impaired during the period in the amount of RR 353 746 thousand	8 753	(8 753)	-
Loans to customers measured at amortized cost – individual			
New financial assets originated during the period in the amount of RR 341 187 thousand	(1 991)	(1 186)	-
Financial assets that have been derecognized during the period in the amount of RR 169 863 thousand	5 299	1	287

15 Loans to banks

<i>(In thousands of Russian Roubles)</i>	30 June 2020	31 December 2019
Loans and deposits		
BB- to BB+	5 518 439	4 516 539
Loss allowance	(95 125)	(22 971)
Total loans to banks	5 423 314	4 493 568

During the period ended 30 June 2020 the Group advanced loan to a third party in amount of EUR 5 000 thousand. During the period ended 30 June 2019 the Group advanced syndicated loan to a third party in the amount of EUR 80 000 thousand.

Movement in the loss allowance for loans to banks during the six-month periods ended 30 June 2020 and 30 June 2019 are as follows:

<i>(In thousands of Russian Roubles)</i>	
Loss allowance at 1 January 2020	(22 971)
New financial assets originated	(6 251)
Foreign exchange and other movements	(10 551)
Charge of loss allowance	(55 352)
Loss allowance at 30 June 2020	(95 125)

<i>(In thousands of Russian Roubles)</i>	
Loss allowance at 1 January 2019	(3 682)
Charge of loss allowance	(16 162)
Loss allowance at 30 June 2019	(19 844)

At 30 June 2020 and 31 December 2019 the Group measures loss allowances as 12-month ECL as far as credit risk on loans to banks has not increased significantly since their initial recognition.

16 Prepayments and other assets

<i>(In thousands of Russian Roubles)</i>	30 June 2020	31 December 2019
Receivables from brokers and counterparties	11 812 742	4 194 412
Margin call receivable	4 191 091	1 475 981
Other	207 196	122 069
Loss allowance	(391 615)	(138 309)
Total financial assets	15 819 414	5 654 153
Advances to suppliers and contractors	795 741	841 142
Current income tax asset	243 176	194 806
Receivables for other taxes	62 642	64 771
Other assets	140 072	161 309
Loss allowance	(101 178)	(93 694)
Total non-financial assets	1 140 453	1 168 334
Total prepayments and other assets	16 959 867	6 822 487

Analysis by credit quality of Margin call receivable as at 30 June 2020 and 31 December 2019 is as follows:

<i>(In thousands of Russian Roubles)</i>	30 June 2020	31 December 2019
A- to A+	1 967 382	804 733
AA- to AA+	36 820	10 586
B- to B+	-	1 795
BB- to BB+	1 220 162	43 048
BBB- to BBB+	966 727	615 819
Total	4 191 091	1 475 981
Loss allowance	(1 309)	(128)
Total	4 189 782	1 475 853

At 30 June 2020 and 31 December 2019, the Group measures loss allowances for Margin call receivable as 12-month ECL as far as credit risk on margin call receivable has not increased significantly since initial recognition.

Analysis by credit quality of Receivables from brokers and counterparties as at 30 June 2020 and 31 December 2019 is as follows:

<i>(In thousands of Russian Roubles)</i>	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total 30 June 2020
Individual assessment				
A- to A+	10 478 216	-	-	10 478 216
AA- to AA+	147 512	-	-	147 512
B- to B+	352 066	95	-	352 161
BB- to BB+	7 590	-	-	7 590
BBB- to BBB+	98 350	-	350	98 700
Rated below B-	312 749	67	35	312 851
Internal rating D+	-	-	282 018	282 018
Collective assessment				
Not overdue	17 884	115 810	-	133 694
Total	11 414 367	115 972	282 403	11 812 742
Loss allowance	(15 535)	-	(282 385)	(297 920)
Total	11 398 832	115 972	18	11 514 822

