CREDIT BANK OF MOSCOW
(public joint-stock company)

Consolidated Financial Statements
for the year ended 31 December 2020

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KPMG

Independent Auditors' Report

To the Shareholders and Supervisory Board of CREDIT BANK OF MOSCOW (public joint-stock company)

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of CREDIT BANK OF MOSCOW (public joint-stock company) (the "Bank") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the independence requirements that are relevant to our audit of the consolidated financial statements in the Russian Federation and with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with the requirements in the Russian Federation and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Expected credit losses ('ECL') for loans to customers

Please refer to Notes 4 and 14 in the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
Loans to customers represent 35% of assets and are stated net of allowance for expected credit losses ('ECL') that is estimated on a regular basis and is sensitive to assumptions used. There is increased risk of material misstatement of ECL in the current year due to the increased judgement and estimation uncertainty as a result of COVID-19. Due to the significant volume of loans to customers and the related estimation uncertainty, this area is a key audit matter.	We analyzed the key aspects of the Group's methodology and policies related to ECL estimate for compliance with the requirements of IFRS 9, including with the involvement of our own specialists in financial risks management. We assessed the overall reasonableness of the economic forecasts by comparing the Group's forecasts to our own modelled forecasts. As part of this work we challenged the reasonableness of the Group's considerations of the economic uncertainty related to COVID-19. To analyze adequacy of professional judgement and assumptions made by the management in respect of allowance for ECL estimate, we performed the following procedures: • For loans to corporate clients we assessed and tested the design and operating effectiveness of the controls over allocation of loans into Stages. For a sample of loans to corporate clients, we tested whether Stages are correctly assigned by the Group by analyzing financial and non-financial information, as well as assumptions and professional judgements, applied by the Group. In addition, we assessed the reasonableness of the Group's treatment of COVID-19 payment holidays to customers from a significant increase in credit risk perspective. • For a sample of loans to corporate clients, we tested the correctness of data inputs for PD calculation. • For a sample of Stage 3 loans to corporate clients, where ECL are assessed individually we critically assessed assumptions used by the Group to forecast future cash flows, including estimated proceeds from realizable collateral and their expected disposal terms based on our understanding and publicly available market information. • For loans to individuals we tested the design and operating effectiveness of controls over completeness and accuracy of data inputs into ECL calculation models, timely reflection of delinquency events and

	loan repayments in the underlying systems and allocation of loans into Stages. We agreed input data to supporting documents on a sample basis. • We assessed predictive capability of the Group's methodology by analyzing models validation results. We also assessed whether the consolidated financial statements disclosures appropriately reflect the Group's exposure to credit risk.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual report for the year ended 31 December 2020 but does not include the consolidated financial statements and our auditors' report thereon. The Annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

— Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

— Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report of findings from procedures performed in accordance with the requirements of Federal Law No. 395-1, dated 2 December 1990, *On Banks and Banking Activity*

Management is responsible for the Group's compliance with mandatory ratios and for maintaining internal controls and organizing risk management systems in accordance with the requirements established by the Bank of Russia.

In accordance with Article 42 of Federal Law No. 395-1, dated 2 December 1990 *On Banks and Banking Activity* (the "Federal Law"), we have performed procedures to examine:

— the Group's compliance with mandatory ratios as at 1 January 2021 established by the Bank of Russia; and

— whether the elements of the Group's internal control and organization of its risk management systems comply with the requirements established by the Bank of Russia.

These procedures were selected based on our judgment, and were limited to the analysis, inspection of documents, comparison of the Bank's internal policies, procedures and methodologies with the applicable requirements established by the Bank of Russia, and recalculations, comparisons and reconciliations of numerical data and other information.

Our findings from the procedures performed are reported below.

— Based on our procedures with respect to the Group's compliance with the mandatory ratios established by the Bank of Russia, we found that the Group's mandatory ratios, as at 1 January 2021, were within the limits established by the Bank of Russia.

  We have not performed any procedures on the accounting records maintained by the Group, other than those which we considered necessary to enable us to express an opinion as to whether the Group's consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

— Based on our procedures with respect to whether the elements of the Group's internal control and organization of its risk management systems comply with the requirements established by the Bank of Russia, we found that:

  - as at 31 December 2020, the Bank's internal audit function was subordinated to, and reported to, the Supervisory Board, and the risk management function was not subordinated to, and did not report to, divisions taking relevant risks in accordance with the regulations and recommendations issued by the Bank of Russia;

  - the Bank's internal documentation, effective on 31 December 2020, establishing the procedures and methodologies for identifying and managing the Group's significant credit, operational, market, interest rate, legal, liquidity and reputational risks, and for stress-testing, was approved by the authorised management bodies of the Bank in accordance with the regulations and recommendations issued by the Bank of Russia;

  - as at 31 December 2020, the Bank maintained a system for reporting on the Group's significant credit, operational, market, interest rate, legal, liquidity and reputational risks, and on the Group's capital;

- the frequency and consistency of reports prepared by the Bank's risk management and internal audit functions during 2020, which cover the Group's credit, operational, market, interest rate, legal, liquidity and reputational risk management, was in compliance with the Bank's internal documentation. The reports included observations made by the Bank's risk management and internal audit functions as to their assessment of the effectiveness of the Group's procedures and methodologies, and recommendations for improvement;
- as at 31 December 2020, the Supervisory Board and Executive Management of the Bank had responsibility for monitoring the Group's compliance with the risk limits and capital adequacy ratios established in the Bank's internal documentation. In order to monitor the effectiveness of the Group's risk management procedures and their consistent application during 2020, the Supervisory Board and Executive Management of the Bank periodically discussed the reports prepared by the risk management and internal audit functions, and considered the proposed corrective actions.

Procedures with respect to elements of the Group's internal control and organization of its risk management systems were performed solely for the purpose of examining whether these elements, as prescribed in the Federal Law and as described above, comply with the requirements established by the Bank of Russia.

The engagement partner on the audit resulting in this independent auditors' report is:

Tatarinova E.V.

JSC "KPMG"

Moscow, Russian Federation

17 March 2021

(in millions of Russian Roubles unless otherwise stated)

	Notes	2020	2019
Interest income calculated using the effective interest method	5	149 302	142 484
Other interest income	5	7 112	4 868
Interest expense	5	(97 166)	(102 069)
Net interest income	5	**59 248**	**45 283**
Charge for credit losses on debt financial assets	12, 13, 15, 16	(18 908)	(6 821)
Net interest income after credit losses on debt financial assets		**40 340**	**38 462**
Fee and commission income	6	19 433	15 398
Fee and commission expense	6	(3 995)	(3 864)
Net gain or (loss) on loans to customers at FVTPL		1 234	(1 590)
Net gain or (loss) on financial assets at FVTPL		5 226	793
Net gain or (loss) from sale and redemption of Investment financial assets at FVOCI		584	(272)
Net realised gain or (loss) on Investment financial assets at amortised cost		149	200
Net gain or (loss) on Investment financial assets at FVTPL		2 320	-
Net gain or (loss) on derecognition of financial instruments measured at amortised cost		-	295
Net foreign exchange gains or (losses)	9	(9 261)	(13 252)
Net gain on change in financial liabilities measured at fair value through profit or loss		26	162
Impairment gain or (loss) on other non-financial assets, credit gain or (losses) on other financial assets and credit related commitments and other provisions	8	(133)	3 318
Operating lease income		42	44
Other net operating income or (expense)	10	3 362	(3 356)
Non-interest income or (expense)		**18 987**	**(2 124)**
Operating income		**59 327**	**36 338**
Salaries and employment benefits	7	(13 877)	(14 167)
Administrative expenses	7	(6 026)	(5 155)
Depreciation of property and equipment and right-of-use assets		(1 898)	(1 903)
Operating expense		**(21 801)**	**(21 225)**
Profit before income tax		**37 526**	**15 113**
Income tax expense	11	(7 517)	(3 156)
Profit for the period		**30 009**	**11 957**

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the Notes, forming an integral part of the consolidated financial statements.

(in millions of Russian Roubles unless otherwise stated)

	Notes	2020	2019
Profit for the period		**30 009**	**11 957**
Other comprehensive (loss) or income			
Items that will not be reclassified subsequently to profit or loss:			
- revaluation of buildings		161	(104)
- income tax for revaluation of buildings		(32)	21
Items that are or may be reclassified subsequently to profit or loss:			
Movement in fair value reserve (debt instruments):			
- net change in fair value		(2 232)	4 429
- net amount transferred to profit or loss		(584)	(704)
- income tax related to movement in fair value reserve		563	(745)
Change in fair value of financial liability attributable to changes in credit risk		201	80
Income tax related to change in fair value of financial liability attributable to changes in credit risk		(40)	(16)
Other comprehensive (loss) or income for the period, net of income tax		**(1 963)**	**2 961**
Total comprehensive income for the period		**28 046**	**14 918**
Basic and diluted earnings per share (in RUB per share)	34	**0.90**	**0.32**

Chairman of the Management Board — Vladimir A. Chubar

Chief Accountant — Svetlana V. Sass

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the Notes, forming an integral part of the consolidated financial statements.

(in millions of Russian Roubles unless otherwise stated)

	Notes	31 December 2020	31 December 2019
ASSETS			
Cash and cash equivalents	12	683 283	953 645
Obligatory reserves with the Central bank of the Russian Federation		22 244	16 944
Due from credit and other financial organizations	13	778 837	348 794
Trading financial assets	14	78 816	38 550
- held by the Group	*14*	*75 608*	*37 920*
- pledged under sale and repurchase agreements	*14*	*3 208*	*630*
Loans to customers	15	1 009 165	788 655
- loans to corporate clients	*15*	*888 802*	*685 372*
- loans to individuals	*15*	*120 363*	*103 283*
Investment financial assets	16	323 365	258 168
- held by the Group	*16*	*280 881*	*206 844*
- pledged under sale and repurchase agreements	*16*	*42 484*	*51 324*
Investments in associates		2 446	2 350
Property and equipment	17	8 950	9 515
Deferred tax asset		120	113
Assets held for sale		999	1 177
Other assets	18	8 240	5 586
Total assets		**2 916 465**	**2 423 497**
LIABILITIES AND EQUITY			
Deposits by the Central Bank of the Russian Federation		10 041	-
Due to credit institutions	19	721 682	677 936
Due to customers	20	1 737 515	1 339 535
- due to corporate customers	*20*	*1 235 998*	*853 353*
- due to individuals	*20*	*501 517*	*486 182*
Financial liabilities measured at fair value through profit or loss	23	19 330	9 874
Debt securities issued	21	171 465	168 549
Deferred tax liability		5 399	3 370
Other liabilities	22	16 537	13 801
Total liabilities		**2 681 969**	**2 213 065**
Equity			
Share capital	24	30 692	30 692
Additional paid-in capital		58 210	58 210
Perpetual debt issued	24	41 950	37 871
Revaluation surplus for buildings		536	407
Fair value reserve for securities		(1 107)	1 146
Change in fair value of financial liability attributable to changes in the credit risk		225	64
Retained earnings		103 990	82 042
Total equity		**234 496**	**210 432**
Total liabilities and equity		**2 916 465**	**2 423 497**

Chairman of the Management Board — Vladimir A. Chubar

Chief Accountant — Svetlana V. Sass

The consolidated statement of financial position is to be read in conjunction with the Notes, forming an integral part of the consolidated financial statements.

(in millions of Russian Roubles unless otherwise stated)

	Notes	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest receipts		159 747	140 587
Interest payments		(114 767)	(91 004)
Fees and commission receipts		19 900	15 868
Fees and commission payments		(3 513)	(3 378)
Net receipts from operations with securities		6 352	342
Net receipts (payments) from foreign exchange		5 113	(29 366)
State deposit insurance scheme contributions payments		(2 316)	(2 497)
Net other operating income or (expense)		5 826	(797)
Salaries and employment benefits paid		(13 825)	(13 711)
Administrative expenses paid		(5 786)	(4 859)
Income tax paid		(4 683)	(1 457)
Operating cash flows before changes in operating assets and liabilities		**52 048**	**9 728**
(Increase) decrease in operating assets			
Obligatory reserves with the Central bank of the Russian Federation		(5 221)	(3 879)
Due from credit and other financial organizations		(401 568)	(351 545)
Trading financial assets		(10 834)	(19 722)
Loans to customers		(212 678)	(125 032)
Other assets		(2 474)	(445)
Increase (decrease) in operating liabilities			
Deposits by the Central Bank of the Russian Federation		9 987	-
Due to credit institutions except syndicated loans		45 234	151 903
Due to customers except subordinated loans		332 686	109 103
Other liabilities		3 776	(3 210)
Net cash used in operations		**(189 044)**	**(233 099)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investment financial assets		(612 388)	(397 043)
Proceeds from disposal and redemption of investment financial assets		560 835	363 891
Net payment on acquisition of subsidiaries		954	-
Net result on purchase and sale of property and equipment and intangible assets		(745)	(1 342)
Sale of investment property		-	113
Net cash (used in) from investing activities		**(51 344)**	**(34 381)**

The consolidated statement of cash flows is to be read in conjunction with the Notes, forming an integral part of the consolidated financial statements.

(in millions of Russian Roubles unless otherwise stated)

	Notes	2020	2019
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of share capital	24	-	14 713
Proceeds from placement and issuance of perpetual debt		3 574	403
Repayment and redemption of perpetual debt issued		(5 518)	(3 452)
Interest on perpetual debt paid		(4 042)	(3 872)
Proceeds from syndicated borrowings		17 653	28 120
Repayments of syndicated borrowings		(51 716)	(19 920)
Proceeds from placement and issuance of subordinated bonds		832	8 658
Partial redemption of subordinated bonds		(2 979)	(16 102)
Proceeds from placement and issuance of other bonds		126 692	135 659
Repayments of other bonds		(146 090)	(50 120)
Cash outflow from lease liabilities		(1 083)	(891)
Dividends paid	24	-	(2 979)
Net cash used in financing activities		**(62 677)**	**90 217**
Effect of exchange rates changes on cash and cash equivalents		**31 800**	**(31 592)**
Effect of changes in ECL on cash and cash equivalents	12	903	(279)
Change in cash and cash equivalents		**(270 362)**	**(209 134)**
Cash and cash equivalents, beginning of the period		953 645	1 162 779
Cash and cash equivalents, end of the period	12	**683 283**	**953 645**

Chairman of the Management Board — Vladimir A. Chubar

Chief Accountant — Svetlana V. Sass

The consolidated statement of cash flows is to be read in conjunction with the Notes, forming an integral part of the consolidated financial statements.

