

**TCS Group Holding PLC**

**International Financial Reporting Standards  
Consolidated Condensed Interim Financial Information  
(Unaudited)**

**30 June 2019**

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## Report on review of Consolidated Condensed Interim Financial Information

To TCS Group Holding PLC

### Introduction

We have reviewed the accompanying consolidated condensed interim statement of financial position of TCS Group Holding PLC and its subsidiaries (the 'Group') as at 30 June 2019 and the related consolidated condensed interim statement of profit or loss and other comprehensive income for the three-month and six-month periods then ended, and consolidated condensed interim statements of changes in equity and cash flows for the six-month period then ended, and notes, comprising a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of this consolidated condensed interim financial information in accordance with International Accounting Standard 34, "Interim Financial Reporting" as adopted by the European Union. Our responsibility is to express a conclusion on this consolidated condensed interim financial information based on our review.

### Scope of Review

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

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated condensed interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting" as adopted by the European Union.

PricewaterhouseCoopers Limited  
Certified Public Accountants and Registered Auditors

16 August 2019  
Nicosia  
Cyprus

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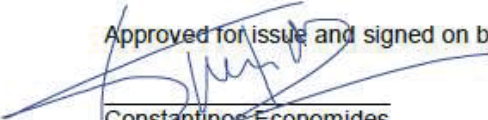
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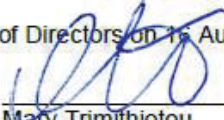
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**TCS Group Holding PLC**  
**Consolidated Condensed Interim Statement of Financial Position**

<i>In millions of RR</i>	Note	30 June 2019 (Unaudited)	31 December 2018
<b>ASSETS</b>			
Cash and cash equivalents	7	23,771	33,802
Mandatory cash balances with the CBRF		2,721	2,435
Due from other banks		1,395	776
Loans and advances to customers	8	290,298	198,489
Financial derivatives		762	1,710
Investments in debt securities	9	79,276	100,140
Repurchase receivables	10	14,884	1,182
Guarantee deposits with payment systems		4,433	4,603
Current income tax assets		2,527	1,104
Deferred income tax assets		614	-
Tangible fixed assets and right-of-use assets		10,607	8,369
Intangible assets		5,028	4,223
Other financial assets		13,578	15,642
Other non-financial assets		2,169	3,024
<b>TOTAL ASSETS</b>		<b>452,063</b>	<b>375,499</b>
<b>LIABILITIES</b>			
Due to banks		20,519	2,708
Customer accounts	11	315,024	280,916
Debt securities in issue		17,651	9,605
Financial derivatives		186	3
Current income tax liabilities		-	51
Deferred income tax liabilities		-	1,821
Subordinated debt		18,804	20,644
Insurance provisions		5,056	2,859
Other financial liabilities		13,945	11,201
Other non-financial liabilities		6,377	3,441
<b>TOTAL LIABILITIES</b>		<b>397,562</b>	<b>333,249</b>
<b>EQUITY</b>			
Share capital	12	188	188
Share premium	12	8,623	8,623
Treasury shares	12	(3,164)	(3,670)
Share-based payment reserve	22	852	1,232
Retained earnings		46,460	36,785
Revaluation reserve for investments in debt securities		1,378	(1,144)
<b>Equity attributable to shareholders of the Company</b>		<b>54,337</b>	<b>42,014</b>
<b>Non-controlling interest</b>		<b>164</b>	<b>236</b>
<b>TOTAL EQUITY</b>		<b>54,501</b>	<b>42,250</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>452,063</b>	<b>375,499</b>

Approved for issue and signed on behalf of the Board of Directors on 15 August 2019.

  
Constantinos Economides  
Director

  
Mary Trimithiotou  
Director

**TCS Group Holding PLC**  
**Consolidated Condensed Interim Statement of Profit or Loss and Other Comprehensive Income**

<i>In millions of RR</i>	Note	Unaudited			
		Six months ended 30 June 2019	Three months ended 30 June 2019	Six months ended 30 June 2018	Three months ended 30 June 2018
Interest income calculated using the effective interest rate method	13	50,141	27,423	35,519	17,910
Other similar income	13	118	15	221	118
Interest expense calculated using the effective interest rate method	13	(9,610)	(5,323)	(6,988)	(3,563)
Other similar expense	13	(68)	(35)	-	-
Expenses on deposit insurance	13	(844)	(442)	(515)	(274)
<b>Net margin</b>		<b>39,737</b>	<b>21,638</b>	<b>28,237</b>	<b>14,191</b>
Credit loss allowance for loans and advances to customers	8	(11,651)	(6,800)	(6,221)	(3,000)
Credit loss allowance for debt securities at FVOCI		142	103	(106)	(86)
<b>Total credit loss allowance for debt financial instruments</b>		<b>(11,509)</b>	<b>(6,697)</b>	<b>(6,327)</b>	<b>(3,086)</b>
<b>Net margin after credit loss allowance</b>		<b>28,228</b>	<b>14,941</b>	<b>21,910</b>	<b>11,105</b>
Fee and commission income	14	16,337	8,568	12,102	6,317
Fee and commission expense	14	(7,357)	(3,983)	(4,484)	(2,477)
Customer acquisition expense	15	(9,983)	(5,326)	(6,806)	(3,325)
Net (losses)/gains from operations with foreign currencies		(378)	(127)	(451)	10
Net gains from disposals of debt securities at FVOCI		140	132	315	44
Net gains/(losses) from debt instruments at FVTPL		390	3	(328)	(310)
Insurance premiums earned		5,258	2,948	2,603	1,445
Insurance claims incurred		(1,908)	(1,086)	(779)	(438)
Administrative and other operating expenses	16	(13,067)	(6,654)	(10,043)	(5,226)
Other operating income		2,043	1,022	1,140	634
<b>Profit before tax</b>		<b>19,703</b>	<b>10,438</b>	<b>15,179</b>	<b>7,779</b>
Income tax expense		(4,315)	(2,230)	(3,430)	(1,758)
<b>Profit for the period</b>		<b>15,388</b>	<b>8,208</b>	<b>11,749</b>	<b>6,021</b>
<b>Other comprehensive income/(loss):</b> <i>Items that may be reclassified to profit or loss</i>					
Debt securities at FVOCI and Repurchase receivables:					
- Net gains/(losses) arising during the period, net of tax		2,634	1,410	(1,375)	(1,544)
- Net gains reclassified to profit or loss upon disposal, net of tax		(112)	(105)	(252)	(35)
<b>Other comprehensive income/(loss) for the period, net of tax</b>		<b>2,522</b>	<b>1,305</b>	<b>(1,627)</b>	<b>(1,579)</b>
<b>Total comprehensive income for the period</b>		<b>17,910</b>	<b>9,513</b>	<b>10,122</b>	<b>4,442</b>
<b>Profit/(loss) is attributable to:</b>					
- Shareholders of the Company		15,389	8,210	11,714	5,982
- Non-controlling interest		(1)	(2)	35	39
<b>Total comprehensive income/(loss) is attributable to:</b>					
- Shareholders of the Company		17,911	9,515	10,087	4,403
- Non-controlling interest		(1)	(2)	35	39
<b>Earnings per share for profit attributable to the Shareholders of the Company, basic (expressed in RR per share)</b>		<b>86.44</b>	<b>46.01</b>	<b>66.89</b>	<b>34.41</b>
<b>Earnings per share for profit attributable to the Shareholders of the Company, diluted (expressed in RR per share)</b>		<b>84.96</b>	<b>45.22</b>	<b>64.90</b>	<b>33.38</b>

The notes № 1-23 are an integral part of this Consolidated Condensed Interim Financial Information.

**TCS Group Holding PLC**  
**Consolidated Condensed Interim Statement of Changes in Equity**

	Attributable to shareholders of the Company							Total equity	
	Share capital	Share premium	Share-based payment reserve	Revaluation reserve for investments in debt securities	Treasury shares	Retained earnings	Total		Non-controlling Interest
<i>In millions of RR</i>	Note								
<b>Balance at 31 December 2017</b>	188	8,623	1,286	1,436	(1,587)	31,797	41,743	202	41,945
Effect of initial application of IFRS 9 – ECL remeasurement, net of tax	-	-	-	292	-	(10,108)	(9,816)	-	(9,816)
Effect of initial application of IFRS 9 – other, net of tax	-	-	-	39	-	(39)	-	-	-
<b>Restated balance at 1 January 2018</b>	188	8,623	1,286	1,767	(1,587)	21,650	31,927	202	32,129
Profit for the period	-	-	-	-	-	11,714	11,714	35	11,749
Other comprehensive loss:									
Investments in debt securities at FVOCI and Repurchase receivables	-	-	-	(1,627)	-	-	(1,627)	-	(1,627)
<b>Total comprehensive income/(loss) for the period (Unaudited)</b>	-	-	-	(1,627)	-	11,714	10,087	35	10,122
GDRs buy-back	12	-	-	-	(1,917)	-	(1,917)	-	(1,917)
Share-based payment reserve	22	-	(337)	-	373	312	348	-	348
Dividends declared	17	-	-	-	-	(5,946)	(5,946)	-	(5,946)
<b>Balance at 30 June 2018 (Unaudited)</b>	188	8,623	949	140	(3,131)	27,730	34,499	237	34,736
<b>Balance at 1 January 2019</b>	188	8,623	1,232	(1,144)	(3,670)	36,785	42,014	236	42,250
Profit/(loss) for the period	-	-	-	-	-	15,389	15,389	(1)	15,388
Other comprehensive income:									
Investments in debt securities at FVOCI and Repurchase receivables	-	-	-	2,522	-	-	2,522	-	2,522
<b>Total comprehensive income/(loss) for the period (Unaudited)</b>	-	-	-	2,522	-	15,389	17,911	(1)	17,910
Acquisition of non-controlling interest in subsidiaries	-	-	-	-	-	-	-	(71)	(71)
Share-based payment reserve	22	-	(380)	-	506	156	282	-	282
Dividends declared	17	-	-	-	-	(5,870)	(5,870)	-	(5,870)
<b>Balance at 30 June 2019 (Unaudited)</b>	188	8,623	852	1,378	(3,164)	46,460	54,337	164	54,501

The notes № 1-23 are an integral part of this Consolidated Condensed Interim Financial Information.

**TCS Group Holding PLC**  
**Consolidated Condensed Interim Statement of Cash Flows**

<i>In millions of RR</i>	Note	Unaudited	
		Six months ended 30 June 2019	Six months ended 30 June 2018
<b>Cash flows from operating activities</b>			
Interest income received calculated using the effective interest rate method		47,708	32,636
Other similar income received		175	258
Interest expense paid calculated using the effective interest rate method received		(8,530)	(6,652)
Recoveries from written-off loans	8	1,602	1,579
Expenses on deposits insurance paid		(747)	(424)
Fees and commissions received		16,207	11,907
Fees and commissions paid		(7,977)	(4,561)
Customers acquisition expense paid		(10,629)	(6,809)
Cash paid from trading in foreign currencies and operations with financial derivatives		(257)	2,703
Cash received from insurance operations		5,015	1,973
Other operating income received		2,594	1,043
Administrative and other operating expenses paid		(11,276)	(7,649)
Income tax paid		(8,983)	(3,415)
<b>Cash flows from operating activities before changes in operating assets and liabilities</b>		<b>24,902</b>	<b>22,589</b>
<b>Changes in operating assets and liabilities</b>			
Net increase in CBRF mandatory reserves		(286)	(275)
Net (increase)/decrease in due from banks		(619)	229
Net increase in loans and advances to customers		(99,071)	(26,840)
Net decrease/(increase) in debt securities measured at FVTPL		5,781	(13)
Net increase in guarantee deposits with payment systems		(145)	-
Net decrease in other financial assets		2,383	4,585
Net decrease/(increase) in other non-financial assets		81	(1,079)
Net increase/(decrease) in due to banks		17,811	(364)
Net increase in customer accounts		37,982	26,882
Net increase/(decrease) in other financial liabilities		763	(1,917)
Net decrease in non-financial liabilities		(373)	(130)
<b>Net cash (used in)/from operating activities</b>		<b>(10,791)</b>	<b>23,667</b>
<b>Cash flows from/(used in) investing activities</b>			
Acquisition of tangible fixed assets		(815)	(960)
Acquisition of intangible assets		(1,209)	(732)
Acquisition of debt securities at FVOCI and repurchase receivables		(49,621)	(41,348)
Proceeds from sale and redemption of debt securities at FVOCI		51,072	27,877
<b>Net cash used in investing activities</b>		<b>(573)</b>	<b>(15,163)</b>
<b>Cash flows from/(used in) financing activities</b>			
Proceeds from debt securities in issue		11,455	-
Proceeds of perpetual loan participation notes		46	-
Dividends paid	17	(5,618)	(5,863)
Cash outflow for lease liabilities		(644)	-
Repayment of debt securities in issue		(3,200)	(551)
Repayment of subordinated loan		-	(5,211)
GDR's buy-back		-	(1,917)
<b>Net cash from/(used in) financing activities</b>		<b>2,039</b>	<b>(13,542)</b>
Effect of exchange rate changes on cash and cash equivalents		(706)	184
<b>Net decrease in cash and cash equivalents</b>		<b>(10,031)</b>	<b>(4,854)</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>33,802</b>	<b>23,850</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>23,771</b>	<b>18,996</b>

The notes № 1-23 are an integral part of this Consolidated Condensed Interim Financial Information.

## 1 Introduction

This consolidated condensed interim financial information for the six months ended 30 June 2019 for TCS Group Holding PLC (the “Company”) and its subsidiaries (together referred to as the “Group” or “TCS Group Holding PLC”) has been prepared in accordance with International Accounting Standard 34 (IAS 34) “Interim Financial Reporting” as adopted by the European Union.

The Company was incorporated, and is domiciled, in Cyprus in accordance with the provisions of the Companies Law, Cap.113.

The Board of Directors of the Company at the date of authorisation of this consolidated condensed interim financial information consists of: Constantinos Economides, Alexios Ioannides, Mary Trimithiotou, Philippe Delpal (subsequently retired from 16 August 2019), Jacques Der Megreditchian and Martin Robert Cocker.

The Company Secretary is Caelion Secretarial Limited, 25 Spyrou Araouzou, 25 Berengaria, 5 floor, Limassol 3036, Cyprus.

At 30 June 2019 and 31 December 2018 the share capital of the Group is comprised of “class A” shares and “class B” shares. A “class A” share is an ordinary share with a nominal value of USD 0.04 per share and carrying one vote. A “class B” share is an ordinary share with a nominal value of USD 0.04 per share and carrying 10 votes. As at 30 June 2019 the number of issued “class A” shares is 102,624,601 and issued “class B” shares is 80,014,224 (31 December 2018: the number of issued “class A” shares is 96,239,291 and issued “class B” shares is 86,399,534). On 25 October 2013 the Group completed an initial public offering of its “Class A” ordinary shares in the form of global depository receipts (GDRs) listed on the London Stock Exchange plc. Refer to Note 23 for the information about secondary public offering.