<i>(In thousands of Russian Roubles)</i>	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total 31 December 2019
Individual assessment				
AA- to AA+	-	9 287	-	9 287
A- to A+	372 678	2 705 521	-	3 078 199
BBB- to BBB+	-	197 430	-	197 430
BB- to BB+	-	3 073	-	3 073
B- to B+	-	71 226	-	71 226
Rated below B-	-	328 776	1 973	330 749
Unrated	-	1 617	31 048	32 665
Collective assessment				
Not overdue	-	471 783	-	471 783
Total	372 678	3 788 713	33 021	4 194 412
Loss allowance	(115)	(17 796)	(33 021)	(50 932)
Total	372 563	3 770 917	-	4 143 480

Analysis by credit quality of other receivables as at 30 June 2020 and 31 December 2019 is as follows:

<i>(In thousands of Russian Roubles)</i>	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total 30 June 2020
Individual assessment				
A- to A+	94 211	-	-	94 211
BBB- to BBB+	350	-	-	350
B- to B+	7 875	-	-	7 875
Rated below B-	2 485	-	-	2 485
Collective assessment				
Not overdue	-	9 625	-	9 625
Overdue less than 30 days	-	779	-	779
Overdue 31 to 90 days	-	1 633	-	1 633
Overdue more than 90 days	-	-	90 238	90 238
Total	104 921	12 037	90 238	207 196
Loss allowance	(619)	(2 379)	(89 388)	(92 386)
Total	104 302	9 658	850	114 810

<i>(In thousands of Russian Roubles)</i>	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total 31 December 2019
Individual assessment			
A- to A+	42	-	42
B- to B+	25	-	25
Rated below B-	15 483	-	15 483
Collective assessment			
Not overdue	19 352	24 410	43 762
Overdue less than 30 days	-	1 684	1 684
Overdue 31 to 90 days	-	60 513	60 513
Overdue more than 90 days	-	560	560
Total	34 902	87 167	122 069
Loss allowance	(82)	(87 167)	(87 249)
Total	34 820	-	34 820

Movements in the loss allowance for prepayments and other assets during six-month periods ended 30 June 2020 and 30 June 2019 were as follows:

Financial assets

<i>(In thousands of Russian Roubles)</i>	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Loss allowance at 1 January 2020	(243)	(17 878)	(120 188)	(138 309)
Write-off	-	-	6 702	6 702
Transfer to 12-month ECL	(15 972)	15 972	-	-
Charge of loss allowance	(1 248)	(473)	(258 287)	(260 008)
Loss allowance at 30 June 2020	(17 463)	(2 379)	(371 773)	(391 615)

<i>(In thousands of Russian Roubles)</i>	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Loss allowance at 1 January 2019	(76)	(8 784)	(365 603)	(374 463)
Charge of loss allowance	(115)	(95 699)	(19 139)	(114 953)
Loss allowance at 30 June 2019	(191)	(104 483)	(384 742)	(489 416)

Non-financial assets

<i>(In thousands of Russian Roubles)</i>	
Loss allowance at 1 January 2020	(93 694)
Write-off	4 010
Charge of loss allowance	(11 494)
Loss allowance at 30 June 2020	(101 178)

<i>(In thousands of Russian Roubles)</i>	
Loss allowance at 1 January 2019	(60 538)
Write-off	2 465
Charge of loss allowance	(94 981)
Loss allowance at 30 June 2019	(153 054)

17 Customer brokerage accounts

<i>(In thousands of Russian Roubles)</i>	30 June 2020	31 December 2019
Cash balances on customer brokerage accounts	96 970 907	74 509 849
Settlements under structured derivative products	48 028 554	41 420 044
Total customer brokerage accounts	144 999 461	115 929 893

Amounts in customer brokerage accounts include credit balances in client accounts arising from deposits of funds, proceeds from sales of securities, and dividend and interest payments received on securities held in client accounts as well as settlements under structured derivative products with customers. Cash balances on customer brokerage accounts represent free credit balances which are held pending re-investment by the clients and/or represent funds received from clients to support their trading activities, primarily as collateral for short selling of securities. The Group pays interest on payable balances per structured derivative products.