(in millions of Russian Roubles unless otherwise stated)

	Share capital	Additional paid-in capital	Perpetual debt issued	Revaluation surplus for buildings	Fair value reserve for securities	Change in fair value of financial liability attributable to changes in the credit risk	Retained earnings	Total equity
Balance as at 1 January 2019	**27 942**	**46 247**	**46 691**	**490**	**(1 834)**	-	**71 637**	**191 173**
Total comprehensive income for the period	-	-	-	(83)	2 980	64	11 957	**14 918**
Issue of share capital	2 750	11 963	-	-	-	-	-	**14 713**
Perpetual debt redemption	-	-	(4 825)	-	-	-	1 373	**(3 452)**
Issuance of perpetual debt	-	-	403	-	-	-	-	**403**
Interest paid on perpetual debt issued	-	-	-	-	-	-	(3 872)	**(3 872)**
Foreign exchange translation of perpetual debt issued	-	-	(4 398)	-	-	-	4 398	**-**
Tax effect on perpetual debt issued	-	-	-	-	-	-	(472)	**(472)**
Dividends paid	-	-	-	-	-	-	(2 979)	**(2 979)**
Balance as at 31 December 2019	**30 692**	**58 210**	**37 871**	**407**	**1 146**	**64**	**82 042**	**210 432**
Balance as at 1 January 2020	**30 692**	**58 210**	**37 871**	**407**	**1 146**	**64**	**82 042**	**210 432**
Total comprehensive income for the period	-	-	-	129	(2 253)	161	30 009	**28 046**
Perpetual debt redemption	-	-	(5 518)	-	-	-	-	**(5 518)**
Issuance of perpetual debt	-	-	3 574	-	-	-	-	**3 574**
Interest paid on perpetual debt issued	-	-	-	-	-	-	(4 042)	**(4 042)**
Foreign exchange translation of perpetual debt issued	-	-	6 023	-	-	-	(6 023)	**-**
Tax effect on perpetual debt issued	-	-	-	-	-	-	2 004	**2 004**
Balance as at 31 December 2020	**30 692**	**58 210**	**41 950**	**536**	**(1 107)**	**225**	**103 990**	**234 496**

Chairman of the Management Board Vladimir A. Chubar

Chief Accountant Svetlana V. Sass

The consolidated statement of changes in equity is to be read in conjunction with the Notes, forming an integral part of the consolidated financial statements.

(in millions of Russian Roubles unless otherwise stated)

1 Background

Principal activities

These consolidated financial statements include the financial statements of CREDIT BANK OF MOSCOW (public joint-stock company) (the Bank) and its subsidiaries (together referred to as the Group).

The Bank was formed on 5 August 1992 as an open joint-stock company, then re-registered as a limited liability company under the legislation of the Russian Federation. On 18 August 1999 the Bank was reorganised as an open joint-stock company. On 16 May 2016 the Bank was re-registered as a public joint-stock company under the legislation of the Russian Federation. The Bank's registered legal address is 2 (bldg. 1), Lukov pereulok, Moscow, Russia. The Bank operates under a general banking license from the Central bank of the Russian Federation (the CBR), renewed on 21 January 2013. In December 2004 the Bank was admitted to the state program for individual deposit insurance.

The Bank is among the 10 largest banks in Russia by assets and conducts its business in Russia with a branch network comprising 132 branches, 1 008 ATMs and 6 784 payment terminals.

The principal subsidiaries of the Group are as follows:

Name	Country of incorporation	Principal activities	Degree of control, %	
			31 December 2020	31 December 2019
"CBOM Finance p.l.c."	Ireland	Raising finance	100%	100%
JSC NCO "INKAKHRAN"	Russia	Cash handling	100%	100%
LLC "Inkakhran-Servis"	Russia	Cash handling	100%	100%
LLC "Bank SKS"	Russia	Investment banking	100%	100%
Investment Bank VESTA (LLC)	Russia	Investment banking	100%	0%
JSC "RUSNARBANK"	Russia	Investment banking	100%	0%
LLC "MKB Investments"	Russia	Brokerage operations	100%	0%
LLC "MKB-Invest"	Russia	Transactions with securities	0%	100%
LLC "Mortgage Agent MKB 2"	Russia	Raising finance	0%	100%

The Bank does not have any direct or indirect shareholdings in the subsidiaries "CBOM Finance p.l.c.", LLC "MKB Invest" and LLC "Mortgage Agent MKB 2". "CBOM Finance p.l.c." was established to raise capital by the issue of debt securities and to use the proceeds of each such issuance to advance loans to the Bank LLC "Mortgage Agent MKB 2" was established for the purposes of the mortgage loans securitisation program launched by the Bank in 2016.

In September 2020 LLC "MKB-Invest"and LLC "Mortgage Agent MKB 2" were liquidated.

In May 2020 the Group acquired 100% of the equity interests of Investment Bank VESTA (LLC) and JSC «RUSNARBANK», see Note 35.

In November 2020 the Group acquired 100% of the equity interests of LLC "MKB Investments".

Shareholders

The Bank's shareholders as at 31 December 2020 are:
– LLC Concern Rossium – 59.78%*
– Region FinanceResurs JSC – 8.56%
– LLC IC Algoritm – 6.64%
– Other shareholders – 25.02%

The majority participant of LLC Concern Rossium, is Roman I. Avdeev, who is the ultimate controlling party of the Group.

Related party transactions are detailed in Note 28.

* The ownership share of PJSC "CREDIT BANK OF MOSCOW", which includes the direct ownership share of LLC Concern Rossium for 56.07% and the ownership share of the Company's subsidiaries for 3.71%

Russian business environment

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

The conflict in Ukraine and related events has increased the perceived risks of doing business in the Russian Federation. The imposition of economic sanctions on Russian individuals and legal entities by the European Union, the United States of America, Japan, Canada, Australia and others, as well as retaliatory sanctions imposed by the Russian government, has resulted in increased economic uncertainty including more volatile equity markets, a depreciation of the Russian Rouble, a reduction in both local and foreign direct investment inflows and a significant tightening in the availability of credit. In particular, some Russian entities, including banks, may be experiencing difficulties in accessing international equity and debt markets and may become increasingly dependent on Russian state banks to finance their operations. The longer term effects of recently implemented sanctions, as well as the threat of additional future sanctions, are difficult to determine. Management of the Group believes that it takes all the necessary efforts to support the economic stability of the Group in the current environment.

The first months of 2020 have seen significant global market turmoil triggered by the outbreak of the coronavirus. Combined with other factors this led to sharp decline in oil prices and market indices and also devaluation of the Russian rouble.

In March 2020 the Russian Government announced a package of measures to support industries most heavily affected by the outbreak of COVID-19. The program included, among other, deferral of tax and fee payments for small and medium-sized businesses, postponement of loans repayment, suspension of lease payments on federal and municipal property, state support on loans refinancing and restructuring for businesses in hard-hit industries. Besides, social contribution tax rate was lowered for all small and medium-sized businesses.

The economic decline and business activity disruption in many industries as a result of the restrictions imposed by the Government due to the spreading of coronavirus, high volatility of prices for different stock market products, high volatility of market quotes and other changes in economic environment caused negative effect on the economy in general.

In those circumstances the Group introduced measures to support its clients. In particular, the Group restructured customer loans falling under state support programs and offered loan restructuring programs for customers not subject to the state support programs.

The CBR introduced different measures to support the banking system as a whole, aimed at helping the banks to comply with statutory requirements. The majority of measures supporting the banking system were introduced for the period till 30 September 2020. In August 2020 the CBR decided to prolong part of statutory indulgence, to introduce new countercyclical measures to support the economy and to terminate some temporary measures introduced due to spreading of coronavirus.

The Group's management takes all appropriate measures to support the economic stability of the Group in the current circumstances. Based on management assessment, there are no material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern The Group also considers negative development scenarios and is ready to adapt its operational plans accordingly. Management continues to monitor the situations closely and will respond to mitigate the impact of such events and circumstances as they occur.

The consolidated financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

(in millions of Russian Roubles unless otherwise stated)

2 Basis of preparation

Statement of compliance

The accompanying consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS).

Basis of measurement

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

Functional and presentation currency

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

The RUB is also the presentation currency for the purposes of these consolidated financial statements.

Financial information presented in RUB is rounded to the nearest million.

Foreign currencies, particularly USD, play significant role in determination of economic parameters for many business operations conducted in the Russian Federation. The table below sets out exchange rates for USD against RUB, defined by the CBR:

	31 December 2020	31 December 2019
USD	73.8757	61.9057

Use of estimates and judgments

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results could differ from those estimates.

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

In preparing these consolidated financial statements the critical judgments made by management in applying the accounting policies and the key sources of estimation uncertainty are the same as those that applied to the consolidated financial statements for the year ended 31 December 2019,except for those disclosed in below.

In order to fairly reflect the impact of the prevailing macroeconomic conditions and as recommended by the IAS Board and the European Banking Authority, the Group has, since the first quarter of 2020 and as part of a complex of pandemic impact mitigation measures, adjusted its major approaches to the measurement of expected credit losses, which approaches have the most material effect on the amounts reported in these consolidated financial statements:

- quarterly updates of the macroeconomic adjustments to respond more promptly to changes in the economic situation;
- update of retail PD models in 1Q2020;
- monitoring of the performance, and prompt adjustment, of certain modules and factors of the PD models;
- provisioning easings for borrowers who suffered temporary difficulties caused directly by Covid-19;
- segmentation of the corporate portfolio by the crisis impact into the green, yellow and red zones with consistently applied strategies for each of them: easier access to financing for the "green zone", a case-by-case approach with analysis, and progress monitoring, of business plans for the crisis period and mandatory stress tests for further pandemic waves for the affected segments;
- revision of the liquidity grades and haircuts of pledged properties;
- designing and implementation of restructuring programmes for retail borrowers, updates of their terms and building of new application approval processes, which helped keep the portfolio's quality at an adequate level and support customers;

(in millions of Russian Roubles unless otherwise stated)

- stricter credit policy for individuals working in the most affected sectors, regular monitoring and revision of the policy in line with the observed trends in credit quality changes;
- revision of the risk-based pricing system;
- adaptation of the document flow to the development of remote service channels;
- extension of the due dates for provision of documents by borrowers as they were unobtainable during the quarantine/lockdown;
- compensatory measures in view of the bankruptcy moratorium for certain categories of borrowers.

Macroeconomic adjustments**:**

	31.12.2019	**31.12.2020**
For due from credit and other financial institutions, investment financial assets and corporate loans	110.3%	108.6%
For loans to individuals except for mortgage loans	104.5%	106.0%
For mortgage loans	105.8%	100.0%

The reflection of macroeconomic changes using the above approaches was the main driver behind the material growth of cost of risk in the first quarter of 2020. In the fourth quarter of 2020, given the most current available information, the Group decreased the macroeconomic adjustment.

The Group makes evaluations and judgments which are constantly analyzed based on historical data, actual information and forecasts, as well as the management's experience, including their expectations about future events as reasonably held in light of the current circumstances.

Application of new or revised standards and interpretations

The Group has adopted the following amendments to standards with a date of initial application of 1 January 2020, did not have a significant impact on the group:
- Amendments to References to Conceptual Framework in IFRS Standards.
- Definition of a Business (Amendments to IFRS 3).
- Definition of Material (Amendments to IAS 1 and IAS 8).
- Interest rate benchmark reform" (Amendments to IFRS 9, IAS 39 and IFRS 7).

3 Significant accounting policies

The following significant accounting policies are applied in the preparation of the consolidated financial statements. The accounting policies are consistently applied by the Group entities to all periods presented in these consolidated financial statements, except as explained in Note 2, which addresses changes in accounting policies.

Basis of consolidation

Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

The Group measures goodwill at the acquisition date as:
- The fair value of the consideration transferred; plus
- The recognised amount of any non-controlling interests in the acquiree; plus
- If the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquire; less
- The net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

Associates

Associates are entities over which the Group has significant influence (directly or indirectly), but not control, generally accompanying a shareholding of between 20 and 50 percent of the voting rights. Investments in associates are accounted for using the equity method of accounting, and are initially recognised at cost. The carrying amount of associates includes goodwill identified on acquisition less accumulated impairment losses, if any. Dividends received from associates reduce the carrying value of the investment in associates. Other post-acquisition changes in Group's share of net assets of an associate are recognised as follows:

(i) the Group's share of profits or losses of associates is recorded in the consolidated profit or loss for the year as share of result of associates, (ii) the Group's share of other comprehensive income is recognised in other comprehensive income and presented separately, (iii) all other changes in the Group's share of the carrying value of net assets of associates are recognised in profit or loss within the share of result of associates. However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Structured entities

A structured entity is an entity designed so that its activities are not governed by way of voting rights. In assessing whether the Group has power over such investees in which it has an interest, the Group considers factors such as the purpose and design of the investee; its practical ability to direct the relevant activities of the investee; the nature of its relationship with the investee; and the size of its exposure to the variability of returns of the investee.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Goodwill

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

Interest

Effective interest rate

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

– the gross carrying amount of the financial asset; or
– the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Amortised cost and gross carrying amount

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance (or impairment allowance before 1 January 2018).

The 'gross carrying amount of a financial asset' measured at amortised cost is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest. The effective interest rate is also revised for fair value hedge adjustments at the date amortisation of the hedge adjustment begins.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

Presentation

Interest income calculated using the effective interest method presented in the consolidated statement of profit or loss and other comprehensive income includes:

- interest on financial assets measured at amortised cost;
- interest on debt instruments measured at FVOCI;

Other interest income presented in the statement of profit or loss and other comprehensive income includes interest on loans to customers at FVTPL and interest income on non-derivative debt financial instruments measured at FVTPL.
Interest expense presented in the consolidated statement of profit or loss and other comprehensive income includes:

- financial liabilities measured at amortised cost.

Fees and commission

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate.

The Bank acts as an agent for insurance providers offering their insurance products to consumer loan borrowers. Commission income from insurance represents commissions for such agency services received by the Bank from such partners. It is not considered to be integral to the overall profitability of consumer loans because it is determined and recognised based on the Bank's contractual arrangements with the insurance provider rather than with the borrower. The Bank does not participate in the insurance risk, which is entirely borne by the partner; commission income from insurance is recognised in profit or loss when the Bank provides the agency service to the insurance company. The borrowers have a choice whether to purchase the insurance policy. A consumer loan customer's decision whether or not to purchase an insurance policy does not effect the stated interest rate offered to that customer.

Other fee and commission income – including account servicing fees, investment management fees, sales commission, placement fees and syndication fees – is recognised as the related services are performed. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognised on a straight-line basis over the commitment period.

A contract with a customer that results in a recognised financial instrument in the Group's consolidated financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the

Group first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual.

Other fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising in translation are recognised in profit or loss, however, foreign currency differences arising from the translation of the following items are recognised in other comprehensive income:

– an investment in equity securities designated as at FVOCI (2017: available-for-sale equity investments (except on impairment, in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss).

Inflation accounting

The Russian Federation ceased to be hyperinflationary with effect from 1 January 2003 and accordingly no adjustments for hyperinflation are made for periods subsequent to this date. The hyperinflation-adjusted carrying amounts of assets, liabilities and equity items as at 31 December 2002 became their carrying amounts as at 1 January 2003 for the purpose of subsequent accounting.