As at 30 June 2019 and 31 December 2018 the entities and the individuals holding either Class A or Class B shares of the Company were:

	<b>Class of shares</b>	<b>30 June 2019 (Unaudited)</b>	<b>31 December 2018</b>	<b>Country of Incorporation</b>
Guaranty Nominees Limited (JP Morgan Chase Bank NA)	Class A	56.19%	52.70%	United Kingdom
Altoville Holdings Limited	Class B	20.16%	23.65%	Cyprus
Nemorenti Limited	Class B	23.65%	23.65%	Cyprus
Ioanna Georgiou	Class A	0.00%	0.00%	Cyprus
Panagiota Charalambous	Class A	0.00%	0.00%	Cyprus
Maria Vyra	Class A	0.00%	0.00%	Cyprus
Marios Panayides	Class A	0.00%	0.00%	Cyprus
Chloi Panagiotou	Class A	0.00%	0.00%	Cyprus
Leonora Chagianni	Class A	0.00%	0.00%	Cyprus
<b>Total</b>		<b>100.00%</b>	<b>100.00%</b>	

Guaranty Nominees Limited is a company holding class A shares of the Company for which global depository receipts are issued under a deposit agreement made between the Company and JP Morgan Chase Bank NA signed in October 2013.

As at 30 June 2019 and 31 December 2018 the beneficial owner of Altoville Holdings Limited and Nemorenti Limited was Russian entrepreneur Mr. Oleg Tinkov. The six individuals listed above each hold one share. The individuals hold them as nominees of Altoville Holdings Limited.

As at 30 June 2019 and 31 December 2018 the ultimate controlling party of the Company is Mr. Oleg Tinkov. Mr. Oleg Tinkov controls approximately 88.63% of the aggregated voting rights attaching to the Class A and B shares as at 30 June 2019 (31 December 2018: 89.98%) excluding voting rights attaching to TCS Group Holding PLC GDRs he holds, if any.

The subsidiaries of the Group are set out below. Except where stated the Group owns 100% of shares and has 100% of voting rights of each of these subsidiaries as at 30 June 2019 and 31 December 2018.



## **1 Introduction (Continued)**

JSC “Tinkoff Bank” (the “Bank”) provides on-line retail banking services in Russia. The Bank specialises in issuing credit cards.

JSC “Tinkoff Insurance” (the “Insurance Company”) provides insurance services such as accident, property, travellers', financial risks and auto insurance.

LLC “Microfinance company “T-Finans” provides micro-finance services.

TCS Finance D.A.C. is a structured entity which issued debt securities including subordinated perpetual bonds for the Group. The Group neither owns shares nor has voting rights in this company. However, this entity was consolidated as it was specifically set up for the purposes of the Group, and the Group has exposure to substantially all risks and rewards through outstanding guarantees of the entity's obligations.

LLC “TCS” provides printing and distribution services to the Group.

Goward Group Ltd is an investment holding company which managed part of the Group's assets. Since February 2018 Goward Group Ltd was in liquidation process, and on 16 April 2019 the company was liquidated.

LLC “Phoenix” is a debt collection agency.

Tinkoff Software DC provides software development services to the Group.

LLC “Tinkoff Mobile” is a mobile virtual network operator set up in 2017 to provide mobile services.

LLC “CloudPayments” is a developer of online payment solutions whose core business is online merchant acquiring in Russia. On 22 May 2019 the Group acquired an additional 35% shareholding in LLC “CloudPayments” and increased its stake to 90%.

ANO “Tinkoff Education” is a non-commercial organization set up by the Bank with no share capital. This entity is in the process of receiving of educational license.

Tinkoff Capital LLC is an asset management company established in June 2019, which is in the process of obtaining licenses to manage joint-stock investment funds, mutual investment funds and non-state pension funds.

EBT is a special purpose trust which has been specifically created for the long-term incentive programme for Management of the Group (MLTIP). The Group neither owns shares nor has voting rights in EBT.

**Principal activity.** The Group's principal business activities are retail banking to private individuals, individual entrepreneurs' (“IE”) and small and medium enterprises' (“SME”) accounts and banking services, brokerage services and insurance operations within the Russian Federation through the Bank and the Insurance Company. The Bank operates under general banking license No. 2673 issued by the Central Bank of the Russian Federation (“CBRF”) on 8 December 2006. The Insurance Company operates under an insurance license issued by the CBRF.

The Bank participates in the state deposit insurance scheme, which was introduced by Federal Law No. 177-FZ “Deposits of individuals insurance in the Russian Federation” dated 23 December 2003. The State Deposit Insurance Agency guarantees repayment of 100% of individual deposits up to RR 1.4 million per individual in case of the withdrawal of a license of a bank or a CBRF-imposed moratorium on payments.

**Registered address and place of business.** The Company's registered address is 25 Spyrou Araouzou, Berengaria 25, 5<sup>th</sup> floor, Limassol, Cyprus, and principal place of business is Office 403, Lophitis Business Centre, Corner of 28th October/Emiliou Chourmouziou Streets, Limassol 3035 Cyprus. The Bank's registered address is 1-st Volokolamsky proezd, 10, building 1, 123060, Moscow, Russian Federation. The Insurance Company's registered address is 2-nd Khutorskaya Street, building 38A, 127287, Moscow, Russian Federation. The Group's principal place of business is the Russian Federation.

**Presentation currency.** This consolidated condensed interim financial information is presented in millions of Russian Rubles (RR).

## **2 Operating Environment of the Group**

**Russian Federation.** The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations (Note 20).

In recent years, the Russian economy has been negatively impacted by ongoing political tension in the region and international sanctions against certain Russian companies and individuals.

The financial markets continue to be volatile. This operating environment has a significant impact on the Group's operations and financial position. Management regularly takes necessary measures to maximize the stability of the Group's operations. However, the future effects of the current economic situation are difficult to predict and management's current expectations and estimates could differ from actual results.

With respect to Rouble interest rates, CBRF "key rate" amounted to 7.5% per annum as at 30 June 2019 (1 January 2018: 7.75%).

The Group actively monitors the situation in the Russian banking sector, and the activity of CBRF in response to current and newly developed requirements and any sanctions against the participants who breach them. Management of the Group believes it is highly important to participate in the discussion of legislation development in the banking sphere and supports the intention of the CBRF to make the finance market more transparent and disciplined.

For the purpose of measurement of expected credit losses ("ECL") the Group uses supportable forward-looking information, including forecasts of macroeconomic variables. As with any economic forecast, however, the projections and likelihoods of their occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different from those projected.

## **3 Significant Accounting Policies**

**Basis of preparation.** This consolidated condensed interim financial information has been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the European Union (EU) and should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2018 which have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the requirements of the Cyprus Companies Law, Cap. 113.

Except as described below, the same accounting policies and methods of computation were followed in the preparation of this consolidated condensed interim financial information as compared with the annual consolidated financial statements for the year ended 31 December 2018.

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

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

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

### **3 Significant Accounting Policies (Continued)**

The lease term includes any non-cancellable and optional extension periods which have been assessed as reasonably certain to be exercised under IFRS 16. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. Right-of-use assets are measured at cost comprising the following:

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

Right-of-use assets are included in tangible fixed assets, lease liabilities are included in other non-financial liabilities in the consolidated condensed interim statement of financial position. Depreciation of right-of-use assets are recognised in administrative and other operating expenses in the consolidated condensed interim statement of profit or loss and other comprehensive income. Finance cost is recognised within other similar expense line of the consolidated condensed interim statement of profit or loss and other comprehensive income. Cash outflow for lease liabilities is disclosed within cash flows from financing activities of the consolidated condensed interim statement of cash flows.

**Other similar expense.** Other similar expense represents finance cost related to the discounted lease payments using the incremental borrowing rate.

**Forward-looking information incorporated in the ECL models.** The calculation of ECLs incorporates forward-looking information. During three months ended 31 March 2019 the Group has updated the key economic variables impacting credit risk and ECLs for each portfolio, which resulted in a decrease in credit loss allowances by RR 73 million (during three months ended 30 June 2019: no changes). The list of key variables is as follows:

- Russian stock market index MOEX;
- Indicative offered interest rate on the Russian money market MosPrime Rate;
- Debt load of Russian population based on statistics from bureaus of credit history.

The impact of these economic variables on the ECL has been determined by performing statistical regression analysis in order to understand the way how changes in these variables historically impacted default rates. Three different scenarios are used: base, optimistic and pessimistic. The scenarios are weighted accordingly with base scenario having the highest weight and with optimistic and pessimistic scenarios having approximately equal weights. If a 100% weight is applied to any of the scenarios the effect on the ECL is not material.

**Interim period tax measurement.** Interim period income tax expense is accrued using the effective tax rate that would be applicable to expected total annual earnings, that is, the estimated weighted average annual effective income tax rate applied to the pre-tax income of the interim period.

**Effective interest rate.** Starting from 1 April 2019 as a result of development of its database and IT systems the Group identified the part of customer acquisition expenses which can be directly linked to the particular borrower and which are incremental in nature, such as partnership call-centre expenses and related VAT expenses as well as changed the pattern of recognition of certain types of expenses which were included into the effective interest rate. Having obtained sufficient and representative statistical information the management of the Group changed the accounting policy in relation to these expenses and allocated them directly to the originated financial instruments and included them in the effective interest rate. The effect of this change in accounting policy for the current and prior periods was credited to the consolidated condensed statement of profit or loss and other comprehensive income for the three months ended 30 June 2019. Prior periods were not amended due to the change not resulting in a material impact for any individual prior period.

**Seasonality.** The management does not consider that the Group's business exhibits material differences due to seasonality.

**3 Significant Accounting Policies (Continued)**

**Foreign currency translation.** At 30 June 2019 the rate of exchange used for translating foreign currency balances was USD 1 = RR 63.0756 (31 December 2018: USD 1 = RR 69.4706), and the average rate of exchange was USD 1 = RR 65.3384 for the six months ended 30 June 2019 and USD 1 = RR 64.5584 for the three months ended 30 June 2019 (six months ended 30 June 2018: USD 1 = RR 59.3536, three months ended 30 June 2018: USD 1 = RR 61.7998).

**Changes in presentation.** In June 2019 the management of the Group refined the approach to the presentation of expenses related to the direct settlement of losses in auto insurance in the consolidated condensed interim statement of profit or loss and other comprehensive income. The management concluded it was appropriate to reclassify these expenses from Administrative and other operating expenses to Insurance claims incurred.

In January 2019 the management of the Group made a detailed review of the VAT expenses recognised in administrative and other operating expenses and using improved technical reports identified the part of VAT expenses which are related to the customer acquisition expenses. The management concluded it was appropriate to reclassify these expenses from Administrative and other operating expenses to Customer acquisition expense.

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

<i>In millions of RR</i>	<b>Unaudited</b>		
	<b>As originally presented</b>	<b>Reclassification</b>	<b>As reclassified</b>
<b>Six months ended 30 June 2018:</b>			
Customer acquisition expense	(6,156)	(650)	(6,806)
Insurance claims incurred	(730)	(49)	(779)
Administrative and other operating expenses	(10,742)	699	(10,043)
<b>Three months ended 30 June 2018:</b>			
Customer acquisition expense	(3,007)	(318)	(3,325)
Insurance claims incurred	(389)	(49)	(438)
Administrative and other operating expenses	(5,593)	367	(5,226)

The effect of changes on the consolidated condensed interim statement of cash flows for the six months ended 30 June 2018 is as follows:

<i>In millions of RR</i>	<b>Unaudited</b>		
	<b>As originally presented</b>	<b>Reclassification</b>	<b>As reclassified</b>
<b>Six months ended 30 June 2018:</b>			
Customer acquisition expense paid	(6,159)	(650)	(6,809)
Administrative and other operating expenses paid	(8,348)	699	(7,649)
Cash received from insurance operations	2,022	(49)	1,973

### 3 Significant Accounting Policies (Continued)

In September 2018 the Group refined the approach to the distribution of interest income between the credit products. The effect of reclassifications was as follows on the amounts in the note Net Margin for the six and three months ended 30 June 2018:

<i>In millions of RR</i>	<b>As originally presented</b>	<b>Unaudited Reclassification</b>	<b>As reclassified</b>
<b>Six months ended 30 June 2018:</b>			
Loans and advances to customers, including:			
<i>Credit card loans</i>	30,739	12	30,751
<i>Cash loans</i>	1,389	(107)	1,282
<i>POS loans</i>	640	95	735
<b>Three months ended 30 June 2018:</b>			
Loans and advances to customers, including:			
<i>Credit card loans</i>	15,218	12	15,230
<i>Cash loans</i>	932	(107)	825
<i>POS loans</i>	338	95	433

### 4 Critical Accounting Estimates and Judgements in Applying Accounting Policies

The Group makes estimates and assumptions that affect the amounts recognized in the consolidated condensed interim financial information and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognized in the consolidated condensed interim financial information and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year are consistent with those disclosed in the annual consolidated financial statements for the year ended 31 December 2018 except for the changes in ECL measurement models described in Note 3.

### 5 Adoption of New or Revised Standards and Interpretations

Certain new standards, interpretations and amendments to the existing standards, as disclosed in the consolidated financial statements for the year ended 31 December 2018, became effective for the Group from 1 January 2019.

**Adoption of IFRS 16, Leases (issued on 13 January 2016 and effective for annual periods beginning on or after 1 January 2019).** The Group has adopted IFRS 16 with a date of transition of 1 January 2019 and applied the standard using the modified retrospective method, without restatement of comparatives (Note 3). The Group recognised a right of use asset of RR 1,684 million against a corresponding lease liability on 1 January 2019. Right-of-use assets are mainly represented by office premises. A reconciliation of the operating lease commitments to this liability is as follows:

<i>In millions of RR</i>	<b>30 June 2019 (Unaudited)</b>	<b>1 January 2019</b>
Future lease payments under operating lease	2,311	1,892
Future lease payments that are due in the periods subject to lease extension options that are reasonably certain to be exercised	8	9
Effect of discounting to present value (the incremental borrowing rate used 7.57% (weighted average))	(239)	(217)
<b>Total lease liabilities</b>	<b>2,080</b>	<b>1,684</b>

**5 Adoption of New or Revised Standards and Interpretations (Continued)**

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

- IFRIC 23 "Uncertainty over Income Tax Treatments" (issued on 7 June 2017).
- Prepayment Features with Negative Compensation – Amendments to IFRS 9 (issued on 12 October 2017).
- Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures" (issued on 12 October 2017).
- Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement" (issued on 7 February 2018).
- Annual Improvements to IFRSs 2015-2017 cycle - amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 (issued on 12 December 2017).

**6 New Accounting Pronouncements**

Since the issuance of the 2018 annual consolidated financial statements no new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2019 or later, and which the Group has not early adopted.

**7 Cash and Cash Equivalents**

<i>In millions of RR</i>	<b>30 June 2019 (Unaudited)</b>	<b>31 December 2018</b>
Cash on hand	6,277	5,839
Cash balances with the CBRF (other than mandatory reserve deposits)	10,250	11,158
Placements with other banks and non-bank credit organizations with original maturities of less than three months	7,244	16,805
<b>Total Cash and Cash Equivalents</b>	<b>23,771</b>	<b>33,802</b>

Cash on hand includes cash balances in ATMs and cash balances in transit. Placements with other banks and organizations with original maturities of less than three months include placements under reverse sale and repurchase agreements in the amount of RR 221 million as at 30 June 2019 (31 December 2018: RR 11,147 million). The Group has a right to sell or repledge securities received under reverse sale and repurchase agreements.

For the purpose of ECL measurement cash and cash equivalents balances are included in Stage 1. The ECL for these balances represents an immaterial amount, therefore the Group did not recognise any credit loss allowance for cash and cash equivalents. Except for reverse sale and repurchase agreements, amounts of cash and cash equivalents are not collateralised. As at 30 June 2019 the fair value of collateral under reverse sale and repurchase agreements was RR 240 million (31 December 2018: RR 12,389 million). There is no material impact of collateral on credit loss allowance for cash and cash equivalents. Refer to Note 21 for the disclosure of the fair value of cash and cash equivalents.