18 Current accounts, deposits and borrowings

<i>(In thousands of Russian Roubles)</i>	30 June 2020	31 December 2019
Legal entities		
Current and settlement accounts	3 415 091	2 306 385
Term deposits	1 078 372	2 022 090
Individuals		
Current and demand accounts	14 488 416	12 398 246
Term deposits	15 531 164	18 131 880
Loans payable	2 761 112	2 672 513
Notes issued		
Notes issued, carried at amortised cost	4 137 361	3 593 543
Notes issued, carried at fair value	28 905 977	29 090 536
Total current accounts, deposits and borrowings	70 317 493	70 215 193

19 Payables and other liabilities

<i>(In thousands of Russian Roubles)</i>	30 June 2020	31 December 2019
Employees	1 312 089	1 142 482
Suppliers and contractors	896 192	1 225 711
Lease liability	889 086	770 494
Margin call payable	671 094	117 119
Brokers and counterparties	506 737	368 234
Dividends payable from securities under resale agreements	403 689	502 813
Prepayments received under resale agreements	379 800	56 528
Bank guarantee allowance	107 598	40 186
Payables to clients on expired derivative contracts	42 171	282 979
Other financial liabilities	6 519	127 311
Total financial liabilities	5 214 975	4 633 857
Insurance contract liabilities	2 817 146	1 727 340
Other taxes payable	308 538	184 671
Other liabilities	300 777	220 689
Income tax payable	84 596	24 668
Withholding tax payable on behalf of customers	8 638	161 731
Incentive bonuses accrual	-	650 977
Total non-financial liabilities	3 519 695	2 970 076
Total payables and other liabilities	8 734 670	7 603 933

During the six-month period ended 30 June 2020 the Group advanced financial guarantee to a third party with rating BB-. The respective liability is amounted to RR 90 913 thousand.

Movement in the loss allowance for the financial guarantees for the six-month periods ended by 30 June 2020 is as follows:

<i>(In thousands of Russian Roubles)</i>	
Loss allowance at 31 December 2019	(40 186)
New originated instruments	(90 913)
Recovery of loss allowance	23 501
Loss allowance at 30 June 2020	(107 598)

20 Share capital

The Company's authorised capital consists of 344 000 shares with a nominal value of 1 EUR each. Upon incorporation on 24 September 2015, the Company issued to the subscribers of its Memorandum and Articles of Association 1000 ordinary shares of EUR 1 at par. On 22 December 2015, the Company made an additional issue of 1000 ordinary shares of EUR 1 each at a premium of EUR 36,18 per share. As at 21 October 2019 the Company made an additional issue of 342 000 ordinary shares of EUR 1 at par. As at 30 June 2020 the capital of Company was fully paid.

During the six-month period ended 30 June 2020 the Group paid dividends in amount of RR 126 504 thousand, RR 368 per share (for the six-month period ended 30 June 2019: nil). During the six-month period ended 30 June 2020 no loans to the shareholder were forgiven and recognised as distribution in the equity (for the six-month period 2019: RR 249 244 thousand, RR 125 thousand per share).

21 Financial assets and liabilities: fair values and accounting classifications

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

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Group determines fair values using other valuation techniques.

The objective of valuation techniques is to arrive at a fair value determination that reflects the price that would be received to sell the asset, or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist, Black-Scholes option pricing model and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

The Group uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, like interest rate and currency swaps that use only observable market data and require little management judgment and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange traded derivatives and simple over the counter derivatives like interest rate swaps.

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values are determined for measurement and for disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

a. Equity and debt securities

The fair value of equity and debt securities is determined by reference to their quoted last price at the reporting date, or if unquoted, determined using a valuation technique. Valuation techniques include market multiples and discounted cash flow analysis using expected future cash flows and a market-related discount rate. The fair value of held-to-maturity investments is determined for disclosure purposes only.

b. Derivatives

The fair value of forward exchange contracts is based on their quoted market price, if available. If a quoted market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

The fair value of options is based on broker quotes or is determined based on valuation techniques using observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). Quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar

instrument at the measurement date. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk when appropriate.

c. Loans, trade and other receivables

The fair value of loans, trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Fair value hierarchy

The Group measures fair values for financial instruments recorded at fair value on the statement of financial position using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The Group has a control framework with respect to the measurement of fair values. This framework includes a separate department, which is independent of front office management and reports to the Deputy Chief Financial Officer, and which has overall responsibility for verification of the results of trading and investment operations and all significant fair value measurements. Specific controls include:

- verification of observable pricing
- re-performance of model valuations
- a review and approval process for new models and changes to models
- quarterly calibration and back testing of models against observed market transactions.