Cash and cash equivalents

The Group includes cash and the correspondent account with the Central bank of the Russian Federation, nostro accounts with other banks and deposits in credit and other financial institutions with initial maturity of less than one month in cash and cash equivalents. The obligatory reserves with the Central bank of the Russian Federation is not considered to be a cash equivalent due to restrictions on its withdrawability. Cash and cash equivalents are carried at amotised cost in the consolidated statement of financial position.

Financial instruments

Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

– it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
– its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

– it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
– its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt financial assets measured at FVOCI, gains and losses are recognised in other comprehensive income, except for the following, which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost:

– interest income using the effective interest method;
– ECL and reversals; and
– foreign exchange gains and losses.

When a debt financial asset measured at FVOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets and non-compliant with SPPI-criteria debt financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

– the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
– how the performance of the portfolio is evaluated and reported to the Group's management;
– the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
– how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
– the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

– contingent events that would change the amount or timing of cash flows;
– leverage features;
– terms that may adjust the contractual coupon rate, including variable-rate features;
– prepayment and extension features; and
– terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets – Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Non-recourse loans

In some cases, loans made by the Group that are secured by collateral of the borrower limit the Group's claim to cash flows of the underlying collateral (non-recourse loans). The Group applies judgment in assessing whether the non-recourse loans meet the SPPI criterion. The Group typically considers the following information when making this judgement:

– whether the contractual arrangement specifically defines the amounts and dates of the cash payments of the loan;
– the fair value of the collateral relative to the amount of the secured financial asset;
– the ability and willingness of the borrower to make contractual payments, notwithstanding a decline in the value of collateral;
– whether the borrower is an individual or a substantive operating entity or is a special-purpose entity;
– the Group's risk of loss on the asset relative to a full-recourse loan;
– the extent to which the collateral represents all or a substantial portion of the borrower's assets; and
– whether the Group will benefit from any upside from the underlying assets.

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

The Group has fixed rate bank loans for which the banks have the option to revise the interest rate following the change of key rate set by the CBR. The Group have an option to either accept the revised rate or redeem the loan at par without penalty. The Group considers these loans as in essence floating rate loans.

Modification of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different (referred to as 'substantial modification'), then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value. Any fees received as part of the modification are accounted for as follows:

– fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and;
– other fees are included in profit or loss as part of the gain or loss on derecognition.

The Group performs a quantitative and qualitative evaluation of whether the modification is substantial, i.e. whether the cash flows of the original financial asset and the modified or replaced financial asset are substantially different. The Group assesses whether the modification is substantial based on quantitative and qualitative factors in the following order: qualitative factors, quantitative factors, combined effect of qualitative and quantitative factors. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset deemed to have expired. In making this evaluation the Group analogizes to the guidance on the derecognition of financial liabilities.

The Group concludes that the modification is substantial as a result of the following qualitative factors:

– change the currency of the financial asset;
– change in collateral or other credit enhancement;
– change of terms of financial asset that lead to non-compliance with SPPI criterion (e.g. inclusion of conversion feature).

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. The gross carrying amount of the financial asset is recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset's original effective interest rate. Any costs or fees incurred adjust the carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income.

As part of credit risk management activities, the Group renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities'). If the Group plans to modify a financial asset in a way that would result in forgiveness of part of the existing contractual cash flows, then a portion of the asset is written off before the modification takes place. This is likely to result in the remaining contractual cash flows that are still recognised as the original financial asset at the point of modification to be similar to the new modified contractual cash flows. If based on quantitative assessment the Group concludes that modification of financial assets modified as part of the Group's forbearance policy is not substantial, the Group performs qualitative evaluation of whether the modification is substantial.

Financial liabilities

The Group derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

If a modification (or exchange) does not result in the derecognition of the financial liability the Group applies accounting policy consistent with the requirements for adjusting the gross carrying amount of a financial asset when a modification does not result in the derecognition of the financial asset, i.e. the Group recognises any adjustment to the amortised cost of the financial liability arising from such a modification (or exchange) in profit or loss at the date of the modification (or exchange).

Changes in cash flows on existing financial liabilities are not considered as modification, if they result from existing contractual terms, e.g. changes in fixed interest rates initiated by banks due to changes in the CBR key rate, if the loan contract entitles banks to do so and and the Group have an option to either accept the revised rate or redeem the loan at par without penalty. The Group treats the modification of an interest rate to a current market rate using the guidance on floating-rate financial instruments. This means that the effective interest rate is adjusted prospectively.

Group performs a quantitative and qualitative evaluation of whether the modification is substantial considering qualitative factors, quantitative factors and combined effect of qualitative and quantitative factors. The Group concludes that the modification is substantial as a result of the following qualitative factors:

- change the currency of the financial liability;
- change in collateral or other credit enhancement;
- inclusion of conversion option;
- change in the subordination of the financial liability.

For the quantitative assessment the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Reclassification

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets. The Group should reclassify financial assets if the Group changes its business model for managing those financial assets. Such changes are expected to be very infrequent. Such changes are determined by the Group’s senior management as a result of external or internal changes and must be significant to the Group’s operations and demonstrable to external parties. Accordingly, a change in the Group’s business model will occur only when the Group either begins or ceases to perform an activity that is significant to its operations; for example, when the Group has acquired, disposed of or terminated a business line.

Financial liabilities are not reclassified subsequent to their initial recognition.

Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its consolidated statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Fair value measurement principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

When there is no quoted price in an active market, the Group uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in these circumstances.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price, i.e., the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument, but no later than when the valuation is supported wholly by observable market data or the transaction is closed out.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Repurchase and reverse repurchase agreements

Securities sold under sale and repurchase (repo) agreements are accounted for as secured financing transactions, with the securities retained in the consolidated statement of financial position and the counterparty liability included in amounts payable under repo transactions within deposits by the Central bank of the Russian Federation and deposits by credit institutions. The difference between the sale and repurchase prices represents interest expense and is recognised in the profit or loss over the term of the repo agreement using the effective interest method.

Securities purchased under agreements to resell (reverse repo) are recorded as amounts receivable under reverse repo transactions within cash and cash equivalents and deposits in credit and other financial institutions. The difference between the purchase and resale prices represents interest income and is recognised in profit or loss over the term of the repo agreement using the effective interest method.

If assets purchased under an agreement to resell are sold to third parties, the obligation to return securities is recorded as a trading liability and measured at fair value.

Securitisation

For securitised financial assets, the Group considers both the degree of transfer of risks and rewards on assets transferred to another entity and the degree of control exercised by the Group over the other entity.

When the Group, in substance, controls the entity to which financial assets are transferred, the entity is included in these consolidated financial statements and the transferred assets are recognised in the consolidated statement of financial position.

When the Group transfers financial assets to another entity, but retains substantially all the risks and rewards related to the transferred assets, the transferred assets are recognised in the consolidated statement of financial position.

When the Group transfers substantially all the risks and rewards related to the transferred assets to an entity that it does not control, the assets are derecognised from the consolidated statement of financial position.

If the Group neither transfers nor retains substantially all the risks and rewards related to the transferred assets, the assets are derecognised if the Group has not retained control over the assets.

Loans to customers

'Loans to customers' caption in the consolidated statement of financial position include:

- loans to customers measured at amortised cost; they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;
- loans to customers mandatorily measured at FVTPL due to non-compliance with the SPPI-criterion; these are measured at fair value with changes recognised immediately in profit or loss; and
- finance lease receivables.

Investment securities

The 'investment financial assets' caption in the consolidated statement of financial position includes:

- debt investment securities measured at amortised cost; these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;
- debt and equity investment securities mandatorily measured at FVTPL or designated as at FVTPL; these are measured at fair value with changes recognised immediately in profit or loss;
- debt securities measured at FVOCI.

Deposits, debt securities issued and subordinated liabilities

Deposits, debt securities issued and subordinated liabilities are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method, except where the Group designates liabilities at FVTPL.

Property and equipment

Owned assets

Where an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items of property and equipment.

Revaluation

Buildings are subject to revaluation on a regular basis. The frequency of revaluation depends on the movements in the fair values of the buildings being revalued. A revaluation increase on a building is recognised as other comprehensive income except to the extent that it reverses a previous revaluation decrease recognised in profit or loss, in which case it is recognised in profit or loss. A revaluation decrease on a building is recognised in profit or loss except to the extent that it reverses a previous revaluation increase recognised as other comprehensive income directly in equity, in which case it is recognised as other comprehensive income.

Depreciation

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences on the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use. Land is not depreciated. The estimated useful lives are as follows:

	Years
Buildings	10-50
Furniture and other property	1-20
Computers and office equipment	1-5
Vehicles	3-7

When a building is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

The Group has adopted a component based depreciation accounting model for certain groups of its assets (such as aircrafts). Under this approach, depreciation of certain parts of the relevant assets with a cost that is significant in relation to the total cost of such assets is calculated separately. Useful life of these parts may differ from the overall useful life of the relevant assets. The Group estimates depreciation of certain components based on their actual utilisation (not useful life) whenever this depreciation method allows for a more accurate estimate of the pattern of consumption of the future economic benefits embodied in such components. The Group reviews its assumptions on useful life and/or utilisation on a regular basis.

Costs related to repairs and renewals are charged when incurred and included in general and administrative expenses, unless they qualify for capitalisation.

Intangible assets

Intangible assets, which are acquired by the Group, are stated at cost less accumulated amortisation and impairment losses.

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets, typically between 1 and 5 years.

Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in normal course of business, or for the use in production or supply of goods or services or for administrative purposes. Investment property is measured at fair value with any change recognised in profit or loss.

When the use of a property changes such that it is reclassified as property and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter generally, the assets, or disposal groups, are measured at the lower of their carrying amount and fair value less cost to sell.

Leases (the Group as a Lessee)

As a lessee, Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.Right-of-use assets are reported in the consolidated statement of financial position as property and equipment.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised. Lease liability are reported in the consolidated statement of financial position as other liabilities.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

Impairment

Financial instruments and contract assets

The Group recognises loss allowances for ECLs on:
- financial assets measured at amortised cost;
- debt investments measured at FVOCI;
- financial guarantee contracts issued; and
- loan commitments issued.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held).

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

However, for retail overdrafts and credit card facilities that include both a loan and an undrawn commitment component, the Group measures ECL over a period longer than the maximum contractual period if the Group's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Group's exposure to credit losses to the contractual notice period. These facilities do not have a fixed term or repayment structure and are managed on a collective basis. The Group can cancel them with immediate effect but this contractual right is not enforced in the normal day-to-day management, but only when the Group becomes aware of an increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the Group expects to take and that serve to mitigate ECL. These include a reduction in limits, cancellation of the facility and/or turning the outstanding balance into a loan with fixed repayment terms.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- *financial assets that are not credit-impaired at the reporting date:* as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive);
- *financial assets that are credit-impaired at the reporting date:* as the difference between the gross carrying amount and the present value of estimated future cash flows;
- *undrawn loan commitments:* as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and
- *financial guarantee contracts:* the present value of expected payments to reimburse the holder less any amounts that the Group expects to recover.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows.

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 90 days or more is considered impaired.

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Group considers the following factors.

– The market's assessment of creditworthiness as reflected in the bond yields.
– The rating agencies' assessments of creditworthiness.
– The country's ability to access the capital markets for new debt issuance.
– The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
– The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

Presentation of allowance for ECL in the consolidated statement of financial position

Loss allowances for ECL are presented in the consolidated statement of financial position as follows:

– *financial assets measured at amortised cost*: as a deduction from the gross carrying amount of the assets;
– *loan commitments and financial guarantee contracts*: generally, as a provision;
– *where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the loan commitment component separately from those on the drawn component*: the Group presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
– *debt instruments measured at FVOCI*: no loss allowance is recognised in the consolidated statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

Write-offs

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovery. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Equity-accounted investees

An impairment loss in respect of an equity-accounted investee is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognised in profit or loss, and is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

Non financial assets

Other non financial assets, other than deferred taxes, are assessed at each reporting date for any indications of impairment. The recoverable amount of non financial assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

All impairment losses in respect of non financial assets are recognised in profit or loss and reversed only if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. An impairment loss in respect of goodwill is not reversed.

Provisions

A provision is recognised in the consolidated statement of financial position when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

Financial guarantees and loan commitments

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument. Loan commitments are firm commitments to provide credit under pre-specified terms and conditions.

Financial guarantees issued or commitments to provide a loan at a below-market interest rate are initially measured at fair value. Subsequently, they are measured at the higher of the loss allowance determined in accordance with IFRS 9 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15.

The Group has issued no loan commitments that are measured at FVTPL.

For other loan commitments the Group recognises a loss allowance.

Liabilities arising from financial guarantees and loan commitments are included within provisions.

Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a decrease in equity.

Dividends

The ability of the Bank to declare and pay dividends is subject to the rules and regulations of the Russian legislation. Dividends in relation to ordinary shares are reflected as an appropriation of retained earnings in the period when they are declared.

Perpetual instruments

Perpetual non-redeemable debt instruments issued by the Group which carry no mandatory interest payments are classified as equity.

Taxation

Income tax comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items of other comprehensive income or transactions with shareholders recognised directly in equity, in which case it is recognised within other comprehensive income or directly within equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and temporary differences related to investments in subsidiaries where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

(in millions of Russian Roubles unless otherwise stated)

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences, unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group); whose operating results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment, and assess its performance, and for which discrete financial information is available.

Comparative information

The Group transferred State deposit insurance scheme contributions to Other net operating income or (expense) in the consolidated statement of profit or loss and other comprehensive income. Comparative information is reclassified to conform to changes in presentation in the current period.

The effect on the consolidated statement of profit or loss and other comprehensive income is disclosed below:

	31 December 2019 Before reclassification	Reclassification	31 December 2019 After reclassification
State deposit insurance scheme contributions	(2 691)	2 691	-
Other net operating income or (expense)	(665)	(2 691)	(3 356)

Standards issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2021 and earlier application is permitted. However, the Group has not early adopted them in preparing these consolidated financial statements.

The following amendments to standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements:

- Amendments to IFRS 9— Fees and cost included in the 10 per cent test for derecognition of financial liabilities
- Amendments to IFRS 9, IAS 39, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform — Phase 2
- IFRS 17, "Insurance contracts".

4 Financial risk review

This Note presents information about the Group's exposure to financial risks.

Credit risk - Amounts arising from ECL

Inputs, assumptions and techniques used for estimating impairment

See accounting policy in Note 3.

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and expert credit assessment and including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

Credit risk grades

The Group allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

Each exposure is allocated to a credit risk grade at initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves use of the following data.

Corporate exposure	All exposures (corporate and retail exposures)
– Information obtained during periodic review of customer files – e.g. audited financial statements, management accounts, budgets and projections	– Payment record – this includes overdue status as well as a range of variables about payment ratios
– Data from credit reference agencies, press articles, changes in external credit ratings	– Requests for and granting of forbearance
– Quoted bond and credit default swap (CDS) prices for the borrower where available	– Existing and forecast changes in business, financial and economic conditions
– Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities	

Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Group collects performance and default information about its credit risk exposures analysed by jurisdiction or region and by type of product and borrower as well as by credit risk grading.