**8 Loans and Advances to Customers**

<i>In millions of RR</i>	30 June 2019 (Unaudited)			31 December 2018		
	Gross carrying amount	Credit loss allowance	Carrying amount	Gross carrying amount	Credit loss allowance	Carrying amount
Credit card loans	222,619	(36,360)	186,259	178,396	(33,296)	145,100
Cash loans	60,609	(5,047)	55,562	35,194	(2,331)	32,863
POS loans	19,160	(695)	18,465	15,275	(460)	14,815
Other loans	30,661	(649)	30,012	5,845	(134)	5,711
- Secured loans	18,201	(178)	18,023	2,644	(16)	2,628
- Car loans	11,776	(381)	11,395	2,838	(85)	2,753
- Loans to IE and SME	684	(90)	594	363	(33)	330
<b>Total loans and advances to customers at AC</b>	<b>333,049</b>	<b>(42,751)</b>	<b>290,298</b>	<b>234,710</b>	<b>(36,221)</b>	<b>198,489</b>

Credit cards are issued to customers for cash withdrawals or payment for goods or services, within the range of limits established by the Bank. These limits may be increased or decreased from time-to-time based on management decision. Credit card loans are not collateralized.

Cash loans represent a product for the borrowers who have a positive credit history and who do not have overdue loans in other banks. Cash loans are loans provided to customers via the Bank's debit cards. These loans are available for withdrawal without commission.

POS ("Point of sale") loans represent POS lending through the Bank's programme "POS loans" (KupiVKredit). This programme funds online and offline purchases through internet and offline shops for individual borrowers.

Secured loans represent loans secured with a car or real estate.

Car loans represent loans for the purchase of a vehicle which is used as collateral under the loan.

Loans to IE and SME represent loans provided by Bank to individual entrepreneurs and small and medium businesses for the purpose of working capital management.

The credit loss allowance for loans and advances to customers recognised in the period is impacted by a variety of factors. The main movements in the tables presented below are described as follows:

- new originated or purchased category represents the gross carrying amounts of purchased loans and loans to new borrowers (for this particular product) before their first repayment became due. The related ECL represents the day one ECL on the purchase or origination of these loans;
- transfers between Stage 1, 2 and 3 due to balances experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and Lifetime ECL. Transfers present the amount of credit loss allowance charged or recovered at the moment of transfer of a loan among the respective stages;
- movements other than transfers and new originated or purchased loans category represent all other movements of ECL in particular related to changes in gross carrying amounts (including drawdowns, repayments, and accrued interest), as well as changes in ECL model assumptions including those arising from update of inputs to ECL model in the period;
- write-offs of allowances are related to assets that were written-off during the period;
- unwinding of discount (for Stage 3) category represents adjustment to credit loss allowance and gross carrying amount for Stage 3 loans to increase it to discounted amount of the expected cash shortfalls to the reporting date using the effective interest rate.

**TCS Group Holding PLC**

**Notes to the Consolidated Condensed Interim Financial Information – 30 June 2019**

**8 Loans and Advances to Customers (Continued)**

The following tables disclose the changes in the credit loss allowance and gross carrying amount for loans and advances to customers between the beginning and the end of the reporting periods:

<i>In millions of RR</i>	Unaudited							
	Credit loss allowance				Gross carrying amount			
	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)	Total	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)	Total
<b>Credit card loans</b>								
<b>At 31 December 2018</b>	<b>9,266</b>	<b>4,708</b>	<b>19,322</b>	<b>33,296</b>	<b>145,732</b>	<b>6,654</b>	<b>26,010</b>	<b>178,396</b>
<i>Movements with impact on credit loss allowance charge for the period:</i>								
New originated or purchased	2,570	-	-	2,570	32,624	-	-	32,624
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	(2,217)	5,522	-	3,305	(8,780)	8,780	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(1,410)	(3,759)	9,033	3,864	(6,143)	(4,784)	10,927	-
- recovered (from Stage 3 to Stage 2 and from Stage 2 to Stage 1)	276	(858)	(16)	(598)	1,270	(1,251)	(19)	-
Movements other than transfers and new originated or purchased loans	1,907	876	(2,307)	476	20,492	368	(2,641)	18,219
<b>Total movements with impact on credit loss allowance charge for the six months ended 30 June 2019</b>	<b>1,126</b>	<b>1,781</b>	<b>6,710</b>	<b>9,617</b>	<b>39,463</b>	<b>3,113</b>	<b>8,267</b>	<b>50,843</b>
<i>Movements without impact on credit loss allowance charge the six months ended 30 June 2019:</i>								
Unwinding of discount (for Stage 3)	-	-	1,243	1,243	-	-	1,243	1,243
Write-offs	-	-	(6,271)	(6,271)	-	-	(6,271)	(6,271)
Sales	-	-	(517)	(517)	-	-	(584)	(584)
Modification of original cash flows without derecognition	-	-	(1,008)	(1,008)	-	-	(1,008)	(1,008)
<b>At 30 June 2019</b>	<b>10,392</b>	<b>6,489</b>	<b>19,479</b>	<b>36,360</b>	<b>185,195</b>	<b>9,767</b>	<b>27,657</b>	<b>222,619</b>



8 Loans and Advances to Customers (Continued)

<i>In millions of RR</i>	Unaudited							
	Credit loss allowance				Gross carrying amount			
	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)	Total	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)	Total
<b>Credit card loans</b>								
<b>At 31 March 2019</b>	<b>9,582</b>	<b>5,713</b>	<b>19,059</b>	<b>34,354</b>	<b>164,814</b>	<b>8,245</b>	<b>26,200</b>	<b>199,259</b>
<i>Movements with impact on credit loss allowance charge for the period:</i>								
New originated or purchased	851	-	-	851	14,282	-	-	14,282
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	(2,016)	4,992	-	2,976	(7,937)	7,937	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(250)	(4,062)	5,091	779	(1,006)	(5,176)	6,182	-
- recovered (from Stage 3 to Stage 2 and from Stage 2 to Stage 1)	357	(1,094)	(20)	(757)	1,694	(1,670)	(24)	-
Movements other than transfers and new originated or purchased loans	1,868	940	(1,346)	1,462	13,348	431	(1,340)	12,439
<b>Total movements with impact on credit loss allowance charge for the three months ended 30 June 2019</b>	<b>810</b>	<b>776</b>	<b>3,725</b>	<b>5,311</b>	<b>20,381</b>	<b>1,522</b>	<b>4,818</b>	<b>26,721</b>
<i>Movements without impact on credit loss allowance charge the three months ended 30 June 2019:</i>								
Unwinding of discount (for Stage 3)	-	-	624	624	-	-	624	624
Write-offs	-	-	(3,000)	(3,000)	-	-	(3,000)	(3,000)
Sales	-	-	(415)	(415)	-	-	(471)	(471)
Modification of original cash flows without derecognition	-	-	(514)	(514)	-	-	(514)	(514)
<b>At 30 June 2019</b>	<b>10,392</b>	<b>6,489</b>	<b>19,479</b>	<b>36,360</b>	<b>185,195</b>	<b>9,767</b>	<b>27,657</b>	<b>222,619</b>

**8 Loans and Advances to Customers (Continued)**

	Unaudited							
	Credit loss allowance				Gross carrying amount			
	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)	Total	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)	Total
<i>In millions of RR</i>								
<b>Credit card loans</b>								
<b>At 1 January 2018</b>	<b>9,064</b>	<b>5,319</b>	<b>21,689</b>	<b>36,072</b>	<b>121,988</b>	<b>6,958</b>	<b>25,874</b>	<b>154,820</b>
<i>Movements with impact on credit loss allowance charge for the period:</i>								
New originated or purchased	1,573	-	-	1,573	13,078	-	-	13,078
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	(1,640)	4,503	-	2,863	(6,433)	6,433	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(1,099)	(4,218)	9,087	3,770	(4,155)	(6,130)	10,285	-
- recovered (from Stage 3 to Stage 2 and from Stage 2 to Stage 1)	341	(1,035)	(41)	(735)	1,370	(1,325)	(45)	-
Movements other than transfers and new originated or purchased loans	800	946	(2,336)	(590)	5,773	1,449	(2,446)	4,776
<b>Total movements with impact on credit loss allowance charge for the six months ended 30 June 2018</b>	<b>(25)</b>	<b>196</b>	<b>6,710</b>	<b>6,881</b>	<b>9,633</b>	<b>427</b>	<b>7,794</b>	<b>17,854</b>
<i>Movements without impact on credit loss allowance charge for the six months ended 30 June 2018:</i>								
Unwinding of discount (for Stage 3)	-	-	1,812	1,812	-	-	1,812	1,812
Write-offs	-	-	(8,430)	(8,430)	-	-	(8,430)	(8,430)
Sales	-	-	(149)	(149)	-	-	(160)	(160)
Modification of original cash flows without derecognition	-	-	(560)	(560)	-	-	(560)	(560)
<b>At 30 June 2018</b>	<b>9,039</b>	<b>5,515</b>	<b>21,072</b>	<b>35,626</b>	<b>131,621</b>	<b>7,385</b>	<b>26,330</b>	<b>165,336</b>

**TCS Group Holding PLC**

**Notes to the Consolidated Condensed Interim Financial Information – 30 June 2019**

**8 Loans and Advances to Customers (Continued)**

	Unaudited							
	Credit loss allowance			Total	Gross carrying amount			
	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)		Stage 1 (12- months ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)	Total
<i>In millions of RR</i>								
<b>Credit card loans</b>								
<b>At 31 March 2018</b>	<b>8,891</b>	<b>5,698</b>	<b>20,876</b>	<b>35,465</b>	<b>127,560</b>	<b>7,450</b>	<b>25,558</b>	<b>160,568</b>
<i>Movements with impact on credit loss allowance charge for the period:</i>								
New originated or purchased	767	-	-	767	5,604	-	-	5,604
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	(1,463)	3,993	-	2,530	(5,706)	5,706	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(163)	(3,801)	4,639	675	(584)	(4,683)	5,267	-
- recovered (from Stage 3 to Stage 2 and from Stage 2 to Stage 1)	393	(1,210)	(38)	(855)	1,640	(1,599)	(41)	-
Movements other than transfers and new originated or purchased loans	614	835	(1,166)	283	3,107	511	(1,204)	2,414
<b>Total movements with impact on credit loss allowance charge for the three months ended 30 June 2018</b>	<b>148</b>	<b>(183)</b>	<b>3,435</b>	<b>3,400</b>	<b>4,061</b>	<b>(65)</b>	<b>4,022</b>	<b>8,018</b>
<i>Movements without impact on credit loss allowance charge for the three months ended 30 June 2018:</i>								
Unwinding of discount (for Stage 3)	-	-	812	812	-	-	812	812
Write-offs	-	-	(3,668)	(3,668)	-	-	(3,668)	(3,668)
Sales	-	-	(149)	(149)	-	-	(160)	(160)
Modification of original cash flows without derecognition	-	-	(234)	(234)	-	-	(234)	(234)
<b>At 30 June 2018</b>	<b>9,039</b>	<b>5,515</b>	<b>21,072</b>	<b>35,626</b>	<b>131,621</b>	<b>7,385</b>	<b>26,330</b>	<b>165,336</b>

8 Loans and Advances to Customers (Continued)

	Unaudited							
	Credit loss allowance				Gross carrying amount			
	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)	Total	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)	Total
<i>In millions of RR</i>								
<b>Cash loans</b>								
<b>At 31 December 2018</b>	<b>1,116</b>	<b>545</b>	<b>670</b>	<b>2,331</b>	<b>32,651</b>	<b>1,776</b>	<b>767</b>	<b>35,194</b>
<i>Movements with impact on credit loss allowance charge for the period:</i>								
New originated or purchased	1,388	-	-	1,388	36,124	-	-	36,124
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	(348)	1,998	-	1,650	(4,046)	4,046	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(249)	(425)	1,313	639	(863)	(532)	1,395	-
- recovered (from Stage 3 to Stage 2 and from Stage 2 to Stage 1)	13	(69)	-	(56)	395	(395)	-	-
Movements other than transfers and new originated or purchased loans	2	(599)	58	(539)	(9,865)	(666)	192	(10,339)
<b>Total movements with impact on credit loss allowance charge for the six months ended 30 June 2019</b>	<b>806</b>	<b>905</b>	<b>1,371</b>	<b>3,082</b>	<b>21,745</b>	<b>2,453</b>	<b>1,587</b>	<b>25,785</b>
<i>Movements without impact on credit loss allowance charge the six months ended 30 June 2019:</i>								
Unwinding of discount (for Stage 3)	-	-	52	52	-	-	52	52
Write-offs	-	-	(168)	(168)	-	-	(168)	(168)
Sales	-	-	(59)	(59)	-	-	(63)	(63)
Modification of original cash flows without derecognition	-	-	(191)	(191)	-	-	(191)	(191)
<b>At 30 June 2019</b>	<b>1,922</b>	<b>1,450</b>	<b>1,675</b>	<b>5,047</b>	<b>54,396</b>	<b>4,229</b>	<b>1,984</b>	<b>60,609</b>

8 Loans and Advances to Customers (Continued)

	Unaudited							
	Credit loss allowance			Total	Gross carrying amount			
	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)		Stage 1 (12- months ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)	Total
<i>In millions of RRR</i>								
<b>Cash loans</b>								
<b>At 31 March 2019</b>	<b>1,434</b>	<b>949</b>	<b>975</b>	<b>3,358</b>	<b>43,544</b>	<b>2,961</b>	<b>1,126</b>	<b>47,631</b>
<i>Movements with impact on credit loss allowance charge for the period:</i>								
New originated or purchased	709	-	-	709	20,542	-	-	20,542
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	(292)	1,478	-	1,186	(2,928)	2,928	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(77)	(552)	852	223	(222)	(685)	907	-
- recovered (from Stage 3 to Stage 2 and from Stage 2 to Stage 1)	18	(91)	(2)	(75)	560	(558)	(2)	-
Movements other than transfers and new originated or purchased loans	130	(334)	81	(123)	(7,100)	(417)	188	(7,329)
<b>Total movements with impact on credit loss allowance charge for the three months ended 30 June 2019</b>	<b>488</b>	<b>501</b>	<b>931</b>	<b>1,920</b>	<b>10,852</b>	<b>1,268</b>	<b>1,093</b>	<b>13,213</b>
<i>Movements without impact on credit loss allowance charge the three months ended 30 June 2019:</i>								
Unwinding of discount (for Stage 3)	-	-	26	26	-	-	26	26
Write-offs	-	-	(92)	(92)	-	-	(92)	(92)
Sales	-	-	(23)	(23)	-	-	(27)	(27)
Modification of original cash flows without derecognition	-	-	(142)	(142)	-	-	(142)	(142)
<b>At 30 June 2019</b>	<b>1,922</b>	<b>1,450</b>	<b>1,675</b>	<b>5,047</b>	<b>54,396</b>	<b>4,229</b>	<b>1,984</b>	<b>60,609</b>