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

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

The table below analyses financial instruments measured at fair value at 30 June 2020 and 31 December 2019, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the interim condensed consolidated statement of financial position:

<i>(In thousands of Russian Roubles)</i>	30 June 2020				31 December 2019			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets								
Trading assets:								
- corporate bonds	52 462 067	215 249	164 753	52 842 069	53 032 142	197 959	126 150	53 356 251
- municipal and government bonds	298 644	-	-	298 644	7 969 745	-	-	7 969 745
- corporate shares	54 659 382	-	-	54 659 382	54 024 395	-	-	54 024 395
- units in mutual funds	77 382	-	-	77 382	154 640	-	-	154 640
- exchange traded funds	2 385 534	-	-	2 385 534	438 075	-	-	438 075
- derivative assets	-	17 757 179	-	17 757 179	-	9 198 956	-	9 198 956
Investment securities:								
- corporate shares	13 837	-	84 923	98 760	12 255	-	-	12 255
- municipal and government bonds	1 918 888	-	-	1 918 888	5 316 620	-	-	5 316 620
- corporate bonds	3 074 305	-	-	3 074 305	8 707 770	-	-	8 707 770
Loans to customers at FVTPL:								
- individual loans	-	861 076	-	861 076	-	803 586	-	803 586
- corporate loans	-	-	197 570	197 570	-	-	65 382	65 382
Total financial assets carried at fair value	114 890 039	18 833 504	447 246	134 170 789	129 655 642	10 200 501	191 532	140 047 675
Financial liabilities								
Trading liabilities:								
- corporate debt instruments	627 256	-	-	627 256	1 226 908	-	-	1 226 908
- corporate equity instruments	2 496 866	-	-	2 496 866	617 532	-	-	617 532
- derivative liabilities	-	9 754 685	-	9 754 685	-	3 521 943	-	3 521 943
Current accounts, deposits and borrowings								
- Notes issued	-	28 606 697	299 280	28 905 977	-	28 145 601	944 935	29 090 536
Total financial liabilities carried at fair value	3 124 122	38 361 382	299 280	41 784 784	1 844 440	31 667 544	944 935	34 456 919

The fair values of Leveraged Credit Linked Notes are categorised into Level 3 of the fair value hierarchy. The valuation techniques used by the Group to determine fair values of Leveraged Credit Linked Notes are consistent with the ones applied during prior year. For this type of instruments the correlations between underlyings are non-observable inputs determined using the build-up correlation model.

The sensitivity of the fair value of derivative liabilities and notes issued categorized into Level 3 of the fair value hierarchy to changes in the recovery rates at default and default correlation (both change +/- 10%) as of 30 June 2020 and 31 December 2019 is presented below:

<i>(In thousands of Russian Roubles)</i>	30 June 2020	31 December 2019
+10% spread	(1 294)	(4 082)
-10% spread	1 241	7 771

The following table shows a reconciliation for the six-month period ended 30 June 2020 for notes issued fair value measurements in Level 3 of the fair value hierarchy:

<i>(In thousands of Russian Roubles)</i>	Notes issued
Financial instruments at fair value at 1 January 2020	(944 935)
Net losses recognised in profit or loss	(53 399)
Settlements	699 054
Financial instruments at fair value at 30 June 2020	(299 280)

The following table shows a reconciliation for the six-month period ended 30 June 2019 for derivatives and notes issued fair value measurements in Level 3 of the fair value hierarchy:

<i>(In thousands of Russian Roubles)</i>	Derivative assets	Derivative liabilities	Notes issued
Financial instruments at fair value at 1 January 2019	197 257	(163 713)	(9 204 070)
Net losses recognised in profit or loss	(85 106)	(216 787)	263 539
Issues	848	(17 856)	(5 561 738)
Settlements	(79 038)	116 890	362 692
Financial instruments at fair value at 30 June 2019	33 961	(281 465)	(14 139 577)

The following table shows a reconciliation for the six-month period ended 30 June 2020 for corporate loans to customers fair value measurements in Level 3 of the fair value hierarchy:

<i>(In thousands of Russian Roubles)</i>	Corporate
Financial instruments at fair value at 1 January 2020	65 382
Net losses recognised in profit or loss	(29 854)
Issues	162 042
Financial instruments at fair value at 30 June 2020	197 570

The following table shows a reconciliation for the six-month period ended 30 June 2019 for loans to customers fair value measurements in Level 3 of the fair value hierarchy:

<i>(In thousands of Russian Roubles)</i>	Corporate	Individuals
Financial instruments at fair value at 1 January 2019	28 522	170 637
Redemption	(24 840)	(170 637)
Issues	94 167	-
Financial instruments at fair value at 30 June 2019	97 849	-

The following table shows a reconciliation for the six-month period ended 30 June 2020 for trading assets fair value measurements in Level 3 of the fair value hierarchy:

<i>(In thousands of Russian Roubles)</i>	Trading assets
Financial instruments at fair value at 1 January 2020	126 150
Addition	14 978
Net gain recognised in profit or loss	23 625
Financial instruments at fair value at 30 June 2020	164 753

The following table shows a reconciliation for the six-month period ended 30 June 2019 for trading assets fair value measurements in Level 3 of the fair value hierarchy:

<i>(In thousands of Russian Roubles)</i>	Trading assets
Financial instruments at fair value at 1 January 2019	123 308
Additions	13 253
Net losses recognised in profit or loss	(4 034)
Financial instruments at fair value at 30 June 2019	132 527

The following table shows a reconciliation for the six-month period ended 30 June 2020 for investment securities fair value measurements in Level 3 of the fair value hierarchy:

<i>(In thousands of Russian Roubles)</i>	Investment securities
Financial instruments at fair value at 1 January 2020	-
Addition	84 923
Financial instruments at fair value at 30 June 2020	84 923

The following table analyses the fair value of financial instruments not measured at fair value, by the level in the fair value hierarchy into which each fair value measurement is categorised as at 30 June 2020 and 31 December 2019:

<i>(In thousands of Russian Roubles)</i>				30 June 2020	
	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
Assets					
Cash and cash equivalents	-	33 870 155	-	33 870 155	33 870 155
Mandatory cash balances with the CBR	-	518 405	-	518 405	518 405
Receivables from brokerage transactions	-	1 153 555	-	1 153 555	1 153 555
Receivables under resale agreements	-	82 846 780	-	82 846 780	82 793 804
Investment securities measured at amortized cost	11 487 088	-	-	11 487 088	11 380 588
Loans to customers at amortised cost	-	-	30 097 389	30 097 389	29 543 779
Loans to banks	-	5 423 314	-	5 423 314	5 423 314
Prepayments and other financial assets	-	15 819 414	-	15 819 414	15 819 414
Liabilities				-	
Payables under repurchase agreements	-	48 913 506	-	48 913 506	48 644 573
Customer brokerage accounts	-	144 999 461	-	144 999 461	144 999 461
Current accounts, deposits and borrowings	-	41 317 978	-	41 317 978	41 411 516
Payables and other financial liabilities, including lease liability	-	5 214 975	-	5 214 975	5 214 975