The Group employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

This analysis includes the identification and calibration of relationships between changes in default rates and changes in key macro-economic factors as well as in-depth analysis of the impact of certain other factors (e.g. forbearance experience) on the risk of default. For most exposures, key macro-economic indicator is likely to be GDP growth.

The Group uses expert judgment in assessment of forward-looking information. This assessment is based also on external information (see discussion below on incorporation of forward-looking information). The Group then uses these forecasts to adjust its estimates of PDs.

Determining whether credit risk has increased significantly

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in PDs and qualitative factors, including a backstop based on delinquency.

Quantitative criteria for significant changes in credit risk includes rating downgrade of 3 or more notches in relation to the rating for this requirement on initial recognition, if the rating on initial recognition is higher than C1; rating downgrade by 2 or more notches in relation to the rating for this requirement on initial recognition, if the rating on initial recognition is lower or equal to C1.

Using its expert credit judgement and, where possible, relevant historical experience, the Group may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.

As a backstop, the Group considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined taking into account grace period that might be available to the borrower.

The Group monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due;
- the average time between the identification of a significant increase in credit risk and default appears reasonable;
- exposures are not generally transferred directly from 12-month ECL measurement to credit-impaired; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month ECL and lifetime ECL measurements.

Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value in accordance with the accounting policy set out in Note 3.

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:
- its remaining lifetime PD at the reporting date based on the modified terms; with
- the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms.

The Group renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities') to maximise collection opportunities and minimise the risk of default. Under the Group's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy.

For financial assets modified as part of the Group's forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Group's ability to collect interest and principal and the Group's previous experience of similar forbearance action. As part of this process, the Group evaluates the borrower's payment performance against the modified contractual terms and considers various behavioral indicators.

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired (see Note 3)/in default. A customer needs to demonstrate consistently good payment behavior over a period of time before the exposure is no longer considered to be credit-impaired in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECL.

During the pandemic the Group according to the recommendations of the IASB, introduced provisioning easings for borrowers who suffered temporary difficulties caused directly by Covid-19. Restructuring for such borrowers was not considered a sign of default. For corporate borrowers, there were only few such restructurings, after the end of the period of easings, ECL and stages were revised for some of them. For individual borrowers, the restructuring data were more widespread, but at the end of the period of easings, most of the individual borrowers continued to service their debt and pay interest on timely basis.

Definition of default

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held).

In assessing whether a borrower is in default, the Group considers indicators that are:

- qualitative – e.g. breaches of covenant;
- quantitative – e.g. overdue status and non-payment on another obligation of the same issuer to the Group; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Incorporating of forward-looking information

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. The Group uses expert judgment in assessment of forward-looking information. This assessment is based also on external information.

The Group has identified and documented key drivers of credit risk and credit losses, using an analysis of historical data, has estimated relationships between macro-economic variable and credit risk and credit losses. This key driver is GDP forecasts.

Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD);
- exposure at default (EAD).

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

PD estimates are estimates at a certain date, which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for large corporate counterparties. If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates.

The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim and recovery costs of any collateral that is integral to the financial asset. For loans secured by retail property, LTV ratios are a key parameter in determining LGD. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. For lending commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts.

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Group measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Group considers a longer period. The maximum contractual period extends to the date at which the Group has the right to require repayment of an advance or terminate a loan commitment or guarantee.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include:

- instrument type;
- credit risk gradings;
- collateral type;
- date of initial recognition;
- remaining term to maturity.

Credit quality analysis

Credit quality is based on the following scale developed internally by the Group:

- "Low credit risk" – assets with counterparties with low probability of default with high ability to fulfil financial obligations in time.
- "Moderate credit risk" – assets with counterparties with average probability of default and with moderate ability to fulfil financial obligations in time; more detailed consideration is required during monitoring.
- "High credit risk" – assets with higher probability of default; specific attention is required during monitoring.
- "Distressed assets" – assets that have signs of impairment or are qualified as defaulted.

Explanation of the terms: 12-month ECL, lifetime ECL, credit-impaired and purchased or originated credit impaired are included in Note 3.

(in millions of Russian Roubles unless otherwise stated)

5 Net interest income

	2020	2019
Interest income calculated using the effective interest method		
Financial assets measured at amortised cost		
Due from credit and other financial organizations and the CBR	66 153	66 958
Loans to customers	65 287	61 814
Debt securities measured at amortised cost	2 017	1 653
	133 457	**130 425**
Debt financial assets measured at FVOCI	**15 845**	**12 059**
Interest income calculated using the effective interest method	**149 302**	**142 484**
Loans to customers at FVTPL	3 932	3 791
Other financial instruments at fair value through profit or loss	3 180	1 077
Other interest income	**7 112**	**4 868**
	156 414	**147 352**
Interest expense		
Due to customers	(61 146)	(67 116)
Due to credit institutions	(24 794)	(25 260)
Debt securities issued	(11 001)	(9 434)
Lease liabilities	(225)	(259)
	(97 166)	**(102 069)**
Net interest income	**59 248**	**45 283**

6 Net fee and commission income

	2020	2019
Fee and commission income		
Financial services fees and brokerage commission	5 097	441
Guarantees and letters of credit	5 063	2 348
Plastic cards	2 547	2 926
Other cash operations	1 812	2 741
Settlements and wire transfers	1 540	1 892
Insurance contracts processing	1 372	2 250
Cash handling	1 082	1 564
Currency exchange commission	487	598
Opening and maintenance of bank accounts	359	481
Other	74	157
	19 433	**15 398**
Fee and commission expense		
Plastic cards	(2 332)	(2 767)
Settlements and wire transfers	(791)	(546)
Guarantees and other credit related facilities received	(451)	(390)
Other	(421)	(161)
	(3 995)	**(3 864)**
Net fee and commission income	**15 438**	**11 534**

Depending on the type of the service commission income when not an integral part of the effective interest rate on a financial asset or liability is recognized either at a point of time or over time according to the pattern the Group fulfills a performance obligation under the contract:

– commission fee for settlement transactions and wire transfers, cash operations, plastic cards, insurance contracts processing, cash handling, currency exchange and brokerage commission, opening and maintenance of bank accounts commission are charged for the execution of payment order in accordance with tariffs depending on the type of the transaction and recognised as income at the moment of the transaction execution;

– commission fee on guarantees and letters of credit issued is paid in advance and is recognized as income over the time of the relevant guarantee or letter of credit.

(in millions of Russian Roubles unless otherwise stated)

7 Salaries, employment benefits and administrative expenses

	2020	2019
Salaries	11 705	11 760
Social security costs	2 172	2 407
Salaries and employment benefits	**13 877**	**14 167**
Advertising and business development	1 511	1 144
Operating taxes	937	864
Property maintenance	935	765
Computer maintenance and software expenses	538	226
Communications	445	412
Legal and consulting services	416	341
Security	412	534
Insurance	352	146
Write-off of low-value fixed assets	290	253
Occupancy	107	219
Other	83	251
Administrative expenses	**6 026**	**5 155**

The Group does not have pension arrangements separate from the State pension system of the Russian Federation. The Russian Federation system requires current contributions by the employer calculated as a percentage of current gross salary payments; such expense is charged to profit or loss in the period the related compensation is earned by the employee.

8 Impairment gain or (loss) on other non-financial assets, credit gain or (losses) on other financial assets and credit related commitments and other provisions

Movements in the impairment allowance and credit loss allowance for the year ended 31 December 2020 are as follows:

	Other financial assets	Non-financial assets	Provisions for financial guarantees and credit related commitments	Provisions for claims and other provisions	Total
Balance at the beginning of the period	**758**	**184**	**596**	**1 480**	**3 018**
Acquisition of subsidiaries	3	26	-	-	**29**
Net charge or (recovery)	46	259	222	(394)	**133**
Net foreign exchange gain	-	-	9	3	**12**
Write-offs	-	(170)	-	(201)	**(371)**
Balance at the end of the period	**807**	**299**	**827**	**888**	**2 821**

Movements in the impairment allowance for the year ended 31 December 2019 are as follows:

	Other financial assets	Non-financial assets	Provisions for financial guarantees and credit related commitments	Provisions for claims and other provisions	Total
Balance at the beginning of the period	**457**	**55**	**173**	**5 969**	**6 654**
Net charge or (recovery)	301	410	452	(4 481)	**(3 318)**
Net foreign exchange gain			(29)	(2)	**(31)**
Write-offs	-	(281)	-	(6)	**(287)**
Balance at the end of the period	**758**	**184**	**596**	**1 480**	**3 018**

(in millions of Russian Roubles unless otherwise stated)

9 Net foreign exchange gains or (losses)

	2020	2019
Realized profit or (loss) from derivatives transactions	5 113	(29 217)
Unrealized profit from derivatives transactions	22 316	324
Gain or (loss) from revaluation of foreign currency balances	(36 690)	15 641
	(9 261)	**(13 252)**

10 Other net operating income or (expense)

	2020	2019
Income on derecognized loans	8 043	511
State deposit insurance scheme contributions	(2 154)	(2 691)
Net gain /(loss) on redemption of own securities	(923)	(194)
Software and license expenses	(946)	(708)
Loss on acquisition of subsidiaries	(277)	-
Other income / (expenses)	(381)	(274)
Other net operating income or (expense)	**3 362**	**(3 356)**

11 Income tax

	2020	2019
Current tax charge	3 758	5 798
Deferred taxation	3 759	(2 642)
Income tax expense	**7 517**	**3 156**

Russian legal entities must report taxable income and remit income taxes thereon to the appropriate authorities. The statutory income tax rate is 20% in 2020 and 2019.

The effective income tax rate differs from the statutory income tax rate. A reconciliation of income taxes based on the statutory rate with the actual income tax expense is presented below:

	2020	%	2019	%
Profit before tax	37 526		15 113	
Income tax using the applicable tax rate	7 505	20.00	3 023	20.00
Income taxed at lower rates	(894)	(2.40)	(527)	(3.50)
Net non-deductible costs	906	2.40	660	4.40
Income tax expense	**7 517**	**20.00**	**3 156**	**20.90**

(in millions of Russian Roubles unless otherwise stated)

Movements in temporary differences during the years ended 31 December 2020 and 2019 are presented as follows.

	Balance at 31 December 2019	Recognised in profit or loss	Recognised in other comprehensive income and equity	Recognised directly in equity	Acquisition of subsidiaries	Balance at 31 December 2020
Cash and cash equivalents	(341)	130	-	-	-	(211)
Due from credit and other financial organizations	(24)	(253)	-	-	-	(277)
Trading financial assets	1 504	5 940	-	-	(1)	7 443
Loans to customers	3 273	1 705	-	-	1	4 979
Investment financial assets	38	2 485	(563)	-	6	1 966
Property and equipment	1 259	(690)	32	-	52	653
Other assets	(50)	498	-	-	2	450
Due to customers	20	(32)	-	-	-	(12)
Financial liabilities at fair value through profit or loss	(1 160)	(745)	40	-	-	(1 865)
Debt securities issued	198	1 199	-	(1 205)	-	192
Other liabilities	(1 460)	(785)	-	-	(76)	(2 321)
Tax loss carry-forwards	-	(5 693)	-	-	(25)	(5 718)
Total net deferred tax liabilities (assets)	**3 257**	**3 759**	**(491)**	**(1 205)**	**(41)**	**5 279**

	Balance at 31 December 2018	Impact of adopting IFRS 16	Balance at 1 January 2019	Recognised in profit or loss	Recognised in other comprehensive income and equity	Recognised directly in equity	Balance at 31 December 2019
Cash and cash equivalents	(265)	-	(265)	(76)	-	-	(341)
Due from credit and other financial organizations	(21)	-	(21)	(3)	-	-	(24)
Trading financial assets	876	-	876	628	-	-	1 504
Loans to customers	3 663	-	3 663	(390)	-	-	3 273
Investment financial assets	2 604	-	2 604	(3 311)	745	-	38
Property and equipment	249	600	849	431	(21)	-	1 259
Other assets	(569)	(12)	(581)	531	-	-	(50)
Due to customers	72	-	72	(52)	-	-	20
Financial liabilities at fair value through profit or loss	(1 248)	-	(1 248)	72	16	-	(1 160)
Debt securities issued	238	-	238	(1 064)	-	1 024	198
Other liabilities	(1 464)	(588)	(2 052)	592	-	-	(1 460)
Total net deferred tax liabilities (assets)	**4 135**	**-**	**4 135**	**(2 642)**	**740**	**1 024**	**3 257**

(in millions of Russian Roubles unless otherwise stated)

Income tax recognised in other comprehensive income (loss)

The tax effects relating to components of other comprehensive income (loss) comprise the following:

	2020			2019		
	Amount before tax	**Tax benefit / (expense)**	**Amount net-of-tax**	**Amount before tax**	**Tax benefit / (expense)**	**Amount net-of-tax**
Revaluation surplus for buildings	161	(32)	129	(104)	21	(83)
Fair value reserve for securities	(2 816)	563	(2 253)	3 725	(745)	2 980
Own credit risk of financial liabilities	201	(40)	161	80	(16)	64
Other comprehensive loss	**(2 454)**	**491**	**(1 963)**	**3 701**	**(740)**	**2 961**

12 Cash and cash equivalents

	31 December 2020	**31 December 2019**
Cash on hand	18 969	17 478
Correspondent account with the Central bank of the Russian Federation	82 776	85 001
Nostro accounts with other banks		
rated from AA+ to AA-	3 268	5 289
rated from A+ to A-	2 881	1 529
rated from BBB+ to BBB-	6 919	3 006
rated from BB+ to BB-	548	515
rated from B+ to B-	6	-
not rated	2 054	1 093
Total nostro accounts with other banks	**15 676**	**11 432**
Deposits in credit and other financial organizations with maturity of less than 1 month		
Deposits with the Central bank of the Russian Federation	19 592	1 510
rated from AA+ to AA-	1 029	9 285
rated from BBB+ to BBB-	6 609	33 790
rated from BB+ to BB-	1 181	19 256
rated from B+ to B-	24 800	51 509
not rated	513 325	725 961
Total deposits in credit and other financial organizations with maturity of less than 1 month	**566 536**	**841 311**
Total gross cash and cash equivalents	**683 957**	**955 222**
Credit loss allowance	(674)	(1 577)
Total cash and cash equivalents	**683 283**	**953 645**

Ratings are based on Fitch, Moody's and Standard & Poor's rating system.

The correspondent account with the Central bank of the Russian Federation represents balances held with the Central bank of the Russian Federation related to settlement activity, and was available for withdrawal at the period end.