**TCS Group Holding PLC**

**Notes to the Consolidated Condensed Interim Financial Information – 30 June 2019**

**8 Loans and Advances to Customers (Continued)**

<i>In millions of RR</i>	Unaudited							
	Credit loss allowance			Total	Gross carrying amount			
	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)		Stage 1 (12- months ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)	Total
<b>Cash loans</b>								
<b>At 1 January 2018</b>	<b>268</b>	<b>151</b>	<b>156</b>	<b>575</b>	<b>6,478</b>	<b>438</b>	<b>161</b>	<b>7,077</b>
<i>Movements with impact on credit loss allowance charge for the period:</i>								
New originated or purchased loans	527	-	-	527	12,566	-	-	12,566
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	(51)	325	-	274	(635)	635	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(37)	(105)	233	91	(115)	(128)	243	-
- recovered (from Stage 3 to Stage 2 and from Stage 2 to Stage 1)	4	(22)	-	(18)	99	(99)	-	-
Movements other than transfers and new originated or purchased loans	(24)	(114)	127	(11)	(2,327)	(143)	160	(2,310)
<b>Total movements with impact on credit loss allowance charge for the six months ended 30 June 2018</b>	<b>419</b>	<b>84</b>	<b>360</b>	<b>863</b>	<b>9,588</b>	<b>265</b>	<b>403</b>	<b>10,256</b>
<i>Movements without impact on credit loss allowance charge for the six months ended 30 June 2018:</i>								
Unwinding of discount (for Stage 3)	-	-	16	16	-	-	16	16
Write-offs	-	-	(117)	(117)	-	-	(117)	(117)
Sales	-	-	(3)	(3)	-	-	(3)	(3)
Modification of original cash flows without derecognition	-	-	(41)	(41)	-	-	(41)	(41)
<b>At 30 June 2018</b>	<b>687</b>	<b>235</b>	<b>371</b>	<b>1,293</b>	<b>16,066</b>	<b>703</b>	<b>419</b>	<b>17,188</b>

**TCS Group Holding PLC**  
**Notes to the Consolidated Condensed Interim Financial Information – 30 June 2019**

**8 Loans and Advances to Customers (Continued)**

<i>In millions of RR</i>	Unaudited							
	Credit loss allowance			Total	Gross carrying amount			
	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)		Stage 1 (12- months ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)	Total
<b>Cash loans</b>								
<b>At 31 March 2018</b>	<b>399</b>	<b>186</b>	<b>291</b>	<b>876</b>	<b>9,403</b>	<b>523</b>	<b>313</b>	<b>10,239</b>
<i>Movements with impact on credit loss allowance charge for the period:</i>								
New originated or purchased loans	360	-	-	360	8,882	-	-	8,882
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	(41)	240	-	199	(469)	469	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(12)	(92)	133	29	(32)	(107)	139	-
- recovered (from Stage 3 to Stage 2 and from Stage 2 to Stage 1)	3	(18)	-	(15)	94	(93)	(1)	-
Movements other than transfers and new originated or purchased loans	(22)	(81)	23	(80)	(1,812)	(89)	44	(1,857)
							-	-
<b>Total movements with impact on credit loss allowance charge for the three months ended 30 June 2018</b>	<b>288</b>	<b>49</b>	<b>156</b>	<b>493</b>	<b>6,663</b>	<b>180</b>	<b>182</b>	<b>7,025</b>
<i>Movements without impact on credit loss allowance charge for the three months ended 30 June 2018:</i>								
Unwinding of discount (for Stage 3)	-	-	9	9	-	-	9	9
Write-offs	-	-	(52)	(52)	-	-	(52)	(52)
Sales	-	-	(3)	(3)	-	-	(3)	(3)
Modification of original cash flows without derecognition	-	-	(30)	(30)	-	-	(30)	(30)
<b>At 30 June 2018</b>	<b>687</b>	<b>235</b>	<b>371</b>	<b>1,293</b>	<b>16,066</b>	<b>703</b>	<b>419</b>	<b>17,188</b>

**TCS Group Holding PLC**  
**Notes to the Consolidated Condensed Interim Financial Information – 30 June 2019**

**8 Loans and Advances to Customers (Continued)**

<i>In millions of RR</i>	Unaudited							
	Credit loss allowance				Gross carrying amount			
	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)	Total	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)	Total
<b>POS loans</b>								
<b>At 31 December 2018</b>	<b>190</b>	<b>81</b>	<b>189</b>	<b>460</b>	<b>14,560</b>	<b>505</b>	<b>210</b>	<b>15,275</b>
<i>Movements with impact on credit loss allowance charge for the period:</i>								
New originated or purchased	163	-	-	163	12,943	-	-	12,943
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	(40)	402	-	362	(1,456)	1,456	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(28)	(79)	251	144	(160)	(108)	268	-
- recovered (from Stage 3 to Stage 2 and from Stage 2 to Stage 1)	2	(7)	-	(5)	116	(116)	-	-
Movements other than transfers and new originated or purchased loans	(91)	(220)	(43)	(354)	(8,341)	(602)	(39)	(8,982)
<b>Total movements with impact on credit loss allowance charge for the six months ended 30 June 2019</b>	<b>6</b>	<b>96</b>	<b>208</b>	<b>310</b>	<b>3,102</b>	<b>630</b>	<b>229</b>	<b>3,961</b>
<i>Movements without impact on credit loss allowance charge the six months ended 30 June 2019:</i>								
Unwinding of discount (for Stage 3)	-	-	13	13	-	-	13	13
Write-offs	-	-	(50)	(50)	-	-	(50)	(50)
Sales	-	-	(12)	(12)	-	-	(13)	(13)
Modification of original cash flows without derecognition	-	-	(26)	(26)	-	-	(26)	(26)
<b>At 30 June 2019</b>	<b>196</b>	<b>177</b>	<b>322</b>	<b>695</b>	<b>17,662</b>	<b>1,135</b>	<b>363</b>	<b>19,160</b>



**TCS Group Holding PLC**

**Notes to the Consolidated Condensed Interim Financial Information – 30 June 2019**

**8 Loans and Advances to Customers (Continued)**

<i>In millions of RR</i>	Unaudited							
	Credit loss allowance				Gross carrying amount			
	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)	Total	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)	Total
<b>POS loans</b>								
<b>At 31 March 2019</b>	<b>192</b>	<b>139</b>	<b>243</b>	<b>574</b>	<b>16,431</b>	<b>949</b>	<b>273</b>	<b>17,653</b>
<i>Movements with impact on credit loss allowance charge for the period:</i>								
New originated or purchased	163	-	-	163	12,943	-	-	12,943
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	(40)	402	-	362	(1,456)	1,456	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(28)	(79)	251	144	(160)	(108)	268	-
- recovered (from Stage 3 to Stage 2 and from Stage 2 to Stage 1)	2	(7)	-	(5)	116	(116)	-	-
Movements other than transfers and new originated or purchased loans	(93)	(278)	(126)	(497)	(10,212)	(1,046)	(131)	(11,389)
<b>Total movements with impact on credit loss allowance charge for the three months ended 30 June 2019</b>	<b>4</b>	<b>38</b>	<b>125</b>	<b>167</b>	<b>1,231</b>	<b>186</b>	<b>137</b>	<b>1,554</b>
<i>Movements without impact on credit loss allowance charge the three months ended 30 June 2019:</i>								
Unwinding of discount (for Stage 3)	-	-	3	3	-	-	3	3
Write-offs	-	-	(32)	(32)	-	-	(32)	(32)
Sales	-	-	(9)	(9)	-	-	(10)	(10)
Modification of original cash flows without derecognition	-	-	(8)	(8)	-	-	(8)	(8)
<b>At 30 June 2019</b>	<b>196</b>	<b>177</b>	<b>322</b>	<b>695</b>	<b>17,662</b>	<b>1,135</b>	<b>363</b>	<b>19,160</b>

**TCS Group Holding PLC**

**Notes to the Consolidated Condensed Interim Financial Information – 30 June 2019**

**8 Loans and Advances to Customers (Continued)**

<i>In millions of RR</i>	Unaudited							
	Credit loss allowance			Total	Gross carrying amount			
	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)		Stage 1 (12- months ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)	Total
<b>POS loans</b>								
<b>At 1 January 2018</b>	<b>133</b>	<b>46</b>	<b>125</b>	<b>304</b>	<b>4,462</b>	<b>162</b>	<b>129</b>	<b>4,753</b>
<i>Movements with impact on credit loss allowance charge for the period:</i>								
New originated or purchased	110	-	-	110	4,728	-	-	4,728
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	(18)	137	-	119	(328)	328	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(14)	(36)	96	46	(56)	(46)	102	-
- recovered (from Stage 3 to Stage 2 and from Stage 2 to Stage 1)	1	(5)	-	(4)	31	(31)	-	-
Movements other than transfers and new originated or purchased loans	(71)	(80)	4	(147)	(2,686)	(154)	7	(2,833)
<b>Total movements with impact on credit loss allowance charge for the six months ended 30 June 2018</b>	<b>8</b>	<b>16</b>	<b>100</b>	<b>124</b>	<b>1,689</b>	<b>97</b>	<b>109</b>	<b>1,895</b>
<i>Movements without impact on credit loss allowance charge for the six months ended 30 June 2018:</i>								
Unwinding of discount (for Stage 3)	-	-	9	9	-	-	9	9
Write-offs	-	-	(77)	(77)	-	-	(77)	(77)
Sales	-	-	(2)	(2)	-	-	(2)	(2)
Modification of original cash flows without derecognition	-	-	(3)	(3)	-	-	(3)	(3)
<b>At 30 June 2018</b>	<b>141</b>	<b>62</b>	<b>152</b>	<b>355</b>	<b>6,151</b>	<b>259</b>	<b>165</b>	<b>6,575</b>

**TCS Group Holding PLC**  
**Notes to the Consolidated Condensed Interim Financial Information – 30 June 2019**

**8 Loans and Advances to Customers (Continued)**

<i>In millions of RR</i>	Unaudited							
	Credit loss allowance			Total	Gross carrying amount			
	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)		Stage 1 (12- months ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)	Total
<b>POS loans</b>								
<b>At 31 March 2018</b>	<b>131</b>	<b>52</b>	<b>136</b>	<b>319</b>	<b>5,268</b>	<b>204</b>	<b>144</b>	<b>5,616</b>
<i>Movements with impact on credit loss allowance charge for the period:</i>								
New originated or purchased	67	-	-	67	3,008	-	-	3,008
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	(13)	92	-	79	(227)	227	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(4)	(32)	53	17	(16)	(40)	56	-
- recovered (from Stage 3 to Stage 2 and from Stage 2 to Stage 1)	1	(4)	-	(3)	36	(36)	-	-
Movements other than transfers and new originated or purchased loans	(41)	(46)	(11)	(98)	(1,918)	(96)	(9)	(2,023)
<b>Total movements with impact on credit loss allowance charge for the three months ended 30 June 2018</b>	<b>10</b>	<b>10</b>	<b>42</b>	<b>62</b>	<b>883</b>	<b>55</b>	<b>47</b>	<b>985</b>
<i>Movements without impact on credit loss allowance charge for the six months ended 30 June 2018:</i>								
Unwinding of discount (for Stage 3)	-	-	5	5	-	-	5	5
Write-offs	-	-	(28)	(28)	-	-	(28)	(28)
Sales	-	-	(2)	(2)	-	-	(2)	(2)
Modification of original cash flows without derecognition	-	-	(1)	(1)	-	-	(1)	(1)
<b>At 30 June 2018</b>	<b>141</b>	<b>62</b>	<b>152</b>	<b>355</b>	<b>6,151</b>	<b>259</b>	<b>165</b>	<b>6,575</b>

**8 Loans and Advances to Customers (Continued)**

The following table discloses the changes in the credit loss allowance and gross carrying amount between the beginning and the end of the reporting periods for car loans, secured loans and loans to IE and SME combined as the amount of such changes for these products is not significant.

	Unaudited							
	Credit loss allowance				Gross carrying amount			
	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)	Total	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)	Total
<i>In millions of RR</i>								
<b>Other loans</b>								
<b>At 31 December 2018</b>	<b>84</b>	<b>36</b>	<b>14</b>	<b>134</b>	<b>5,727</b>	<b>102</b>	<b>16</b>	<b>5,845</b>
<i>Movements with impact on credit loss allowance charge for the period:</i>								
New originated or purchased	253	-	-	253	20,496	-	-	20,496
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	(36)	306	-	270	(959)	959	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(19)	(24)	83	40	(85)	(34)	119	-
- recovered (from Stage 3 to Stage 2 and from Stage 2 to Stage 1)	-	(3)	-	(3)	20	(20)	-	-
Movements other than transfers and new originated or purchased loans	69	(115)	1	(45)	4,402	(83)	1	4,320
<b>Total movements with impact on credit loss allowance charge for the six months ended 30 June 2019</b>	<b>267</b>	<b>164</b>	<b>84</b>	<b>515</b>	<b>23,874</b>	<b>822</b>	<b>120</b>	<b>24,816</b>
<b>At 30 June 2019</b>	<b>351</b>	<b>200</b>	<b>98</b>	<b>649</b>	<b>29,601</b>	<b>924</b>	<b>136</b>	<b>30,661</b>

8 Loans and Advances to Customers (Continued)

<i>In millions of RR</i>	Unaudited							
	Credit loss allowance				Gross carrying amount			
	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)	Total	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)	Total
<b>Other loans</b>								
<b>At 31 March 2019</b>	<b>198</b>	<b>78</b>	<b>40</b>	<b>316</b>	<b>14,828</b>	<b>306</b>	<b>50</b>	<b>15,184</b>
<i>Movements with impact on credit loss allowance charge for the period:</i>								
New originated or purchased	174	-	-	174	15,729	-	-	15,729
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	(28)	251	-	223	(808)	808	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(8)	(35)	56	13	(32)	(52)	84	-
- recovered (from Stage 3 to Stage 2 and from Stage 2 to Stage 1)	1	(7)	-	(6)	66	(66)	-	-
Movements other than transfers and new originated or purchased loans	14	(87)	2	(71)	(182)	(72)	2	(252)
<b>Total movements with impact on credit loss allowance charge for the three months ended 30 June 2019</b>	<b>153</b>	<b>122</b>	<b>58</b>	<b>333</b>	<b>14,773</b>	<b>618</b>	<b>86</b>	<b>15,477</b>
<b>At 30 June 2019</b>	<b>351</b>	<b>200</b>	<b>98</b>	<b>649</b>	<b>29,601</b>	<b>924</b>	<b>136</b>	<b>30,661</b>

**8 Loans and Advances to Customers (Continued)**

<i>In millions of RR</i>	Unaudited							
	Credit loss allowance			Total	Gross carrying amount			
	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)		Stage 1 (12- months ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)	Total
<b>Other loans</b>								
<b>At 1 January 2018</b>	-	-	-	-	-	-	-	-
<i>Movements with impact on credit loss allowance charge for the period:</i>								
New originated or purchased	11	-	-	11	378	-	-	378
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	-	1	-	1	(2)	2	-	-
<b>Total movements with impact on credit loss allowance charge for the six months ended 30 June 2018</b>	<b>11</b>	<b>1</b>	<b>-</b>	<b>12</b>	<b>376</b>	<b>2</b>	<b>-</b>	<b>378</b>
<b>At 30 June 2018</b>	<b>11</b>	<b>1</b>	<b>-</b>	<b>12</b>	<b>376</b>	<b>2</b>	<b>-</b>	<b>378</b>

The credit loss allowance charge during six months ended 30 June 2019 presented in the tables above differs from the amount presented in the consolidated condensed interim statement of profit or loss and other comprehensive income for the period due to RR 1,602 million recovery of amounts previously written-off as uncollectible (three months ended 30 June 2019: recovery of RR 875 million), and due to RR 271 million release of ECL for credit related commitments (three months ended 30 June 2019: release of RR 56 million).