<i>(In thousands of Russian Roubles)</i>				31 December 2019	
	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
Assets					
Cash and cash equivalents	-	21 365 732	-	21 365 732	21 365 732
Mandatory cash balances with the CBR	-	545 478	-	545 478	545 478
Receivables from brokerage transactions	-	794 536	-	794 536	794 536
Receivables under resale agreements	-	63 439 528	-	63 439 528	63 404 713
Loans to customers at amortised cost	-	-	35 427 606	35 427 606	35 222 312
Loans to banks	-	4 493 568	-	4 493 568	4 493 568
Prepayments and other financial assets	-	5 654 153	-	5 654 153	5 654 153
Liabilities				-	
Payables under repurchase agreements	-	51 170 032	-	51 170 032	51 040 024
Customer brokerage accounts	-	115 929 893	-	115 929 893	115 929 893
Current accounts, deposits and borrowings	-	40 920 020	-	40 920 020	41 124 657
Payables and other financial liabilities, including lease liability	-	4 633 857	-	4 633 857	4 633 857

22 Commitments and contingencies

Litigation

From time to time and in the normal course of business, claims against the Group may be received. Management is of the opinion that no material losses will be incurred in respect of claims that are not already provided for in this condensed interim consolidated financial information. During the six-month period ended 30 June 2019 no provisions were created for possible losses on current litigation.

As at 30 June 2020 and 31 December 2019, the Group is the defendant in legal proceedings with a client of the Group (the Plaintiff). The Group has filed a defence on 22 February 2019. The pending litigation is still at early stage and is not expected to be trialled before 2021 the earliest. In case that the Plaintiff is successful in the claim, the maximum amount that can be awarded is approximately US\$2,6 mln (RR 181 873 thousand) plus interest.

In the context of the pending legal process, the Plaintiff has secured an injunction order, by virtue of which the amount of US\$2.6 mln (RR 181 873 thousand) has been frozen as a security for the Plaintiff's claim until the final judgement of the case. This decision of the District Court is currently under the appeal by the Group.

No provision has been recognized in these condensed interim consolidated financial statements in relation to this litigation. Management's decision is based on the assessment and the probability of the outcome provided by its legal advisors, which are of the opinion that the Group has fair prospects in defending the Action.

Taxation contingencies

The Group operates in various tax jurisdictions, primarily representing the Russian Federation and Cyprus. The taxation system in the Russian Federation continues to evolve and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes contradictory and subject to varying interpretation by different tax authorities. From time to time, the Group adopts interpretations of such uncertain areas that reduce the overall tax rate of the Group. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive and substance-based position in their interpretation and enforcement of tax legislation.

Starting from 1 January 2012 new transfer pricing rules came into force in Russia. These provide the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controllable transactions if their prices deviate from the market range or profitability range. According to the provisions of transfer pricing rules, the taxpayer should sequentially apply five market price determination methods prescribed by the Tax Code.

Tax liabilities arising from transactions between companies are determined using actual transaction prices. It is possible, with the evolution of the interpretation of transfer pricing rules in the Russian Federation and changes in the approach of the Russian tax authorities, that such transfer prices could be challenged. Since the current Russian transfer pricing rules became effective relatively recently, the impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Group.

Insurance

In some of the jurisdictions of operation, e.g. in the Russian Federation, the insurance industry is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Group does not have full coverage for its business interruption, or third party liability in respect of property or environmental damage arising from accidents on Group property or relating to Group operations. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on operations and financial position.

23 Related party transactions

Control relationships

The Company's sole shareholder and the party with ultimate control over the Company and the Group is Mr. Oleg Mikhasenko.

Transactions with the members of the Board of Directors and other key management personnel

Total remuneration included in staff costs for the six-month period ended 30 June 2020 for the Board of Directors and the Management Board represented salaries and bonuses in the amount of RR 157 366 thousand (for the six-month period ended 30 June 2019: RR 140 037 thousand).