As at 31 December 2020, not rated Cash and cash equivalents include counterparties with ratings equivalent to Low credit risk for amount of RUB 2 001 million (31 December 2019: RUB 418 million), counterparties with ratings equivalent to Moderate credit risk for amount of RUB 513 378 million (31 December 2019: RUB 726 636 million).

As at 31 December 2020, deposits in not rated credit and other financial organizations with maturity of less than 1 month include term deposits in the amount of RUB 513 325 million secured by liquid securities under agreements to resell (reverse repo): bonds with rating from BBB- to BBB+ (97.9%) and stocks (2.1%).

(in millions of Russian Roubles unless otherwise stated)

As at 31 December 2019, deposits in not rated credit and other financial institutions with maturity of less than 1 month include term deposits in the amount of RUB 725 961 million secured by liquid securities under agreements to resell (reverse repo): bonds with rating from BB- to BBB (85.8%), stocks (10.7%), global depositary receipts (3.0%) and American depositary receipts (0.5%).

As at 31 December 2020, receivables under reverse sale and repurchase agreements included in Cash and cash equivalents are RUB 545 915 million (31 December 2019: RUB 824 634 million).

As at 31 December 2020, the fair value of securities that serve as collateral under reverse sale and repurchase agreements is RUB 585 970 million (31 December 2019: RUB 919 322 million).

As at 31 December 2020, Cash and cash equivalents for which external benchmark information represents a significant input into measurement of ECL are RUB 148 618 million (31 December 2019: RUB 189 185 million).

As at 31 December 2020, the total gross amount of Cash and cash equivalents to the top twenty counterparties (or groups of related counterparties) was RUB 661 613 million or 96.7% (31 December 2019: RUB 848 981 million or 88.9%) of the Group's total gross amount of Cash and cash equivalents.

Movements in cash and cash equivalents credit loss allowance for the year ended 31 December 2020 and year ended 31 December 2019 are as follows:

	2020	2019
Balance at the beginning of the period	**1 577**	**1 298**
Net recovery	(903)	279
Balance at the end of the period	**674**	**1 577**

As at 31 December 2020 and 31 December 2019 the Group recognizes expected loss allowance in the amount of 12-month expected credit losses.

Information about the currency and maturity and effective interest rates of Cash and cash equivalents is presented in Note 31.

13 Due from credit and other financial organizations

	31 December 2020	31 December 2019
Term deposits		
rated from AA+ to AA-	5 019	73
rated from A+ to A-	1 466	670
rated from BBB+ to BBB-	17 516	2 816
rated from BB+ to BB-	6 906	1 965
rated from B+ to B-	5 652	2 304
not rated	743 719	341 274
Total gross due from credit and other financial organizations	**780 278**	**349 102**
Credit loss allowance	(1 441)	(308)
Total net due from credit and other financial organizations	**778 837**	**348 794**

Ratings are based on Fitch, Moody's and Standard & Poor's rating system.
As at 31 December 2020, not rated due from credit and other financial organizations include counterparties with ratings equivalent to Moderate credit risk for amount of RUB 743 719 million (31 December 2019: RUB 341 274 million).

As at 31 December 2020, deposits included in not rated credit and other financial organizations are receivables in the amount of RUB 742 494 million secured by liquid securities under agreements to resell (reverse repo): bonds with investment grade rating (93,7%) and stocks (6,3%).

As at 31 December 2019, deposits included in not rated credit and other financial institutions are receivables in the amount of RUB 341 274 million secured by liquid securities under agreements to resell (reverse repo): bonds with investment grade rating (95,9%), stocks (3%) and American depositary receipts (1,1%).

(in millions of Russian Roubles unless otherwise stated)

As at 31 December 2020, receivables under reverse sale and repurchase agreements included in due from credit and other financial organizations are RUB 751 383 million (31 December 2019: RUB 344 025 million).

As at 31 December 2020, the fair value of securities that serve as collateral under reverse sale and repurchase agreements is RUB 834 131 million (31 December 2019: RUB 378 289 million).

As at 31 December 2020, Deposits from credit and other financial organizations for which external benchmark information represents a significant input into measurement of ECL are RUB 35 837 million (31 December 2019: RUB 7 155 million).

As at 31 December 2020, the total amount of due from credit and other financial organizations was attributable to twenty one counterparties (31 December 2019: fifteen counterparties) or groups of related counterparties.

Movements in due from credit and other financial organizations credit loss allowance for the year ended 31 December 2020 and year ended 31 December 2019 are as follows:

	2020	2019
Balance at the beginning of the period	**308**	**135**
Net charge	1 133	203
Write-offs	-	(30)
Balance at the end of the period	**1 441**	**308**

As at 31 December 2020 and 31 December 2019 the Group recognizes expected loss allowance in the amount of 12-month expected credit losses.

Information about the currency and maturity and effective interest rates on deposits from credit and other financial organizations is presented in Note 31.

14 Trading financial assets

	31 December 2020	31 December 2019
Held by the Group		
Government and municipal bonds		
Russian Government Federal bonds	3 240	-
Regional authorities and municipal bonds	1 463	205
Corporate bonds		
rated from A+ to A-	73	87
rated from AA+ to AA-	13	22
rated from BBB+ to BBB-	18 031	8 610
rated from BB+ to BB-	4 879	6 846
rated from B+ to B-	527	817
not rated	9 732	12 870
Equity investments		
rated from AA+ to AA-	-	704
rated from BBB+ to BBB-	941	-
not rated	24	
Derivative financial instruments	36 685	7 759
Total held by the Group	**75 608**	**37 920**
Pledged under sale and repurchase agreements		
Corporate bonds		
rated from BBB+ to BBB-	2 527	547
rated from BB+ to BB-	121	83
not rated	560	-
Total pledged under sale and repurchase agreements	**3 208**	**630**
Total trading financial assets	**78 816**	**38 550**

(in millions of Russian Roubles unless otherwise stated)

Ratings are based on Fitch, Moody's and Standard & Poor's rating system.

As at 31 December 2020, trading financial assets in the amount of RUB 13 401 million (31 December 2019: RUB 1 399 million) are qualified to be pledged against borrowings from the Central bank of the Russian Federation.

15 Loans to customers

	31 December 2020	31 December 2019
Loans to customers at amortised cost		
Loans to corporate clients	840 675	642 179
Credit loss allowance	(37 036)	(33 982)
Total loans to corporate clients at amortised cost, net	**803 639**	**608 197**
Loans to individuals		
Cash loans	85 581	82 402
Mortgage loans	37 183	23 692
Credit card loans	3 244	3 713
Auto loans	5 617	34
Credit loss allowance	(12 938)	(6 558)
Total loans to individuals at amortised cost, net	**118 687**	**103 283**
Total gross loans to customers at amortised cost	**972 300**	**752 020**
Credit loss allowance	**(49 974)**	**(40 540)**
Total net loans to customers at amortised cost	**922 326**	**711 480**
Loans to customers at FVTPL		
Loans to corporate clients	85 163	77 175
Loans to individuals	1 676	-
Total loans to customers at amortised cost and FVTPL	**1 009 165**	**788 655**

Credit quality of loan portfolio

The following table provides information on credit quality of the loan portfolio as at 31 December 2020 and 31 December 2019:

	31 December 2020	31 December 2019
Loans to customers		
- Not past due	1 006 659	795 445
- Not past due but impaired	16 111	-
- Overdue less than 31 days	1 416	2 905
- Overdue 31-60 days	1 882	581
- Overdue 61-90 days	730	592
- Overdue 91-180 days	6 764	2 194
- Overdue 181-360 days	5 612	12 485
- Overdue more than 360 days	19 965	14 993
Total gross loans to customers	**1 059 139**	**829 195**
Credit loss allowance	**(49 974)**	**(40 540)**
Total net loans to customers	**1 009 165**	**788 655**

As at 31 December 2020, the gross amount of overdue loans with payments that are overdue at least for one day totals RUB 36 369 million, which represents 3.4% of the gross loan portfolio (31 December 2019: RUB 33 750 million and 4.1%, respectively).

As at 31 December 2020, non-performing loans (NPLs), or loans with payments that are overdue over ninety days, amount to RUB 32 341 million or 3.1% of the gross loan portfolio (31 December 2019: RUB 29 672 million and 3.6%, respectively).

(in millions of Russian Roubles unless otherwise stated)

As at 31 December 2020, the ratio of total credit loss allowance to overdue loans equals 137.4%, the ratio of total credit loss allowance to NPLs equals 154.5% (31 December 2019: 120.1%, 136.6%, respectively).

Credit quality of loans to corporate clients portfolio

The following table provides information on credit quality of loans to corporate clients as at 31 December 2020 and 31 December 2019:

	31 December 2020	31 December 2019
Loans to corporate clients		
- Not past due	885 196	693 660
- Not past due but impaired	16 111	-
- Overdue less than 31 days	15	-
- Overdue 31-60 days	15	-
- Overdue 61-90 days	52	-
- Overdue 91-180 days	5 705	1 195
- Overdue 181-360 days	110	10 425
- Overdue more than 360 days	18 634	14 074
Total gross loans to corporate clients	**925 838**	**719 354**
Credit loss allowance	**(37 036)**	**(33 982)**
Total net loans to corporate clients	**888 802**	**685 372**

Analysis of collateral

Corporate loans are secured by the following types of collateral, depending on the type of transaction: real estate and other property, equipment and motor vehicles, inventories, receivables, guarantees and sureties, securities, promissory notes.

The following table provides information on collateral securing loans to corporate customers, net of impairment, by types of collateral as at 31 December 2020 and 31 December 2019:

	31 December 2020	31 December 2019
Real estate and other property	177 173	141 618
Claims for contract receivables	16 276	22 547
Equipment and motor vehicles	9 061	16 823
Securities	122 993	29 752
Guaranteed deposits	30 302	11 167
Goods in turnover	3 316	4 919
Bank's own debt securities	14	493
Corporate guarantees and no collateral	529 667	458 053
	888 802	**685 372**

The Group generally does not consider corporate guarantees for impairment assessment purposes.

The amounts in the table above represent the carrying value of the related loan, and do not necessarily represent the fair value of the collateral.

As at 31 December 2020, there were no loans for which no ECL was recognised because of collateral (31 December 2019: one loan).

As at 31 December 2020, there were no loans written-off for which collection procedures were still in process (31 December 2019: no such loans).

As at 31 December 2020 gross carrying amount of credit-impaired corporate loans amounted to RUB 40 184 million (2019: RUB 14 112 million), and the value of collateral (mainly commercial real estate and goods in turnover) available for these loans amounted to RUB 36 830 million (2019: RUB 10 015 million).

The recoverability of loans which are neither past due nor impaired is primarily dependent on the creditworthiness of the borrowers rather than the value of collateral, and the Group does not necessarily update the valuation of collateral as at each reporting date.

(in millions of Russian Roubles unless otherwise stated)

For loans secured by multiple types of collateral, collateral that is most relevant for impairment assessment is disclosed. Guarantees and sureties received from individuals, such as shareholders of SME borrowers, are not considered for impairment assessment purposes. Accordingly, such loans and unsecured portions of partially secured exposures are presented as loans without collateral or other credit enhancement.

Collateral obtained

During the year ended 31 December 2020, the Group did not obtain assets by taking possession of collateral for loans to corporate customers (during the year ended 31 December 2019: no collateral obtained). The Group's policy is to sell such assets as soon as it is practicable.

Credit quality analysis

	31 December 2020				
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**Originated credit-impaired**	**Total**
Loans to corporate clients at amortised cost					
Low credit risk	397 554	42	-	-	397 596
Moderate credit risk	346 705	76	-	-	346 781
High credit risk	34 374	21 349	6 382	1 032	63 137
Distressed assets	44	-	27 682	5 435	33 161
Total	**778 677**	**21 467**	**34 064**	**6 467**	**840 675**
Credit loss allowance	**(10 375)**	**(1 310)**	**(25 351)**	**-**	**(37 036)**
Carrying amount	**768 302**	**20 157**	**8 713**	**6 467**	**803 639**
Loan commitments					
Low credit risk	20 316	-	-	-	20 316
Undrawn loan commitments to individuals	8 586	71	-	-	8 657
Credit loss allowance	**(104)**	**(8)**	**-**	**-**	**(112)**
Carrying amount (allowance)	**(104)**	**(8)**	**-**	**-**	**(112)**
Financial guarantee contracts					
Low credit risk	13 354	-	-	-	13 354
Moderate credit risk	25 637	-	31	-	25 668
High credit risk	1 359	1 817	-	-	3 176
Total	**40 350**	**1 817**	**31**	**-**	**42 198**
Credit loss allowance	**(532)**	**(148)**	**(30)**	**-**	**(710)**
Carrying amount	**(706)**	**(151)**	**(31)**	**-**	**(888)**

	31 December 2019				
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**Originated credit-impaired**	**Total**
Loans to corporate clients at amortised cost					
Low credit risk	217 622	-	-	-	217 622
Moderate credit risk	327 506	-	-	-	327 506
High credit risk	48 312	13 722	-	-	62 034
Distressed assets	-	-	29 788	5 229	35 017
Total	**593 440**	**13 722**	**29 788**	**5 229**	**642 179**
Credit loss allowance	**(10 610)**	**(2 468)**	**(20 904)**	**-**	**(33 982)**
Carrying amount	**582 830**	**11 254**	**8 884**	**5 229**	**608 197**

(in millions of Russian Roubles unless otherwise stated)

	31 December 2019				
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**Originated credit-impaired**	**Total**
Loan commitments					
Low credit risk	300	-	-	-	300
Undrawn loan commitments to individuals	8 362	104	-	-	8 466
Credit loss allowance	**(16)**	**-**	**-**	**-**	**(16)**
Carrying amount (allowance)	**(16)**	**-**	**-**	**-**	**(16)**
Financial guarantee contracts					-
Low credit risk	8 558	-	-	-	8 558
Moderate credit risk	18 653	-	6 416	-	25 069
High credit risk	2 131	70	175	-	2 376
Total	**29 342**	**70**	**6 591**	**-**	**36 003**
Credit loss allowance	**(442)**	**(20)**	**(105)**	**-**	**(567)**
Carrying amount	**(599)**	**(20)**	**(160)**	**-**	**(779)**

As at 31 December 2020, Loans to customers for which external benchmark information represents a significant input into measurement of ECL are RUB 21 051 million (31 December 2019: RUB 36 885 million).