The credit loss allowance charge during six months ended 30 June 2018 presented in the tables above differs from the amount presented in the consolidated condensed interim statement of profit or loss and other comprehensive income for the period due to RR 1,579 million recovery of amounts previously written-off as uncollectible (three months ended 30 June 2018: recovery of RR 1,008 million), and due to RR 79 million release of ECL for credit related commitments (three months ended 30 June 2018: release of RR 42 million).

The amount of the recovery from written-off loans received during the period was credited directly to the credit loss allowance line in the consolidated condensed interim statement of profit or loss and other comprehensive income.

The amount of the ECL for credit related commitments is accounted separately from ECL for credit cards loans and is included in other financial liabilities in the consolidated condensed interim statement of financial position.

During six months ended 30 June 2019 the Group sold credit-impaired loans to third parties (external debt collection agencies) with a gross amount of RR 660 million (three months ended 30 June 2019: RR 508 million) and credit loss allowance of RR 588 million (three months ended 30 June 2019: RR 447 million). The difference between the carrying amount of these loans and the consideration received was recognised as losses in the amount of RR 35 million within credit loss allowance for loans and advances to customers for the six months ended 30 June 2019 (three months ended 30 June 2019: RR 30 million as losses).

**8 Loans and Advances to Customers (Continued)**

During six and three months ended 30 June 2018 the Group sold credit-impaired loans to third parties (external debt collection agencies) with a gross amount of RR 165 million and credit loss allowance of RR 154 million. The difference between the carrying amount of these loans and the consideration received was recognised within credit loss allowance for loans and advances to customers in the amount of RR 1 million for the six and three months ended 30 June 2018.

Presented below is an analysis of issued, activated and utilised cards based on their credit card limits as at the end of the reporting period:

<i>In units</i>	<b>30 June 2019 (Unaudited)</b>	<b>31 December 2018</b>
<b>Credit card limits</b>		
Up to 20 RR thousand	737,831	651,290
20-40 RR thousand	455,372	443,659
40-60 RR thousand	429,175	423,030
60-80 RR thousand	458,111	427,986
80-100 RR thousand	422,394	361,803
100-120 RR thousand	318,384	285,574
120-140 RR thousand	375,382	341,017
140-200 RR thousand	634,365	402,002
More than 200 RR thousand	143,169	109,482
<b>Total cards</b>	<b>3,974,183</b>	<b>3,445,843</b>

Table above only includes credit cards less than 180 days overdue.

The following table contains an analysis of the credit risk exposure of loans and advances to customers measured at AC and for which an ECL allowance is recognised. The carrying amount of loans and advances to customers below also represents the Group's maximum exposure to credit risk on these loans.

Loans and advances to customers at 30 June 2019 are disclosed as follows:

<i>In millions of RR</i>	<b>Unaudited</b>			<b>Total</b>
	<b>Stage 1 (12-months ECL)</b>	<b>Stage 2 (lifetime ECL for SICR)</b>	<b>Stage 3 (lifetime ECL for credit impaired)</b>	
<b>Credit card loans</b>				
- Current	175,632	1,033	-	176,665
- Monitor	9,563	3,164	-	12,727
- Sub-standard	-	5,570	5,155	10,725
- NPL	-	-	22,502	22,502
<b>Gross carrying amount</b>	<b>185,195</b>	<b>9,767</b>	<b>27,657</b>	<b>222,619</b>
Credit loss allowance	(10,392)	(6,489)	(19,479)	(36,360)
<b>Carrying amount</b>	<b>174,803</b>	<b>3,278</b>	<b>8,178</b>	<b>186,259</b>

**TCS Group Holding PLC**  
**Notes to the Consolidated Condensed Interim Financial Information – 30 June 2019**

**8 Loans and Advances to Customers (Continued)**

<i>In millions of RR</i>	Unaudited			Total
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	
<b>Cash loans</b>				
- Current	53,956	2,598	-	56,554
- Monitor	440	710	-	1,150
- Sub-standard	-	921	282	1,203
- NPL	-	-	1,702	1,702
<b>Gross carrying amount</b>	<b>54,396</b>	<b>4,229</b>	<b>1,984</b>	<b>60,609</b>
Credit loss allowance	(1,922)	(1,450)	(1,675)	(5,047)
<b>Carrying amount</b>	<b>52,474</b>	<b>2,779</b>	<b>309</b>	<b>55,562</b>
<b>POS loans</b>				
- Current	17,545	832	-	18,377
- Monitor	117	169	-	286
- Sub-standard	-	134	12	146
- NPL	-	-	351	351
<b>Gross carrying amount</b>	<b>17,662</b>	<b>1,135</b>	<b>363</b>	<b>19,160</b>
Credit loss allowance	(196)	(177)	(322)	(695)
<b>Carrying amount</b>	<b>17,466</b>	<b>958</b>	<b>41</b>	<b>18,465</b>
<b>Other loans</b>				
- Current	29,435	578	-	30,013
- Monitor	166	195	-	361
- Sub-standard	-	151	-	151
- NPL	-	-	136	136
<b>Gross carrying amount</b>	<b>29,601</b>	<b>924</b>	<b>136</b>	<b>30,661</b>
Credit loss allowance	(351)	(200)	(98)	(649)
<b>Carrying amount</b>	<b>29,250</b>	<b>724</b>	<b>38</b>	<b>30,012</b>



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**8 Loans and Advances to Customers (Continued)**

Loans and advances to customers at 31 December 2018 are disclosed as follows:

<i>In millions of RR</i>	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
<b>Credit card loans</b>				
- Current	138,466	974	-	139,440
- Monitor	7,266	2,212	-	9,478
- Sub-standard	-	3,468	4,774	8,242
- NPL	-	-	21,236	21,236
<b>Gross carrying amount</b>	<b>145,732</b>	<b>6,654</b>	<b>26,010</b>	<b>178,396</b>
Credit loss allowance	(9,266)	(4,708)	(19,322)	(33,296)
<b>Carrying amount</b>	<b>136,466</b>	<b>1,946</b>	<b>6,688</b>	<b>145,100</b>
<b>Cash loans</b>				
- Current	32,504	1,274	-	33,778
- Monitor	147	207	-	354
- Sub-standard	-	295	72	367
- NPL	-	-	695	695
<b>Gross carrying amount</b>	<b>32,651</b>	<b>1,776</b>	<b>767</b>	<b>35,194</b>
Credit loss allowance	(1,116)	(545)	(670)	(2,331)
<b>Carrying amount</b>	<b>31,535</b>	<b>1,231</b>	<b>97</b>	<b>32,863</b>
<b>POS loans</b>				
- Current	14,499	385	-	14,884
- Monitor	61	60	-	121
- Sub-standard	-	60	6	66
- NPL	-	-	204	204
<b>Gross carrying amount</b>	<b>14,560</b>	<b>505</b>	<b>210</b>	<b>15,275</b>
Credit loss allowance	(190)	(81)	(189)	(460)
<b>Carrying amount</b>	<b>14,370</b>	<b>424</b>	<b>21</b>	<b>14,815</b>

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**8 Loans and Advances to Customers (Continued)**

<i>In millions of RR</i>	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
<b>Other loans</b>				
- Current	5,707	49	-	5,756
- Monitor	20	27	-	47
- Sub-standard	-	26	-	26
- NPL	-	-	16	16
<b>Gross carrying amount</b>	<b>5,727</b>	<b>102</b>	<b>16</b>	<b>5,845</b>
Credit loss allowance	(84)	(36)	(14)	(134)
<b>Carrying amount</b>	<b>5,643</b>	<b>66</b>	<b>2</b>	<b>5,711</b>

Stage 3 includes restructured loans that are less than 90 days overdue which are not considered as NPL according to the Group's credit risk grading master scale.

Loans in courts are included in Stage 3 and are loans to delinquent borrowers, against which the Group has filed claims to courts in order to recover outstanding balances. As at 30 June 2019 the gross carrying amount of the loans in courts was RR 15,276 million (31 December 2018: RR 15,390 million).

Refer to Note 21 for the estimated fair value of loans and advances to customers. Information on related party balances is disclosed in Note 22.

**9 Investments in Debt Securities**

The table below discloses investments in debt securities at 30 June 2019 by measurement categories and classes:

<i>In millions of RR</i>	Unaudited		Total
	Debt securities at FVOCI	Debt securities measured at FVTPL	
Corporate bonds	57,909	-	57,909
Russian government bonds	15,439	-	15,439
Municipal bonds	5,831	-	5,831
Perpetual corporate bonds	-	97	97
<b>Total investments in debt securities at 30 June 2019 (fair value/carrying value)</b>	<b>79,179</b>	<b>97</b>	<b>79,276</b>
Including Credit loss allowance	304	-	304

**9 Investments in Debt Securities (Continued)**

The table below discloses investments in debt securities at 31 December 2018 by measurement categories and classes:

<i>In millions of RR</i>	Debt securities at FVOCI	Debt securities measured at FVTPL	Total
Corporate bonds	65,140	-	65,140
Russian government bonds	23,560	-	23,560
Municipal bonds	5,774	-	5,774
Perpetual corporate bonds	-	5,666	5,666
<b>Total investments in debt securities at 31 December 2018 (fair value/carrying value)</b>	<b>94,474</b>	<b>5,666</b>	<b>100,140</b>
Including Credit loss allowance	481	-	481

Refer to Note 21 for the disclosure of the fair value of investments in debt securities.

**10 Repurchase Receivables**

Repurchase receivables represent securities sold under sale and repurchase agreements which the counterparty has the right by contract to sell or repledge. As at 30 June 2019 the sale and repurchase agreements are short-term and mature in July 2019 (31 December 2018: January 2019). Repurchase receivables represent securities at FVOCI sold under sale and repurchase agreements:

<i>In millions of RR</i>	30 June 2019 (Unaudited)	31 December 2018
Russian government bonds	13,671	1,110
Corporate bonds	1,213	72
<b>Total debt securities (fair value/carrying value)</b>	<b>14,884</b>	<b>1,182</b>
Including Credit loss allowance	39	3

Refer to Note 21 for the disclosure of the fair value of each class of repurchase receivables. Securities at FVOCI reclassified to repurchase receivables continue to be carried at fair value in accordance with accounting policies for these categories of assets.

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**11 Customer Accounts**

<i>In millions of RR</i>	Note	30 June 2019 (Unaudited)	31 December 2018
<b>Individuals</b>			
- Current/demand accounts		154,830	137,637
- Term deposits		119,459	100,227
<b>IE and SME</b>			
- Current/demand accounts	18	39,721	41,702
<b>Other legal entities</b>			
- Current/demand accounts		825	552
- Term deposits		189	798
<b>Total Customer Accounts</b>		<b>315,024</b>	<b>280,916</b>

Refer to Note 21 for the disclosure of the fair value of customer accounts. Information on related party balances is disclosed in Note 22.

**12 Share Capital**

<i>In millions of RR except for the number of shares</i>	Number of authorised shares	Number of outstanding shares	Ordinary shares	Share premium	Treasury shares	Total
<b>At 1 January 2018</b>	<b>190,479,500</b>	<b>182,638,825</b>	<b>188</b>	<b>8,623</b>	<b>(1,587)</b>	<b>7,224</b>
Increase of number of authorised shares	1,291,266					
GDRs buy-back	-	-	-	-	(2,455)	(2,455)
GDRs and shares transferred under MLTIP	-	-	-	-	372	372
<b>At 31 December 2018</b>	<b>191,770,766</b>	<b>182,638,825</b>	<b>188</b>	<b>8,623</b>	<b>(3,670)</b>	<b>5,141</b>
Increase of number of authorised shares	18,263,882					
GDRs and shares transferred under MLTIP	-	-	-	-	506	506
<b>At 30 June 2019 (Unaudited)</b>	<b>210,034,648</b>	<b>182,638,825</b>	<b>188</b>	<b>8,623</b>	<b>(3,164)</b>	<b>5,647</b>

As at 30 June 2019 and 31 December 2018 treasury shares represent GDRs of the Group repurchased from the market for the purposes permitted by Cyprus law including contribution to MLTIP. Refer to Note 22.

In June 2019 the Company's shareholders approved a resolution to increase authorised share capital to USD 8,401,385.92 by the creation of 18,263,882 new undesignated ordinary shares of nominal value USD 0.04 each. As at 30 June 2019 the total number of authorised shares is 210,034,648 shares (31 December 2018: 191,770,766 shares) with a par value of USD 0.04 per share (31 December 2018: USD 0.04 per share).

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**13 Net margin**

<i>In millions of RR</i>	Note	Unaudited			
		Six months ended 30 June 2019	Three months ended 30 June 2019	Six months ended 30 June 2018	Three months ended 30 June 2018
<b>Interest income calculated using the effective interest rate method</b>					
Loans and advances to customers, including:					
<i>Credit card loans</i>		38,954	21,204	30,751	15,230
<i>Cash loans</i>		5,165	2,995	1,282	825
<i>POS loans</i>		1,438	727	735	433
<i>Secured loans</i>		613	459	-	-
<i>Car loans</i>		381	262	3	3
<i>Loans to IE and SME</i>		127	74	-	-
Debt securities and repurchase receivables at FVOCI		3,279	1,628	2,561	1,328
Placements with other banks and non-bank credit organizations with original maturities of less than three months		184	74	186	91
Other interest income		-	-	1	-
<b>Total Interest income calculated using the effective interest rate method</b>		<b>50,141</b>	<b>27,423</b>	<b>35,519</b>	<b>17,910</b>
<b>Other similar income</b>					
Debt securities and repurchase receivables at FVTPL		118	15	221	118
<b>Total Interest Income</b>		<b>50,259</b>	<b>27,438</b>	<b>35,740</b>	<b>18,028</b>
<b>Interest expense calculated using the effective interest rate method</b>					
Customer accounts, including:					
<i>Individuals</i>					
- Current/demand accounts		3,829	2,109	2,477	1,317
- Term deposits		3,155	1,681	2,518	1,246
<i>IE and SME</i>	18	637	386	386	196
<i>Other legal entities</i>		25	12	43	22
Subordinated debt		923	459	1,142	576
Due to banks		538	334	14	2
RR denominated bonds		453	316	350	174
Euro-Commercial Paper		50	26	58	30
<b>Total Interest expense calculated using the effective interest rate method</b>		<b>9,610</b>	<b>5,323</b>	<b>6,988</b>	<b>3,563</b>
<b>Other similar expense</b>					
Lease liabilities		68	35	-	-
<b>Total Interest Expense</b>		<b>9,678</b>	<b>5,358</b>	<b>6,988</b>	<b>3,563</b>
Expenses on deposit insurance		844	442	515	274
<b>Net margin</b>		<b>39,737</b>	<b>21,638</b>	<b>28,237</b>	<b>14,191</b>

**14 Fee and Commission Income and Expense**

<i>In millions of RR</i>	Unaudited			
	Six months ended 30 June 2019	Three months ended 30 June 2019	Six months ended 30 June 2018	Three months ended 30 June 2018
<b>Fee and commission income</b>				
IE and SME current accounts commission	3,814	1,982	2,858	1,609
Credit protection fee	3,112	1,566	2,971	1,395
Acquiring commission	3,088	1,564	1,795	961
Interchange fee	1,539	885	1,225	606
SMS fee	1,504	785	1,021	523
Foreign currency exchange transactions fee	1,215	632	764	411
Card to card commission	759	457	555	371
Cash withdrawal fee	327	165	418	216
Income from MVNO services	293	174	-	-
Brokerage operations	208	114	89	44
Mortgage agency fee	121	54	173	98
Marketing services fee	104	64	-	-
Placement fee	39	19	91	52
Other fees receivable	214	107	142	31
<b>Total fee and commission income</b>	<b>16,337</b>	<b>8,568</b>	<b>12,102</b>	<b>6,317</b>

IE and SME current accounts commission represents commission for services to individual entrepreneurs and small to medium businesses. Credit protection fee income represents agency fee for providing voluntary credit insurance to borrowers of the Group. Merchant acquiring commission represents commission for processing card payments from online and offline points of sale.