At 30 June 2020 and 31 December 2019 the outstanding balances for transactions with the key management personnel (excluding Oleg Mikhasenko) are as follows:

<i>(In thousands of Russian Roubles)</i>	30 June 2020			31 December 2019		
	<i>Board of Directors</i>	<i>Other key management personnel</i>	Total	<i>Board of Directors</i>	<i>Other key management personnel</i>	Total
Loans to customers	107	25 525	25 632	452	25 461	25 910
Loans to customers gross (unsecured)	108	25 635	25 743	452	27 741	28 193
Loss allowance	(1)	(110)	(111)	(3)	(2 280)	(2 283)
Customer brokerage accounts	(1 236)	(15 700)	(16 936)	-	(22 926)	(22 926)
Current accounts deposits and borrowings	(1 739)	(41 353)	(43 092)	(6 443)	(50 715)	(57 158)

The related profit and loss transactions with the key management personnel (excluding Oleg Mikhasenko) for the six-month periods ended 30 June 2020 and 30 June 2019 are as follows:

<i>(In thousands of Russian Roubles)</i>	30 June 2020			30 June 2019		
	<i>Board of Directors</i>	<i>Other key management personnel</i>	Total	<i>Board of Directors</i>	<i>Other key management personnel</i>	Total
Fee and commission income	10	267	277	1	423	424
Interest income calculated using the effective interest method	36	1 025	1 061	76	3 319	3 395
Interest expense	-	(6 603)	(6 603)	-	(2 073)	(2 073)
Loss allowance charge	2	2 170	2 172	(3)	(1 238)	(1 241)

Turnover during the six-month period ended 30 June 2020 in brokerage accounts of the Board of Directors and the Management Board members amounted to RR 2 744 431 thousand (during the six-month period ended 30 June 2019: RR 1 251 297 thousand).

Transactions with other related parties

Parties are generally considered to be related if the parties are under common control or one party has the ability to control the other party or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. The other related parties include companies under common control or significant influence of the sole participant or the key management personnel, individuals that are close members of the sole participant's family of the key management's families and companies under control of these individuals.

At 30 June 2020 and 31 December 2019 the outstanding balances with the sole participant and other related parties are as follows:

	30 June 2020			Total
	Sole participant	Companies under common control or significant influence of the sole participant	Other parties	
<i>(In thousands of Russian Roubles)</i>				
Condensed interim consolidated statement of financial position				
Loans to customers, gross	2 342 212	66 025	1 496 727	3 904 964
<i>Loss allowance</i>	(34 691)	-	(863 454)	(898 145)
Prepayments and other assets, gross	-	294	142	436
<i>Loss allowance</i>	-	(2)	(28)	(30)
Customer brokerage accounts	(81)	(98 518)	(46)	(98 645)
Current accounts, deposits and borrowings	(64 948)	(191 362)	(7 131)	(263 441)

	31 December 2019			Total
	Sole participant	Companies under common control or significant influence of the sole participant	Other parties	
<i>(In thousands of Russian Roubles)</i>				
Consolidated statement of financial position				
Loans to customers, gross	2 127 711	104 486	1 407 083	3 639 280
<i>Loss allowance</i>	(18 572)	(895)	(773 809)	(793 276)
Prepayments and other assets, gross	-	26 748	570	27 318
<i>Loss allowance</i>	-	(52)	(92)	(144)
Customer brokerage accounts	(81)	(91 995)	(145)	(92 221)
Current accounts, deposits and borrowings	(3 141)	(184 902)	(1 234)	(189 277)
Payables and other liabilities	(16)	-	(26 162)	(26 178)

The related profit and loss transactions with the sole participant and other related parties for the six-month periods ended 30 June 2020 and 30 June 2019 are as follows:

	Six-month period ended 30 June 2020			Total
	Sole participant	Companies under common control or significant influence of the sole participant	Other parties	
<i>(In thousands of Russian Roubles)</i>				
Condensed interim consolidated statement of profit or loss				
Fee and commission income	-	290	23	313
Interest income calculated using the effective interest method	13 739	-	-	13 739
Other interest income	4 365	2 092	-	6 457
Interest expense	-	(2 233)	-	(2 233)
Rental income from investment properties	-	178	115	293
Administrative and other operating expenses	(2 133)	-	-	(2 133)
Loss allowance (charge)/recovery	(16 119)	895	-	(15 224)
Fee and commission expense	-	-	(9 819)	(9 819)
Other operating loss	(41 229)	(8 551)	-	(49 780)

FG BCS LIMITED
Notes to the Condensed Interim Consolidated Financial Information
for the six-month period ended 30 June 2020 (unaudited)