Analysis of movements in the credit loss allowance

Movements in the credit loss allowance for loans to corporate clients by three ECL stages[1] for the year ended 31 December 2020 and 31 December 2019 are as follows:

	Year ended 31 December 2020				
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**Originated credit-impaired**	**Total**
Loans to corporate clients					
Balance at the beginning of the period	**10 610**	**2 468**	**20 904**	**-**	**33 982**
Transfer to 12-month ECL	-	-	-	-	-
Transfer to lifetime ECL not credit-impaired	(696)	696	-	-	-
Transfer to lifetime ECL credit-impaired	(235)	(1 938)	2 173	-	-
Net remeasurement of loss allowance	(963)	(53)	8 557	-	7 541
Financial assets originated or purchased	8 526	954	171	-	9 651
Financial assets that have been fully repaid	(7 117)	(531)	(356)	-	(8 004)
Write-offs and cessions	5	(289)	(7 697)	-	(7 981)
Recoveries of amounts previously written-off	-	-	561	-	561
Unwinding of discount	-	-	618	-	618
Acquisition of subsidiaries	129	3	111	-	243
Foreign exchange and other movements	116	-	309	-	425
Balance at the end of the period	**10 375**	**1 310**	**25 351**	**-**	**37 036**

During the year ended 31 December 2020 the Group recognised loss on initial recognition of purchased or originated credit impaired loans in the amount of RUB 180 million.

During the year ended 31 December 2020 the Group recognised loss on significant modification in the amount of RUB 270 million.

[1] The estimated amount of ECL allowance includes ECL on loan commitments for certain corporate clients.

(in millions of Russian Roubles unless otherwise stated)

	Year ended 31 December 2019				
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**Originated credit-impaired**	**Total**
Loans to corporate clients					
Balance at the beginning of the period	**10 289**	**5 937**	**9 392**	**-**	**25 618**
Transfer to 12-month ECL	505	(505)	-	-	-
Transfer to lifetime ECL not credit-impaired	(99)	99	-	-	-
Transfer to lifetime ECL credit-impaired	(162)	(3 307)	3 469	-	-
Net remeasurement of loss allowance	(960)	1 447	7 137	(7 633)	(9)
Financial assets originated or purchased	6 815	-	1 386	-	8 201
Financial assets that have been fully repaid	(4 418)	(799)	(19)	-	(5 236)
Financial assets that have been derecognised due to modification	(839)	-	-	-	(839)
Write-offs and cessions	(155)	(404)	(958)	-	(1 517)
Recoveries of amounts previously written-off	-	-	465	-	465
Unwinding of discount	-	-	865	-	865
Foreign exchange and other movements	(366)	-	(833)	-	(1 199)
Repayment of originated credit-impaired assets in the amount exceeding expected cash flows including ECL at origination	-	-	-	7 633	7 633
Balance at the end of the period	**10 610**	**2 468**	**20 904**	**-**	**33 982**

Changes in the gross carrying amount

Changes in the gross carrying amount of loans to corporate clients, which resulted in a change in the allowance for ECL for the year ended 31 December 2020 are presented below:

	Year ended 31 December 2020				
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**Originated credit-impaired**	**Total**
Loans to corporate clients					
31 December 2019	**593 440**	**13 722**	**29 788**	**5 229**	**642 179**
Transfer to 12-month ECL	4	(4)	-	-	-
Transfer to lifetime ECL not credit-impaired	(14 989)	14 995	(6)	-	-
Transfer to lifetime ECL credit-impaired	(4 880)	(7 370)	12 250	-	-
Financial assets originated or purchased	559 941	13 851	277	1 031	575 100
Financial assets that have been fully repaid	(336 978)	(6 367)	(492)	-	(343 837)
Write-offs	-	-	(3 745)	-	(3 745)
Sales	(13 709)	-	(4 729)	-	(18 438)
Acquisition of subsidiaries	3 044	113	195	-	3 352
Partial repayment and other changes	(7 196)	(7 473)	526	207	(13 936)
31 December 2020	**778 677**	**21 467**	**34 064**	**6 467**	**840 675**

(in millions of Russian Roubles unless otherwise stated)

Changes in the gross carrying amount of loans to corporate clients, which resulted in a change in the allowance for ECL for the year ended 31 December 2019 are presented below:

	Year ended 31 December 2019				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Originated credit-impaired	Total
Loans to corporate clients					
31 December 2018	**516 108**	**39 567**	**11 780**	**12 691**	**580 146**
Transfer to 12-month ECL	6 359	(6 359)	-	-	-
Transfer to lifetime ECL not credit-impaired	(5 647)	5 647	-	-	-
Transfer to lifetime ECL credit-impaired	(6 461)	(11 071)	17 532	-	-
Financial assets originated or purchased	405 894	-	2 306	5 229	413 429
Financial assets that have been fully repaid	(262 292)	(11 551)	(23)	(12 691)	(286 557)
Sales	(6 353)	(1 846)	(1 374)	-	(9 573)
Partial repayment and other changes	(54 168)	(665)	(433)	-	(55 266)
31 December 2019	**593 440**	**13 722**	**29 788**	**5 229**	**642 179**

Credit quality of loans to individuals

The following tables provide information on the credit quality of loans to individuals as at 31 December 2020:

	31 December 2020				
	Cash loans	Mortgage loans	Credit card loans	Auto loans	Total
Loans to individuals					
- Not past due	75 272	37 936	2 863	5 392	121 463
- Overdue less than 31 days	994	310	-	97	1 401
- Overdue 31-60 days	1 589	215	36	27	1 867
- Overdue 61-90 days	614	25	23	16	678
- Overdue 91-180 days	934	33	59	33	1 059
- Overdue 181-360 days	5 151	128	192	31	5 502
- Overdue more than 360 days	1 027	212	71	21	1 331
Gross loans to individuals	**85 581**	**38 859**	**3 244**	**5 617**	**133 301**
Credit loss allowance	**(12 054)**	**(333)**	**(454)**	**(97)**	**(12 938)**
Net loans to individuals	**73 527**	**38 526**	**2 790**	**5 520**	**120 363**

	31 December 2020			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
<u>Loans to individual clients at amortised cost</u>				
- Not past due	114 289	5 313	188	119 790
- Overdue less than 31 days	443	755	200	1 398
- Overdue 31-60 days	2	1 763	103	1 868
- Overdue 61-90 days	1	516	161	678
- Overdue 91-180 days	-	3	1 056	1 059
- Overdue 181-360 days	-	1	5 501	5 502
- Overdue more than 360 days	-	-	1 330	1 330
Total loans to individual clients at amortised cost	**114 735**	**8 351**	**8 539**	**131 625**
Credit loss allowance	**(2 952)**	**(3 078)**	**(6 908)**	**(12 938)**
Total loans to individual clients at amortised cost, net	**111 783**	**5 273**	**1 631**	**118 687**

(in millions of Russian Roubles unless otherwise stated)

The following tables provide information on the credit quality of loans to individuals as at 31 December 2019:

	31 December 2019				
	Cash loans	**Mortgage loans**	**Credit card loans**	**Auto loans**	**Total**
Loans to individuals					
- Not past due	75 334	22 993	3 428	30	101 785
- Overdue less than 31 days	2 686	219	-	-	2 905
- Overdue 31-60 days	530	17	34	-	581
- Overdue 61-90 days	529	30	32	1	592
- Overdue 91-180 days	890	44	65	-	999
- Overdue 181-360 days	1 778	172	107	3	2 060
- Overdue more than 360 days	655	217	47	-	919
Gross loans to individuals	**82 402**	**23 692**	**3 713**	**34**	**109 841**
Credit loss allowance	**(6 030)**	**(219)**	**(307)**	**(2)**	**(6 558)**
Net loans to individuals	**76 372**	**23 473**	**3 406**	**32**	**103 283**

	31 December 2019			
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**Total**
Loans to individual clients at amortised cost				
- Not past due	97 923	3 721	141	101 785
- Overdue less than 31 days	802	2 103	-	2 905
- Overdue 31-60 days	-	581	-	581
- Overdue 61-90 days	-	555	37	592
- Overdue 91-180 days	-	-	999	999
- Overdue 181-360 days	-	-	2 060	2 060
- Overdue more than 360 days	-	-	919	919
Total loans to individual clients at amortised cost	**98 725**	**6 960**	**4 156**	**109 841**
Credit loss allowance	**(1 157)**	**(1 925)**	**(3 476)**	**(6 558)**
Total loans to individual clients at amortised cost, net	**97 568**	**5 035**	**680**	**103 283**

Analysis of collateral

Mortgage loans are secured by the underlying housing real estate. Auto loans are secured by the underlying cars. Credit card overdrafts and other loans to individuals are not secured.

For the allowance on a portfolio basis, management does not estimate loan impairment based on a specific analysis of the fair value of collateral but instead applies actual historical loss experience.

As at 31 December 2020, impaired mortgage loans in the gross amount of RUB 713 million are secured by collateral with a fair value of RUB 661 million (31 December 2019: RUB 699 million and RUB 517 million, respectively).

During the year ended 31 December 2020, the Group obtained assets by taking possession of collateral for loans to individuals in the amount of RUB 176 million (during the year ended 31 December 2019: RUB 156 million). The Group's policy is to sell such assets as soon as it is practicable.

(in millions of Russian Roubles unless otherwise stated)

Analysis of movements in the credit loss allowance

Movements in the credit loss allowance by classes of loans to individuals and by three ECL stages for the year ended 31 December 2020 are as follows:

	Year ended 31 December 2020			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
Cash loans				
Balance at the beginning of the period	**1 052**	**1 837**	**3 141**	**6 030**
Transfer to 12-month ECL	324	(286)	(38)	-
Transfer to lifetime ECL not credit-impaired	(128)	154	(26)	-
Transfer to lifetime ECL credit-impaired	(139)	(742)	881	-
Net remeasurement of loss allowance	530	1 838	4 796	7 164
Financial assets originated or purchased	1 224	707	434	2 365
Financial assets that have been fully repaid	(200)	(578)	(141)	(919)
Write-offs	-	-	(4 036)	(4 036)
Recoveries of amounts previously written-off	-	-	722	722
Unwinding of discount	-	-	701	701
Acquisition of subsidiaries	4	-	19	23
Foreign exchange and other movements	4	-	-	4
Balance at the end of the period	**2 671**	**2 930**	**6 453**	**12 054**
Mortgage loans				
Balance at the beginning of the period	**57**	**20**	**142**	**219**
Transfer to 12-month ECL	21	(10)	(11)	-
Transfer to lifetime ECL not credit-impaired	-	1	(1)	-
Transfer to lifetime ECL credit-impaired	(2)	(2)	4	-
Net remeasurement of loss allowance	18	5	(42)	(19)
Financial assets originated or purchased	91	9	18	118
Financial assets that have been fully repaid	(8)	(6)	(30)	(44)
Write-offs	-	-	(305)	(305)
Recoveries of amounts previously written-off	-	-	325	325
Unwinding of discount	-	-	21	21
Acquisition of subsidiaries	3	-	12	15
Foreign exchange and other movements	-	-	3	3
Balance at the end of the period	**180**	**17**	**136**	**333**

	Year ended 31 December 2020			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
Credit card loans				
Balance at the beginning of the period	**48**	**67**	**192**	**307**
Transfer to 12-month ECL	6	(6)	-	-
Transfer to lifetime ECL not credit-impaired	(9)	9	-	-
Transfer to lifetime ECL credit-impaired	(3)	(25)	28	-
Net remeasurement of loss allowance	20	85	210	315
Financial assets originated or purchased	15	11	19	45
Financial assets that have been fully repaid	(15)	(27)	(11)	(53)
Write-offs	-	-	(265)	(265)
Recoveries of amounts previously written-off	-	-	56	56
Unwinding of discount	-	-	48	48
Foreign exchange and other movements	-	-	1	1
Balance at the end of the period	**62**	**114**	**278**	**454**

(in millions of Russian Roubles unless otherwise stated)

	Year ended 31 December 2020			
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**Total**
Auto loans				
Balance at the beginning of the period	**-**	**1**	**1**	**2**
Transfer to 12-month ECL	1	(1)	-	-
Transfer to lifetime ECL not credit-impaired	(1)	1	-	-
Transfer to lifetime ECL credit-impaired	(2)	(2)	4	-
Net remeasurement of loss allowance	(6)	9	28	31
Financial assets originated or purchased	22	6	2	30
Financial assets that have been fully repaid	(7)	(1)	-	(8)
Write-offs	-	-	(16)	(16)
Recoveries of amounts previously written-off	-	-	10	10
Acquisition of subsidiaries	32	4	12	48
Balance at the end of the period	**39**	**17**	**41**	**97**

Movements in the credit loss allowance by classes of loans to individuals and by three ECL stages for the year ended 31 December 2019 are as follows:

	Year ended 31 December 2019			
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**Total**
Cash loans				
Balance at the beginning of the period	**1 011**	**884**	**3 032**	**4 927**
Transfer to 12-month ECL	225	(157)	(68)	-
Transfer to lifetime ECL not credit-impaired	(106)	135	(29)	-
Transfer to lifetime ECL credit-impaired	(84)	(388)	472	-
Net remeasurement of loss allowance	(363)	989	2 544	3 170
Financial assets originated or purchased	567	485	363	1 415
Financial assets that have been fully repaid	(197)	(79)	(349)	(625)
Write-offs	-	(32)	(4 262)	(4 294)
Recoveries of amounts previously written-off	-	-	1 048	1 048
Unwinding of discount	-	-	390	390
Foreign exchange and other movements	(1)	-	-	(1)
Balance at the end of the period	**1 052**	**1 837**	**3 141**	**6 030**

	Year ended 31 December 2019			
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**Total**
Mortgage loans				
Balance at the beginning of the period	**52**	**15**	**227**	**294**
Transfer to 12-month ECL	25	(3)	(22)	-
Transfer to lifetime ECL not credit-impaired	(2)	2	-	-
Transfer to lifetime ECL credit-impaired	-	(5)	5	-
Net remeasurement of loss allowance	(48)	12	(105)	(141)
Financial assets originated or purchased	39	1	19	59
Financial assets that have been fully repaid	(9)	(2)	(51)	(62)
Write-offs	-	-	(191)	(191)
Recoveries of amounts previously written-off	-	-	248	248
Unwinding of discount	-	-	12	12
Balance at the end of the period	**57**	**20**	**142**	**219**

(in millions of Russian Roubles unless otherwise stated)

	Year ended 31 December 2019			
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**Total**
Credit card loans				
Balance at the beginning of the period	**40**	**50**	**153**	**243**
Transfer to 12-month ECL	10	(10)	-	-
Transfer to lifetime ECL not credit-impaired	(3)	3	-	-
Transfer to lifetime ECL credit-impaired	(2)	(18)	20	-
Net remeasurement of loss allowance	(1)	47	146	192
Financial assets originated or purchased	15	13	16	44
Financial assets that have been fully repaid	(10)	(18)	(19)	(47)
Write-offs	-	-	(211)	(211)
Recoveries of amounts previously written-off	-	-	56	56
Unwinding of discount	-	-	32	32
Foreign exchange and other movements	(1)	-	(1)	(2)
Balance at the end of the period	**48**	**67**	**192**	**307**
Auto loans				
Balance at the beginning of the period	**-**	**1**	**3**	**4**
Net remeasurement of loss allowance	-	-	(18)	(18)
Financial assets that have been fully repaid	-	-	(1)	(1)
Write-offs	-	-	(7)	(7)
Recoveries of amounts previously written-off	-	-	24	24
Balance at the end of the period	**-**	**1**	**1**	**2**

Changes in the gross carrying amount

Changes in the gross carrying amount of loans to individuals by three ECL stages for the year ended 31 December 2020 are as follows:

	Year ended 31 December 2020			
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**Total**
Gross loans to individuals at amortised cost				
Balance at the beginning of the period	98 725	6 960	4 156	109 841
Transfer to 12-month ECL	1 471	(1 358)	(113)	-
Transfer to lifetime ECL not credit-impaired	(6 173)	6 207	(34)	-
Transfer to lifetime ECL credit-impaired	(4 385)	(2 687)	7 072	-
New financial assets originated or purchased	57 421	1 476	631	59 528
Financial assets that have been fully repaid	(25 730)	(1 760)	(289)	(27 779)
Write-offs	-	(69)	(4 553)	(4 622)
Partial repayment and other changes	(10 579)	(436)	1 593	(9 422)
Acquisition of subsidiaries	3 985	18	76	4 079
Balance at the end of the period	**114 735**	**8 351**	**8 539**	**131 625**

(in millions of Russian Roubles unless otherwise stated)

Changes in the gross carrying amount of loans to individuals by three ECL stages for the year ended 31 December 2019 are as follows:

	Year ended 31 December 2019			
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**Total**
Gross loans to individuals at amortised cost				
Balance at the beginning of the period	88 079	4 116	4 407	96 602
Transfer to 12-month ECL	1 192	(1 041)	(151)	-
Transfer to lifetime ECL not credit-impaired	(3 635)	3 672	(37)	-
Transfer to lifetime ECL credit-impaired	(1 949)	(1 157)	3 106	-
New financial assets originated or purchased	48 689	2 135	500	51 324
Financial assets that have been fully repaid	(22 954)	(456)	(624)	(24 034)
Write-offs	-	(32)	(4 671)	(4 703)
Partial repayment and other changes	(10 710)	(283)	1 645	(9 348)
Balance at the end of the period	**98 712**	**6 954**	**4 175**	**109 841**

As at 31 December 2020, the total gross amount of loans to the top ten borrowers (or groups of related borrowers) was RUB 459 507 million (31 December 2019: RUB 365 717 million) or 43.4% (31 December 2019: 44.1%) of the Group's total gross amount of loans to customers. All of the above borrowers are in stage 1.