<i>In millions of RR</i>	Unaudited			
	Six months ended 30 June 2019	Three months ended 30 June 2019	Six months ended 30 June 2018	Three months ended 30 June 2018
<b>Fee and commission expense</b>				
Payment systems	5,787	3,134	3,707	2,053
Service fees	914	484	618	332
Costs of MVNO services	308	185	-	-
Banking and other fees	227	132	159	92
Partnership fees	121	48	-	-
<b>Total fee and commission expense</b>	<b>7,357</b>	<b>3,983</b>	<b>4,484</b>	<b>2,477</b>

Payment systems fees represent fees for MasterCard and Visa services. Service fees represent fees for statement printing, mailing services and sms services. Costs of MVNO services represent expenses for the traffic, telecommunications service and roaming.

**15 Customer Acquisition Expense**

<i>In millions of RR</i>	Unaudited			
	Six months ended 30 June 2019	Three months ended 30 June 2019	Six months ended 30 June 2018	Three months ended 30 June 2018
Marketing and advertising	5,094	2,884	3,204	1,571
Staff costs	3,167	1,517	2,547	1,241
Taxes other than income tax	859	340	650	318
Credit bureaux	342	188	244	125
Telecommunication expenses	181	89	143	67
Other acquisition	340	308	18	3
<b>Total customer acquisition expenses</b>	<b>9,983</b>	<b>5,326</b>	<b>6,806</b>	<b>3,325</b>

Customer acquisition expenses represent expenses paid by the Group on services related to origination of customers which are not directly attributable to the recognised assets and are not incremental. The Group uses a variety of different channels for the acquisition of new customers. Staff costs represent salary expenses and related costs of employees directly involved in customer acquisition. Included in staff costs are statutory social contributions to the state non-budgetary funds in the amount of RR 823 million for the six months and RR 436 million for the three months ended 30 June 2019 (RR 580 million for the six months and RR 307 million for the three months ended 30 June 2018).

**16 Administrative and Other Operating Expenses**

<i>In millions of RR</i>	Unaudited			
	Six months ended 30 June 2019	Three months ended 30 June 2019	Six months ended 30 June 2018	Three months ended 30 June 2018
Staff costs	9,085	4,512	7,513	3,856
Taxes other than income tax	718	406	433	218
Depreciation of right-of-use assets	640	329	-	-
Amortization of intangible assets	586	271	382	202
Depreciation of fixed assets	547	262	339	187
Professional services	447	360	155	78
Information services	352	168	271	151
Stationery	196	104	107	62
Communication services	148	75	186	102
Security expenses	76	33	82	44
Collection expenses	66	36	81	51
Operating lease expense for premises and equipment	-	-	292	153
Other administrative expenses	206	98	202	122
<b>Total</b>	<b>13,067</b>	<b>6,654</b>	<b>10,043</b>	<b>5,226</b>

Included in staff costs are statutory social contributions to the non-budget funds and share-based remuneration:

<i>In millions of RR</i>	Unaudited			
	Six months ended 30 June 2019	Three months ended 30 June 2019	Six months ended 30 June 2018	Three months ended 30 June 2018
Statutory social contribution to the non-budget funds	1,659	822	1,153	580
Share-based remuneration	282	137	348	140

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**17 Dividends**

The movements in dividends during six months ended 30 June 2019 and 30 June 2018 are as follows:

<i>In millions of RR</i>	<b>2019</b>	<b>2018</b>
<b>Dividends payable at 1 January</b>	<b>760</b>	<b>377</b>
Dividends declared during the period	5,870	5,946
Dividends paid during the period	(5,618)	(5,863)
Dividends paid under MLTIP after vesting date	(524)	(130)
Foreign exchange (gain)/loss on dividends payable	(17)	155
<b>Dividends payable at 30 June (unaudited)</b>	<b>471</b>	<b>485</b>
<b>Dividends per share declared during the period (in USD)</b>	<b>0.49</b>	<b>0.55</b>
<b>Dividends per share paid during the period (in USD)</b>	<b>0.49</b>	<b>0.55</b>

The movements in dividends during three months ended 30 June 2019 and 30 June 2018 are as follows:

<i>In millions of RR</i>	<b>2019</b>	<b>2018</b>
<b>Dividends payable at 31 March (unaudited)</b>	<b>440</b>	<b>3,520</b>
Dividends declared during the period	2,022	2,730
Dividends paid during the period	(1,964)	(5,863)
Dividends paid under MLTIP after vesting date	(176)	(11)
Foreign exchange loss on dividends payable	149	109
<b>Dividends payable at 30 June (unaudited)</b>	<b>471</b>	<b>485</b>
<b>Dividends per share declared during the period (in USD)</b>	<b>0.17</b>	<b>0.24</b>
<b>Dividends per share paid during the period (in USD)</b>	<b>0.17</b>	<b>0.55</b>

Dividends declared in the tables above represent dividends declared by the Board of Directors decreased by RR 11 million for the six months and by RR 4 million for the three months ended 30 June 2019 of dividends on GDRs acquired by the Company from the market not for the immediate purposes of existing MLTIP.

On 13 May 2019 the Board of Directors declared an interim dividend of USD 0.17 (RR 11.09) per share/per GDR amounting to USD 31.05 million (RR 2,026 million). Declared dividends were paid in USD on 28 and 30 May 2019.

On 11 March 2019 the Board of Directors declared an interim dividend of USD 0.32 (RR 21.11) per share/per GDR amounting to USD 58.4 million (RR 3,855 million). Declared dividends were paid in USD on 25 and 27 March 2019.

On 29 May 2018 the Board of Directors declared a regular interim dividend of USD 0.24 (RR 14.94) per share/per GDR amounting to USD 43.8 million (RR 2,730 million). Declared dividends were paid in USD on 21 and 27 June 2018.

On 9 March 2018 the Board of Directors declared a regular interim dividend of USD 0.31 (RR 17.61) per share/per GDR amounting to USD 56.6 million (RR 3,216 million). Declared dividends were paid in USD on 4 and 9 April 2018.

Dividends were declared and paid in USD throughout the periods ended 30 June 2019 and 30 June 2018. Dividends payable at 30 June 2019 related to treasury shares acquired under MLTIP amounting to RR 471 million are included in other non-financial liabilities (31 December 2018: RR 760 million).

On 4 June 2019 the Group announced suspension of dividend payments for the remainder of 2019 to ensure the Group will have the necessary capital to further support credit portfolio growth.



## **18 Segment Analysis**

Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM) and for which discrete financial information is available. The CODM is the person or group of persons who allocates resources and assesses the performance for the Group. The functions of CODM are performed by the Management of the Bank and the Management of the Insurance Company.

### ***Description of products and services from which each reportable segment derives its revenue***

The Group is organised on the basis of 4 main business segments:

- Retail banking – representing customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans, car loans, secured loans and brokerage services to individuals.
- IE and SME accounts services – representing customer current accounts, savings, deposits services and providing loans to individual entrepreneurs and small to medium businesses.
- Insurance operations – representing insurance services provided to individuals.
- MVNO services - providing mobile services for both current Group's customers and others.

### ***Factors that management used to identify the reportable segments***

The Group's segments are strategic business units that focus on different services to the customers of the Group. They are managed separately because each business unit requires different marketing strategies and represents different types of businesses.

### ***Measurement of operating segment profit or loss, assets and liabilities***

The CODM reviews financial information prepared based on International financial reporting standards adjusted to meet the requirements of internal reporting. The CODM evaluates performance of each segment based on profit before tax.

**18 Segment Analysis (Continued)**

**Information about reportable segment profit or loss, assets and liabilities**

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

<i>In millions of RR</i>	Unaudited				Eliminations	Total
	Retail banking	SME accounts services	Insurance operations	MVNO services		
Cash and cash equivalents	8,400	13,277	4,121	11	(2,038)	23,771
Mandatory cash balances with the CBRF	2,721	-	-	-	-	2,721
Due from other banks	-	-	1,395	-	-	1,395
Loans and advances to customers	291,712	594	401	-	(2,409)	290,298
Financial derivatives	762	-	-	-	-	762
Investments in debt securities	48,613	29,285	1,378	-	-	79,276
Repurchase receivables	14,884	-	-	-	-	14,884
Guarantee deposits with payment systems	4,433	-	-	-	-	4,433
Current income tax assets	2,527	-	-	-	-	2,527
Deferred income tax assets	604	-	10	-	-	614
Tangible fixed assets and right-of-use assets	10,522	-	-	85	-	10,607
Intangible assets	3,828	678	218	304	-	5,028
Other financial assets	12,927	383	1,396	86	(1,214)	13,578
Other non-financial assets	1,372	-	736	242	(181)	2,169
<b>Total reportable segment assets</b>	<b>403,305</b>	<b>44,217</b>	<b>9,655</b>	<b>728</b>	<b>(5,842)</b>	<b>452,063</b>
Due to banks	20,519	-	-	2,008	(2,008)	20,519
Customer accounts	277,742	39,721	-	-	(2,439)	315,024
Debt securities in issue	17,651	-	-	-	-	17,651
Financial derivatives	186	-	-	-	-	186
Subordinated debt	18,804	-	-	-	-	18,804
Insurance provisions	-	-	5,056	-	-	5,056
Other financial liabilities	13,751	-	846	597	(1,249)	13,945
Other non-financial liabilities	6,457	-	29	37	(146)	6,377
<b>Total reportable segment liabilities</b>	<b>355,110</b>	<b>39,721</b>	<b>5,931</b>	<b>2,642</b>	<b>(5,842)</b>	<b>397,562</b>

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**18 Segment Analysis (Continued)**

Segment reporting of the Group's income and expenses for the six months ended 30 June 2019 is set out below:

	Unaudited					Total
	Retail banking	SME accounts services	Insurance operations	MVNO services	Elimina- tions	
<i>In millions of RR</i>						
<b>Six months ended 30 June 2019</b>						
Revenues						
Interest income calculated using the effective interest rate method	48,819	1,247	175	-	(100)	50,141
Other similar income	118	-	-	-	-	118
Fee and commission income						
<i>IE and SME current accounts commission</i>	-	3,814	-	-	-	3,814
<i>Credit protection fee</i>	3,112	-	-	-	-	3,112
<i>Acquiring commission</i>	3,044	90	-	-	(46)	3,088
<i>SMS fee</i>	1,504	-	-	-	-	1,504
<i>Interchange fee</i>	1,228	311	-	-	-	1,539
<i>Foreign currency exchange transactions fee</i>	1,083	132	-	-	-	1,215
<i>Card to card commission</i>	759	-	-	-	-	759
<i>Cash withdrawal fee</i>	327	-	-	-	-	327
<i>Income from MVNO services</i>	-	-	-	387	(94)	293
<i>Brokerage operations</i>	208	-	-	-	-	208
<i>Mortgage agency fee</i>	121	-	-	-	-	121
<i>Marketing services fee</i>	104	-	-	-	-	104
<i>Placement fee</i>	39	-	-	-	-	39
<i>Other fees receivable</i>	241	-	-	-	(27)	214
Timing of fee and commission income recognition:						
- At point in time	10,266	4,297	-	387	(167)	14,783
- Over time	1,504	50	-	-	-	1,554
<b>Total fee and commission income</b>	<b>11,770</b>	<b>4,347</b>	<b>-</b>	<b>387</b>	<b>(167)</b>	<b>16,337</b>
Net gains from disposals of debt securities at FVOCI						
	140	-	-	-	-	140
Net gains from debt instruments at FVTPL						
	390	-	-	-	-	390
Insurance premiums earned	146	-	5,298	-	(186)	5,258
Credit loss allowance for debt securities at FVOCI						
	142	-	-	-	-	142
Other operating income	1,900	31	129	-	(17)	2,043
<b>Total revenues</b>	<b>63,425</b>	<b>5,625</b>	<b>5,602</b>	<b>387</b>	<b>(470)</b>	<b>74,569</b>
Interest expense calculated using the effective interest rate method						
	(9,014)	(637)	-	(59)	100	(9,610)
Other similar expense	(68)	-	-	-	-	(68)
Expenses on deposit insurance	(744)	(100)	-	-	-	(844)
Credit loss allowance for loans and advances to customers						
	(11,594)	(57)	-	-	-	(11,651)
Fee and commission expense	(6,243)	(894)	(6)	(308)	94	(7,357)
Customer acquisition expense	(8,503)	(757)	(507)	(475)	259	(9,983)
Net losses from operations with foreign currencies						
	(372)	-	(6)	-	-	(378)
Insurance claims incurred	-	-	(1,908)	-	-	(1,908)
Administrative and other operating expenses	(10,618)	(1,536)	(593)	(337)	17	(13,067)
<b>Segment result</b>	<b>16,269</b>	<b>1,644</b>	<b>2,582</b>	<b>(792)</b>	<b>-</b>	<b>19,703</b>

**TCS Group Holding PLC**  
**Notes to the Consolidated Condensed Interim Financial Information – 30 June 2019**

**18 Segment Analysis (Continued)**

Segment reporting of the Group's income and expenses for the three months ended 30 June 2019 is set out below:

<i>In millions of RR</i>	Unaudited					Total
	Retail banking	SME accounts services	Insurance operations	MVNO services	Eliminations	
<b>Three months ended 30 June 2019</b>						
Revenues						
Interest income calculated using the effective interest rate method	26,745	636	96	-	(54)	27,423
Other similar income	15	-	-	-	-	15
Fee and commission income						
<i>IE and SME current accounts commission</i>	-	1,982	-	-	-	1,982
<i>Credit protection fee</i>	1,566	-	-	-	-	1,566
<i>Acquiring commission</i>	1,550	48	-	-	(34)	1,564
<i>SMS fee</i>	785	-	-	-	-	785
<i>Interchange fee</i>	711	174	-	-	-	885
<i>Foreign currency exchange transactions fee</i>	560	72	-	-	-	632
<i>Card to card commission</i>	457	-	-	-	-	457
<i>Cash withdrawal fee</i>	165	-	-	-	-	165
<i>Income from MVNO services</i>	-	-	-	232	(58)	174
<i>Brokerage operations</i>	114	-	-	-	-	114
<i>Mortgage agency fee</i>	54	-	-	-	-	54
<i>Marketing services fee</i>	64	-	-	-	-	64
<i>Placement fee</i>	19	-	-	-	-	19
<i>Other fees receivable</i>	124	-	-	-	(17)	107
Timing of fee and commission income recognition:						
- At point in time	5,182	2,244	-	232	(109)	7,549
- Over time	987	32	-	-	-	1,019
Total fee and commission income	6,169	2,276	-	232	(109)	8,568
Net gains from disposals of debt securities at FVOCI						
	132	-	-	-	-	132
Net gains from debt instruments at FVTPL						
	3	-	-	-	-	3
Insurance premiums earned	93	-	2,986	-	(131)	2,948
Credit loss allowance for debt securities at FVOCI	103	-	-	-	-	103
Other operating income	970	16	43	-	(7)	1,022
<b>Total revenues</b>	<b>34,230</b>	<b>2,928</b>	<b>3,125</b>	<b>232</b>	<b>(301)</b>	<b>40,214</b>
Interest expense calculated using the effective interest rate method						
	(4,958)	(386)	-	(33)	54	(5,323)
Other similar expense	(35)	-	-	-	-	(35)
Expenses on deposit insurance	(392)	(50)	-	-	-	(442)
Credit loss allowance for loans and advances to customers	(6,777)	(23)	-	-	-	(6,800)
Fee and commission expense	(3,324)	(526)	(6)	(185)	58	(3,983)
Customer acquisition expense	(4,686)	(246)	(284)	(292)	182	(5,326)
Net losses from operations with foreign currencies	(125)	-	(2)	-	-	(127)
Insurance claims incurred	-	-	(1,086)	-	-	(1,086)
Administrative and other operating expenses	(5,394)	(807)	(288)	(172)	7	(6,654)
<b>Segment result</b>	<b>8,539</b>	<b>890</b>	<b>1,459</b>	<b>(450)</b>	<b>-</b>	<b>10,438</b>