	Six-month period ended 30 June 2019			Total
	Sole participant	Companies under common control or significant influence of the sole participant	Other parties	
<i>(In thousands of Russian Roubles)</i>				
Condensed interim consolidated statement of profit or loss				
Fee and commission income	6	277	123	407
Interest income calculated using the effective interest method	180 649	5 473	60 751	246 873
Other interest income	4 859	1 285	-	6 144
Interest expense	(79)	(4 072)	43	(4 108)
Administrative and other operating expenses	(2 610)	-	(27 087)	(29 697)
Loss allowance recovery	4 342	38 949	4 272	47 563
Fee and commission expense	-	(191)	(58)	(249)
Other operating loss	(23 156)	(16 234)	-	(39 390)

The average interest rates related to the outstanding balances with the related parties as at 30 June 2020 and 31 December 2019 are as follows:

<i>(In thousands of Russian Roubles)</i>	30 June 2020				
	Board of Directors	Other key management	Sole participant	Companies under common control or significant influence of the sole participant	Other parties
<i>Loans to customers</i>					
RUR	26,00%	8,01%	5,08%	2,00%	8,69%
USD	-	-	1,00%	-	-
EUR	-	-	1,37%	-	-
<i>Current accounts deposits and borrowings</i>					
RUR	-	2,77%	-	3,99%	-
USD	-	0,02%	-	-	-
EUR	-	0,01%	-	-	-

<i>(In thousands of Russian Roubles)</i>	31 December 2019				
	Board of Directors	Other key management	Sole participant	Companies under common control or significant influence of the sole participant	Other parties
<i>Loans to customers</i>					
RUR	26,00%	7,85%	5,08%	5,55%	10,89%
USD	-	-	1,00%	-	-
EUR	-	-	1,37%	-	-
<i>Current accounts deposits and borrowings</i>					
RUR	-	2,61%	-	-	1,04%
USD	-	0,08%	-	-	1,04%
EUR	-	0,01%	0,01%	-	-

24 Impairment of goodwill

For impairment testing goodwill acquired through business combination is allocated to CGU URALSIB AM (JSC), that was acquired on 19 December 2019.

The Group performed its annual impairment test in December and when circumstances indicated that the carrying value may be impaired. The impacts of COVID-19 have caused a significant deterioration in economic conditions and an increase in economic uncertainty for finance companies, which lead to decrease of CGU income and trigger the need for an interim goodwill impairment test.

The Group's impairment test for goodwill is based on value-in-use calculations. The calculations use cash flow projections based on financial budgets covering a four-year period and discount rate equals to 9.50%.

The following table sets out the key assumption:

Annual revaluation rate, %	8,00%
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Management has determined the values assigned to each of the above key assumption as follows:

Annual revaluation rate	The expected annual increase in FV of assets under management
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The sensitivity of the impairment of goodwill to changes in the key assumption as at 30 June 2020 is presented below:

Assumption	(Increase)/decrease in impairment amount
<i>Annual revaluation rate, %</i>	
+5%	230 847
-5%	(204 819)

25 Risk management

As at 30 June 2020 and for the six-month period then ended the risk profile of the Group has not changed significantly. There have been no significant changes to the risk methodology and risk management procedures applied by the Group.

26 Capital management

The objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or raise debt.

The allocation of capital between specific operations and activities is, to a large extent, driven by optimization of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily upon the regulatory capital, but in some cases the regulatory requirements do not reflect fully the varying degree of risk associated with different activities. In such cases the capital requirements may be flexed to reflect differing risk profiles, subject to the overall level of capital to support a particular operation or activity not falling below the minimum required for regulatory purposes. The process of allocating capital to specific operations and activities is undertaken by senior management.

Capital is subject to regulation by CySEC, the CBR and the FCA in relation to regulated Group entities Brokercreditservice Ltd, Finance Group Ltd, BCS Cyprus, the Bank and BCS Prime Brokerage Ltd.

Management monitors compliance with the externally imposed capital requirements and takes timely measures when there is a risk of breach.