Industry and geographical analysis of the loan portfolio

Loans to customers were issued primarily to customers located within the Russian Federation, who operate in the following economic sectors:

	31 December 2020	31 December 2019
Loans to individuals	133 301	109 841
Crude oil production and trading	360 509	246 425
Residential and commercial construction and development	105 992	67 131
Property rental	90 599	67 161
Petroleum refining / production and trading	99 398	104 248
Automotive, motorcycles and spare parts	53 554	54 948
Services	49 690	18 270
Finance	36 962	24 009
Equipment leasing	31 167	37 224
Metallurgical	26 282	16 949
Food and farm products	20 349	18 889
Electric utility	14 698	13 217
Industrial equipment and machinery	7 261	7 078
Clothing, shoes, textiles and sporting goods	5 694	4 967
Consumer electronics, appliances and computers	5 678	6 044
Industrial and infrastructure construction	4 788	1 898
Industrial chemicals	3 658	24 393
Consumer chemicals, perfumes and hygiene products	3 337	1 669
Construction and decorative materials, furniture	2 799	1 649
Paper, stationery and packaging products	1 312	914
Pharmaceutical and medical products	578	-
Government and municipal bodies	399	-
Transport infrastructure contractors	287	2 148
Telecommunications	233	-
Books, video, print and copy	78	95
Banking	-	1
Other	536	27
Total gross loans to customers	**1 059 139**	**829 195**
Credit loss allowance	(49 974)	(40 540)
Net loans to customers	**1 009 165**	**788 655**

Loan maturities

Information about the currency, maturity and effective interest rates of loans to customers is presented in Note 31.

(in millions of Russian Roubles unless otherwise stated)

16 Investment financial assets

	31 December 2020	31 December 2019
Investment financial assets measured at fair value through other comprehensive income – debt instruments, including pledged under repurchase agreements	263 668	207 785
Investment financial assets measured at amortized cost, including pledged under repurchase agreements	39 533	34 235
Investment financial assets at fair value through profit or loss	20 164	16 148
Total investment financial assets	**323 365**	**258 168**

As at 31 December 2020, Investment financial assets in the amount of RUB 238 277 million are qualified to be pledged against borrowings from the Central bank of the Russian Federation (31 December 2019: RUB 195 333 million).

Investment financial assets measured at fair value through other comprehensive income - debt instruments

	31 December 2020	31 December 2019
Held by the Group		
Russian Government Federal bonds (OFZ)	162 955	20 718
Russian Government eurobonds	4 447	16 984
Central Bank of the Russian Federation bonds	9 053	106 896
Corporate bonds	52 465	37 627
Corporate eurobonds	5 464	873
Total held by the Group	**234 384**	**183 098**
Pledged under sale and repurchase agreements		
Russian Government Federal bonds (OFZ)	4 790	3 355
Corporate bonds	24 082	18 881
Corporate eurobonds	412	2 451
Total pledged under sale and repurchase agreements	**29 284**	**24 687**
Total investment financial assets measured at fair value through other comprehensive income – debt instruments	**263 668**	**207 785**

Investment financial assets measured at amortised cost

	31 December 2020	31 December 2019
Held by the Group		
Corporate eurobonds	25 744	7 255
Corporate bonds	722	387
Promissory notes	450	450
Total held by the Group	**26 916**	**8 092**
Pledged under sale and repurchase agreements		
Corporate eurobonds	6 251	20 612
Corporate bonds	6 980	6 111
Total pledged under sale and repurchase agreements	**13 231**	**26 723**
Credit loss allowance	(614)	(580)
Investment financial assets measured at amortized cost	**39 533**	**34 235**

Investment financial assets designated as at fair value through profit or loss

	31 December 2020	31 December 2019
Equity investments	18 469	16 148
Debt instruments	1 695	-
Total investment financial assets as at fair value through profit or loss	**20 164**	**16 148**

(in millions of Russian Roubles unless otherwise stated)

During 12 months ended 31 December 2020 there were no non-monetary acquisitions of shares designated at FVTPL (31 December 2019: RUB 15 875 million).

Movements in the credit loss allowance of investment financial assets measured at fair value through other comprehensive income by three ECL stages for the year ended 31 December 2020 and 31 December 2019 are as follows:

	Year ended 31 December 2020			
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**Total**
Investment financial assets measured at fair value through other comprehensive income - debt instruments				
Balance at the beginning of the period	**379**	**-**	**-**	**379**
Net charge	251	5	-	256
Balance at the end of the period	**630**	**5**	**-**	**635**

	Year ended 31 December 2019			
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**Total**
Investment financial assets measured at fair value through other comprehensive income - debt instruments				
Balance at the beginning of the period	**618**	**-**	**-**	**618**
Net charge	(239)	-	-	(239)
Balance at the end of the period	**379**	**-**	**-**	**379**

Movements in the credit loss allowance of investment financial assets measured at amortised cost by three ECL stages for the year ended 31 December 2020 and 31 December 2019 are as follows:

	Year ended 31 December 2020			
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**Total**
Investment financial assets measured at amortized cost				
Balance at the beginning of the period	**130**	**-**	**450**	**580**
Net charge	34	-	-	34
Balance at the end of the period	**164**	**-**	**450**	**614**

	Year ended 31 December 2019			
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**Total**
Investment financial assets measured at amortized cost				
Balance at the beginning of the period	**175**	**-**	**270**	**445**
Net charge (recovery)	(45)	-	180	135
Balance at the end of the period	**130**	**-**	**450**	**580**

Transfers from 12-month ECL to lifetime ECL on non-credit-impaired assets for the year ended 31 December 2020 in the amount of RUB 295 million resulted in increase of ECL allowance in the amount of RUB 5 million (31 December 2019: none).

(in millions of Russian Roubles unless otherwise stated)

Credit quality analysis

The following table sets out information about the credit quality of financial assets measured at amortised cost and FVOCI debt instruments as at 31 December 2020.

	31 December 2020			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
Debt investment securities at amortised cost				
rated from BBB+ to BBB-	29 956	-	-	29 956
rated from BB+ to BB-	9 741	-	-	9 741
not rated	-	-	450	450
Total	**39 697**	**-**	**450**	**40 147**
Credit loss allowance	**(164)**	**-**	**(450)**	**(614)**
Carrying amount	**39 533**	**-**	**-**	**39 533**
Debt investment securities at FVOCI				
rated from BBB+ to BBB-	235 377	-	-	235 377
rated from BB+ to BB-	9 381	-	-	9 381
rated from B+ to B-	727	-	-	727
not rated	17 882	301	-	18 183
Total	**263 367**	**301**	**-**	**263 668**
Credit loss allowance	**(630)**	**(5)**	**-**	**(635)**
Carrying amount – fair value	**263 367**	**301**	**-**	**263 668**

	31 December 2019			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
Debt investment securities at amortised cost				
rated from BBB+ to BBB-	24 585	-	-	24 585
rated from BB+ to BB-	9 724	-	-	9 724
rated from B+ to B-	56	-	-	56
not rated	-	-	450	450
Total	**34 365**	**-**	**450**	**34 815**
Credit loss allowance	**(130)**	**-**	**(450)**	**(580)**
Carrying amount	**34 235**	**-**	**-**	**34 235**
Debt investment securities at FVOCI				
rated from BBB+ to BBB-	176 313	-	-	176 313
rated from BB+ to BB-	15 938	-	-	15 938
rated from B+ to B-	1 702	-	-	1 702
not rated	13 832	-	-	13 832
Total	**207 785**	**-**	**-**	**207 785**
Credit loss allowance	**(379)**	**-**	**-**	**(379)**
Carrying amount – fair value	**207 785**	**-**	**-**	**207 785**

Ratings are based on Fitch, Moody's and Standard & Poor's rating system.

As at 31 December 2020 included in not rated Debt investment securities at FVOCI are counterparties with credit ratings equivalent to Low credit risk category in the amount of RUB 6 538 million (31 December 2019: RUB 4 153 million), to Moderate credit risk category RUB 11 645 million (31 December 2019: RUB 9 679 million).

(in millions of Russian Roubles unless otherwise stated)

As at 31 December 2020 Investment financial assets balances for ECL calculation for of which external benchmark information represents a significant input into measurement of ECL are RUB 186 770 million (31 December 2019: RUB 154 694 million).

17 Property and equipment

The movement in property and equipment for the year ended 31 December 2020 is presented in the table below:

	Buildings	Vehicles	Computers and office equipment	Furniture and other property	Construction in progress	Right-of-use assets	Total
Cost/revalued amount							
At 31 December 2019	**4 197**	**1 404**	**1 778**	**3 321**	**570**	**3 646**	**14 916**
Acquisition of subsidiaries	1	13	67	38	3	359	481
Additions	18	5	65	82	173	618	961
Disposals	(49)	(207)	(4)	(148)	(3)	(409)	(820)
Transfers	528	-	36	13	(577)	-	-
Transfer to investment property	(232)	-	-	-	-	-	(232)
Revaluation	(43)	169	(3)	-	-	-	123
Reassessment and modification of right-of-use assets	-	-	-	-	-	524	524
Impairment	-	-	-	-	-	-	-
Elimination of accumulated depreciation on revalued buildings	(88)	-	-	-	-	-	(88)
At 31 December 2020	**4 332**	**1 384**	**1 939**	**3 306**	**166**	**4 738**	**15 865**
Accumulated depreciation							
At 31 December 2019	13	825	1 284	2 360	-	919	5 401
Acquisition of subsidiaries	-	9	35	32	2	84	162
Depreciation charge	104	133	327	313	-	1 020	1 897
Disposals	-	(204)	(3)	(124)	(2)	(179)	(512)
Revaluation	-	56	(1)	-	-	-	55
Elimination of accumulated depreciation on revalued buildings	(88)	-	-	-	-	-	(88)
At 31 December 2020	**29**	**819**	**1 642**	**2 581**	**-**	**1 844**	**6 915**
Carrying value							
At 31 December 2020	**4 303**	**565**	**297**	**725**	**166**	**2 894**	**8 950**

The movement in property and equipment for the year ended 31 December 2019 is presented in the table below:

	Buildings	Vehicles	Computers and office equipment	Furniture and other property	Construction in progress	Right-of-use assets	Total
Cost/revalued amount							
At 31 December 2018	**4 471**	**1 447**	**1 704**	**3 266**	**53**	**-**	**10 941**
Recognition of right-of-use asset on initial application of IFRS 16	-	(94)	-	-	-	3 095	3 001
At 1 January 2019	**4 471**	**1 353**	**1 704**	**3 266**	**53**	**3 095**	**13 942**
Additions	9	45	93	178	611	436	1 372
Modification	-	-	-	-	-	136	136
Disposals	(4)	(15)	(20)	(151)	(34)	(21)	(245)
Transfers	-	21	1	34	(60)	-	(4)
Revaluation	(186)	-	-	-	-	-	(186)
Impairment	-	-	-	(6)	-	-	(6)
Elimination of accumulated depreciation on revalued buildings	(93)	-	-	-	-	-	(93)
At 31 December 2019	**4 197**	**1 404**	**1 778**	**3 321**	**570**	**3 646**	**14 916**

(in millions of Russian Roubles unless otherwise stated)

	Buildings	Vehicles	Computers and office equipment	Furniture and other property	Construction in progress	Right-of-use assets	Total
Accumulated depreciation							
At 31 December 2018	-	732	905	2 122	-	-	3 759
Recognition of right-of-use asset on initial application of IFRS 16	-	(46)	-	-	-	46	-
At 1 January 2019	**-**	**686**	**905**	**2 122**	**-**	**46**	**3 759**
Depreciation charge	106	152	398	354	-	893	1 903
Disposals	-	(13)	(19)	(116)	-	(20)	(168)
Transfers	-	-	-	-	-	-	-
Elimination of accumulated depreciation on revalued buildings	(93)	-	-	-	-	-	(93)
At 31 December 2019	**13**	**825**	**1 284**	**2 360**	**-**	**919**	**5 401**
Carrying value							
At 31 December 2019	**4 184**	**579**	**494**	**961**	**570**	**2 727**	**9 515**

Revalued assets

The buildings were independently valued at 31 December 2020. The valuation was carried out by an independent firm of appraisers, who hold a recognised and relevant professional qualification and who have recent experience in valuation of assets of similar location and category.

The appraisals were performed using the income capitalisation and comparative sales and/or offer approaches of valuation. The income capitalisation approach considers income and expense data relating to the property being valued and estimates fair value through a capitalisation process. The market approach is based upon an analysis of the results of comparable sales and/or offers of similar buildings. Final fair value was calculated based on integrated analysis of both approaches. Thus, these buildings were classified to Level 3 of the fair value hierarchy.