**TCS Group Holding PLC**  
**Notes to the Consolidated Condensed Interim Financial Information – 30 June 2019**

**18 Segment Analysis (Continued)**

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

<i>In millions of RR</i>	<b>Retail banking</b>	<b>SME accounts services</b>	<b>Insurance operations</b>	<b>MVNO services</b>	<b>Elimina- tions</b>	<b>Total</b>
Cash and cash equivalents	19,621	13,110	3,537	15	(2,481)	33,802
Mandatory cash balances with the CBRF	2,435	-	-	-	-	2,435
Due from other banks	-	-	776	-	-	776
Loans and advances to customers	199,513	330	386	-	(1,740)	198,489
Financial derivatives	1,710	-	-	-	-	1,710
Investments in debt securities	68,375	30,394	1,371	-	-	100,140
Repurchase receivables	1,182	-	-	-	-	1,182
Guarantee deposits with payment systems	4,603	-	-	-	-	4,603
Current income tax assets	1,104	-	-	-	-	1,104
Tangible fixed assets	8,280	-	-	89	-	8,369
Intangible assets	3,214	547	264	198	-	4,223
Other financial assets	15,316	173	542	46	(435)	15,642
Other non-financial assets	2,344	-	618	150	(88)	3,024
<b>Total reportable segment assets</b>	<b>327,697</b>	<b>44,554</b>	<b>7,494</b>	<b>498</b>	<b>(4,744)</b>	<b>375,499</b>
Due to banks	2,708	-	-	1,344	(1,344)	2,708
Customer accounts	242,092	41,702	-	-	(2,878)	280,916
Debt securities in issue	9,605	-	-	-	-	9,605
Financial derivatives	3	-	-	-	-	3
Current income tax liabilities	51	-	-	-	-	51
Deferred income tax liabilities	1,821	-	-	-	-	1,821
Subordinated debt	20,644	-	-	-	-	20,644
Insurance provisions	-	-	2,859	-	-	2,859
Other financial liabilities	9,746	-	1,711	213	(469)	11,201
Other non-financial liabilities	3,367	-	63	64	(53)	3,441
<b>Total reportable segment liabilities</b>	<b>290,037</b>	<b>41,702</b>	<b>4,633</b>	<b>1,621</b>	<b>(4,744)</b>	<b>333,249</b>

**18 Segment Analysis (Continued)**

Segment reporting of the Group's income and expenses for the six months ended 30 June 2018 is set out below:

<i>In millions of RR</i>	Unaudited					Total
	Retail banking	SME accounts services	Insurance operations	MVNO services	Eliminations	
<b>Six months ended 30 June 2018</b>						
Revenues						
Interest income calculated using the effective interest rate method	34,694	766	96	-	(37)	35,519
Other similar income	221	-	-	-	-	221
Fee and commission income						
<i>IE and SME current accounts commission</i>	-	2,858	-	-	-	2,858
<i>Credit protection fee</i>	2,971	-	-	-	-	2,971
<i>Acquiring commission</i>	1,957	-	-	-	(162)	1,795
<i>Interchange fee</i>	1,054	171	-	-	-	1,225
<i>SMS fee</i>	1,021	-	-	-	-	1,021
<i>Foreign currency exchange transactions fee</i>	687	77	-	-	-	764
<i>Card to card commission</i>	555	-	-	-	-	555
<i>Cash withdrawal fee</i>	418	-	-	-	-	418
<i>Mortgage agency fee</i>	173	-	-	-	-	173
<i>Brokerage operations</i>	89	-	-	-	-	89
<i>Placement fee</i>	91	-	-	-	-	91
<i>Other fees receivable</i>	111	-	-	31	-	142
Timing of fee and commission income recognition:						
- At point in time	8,106	3,057	-	31	(162)	11,032
- Over time	1,021	49	-	-	-	1,070
Total fee and commission income	9,127	3,106	-	31	(162)	12,102
Net gains from disposals of debt securities at FVOCI						
	315	-	-	-	-	315
Insurance premiums earned	-	-	2,603	-	-	2,603
Other operating income	1,139	13	20	4	(36)	1,140
<b>Total revenues</b>	<b>45,496</b>	<b>3,885</b>	<b>2,719</b>	<b>35</b>	<b>(235)</b>	<b>51,900</b>
Interest expense calculated using the effective interest rate method						
	(6,624)	(386)	-	(15)	37	(6,988)
Expenses on deposit insurance	(481)	(34)	-	-	-	(515)
Credit loss allowance for loans and advances to customers	(6,221)	-	-	-	-	(6,221)
Credit loss allowance for debt securities at FVOCI	(106)	-	-	-	-	(106)
Fee and commission expense	(4,023)	(404)	-	(57)	-	(4,484)
Customer acquisition expense	(5,230)	(1,218)	(319)	(201)	162	(6,806)
Net losses from operations with foreign currencies	(458)	-	7	-	-	(451)
Net gains/(losses) from debt instruments at FVTPL	(328)	-	-	-	-	(328)
Insurance claims incurred	-	-	(779)	-	-	(779)
Administrative and other operating expenses	(8,351)	(1,050)	(477)	(201)	36	(10,043)
<b>Segment result</b>	<b>13,674</b>	<b>793</b>	<b>1,151</b>	<b>(439)</b>	<b>-</b>	<b>15,179</b>

**TCS Group Holding PLC**  
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**18 Segment Analysis (Continued)**

Segment reporting of the Group's income and expenses for the three months ended 30 June 2018 is set out below:

<i>In millions of RR</i>	Unaudited					Total
	Retail banking	SME accounts services	Insurance operations	MVNO services	Eliminations	
<b>Three months ended 30 June 2018</b>						
Revenues						
Interest income calculated using the effective interest rate method	17,485	392	53	-	(20)	17,910
Other similar income	118	-	-	-	-	118
Fee and commission income						
<i>IE and SME current accounts commission</i>	-	1,609	-	-	-	1,609
<i>Credit protection fee</i>	1,395	-	-	-	-	1,395
<i>Acquiring commission</i>	1,053	-	-	-	(92)	961
<i>Interchange fee</i>	540	66	-	-	-	606
<i>SMS fee</i>	523	-	-	-	-	523
<i>Foreign currency exchange transactions fee</i>	371	40	-	-	-	411
<i>Card to card commission</i>	371	-	-	-	-	371
<i>Cash withdrawal fee</i>	216	-	-	-	-	216
<i>Mortgage agency fee</i>	98	-	-	-	-	98
<i>Brokerage operations</i>	44	-	-	-	-	44
<i>Placement fee</i>	52	-	-	-	-	52
<i>Other fees receivable</i>	-	-	-	31	-	31
Timing of fee and commission income recognition:						
- At point in time	4,140	1,690	-	31	(92)	5,769
- Over time	523	25	-	-	-	548
<b>Total fee and commission income</b>	<b>4,663</b>	<b>1,715</b>	<b>-</b>	<b>31</b>	<b>(92)</b>	<b>6,317</b>
Net gains from operations with foreign currencies	3	-	7	-	-	10
Net gains from disposals of debt securities at FVOCI	44	-	-	-	-	44
Insurance premiums earned	-	-	1,445	-	-	1,445
Other operating income	642	7	20	-	(35)	634
<b>Total revenues</b>	<b>22,955</b>	<b>2,114</b>	<b>1,525</b>	<b>31</b>	<b>(147)</b>	<b>26,478</b>
Interest expense calculated using the effective interest rate method	(3,378)	(196)	-	(9)	20	(3,563)
Expenses on deposit insurance	(258)	(16)	-	-	-	(274)
Credit loss allowance for loans and advances to customers	(3,000)	-	-	-	-	(3,000)
Credit loss allowance for debt securities at FVOCI	(86)	-	-	-	-	(86)
Fee and commission expense	(2,167)	(266)	-	(44)	-	(2,477)
Customer acquisition expense	(2,459)	(589)	(175)	(194)	92	(3,325)
Net gains/(losses) from debt instruments at FVTPL	(310)	-	-	-	-	(310)
Insurance claims incurred	-	-	(438)	-	-	(438)
Administrative and other operating expenses	(4,256)	(591)	(283)	(131)	35	(5,226)
<b>Segment result</b>	<b>7,041</b>	<b>456</b>	<b>629</b>	<b>(347)</b>	<b>-</b>	<b>7,779</b>

**18 Segment Analysis (Continued)**

**Reconciliation of reportable segment revenues, profit or loss, assets and liabilities**

<i>In millions of RR</i>	Unaudited			
	Six Months Ended 30 June 2019	Three Months Ended 30 June 2019	Six Months Ended 30 June 2018	Three Months Ended 30 June 2018
Total revenues for reportable segments	75,039	40,515	52,135	26,625
Intercompany transactions	(470)	(301)	(235)	(147)
<b>Total consolidated revenues</b>	<b>74,569</b>	<b>40,214</b>	<b>51,900</b>	<b>26,478</b>

Total consolidated revenues comprise interest income calculated using the effective interest rate method, other similar income, fee and commission income, net gains from disposals of debt securities at FVOCI, net gains from debt instruments at FVTPL, insurance premiums earned and other operating income.

<i>In millions of RR</i>	Unaudited			
	Six Months Ended 30 June 2019	Three Months Ended 30 June 2019	Six Months Ended 30 June 2018	Three Months Ended 30 June 2018
Total reportable segment result	19,703	10,438	15,179	7,779
<b>Profit before tax</b>	<b>19,703</b>	<b>10,438</b>	<b>15,179</b>	<b>7,779</b>

<i>In millions of RR</i>	30 June 2019 (Unaudited)	31 December 2018
Total reportable segment assets	457,905	380,243
Intercompany balances	(5,842)	(4,744)
<b>Total consolidated assets</b>	<b>452,063</b>	<b>375,499</b>

<i>In millions of RR</i>	30 June 2019 (Unaudited)	31 December 2018
Total reportable segment liabilities	403,404	337,993
Intercompany balances	(5,842)	(4,744)
<b>Total consolidated liabilities</b>	<b>397,562</b>	<b>333,249</b>

**19 Management of Capital**

The Group's objectives when managing capital are (i) for the Bank to comply with the capital requirements set by the Central Bank of Russian Federation (CBRF), (ii) for the Insurance Company to comply with the capital requirements set by the legislation of the Russian Federation, (iii) for the Group to comply with the financial covenants set by the terms of securities issued; (iv) to safeguard the Group's ability to continue as a going concern.



## **19 Management of Capital (Continued)**

The Group considers total capital under management to be equity attributable to shareholders of the Company as shown in the consolidated condensed interim statement of financial position. The amount of capital that the Group managed as of 30 June 2019 was RR 54,337 million (31 December 2018: RR 42,014 million).

Compliance with capital adequacy ratios set by the CBRF is monitored daily and submitted to the CBRF monthly with reports outlining their calculation reviewed and signed by the Bank's Chief Executive Officer and Chief Accountant. Other objectives of capital management are evaluated annually. The amount of regulatory capital of Tinkoff Bank calculated in accordance with the methodology set by CBRF as at 30 June 2019 was RR 78,177 million, and the equity capital adequacy ratio (N1.0) was 11.15% (31 December 2018: RR 74,375 million and 13.92%). Minimum required statutory equity capital adequacy ratio (N1.0) was 8% as at 30 June 2019 (31 December 2018: 8%).

The Group also monitors capital requirements including capital adequacy ratio under the Basel III methodology of the Basel Committee on Banking Supervision: global regulatory framework for more resilient banks and banking systems (hereinafter "Basel III"). The amounts of total capital and Tier 1 capital calculated in accordance with the methodology set by Basel Committee with capital adjustments as set out in Basel III as at 30 June 2019 were RR 68,113 million (31 December 2018: RR 58,435 million). Total capital adequacy ratio and Tier 1 capital adequacy ratio were 14.24% (31 December 2018: 14.86%).

The Group and the Bank have complied with all externally imposed capital requirements throughout the six and three months ended 30 June 2019 and year ended 31 December 2018.

The Insurance Company has complied with all capital requirements set by the legislation of the Russian Federation throughout the six and three months ended 30 June 2019 and the year ended 31 December 2018.

## **20 Contingencies and Commitments**

**Legal proceedings.** From time to time and in the normal course of business, claims against the Group may be received. On the basis of its own estimates and internal professional advice, management is of the opinion that no material unprovided losses will be incurred in respect of claims.

**Tax contingencies.** Russian tax legislation which was enacted or substantively enacted at the end of the reporting period, is subject to varying interpretations when being applied to the transactions and activities of the Group. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be challenged tax authorities. Russian tax administration is gradually strengthening, including the fact that there is a higher risk of review of tax transactions without a clear business purpose or with tax incompliant counterparties. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year when decision about review was made. Under certain circumstances reviews may cover longer periods. The Russian transfer pricing legislation is generally aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD), although it has specific features. This legislation provides for the possibility of additional tax assessment for controlled transactions (transactions between related parties and certain transactions between unrelated parties), if such transactions are not on an arm's length.

Tax liabilities arising from controlled transactions are determined based on their actual transaction prices. It is possible, with the evolution of the interpretation of transfer pricing rules, that such transfer prices could be challenged. 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.

The Group includes companies incorporated outside of Russia. The tax liabilities of the Group are determined on the assumption that these companies are not subject to Russian profits tax, because they do not have a permanent establishment in Russia. The Company is a tax resident of Cyprus only and full beneficial owner of the Bank and Insurance Company. This interpretation of relevant legislation may be challenged but the impact of any such challenge cannot be reliably estimated currently; however, it may be significant to the financial position and/or the overall operations of the Group.

**20 Contingencies and Commitments (Continued)**

The Controlled Foreign Company (CFC) legislation introduced Russian taxation of profits of foreign companies and non-corporate structures (including trusts) controlled by Russian tax residents (controlling parties). The CFC income is subject to a 20% tax rate if the CFC is controlled by a legal entity and a rate of 13% if it is controlled by an individual. As a result, management reassessed the Group's tax positions and recognised current tax expense as well as deferred taxes that arose from the expected taxable manner of recovery of the relevant Group's operations to which the CFC legislation applies to and to the extent that the Group (rather than its owners) is obliged to settle such taxes.

As Russian tax legislation does not provide definitive guidance in certain areas, the Group adopts, from time to time, interpretations of such uncertain areas that reduce the overall tax rate of the Group. While management currently estimates that the tax positions and interpretations that it has taken can probably be sustained, there is a possible risk that outflow of resources will be required should such tax positions and interpretations be challenged by the tax authorities. 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. As at 30 June 2019 and 31 December 2018 no material tax risks were identified.

**Compliance with covenants.** The Group is subject to certain covenants related primarily to its subordinated perpetual debt. Non-compliance with such covenants may result in negative consequences for the Group. Management believes that the Group was in compliance with all such covenants as at 30 June 2019 and 31 December 2018.

**Credit related commitments.** The primary purpose of these instruments is to ensure that funds are available to a customer as required. Commitments to extend credit represent unused portions of authorizations to extend credit in the form of credit card loans. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments, if the unused amounts were to be drawn down. Most commitments to extend credit are contingent upon customers maintaining specific credit standards.

The Group monitors the term to maturity of credit related commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

Outstanding credit limits and related commitments are as follows:

<i>In millions of RR</i>	<b>30 June 2019 (Unaudited)</b>	<b>31 December 2018</b>
Unused limits on credit card loans	142,423	110,478
Credit loss allowance	(1,770)	(2,041)
<b>Total credit related commitments, net of credit loss allowance</b>	<b>140,653</b>	<b>108,437</b>

The total outstanding contractual amount of unused limits on contingencies and commitments liability does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded. In accordance with credit card service conditions the Group has a right to refuse the issuance, activation, reissuing or unblocking of a credit card, and is providing a credit card limit at its own discretion and without explaining its reasons.

**20 Contingencies and Commitments (Continued)**

The following table contains an analysis of credit related commitments by credit quality at 30 June 2019 based on credit risk grades.

	Unaudited			Total
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	
<i>In millions of RR</i>				
<b>Credit related commitments</b>				
- Current	132,852	60	-	132,912
- Monitor	9,326	185	-	9,511
<b>Unrecognised gross amount</b>	<b>142,178</b>	<b>245</b>	<b>-</b>	<b>142,423</b>
Credit loss allowance	(1,759)	(11)	-	(1,770)
<b>Unrecognised net amount</b>	<b>140,419</b>	<b>234</b>	<b>-</b>	<b>140,653</b>

The following table contains an analysis of credit related commitments by credit quality at 31 December 2018 based on credit risk grades.

	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
	<i>In millions of RR</i>			
<b>Credit related commitments</b>				
- Current	101,418	71	-	101,489
- Monitor	8,827	162	-	8,989
<b>Unrecognised gross amount</b>	<b>110,245</b>	<b>233</b>	<b>-</b>	<b>110,478</b>
Credit loss allowance	(2,024)	(17)	-	(2,041)
<b>Unrecognised net amount</b>	<b>108,221</b>	<b>216</b>	<b>-</b>	<b>108,437</b>

Also the Group may decide to increase or decrease a credit card limit using a scoring model, which is based on the client's behaviour model. Therefore, the fair value of the contractual amount of revocable unused limits on contingencies and commitments is close to zero. Credit related commitments are denominated in RR.

Mandatory cash balances with the CBRF of RR 2,721 million (31 December 2018: RR 2,435 million) represent mandatory reserve deposits which are not available to finance the Bank's day to day operations.

**21 Fair Value of Financial Instruments**

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuation techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs).

**21 Fair Value of Financial Instruments (Continued)**

**(a) Recurring fair value measurements**

Recurring fair value measurements are those that the accounting standards require or permit in the consolidated condensed interim statement of financial position at the end of each reporting period. The levels in the fair value hierarchy into which the recurring fair value measurements are categorised are as follows:

<i>In millions of RR</i>	<b>30 June 2019 (Unaudited)</b>				<b>31 December 2018</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>ASSETS AT FAIR VALUE</b>								
Financial derivatives	-	762	-	762	-	1,710	-	1,710
Investments in debt securities	79,276	-	-	79,276	100,140	-	-	100,140
Repurchase receivables	14,884	-	-	14,884	1,182	-	-	1,182
<b>Total assets recurring fair value measurements</b>	<b>94,160</b>	<b>762</b>	<b>-</b>	<b>94,922</b>	<b>101,322</b>	<b>1,710</b>	<b>-</b>	<b>103,032</b>
<b>LIABILITIES AT FAIR VALUE</b>								
Financial derivatives	-	186	-	186	-	3	-	3
<b>Total liabilities recurring fair value measurements</b>	<b>-</b>	<b>186</b>	<b>-</b>	<b>186</b>	<b>-</b>	<b>3</b>	<b>-</b>	<b>3</b>

The description of valuation techniques and the description of the inputs used in the fair value measurement for level 2 measurements at 30 June 2019 are as follows:

<i>In millions of RR</i>	<b>Fair value</b>	<b>Valuation technique</b>	<b>Inputs used</b>
<b>ASSETS AT FAIR VALUE</b>			
Foreign exchange swaps and forwards	762	Discounted cash flows adjusted for counterparty credit risk	Russian rouble curve. USD Dollar Swaps Curve. EUR Swaps Curve. CDS quotes assessment of counterparty credit risk or reference entities.
<b>Total recurring fair value measurements at level 2 (Unaudited)</b>	<b>762</b>		
<b>LIABILITIES AT FAIR VALUE</b>			
Foreign exchange swaps and forwards	186	Discounted cash flows adjusted for counterparty credit risk	Russian rouble curve. USD Dollar Swaps Curve. EUR Swaps Curve. CDS quotes assessment of counterparty credit risk or reference entities.
<b>Total recurring fair value measurements at level 2 (Unaudited)</b>	<b>186</b>		

**21 Fair Value of Financial Instruments (Continued)**

The description of valuation techniques and the description of the inputs used in the fair value measurement for level 2 measurements at 31 December 2018 are as follows:

<i>In millions of RR</i>	<b>Fair value</b>	<b>Valuation technique</b>	<b>Inputs used</b>
<b>ASSETS AT FAIR VALUE</b>			
Foreign exchange swaps and forwards	1,710	Discounted cash flows adjusted for counterparty credit risk	Russian rouble curve. USD Dollar Swaps Curve. CDS quotes assessment of counterparty credit risk or reference entities.
<b>Total recurring fair value measurements at level 2</b>	<b>1,710</b>		
<b>LIABILITIES AT FAIR VALUE</b>			
Foreign exchange swaps and forwards	3	Discounted cash flows adjusted for counterparty credit risk	Russian rouble curve. USD Dollar Swaps Curve. CDS quotes assessment of counterparty credit risk or reference entities.
<b>Total recurring fair value measurements at level 2</b>	<b>3</b>		

There were no changes in the valuation techniques for level 2 recurring fair value measurements during the period ended 30 June 2019. Level 2 derivatives comprise foreign exchange forwards and swaps.

The foreign exchange forwards have been fair valued using forward exchange rates that are quoted in an active market. Foreign exchange swaps are fair valued using forward interest rates extracted from observable yield curves. The effects of discounting are generally insignificant for level 2 derivatives.

**21 Fair Value of Financial Instruments (Continued)**

**(b) Assets and liabilities not measured at fair value but for which fair value is disclosed**

Fair values analysed by level in the fair value hierarchy and carrying value of assets not measured at fair value are as follows:

<i>In millions of RR</i>	<b>30 June 2019 (Unaudited)</b>				<b>31 December 2018</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Carrying value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Carrying value</b>
<b>FINANCIAL ASSETS CARRIED AT AMORTISED COST</b>								
<b>Cash and cash equivalents</b>								
- Cash on hand	6,277	-	-	6,277	5,839	-	-	5,839
- Cash balances with the CBRF (other than mandatory reserve deposits)	-	10,250	-	10,250	-	11,158	-	11,158
- Placements with other banks and non-bank credit organizations with original maturities of less than three months	-	7,244	-	7,244	-	16,805	-	16,805
<b>Mandatory cash balances with the CBRF</b>	-	2,721	-	2,721	-	2,435	-	2,435
<b>Due from other banks</b>	-	1,395	-	1,395	-	776	-	776
<b>Loans and advances to customers</b>	-	-	290,298	290,298	-	-	198,489	198,489
<b>Guarantee deposits with payment systems</b>	-	-	4,433	4,433	-	-	4,603	4,603
<b>Other financial assets</b>								
Settlement of operations with plastic cards receivable	-	9,923	-	9,923	-	12,694	-	12,694
Other receivables	-	3,655	-	3,655	-	2,948	-	2,948
<b>Total financial assets carried at amortised cost</b>	<b>6,277</b>	<b>35,188</b>	<b>294,731</b>	<b>336,196</b>	<b>5,839</b>	<b>46,816</b>	<b>203,092</b>	<b>255,747</b>

**21 Fair Value of Financial Instruments (Continued)**

Fair values analysed by level in the fair value hierarchy and carrying value of liabilities not measured at fair value are as follows:

<i>In millions of RR</i>	<b>30 June 2019 (Unaudited)</b>				<b>31 December 2018</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Carrying value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Carrying value</b>
<b>FINANCIAL LIABILITIES CARRIED AT AMORTISED COST</b>								
<b>Due to banks</b>	-	20,519	-	20,519	-	2,708	-	2,708
<b>Customer accounts</b>								
<i>Individuals</i>								
-Current/demand accounts	-	154,830	-	154,830	-	137,637	-	137,637
-Term deposits	-	119,884	-	119,459	-	102,829	-	100,227
<i>SME</i>								
-Current/demand accounts	-	39,721	-	39,721	-	41,702	-	41,702
<i>Other legal entities</i>								
-Current/demand accounts	-	825	-	825	-	552	-	552
-Term deposits	-	189	-	189	-	847	-	798
<b>Debt securities in issue</b>								
RR Bonds issued on domestic market	16,331	-	-	13,346	5,919	-	-	5,851
Euro-Commercial Paper	-	4,305	-	4,305	-	3,754	-	3,754
<b>Subordinated debt</b>								
Perpetual subordinated bonds	19,837	-	-	18,804	20,505	-	-	20,644
<b>Other financial liabilities</b>								
Settlement of operations with plastic cards	-	6,254	-	6,254	-	4,904	-	4,904
Trade payables	-	5,424	-	5,424	-	3,189	-	3,189
Credit related commitments	-	-	-	1,770	-	-	-	2,041
Other financial liabilities	-	497	-	497	-	1,067	-	1,067
<b>Total financial liabilities carried at amortised cost</b>	<b>36,168</b>	<b>352,448</b>	<b>-</b>	<b>385,943</b>	<b>26,424</b>	<b>299,189</b>	<b>-</b>	<b>325,074</b>

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by an active quoted market price. Where quoted market prices are not available, the Group used valuation techniques. The fair value of floating rate instruments that are not quoted in an active market was estimated to be equal to their carrying amount. The fair value of unquoted fixed interest rate instruments was estimated based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

As at 30 June 2019 and 31 December 2018 the fair value of the debt securities in issue and subordinated debt has been calculated based on quoted prices from OJSC Moscow Exchange MICEX-RTS and Global Exchange Market, where the Group's debt securities are listed and traded.

## 21 Fair Value of Financial Instruments (Continued)

Weighted average discount rates used in determining fair value as of 30 June 2019 and 31 December 2018 depend on currency:

<i>In % p.a.</i>	30 June 2019 (Unaudited)	31 December 2018
<b>Assets</b>		
Cash and cash equivalents	0.0	0.0
Due from other banks	5.8	5.9
Loans and advances to customers	38.4	42.7
Investments in debt securities	5.4	5.5
Repurchase receivables	4.8	4.3
<b>Liabilities</b>		
Due to banks	7.3	6.0
Customer accounts	4.6	4.4
Debt securities in issue	7.7	7.6
Subordinated debt	7.7	9.8

## 22 Related Party Transactions

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 outstanding balances with related parties were as follows:

<i>In millions of RR</i>	30 June 2019 (Unaudited)		31 December 2018	
	Key management personnel	Other related parties	Key management personnel	Other related parties
<b>ASSETS</b>				
Gross amounts of loans and advances to customers (contractual interest rate: 11.65-28.3% (31 December 2018: 11.65-27.8%))	12	280	9	100
Other financial assets	-	855	-	431
<b>TOTAL ASSETS</b>	<b>12</b>	<b>1,135</b>	<b>9</b>	<b>531</b>
<b>LIABILITIES</b>				
Customer accounts (contractual interest rate: 3.3% p.a. (31 December 2018: 4.2% p.a.))	1,489	226	1,349	798
Debt securities in issue (discount: 4%)	-	4,305	-	3,754
Other non-financial liabilities	734	-	888	-
<b>TOTAL LIABILITIES</b>	<b>2,223</b>	<b>4,531</b>	<b>2,237</b>	<b>4,552</b>
<b>EQUITY</b>				
Share-based payment reserve				
- Management long-term incentive programme	762	-	1,102	-
<b>TOTAL EQUITY</b>	<b>762</b>	<b>-</b>	<b>1,102</b>	<b>-</b>

Other related parties in the tables above are represented by entities which are under control of the Group's ultimate controlling party Oleg Tinkov.



**22 Related Party Transactions (Continued)**

The income and expense items with related parties were as follows:

	Unaudited							
	Six Months Ended 30 June 2019		Three Months Ended 30 June 2019		Six Months Ended 30 June 2018		Three Months Ended 30 June 2018	
	Key management personnel	Other related parties	Key management personnel	Other related parties	Key management personnel	Other related parties	Key management personnel	Other related parties
<i>In millions of RR</i>								
Interest income calculated using the effective interest rate method	1	7	1	7	1	-	-	-
Interest expense calculated using effective interest rate method	(30)	-	(9)	4	(23)	(28)	(11)	(14)
Unrealised foreign exchange translation gains less losses	-	16	-	-	-	(53)	-	(56)
Other operating income	-	24	-	24	-	-	-	-

Key management compensation is presented below:

	Unaudited			
	Six Months Ended 30 June 2019		Three Months Ended 30 June 2019	
	Six Months Ended 30 June 2018	Three Months Ended 30 June 2018	Six Months Ended 30 June 2018	Three Months Ended 30 June 2018
<i>In millions of RR</i>				
<i>Short-term benefits:</i>				
- Salaries		431	230	377
- Short-term bonuses		241	64	467
<i>Long-term benefits:</i>				
- Management long-term incentive programme		253	123	311
<b>Total</b>		<b>925</b>	<b>417</b>	<b>1,155</b>

**Management long-term incentive program.** On 31 March 2016 the Group introduced a MLTIP as both a long-term incentive and a retention tool for the management of the Group.

On 15 January 2019 the Group granted shares to new participants in MLTIP which resulted the total number of GDRs attributable to the Management of 9,940 thousand as at 30 June 2019 (31 December 2018: 9,849 thousand).

Participants cannot own or exercise their shareholder rights over GDRs within MLTIP directly. Participants are entitled to the dividends, if any.

The fair value as at recognition dates of the equity-settled share-based payments (31 March 2016, 8 February 2017, 22 February 2018 and 15 January 2019) is determined on the basis of a market quote.

The delivery dates as of which the GDRs are allowed to be sold by the participants correspond to the vesting dates at 14 April 2016 and each subsequent 31 March (with exception of 2019 when the vesting date for all participants was 31 January 2019) until 2022 for participants joining in 2016, until 2023 for participants joining in 2017, then until 2024 for participants joining in 2018, and until 2025 for participants joining in 2019.

**23 Events after the End of the Reporting Period**

On 2 July 2019 the Group issued 16,666,667 class A shares of the Company in the form of GDRs at a price of USD 18.00 per GDR, raising aggregate gross proceeds of USD 300,000,006.