The following key assumptions are used in applying the income capitalisation approach:

- net income for the base year is calculated using information on actual rental rates, possible vacancy losses, operating and maintenance expenses;
- vacancy losses as a percentage of potential gross rent income are estimated in the range of 6.5% to 13.2%;
- buildings maintenance and general administrative expenses are estimated in the range from 19.4% to 19.6% of effective gross rent income;
- capitalisation rate in the range from 9.4% to 11.7% is applied to capitalise net income for the base year.

For the comparative sales and/or offers approach the most significant assumption made is a negotiation discount in the range from 5.0% to 10.0% implicit in advertised market prices.

Changes in these estimates could effect the value of the buildings. For example, to the extent that adjustments differs by plus/minus ten percent, the building valuation as of 31 December 2020 would be RUB 389 million (31 December 2019: RUB 420 million) higher/lower.

The carrying value of buildings as of 31 December 2020, if the buildings would not have been revalued, would be RUB 3 736 million (31 December 2019: RUB 3 873 million).

18 Other assets

	31 December 2020	31 December 2019
Receivables and settlements with counterparties	2 048	1 230
Receivables for commissions	1 702	896
Receivables under cession agreements	533	515
Impairment allowance	(807)	(758)
Total other financial assets	**3 476**	**1 883**
Intangible assets	1 611	750
Deferred expenses	820	230
Repossessed collateral	645	323

(in millions of Russian Roubles unless otherwise stated)

	31 December 2020	31 December 2019
Investment property	274	279
Current tax assets	440	1 422
Security payments	255	87
Texes other than income tax	146	35
Advances issued	127	303
Other	743	458
Impairment allowance	(297)	(184)
Total other non-financial assets	**4 764**	**3 703**
Total other assets	**8 240**	**5 586**

Included in assets held for sale is real estate in Moscow and Moscow region, obtained by taking control over collateral for impaired loans.

19 Due to credit institutions

	31 December 2020	31 December 2019
Payables under repurchase agreements	652 988	629 853
Term deposits	33 751	10 005
Syndicated debt	-	26 783
Current accounts	34 943	11 295
Total due to credit institutions	**721 682**	**677 936**

As at 31 December 2020, the fair value of securities that serve as collateral under sale and repurchase agreements is RUB 715 616 million (31 December 2019: RUB 705 410 million).

As at 31 December 2020, the fair value of securities received as collateral under reverse repo deals being pledged for direct repo deals is RUB 662 534 million(31 December 2019: RUB 651 008 million).

As of 31 December 2020, the total gross amount of due to credit institutions to the top twenty counterparties (or groups of related counterparties) was RUB 714 635 million or 99.0% (31 December 2019: RUB 661 269 million or 97.6%) of the Group's total gross amount of due to credit institutions.

Information about the currency and maturity and effective interest rates on due to credit institutions is presented in Note 31.

20 Due to customers

	31 December 2020	31 December 2019
Corporate customers		
Term and demand deposits	1 041 375	711 043
Current accounts	149 043	99 426
Subordinated debt	44 896	41 292
Term notes	399	1 592
Payables under repurchase agreements	285	-
Total corporate customers	**1 235 998**	**853 353**
Individuals		
Term and demand deposits	400 712	425 737
Current accounts	100 805	60 445
Total individuals	**501 517**	**486 182**
Total due to customers	**1 737 515**	**1 339 535**

As at 31 December 2020, the fair value of securities that serve as collateral under sale and repurchase agreements is RUB 268 million (31 December 2019: there are no sale and repurchase agreements).

(in millions of Russian Roubles unless otherwise stated)

As at 31 December 2020, the fair value of securities received as collateral under reverse repo deals being pledged for direct repo deals is RUB 268 million (31 December 2019: there are no securities received as collateral under reverse repo deals being pledged for direct repo deals).

As at 31 December 2020, the total gross amount of due to customers to the top ten counterparties (or groups of related counterparties) was RUB 968 193 million or 55.7% (31 December 2019: RUB 658 282 million or 49.1%) of the Group's total gross amount of due to customers.

Information about the currency and maturity and effective interest rates on due to customers is presented in Note 31.

21 Debt securities issued

	31 December 2020	31 December 2019
Bonds	135 824	136 013
Subordinated bonds	35 641	32 536
Total debt securities issued	**171 465**	**168 549**

The table below provides a summary of bonds issued as at 31 December 2020 and 31 December 2019:

	Nominal amount of the initial issue RUB'mln / USD'mln	Amount of the issue outstanding 31 December 2020	Amount of the issue outstanding 31 December 2019	Issue date	Maturity date	Coupon rate
RUB denominated subordinated Eurobonds issue	5 000	5 067	5 065	26.11.2014	26.05.2025	16.50%
RUB denominated bonds issue BO-09	3 000	-	3 013	25.03.2015	25.03.2020	10.25%
USD denominated Eurobonds issue	500	15 301	25 138	07.11.2016	07.11.2021	5.88%
Mortgage-backed bonds	3 328	-	600	02.12.2016	07.12.2043	10.15%
USD denominated subordinated Eurobonds issue	600	30 574	27 472	05.04.2017	05.10.2027	7.50%
USD denominated Eurobonds issue	500	16 778	30 708	14.02.2018	14.02.2023	5.55%
EUR denominated Eurobonds issue	500	30 611	32 869	12.02.2019	20.02.2024	5.15%
USD denominated Eurobonds issue	500	15 664	26 400	18.03.2019	25.06.2024	7.12%
RUB denominated bonds issue 001P-01	10 000	10 233	10 243	31.10.2019	30.09.2022	8.35%
RUB denominated bonds issue 001P-02	7 000	7 045	7 041	03.12.2019	30.11.2021	7.75%
USD denominated Eurobonds issue	600	40 192	-	22.01.2020	29.01.2025	4.70%
		171 465	**168 549**			

Bondholders are entitled to demand early redemption of certain bonds at their nominal value.

Coupon payments are made semi-annually or quarterly, and selected coupon rates are subject to change in accordance with terms of the issuance within a predetermined range.

Information about the currency and maturity and effective interest rates on debt securities issued is presented in Note 31.

22 Other liabilities

	31 December 2020	31 December 2019
Commission settlements	4 081	-
Lease commitments	2 920	2 762
Payable to employees	2 416	1 869
Payables to suppliers and other creditors	437	389
Other liabilities	690	750
Total other financial liabilities	**10 544**	**5 770**

(in millions of Russian Roubles unless otherwise stated)

	31 December 2020	31 December 2019
Deferred income	2 549	1 432
Allowance for credit related commitments	1 583	1 974
Taxes payable	803	737
Payables to Deposit Insurance Agency	520	681
Current tax liabilities	392	3 104
Allowance for other commitments	133	102
Other liabilities	13	1
Total other non-financial liabilities	**5 993**	**8 031**
Total other liabilities	**16 537**	**13 801**

Commission settlements represent transactions not related to the Bank's income.

23 Financial liabilities measured at fair value through profit or loss

	31 December 2020	31 December 2019
Structured bonds issued designated at FVTPL	9 477	3 487
Other financial liabilities (derivatives)	9 853	6 387
Total financial liabilities measured at fair value through profit or loss	**19 330**	**9 874**

24 Share capital

Share capital consists of ordinary shares and was contributed by the shareholders in Roubles. The shareholders are entitled to dividends and capital distributions. Issued, outstanding and paid share capital at 31 December 2020 comprises 29 829 709 866 shares (31 December 2019: 27 486 559 181 shares) with par value of 1 RUB per share. In addition, at 31 December 2020 the Bank has 170 170 290 134 authorised but unissued ordinary shares with an aggregate nominal value of RUB 170 170 million. The total hyperinflation adjustment related to equity as at 31 December 2002 was RUB 862 million.

In July 2018 the Bank issued domestic perpetual subordinated bonds in the total amount of RUB 5 billion and a coupon rate of 12.00% per annum during the 1-11 coupon periods. The bonds are callable after 5.5 years of the placement date and then every 5 years. The coupon is paid on semi-share basis and the coupon rate is fixed. Coupon rate is reset every 10 coupon periods. The coupon payment is not cumulative and may be cancelled at the discretion of the Group.

In October 2018 the Group optimised its capital structure with a partial redemption of USD 700 million 8.875% per annum subordinated perpetual Eurobonds at par. Upon the partial redemption of this subordinated perpetual Eurobonds and cancellation of equivalent amounts USD 670 million of the subordinated perpetual Eurobonds remained outstanding.

In October 2019 the Bank issued 2 750 000 000 additional ordinary shares with a par value of1 RUB per share under secondary public offering. The Bank raised RUB 14 713 million during this offering. In December 2019 the CBR registered the Bank`s share capital increase.

As the Group has discretion in relation to coupon and principal repayment, the Group classified subordinated perpetual Eurobonds and bonds as equity instruments in the consolidated statement of financial position. The CBR approved the inclusion of the perpetual subordinated Eurobonds and bonds in the calculation of statutory capital adequacy ratio. The Eurobonds and bonds are Basel-III compliant and eligible for inclusion into the Group’s Additional Tier 1 capital upon receiving approval from the CBR (Note 29).

The USD denominated subordinated perpetual Eurobonds are translated to its RUB equivalent at the period-end exchange rate with exchange differences recorded in retained earnings when incurred. Issuance costs are also recorded in retained earnings when incurred.

(in millions of Russian Roubles unless otherwise stated)

25 Commitments

The Group has outstanding commitments to extend loans. These commitments take the form of approved loans and credit card limits and overdraft facilities.

The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to five years.

The Group applies the same credit risk management policies and procedures when granting credit commitments, financial guarantees and letters of credit as it does for granting loans to customers.

The contractual amounts of commitments are set out in the following table by category. The amounts reflected in the table for guarantees and letters of credit represent the maximum accounting loss that would be recognised at the reporting date if counterparties failed completely to perform as contracted.

	31 December 2020	31 December 2019
Guarantees and letters of credit	246 665	216 402
Undrawn loan commitments	31 418	23 153
Other contingent liabilities	2 434	3 431
	280 517	**242 986**

The total outstanding contractual commitments above do not necessarily represent future cash requirements, as these commitments may expire or terminate without being funded.

26 Contingencies

Insurance

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

Litigation

In the ordinary course of business, the Group is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations.

Taxation contingencies

The taxation system in the Russian Federation continues to evolve and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances, a tax year may remain open for a longer period. Recent events in the Russian Federation suggest that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation.

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

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

(in millions of Russian Roubles unless otherwise stated)

These circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on the financial position, if the authorities were successful in enforcing their interpretations, could be significant.

27 Custody activities

The Group provides custody services to its customers, whereby it holds securities on behalf of customers and receives fee income for providing these services. These securities are not assets of the Group and are not recognised in the consolidated statement of financial position.

28 Related party transactions

The outstanding balances with related parties and related average interest rates as at 31 December 2020 are as follows:

	Parent company		**Management**		**Associated company**		**Under control of principal beneficiary**		**TOTAL**
	Amount	**AER, %**	**Amount**	**AER, %**	**Amount**	**AER, %**	**Amount**	**AER, %**	
Cash and cash equivalents	-		-		16		-		**16**
Due from credit and other financial organizations	-		-		-		600		**600**
Trading financial assets	-		-		-		7 155		**7 155**
Loans to customers, gross	-		317	9.1%	775	7.7%	14 628	8.2%	**15 720**
Allowance for credit losses	-		(10)		(12)		(204)		**(226)**
Other assets	1		5		480		66		**552**
Due to credit imstitutions	-		-		859		61		**920**
Due to customers									
Term deposits by customers	-		611	4.3%	-		15 392	6.2%	**16 003**
Demand deposits by customers	7 660		234		8		2 418		**10 320**
Financial liabilities measured at fair value through profit or loss	-		-		-		952		**952**
Debt securities issued	-		-		-		5 450	15.6%	**5 450**
Guarantees issued	-		-		131		91		**222**

The outstanding balances with related parties and related average interest rates as at 31 December 2019 are as follows:

	Parent company		**Management**		**Associated company**		**Under control of principal beneficiary**		**TOTAL**
	Amount	**AER, %**	**Amount**	**AER, %**	**Amount**	**AER, %**	**Amount**	**AER, %**	
Cash and cash equivalents	-		-		585		-		**585**
Due from credit and other financial organizations	-		-		-		3 618		**3 618**
Trading financial assets	-		-		-		6 100		**6 100**
Loans to customers, gross	-		615	8.0%	775	9.8%	15 875	10.1%	**17 265**
Allowance for credit losses	-		(4)		(27)		(183)		**(214)**
Other assets	-		6		5		28		**39**
Due to credit imstitutions	-		-		1 297		1 029	0.6%	**2 326**
Due to customers									
Term deposits by customers	-		571	5.3%	-		15 929	6.3%	**16 500**
Demand deposits by customers	10 210		1 504		6		802		**12 522**
Financial liabilities measured at fair value through profit or loss	-		-		-		39		**39**
Debt securities issued	-		-		-		15 359	9.9%	**15 359**
Guarantees issued	-		-		55		91		**146**

(in millions of Russian Roubles unless otherwise stated)

As at 31 December 2020, the company under control of principal beneficiary has an investment in perpetual debt issued in the amount of RUB 9 806 million (31 December 2019: RUB 9 072 million).

During the year ended 31 December 2020 the company under control of principal beneficiary received coupon payments on perpetual debt issued from the Group in the amount of RUB 1 640 million (year ended 31 December 2019: 270 million).

As at 31 December 2020, the undrawn loan commitments under credit line agreements for principal beneficiary and for management are RUB 77 million (31 December 2019: RUB 30 million).

Amounts included in profit or loss and other comprehensive income for the year ended 31 December 2020 and 31 December 2019 in relation to transactions with related parties are as follows:

	Parent company	Management	Associated company	Under control of principal beneficiary	TOTAL
Interest income to customers	-	28	66	1 461	**1 555**
Interest expense by customers	(79)	(47)	(28)	(2 057)	**(2 211)**
Commission income	17	1	186	205	**409**
Commission expense	-	(2)	(447)	-	**(449)**
Net foreign exchange gains or (loss)	-	-	-	(1 882)	**(1 882)**

Amounts included in profit or loss and other comprehensive income for the year ended 31 December 2019 in relation to transactions with related parties are as follows:

	Parent company	Management	Associated company	Under control of principal beneficiary	TOTAL
Interest income to customers	-	51	75	3 329	**3 455**
Interest expense by customers	(345)	(64)	(8)	(2 191)	**(2 608)**
Commission income	41	-	51	182	**274**
Net foreign exchange gains or (loss)	(68)	-	-	7 379	**7 311**

Total remuneration of the Supervisory Board and the Management Board included in employee compensation for the year ended 31 December 2020 and 31 December 2019 (refer to Note 7) is as follows:

	2020	2019
Board Members of the Management Board	(655)	(739)
Members of the Supervisory Board	(117)	(98)
	(772)	**(837)**

29 Capital management

The CBR sets and monitors capital requirements for the Group.

The Group defines as capital those items defined by statutory regulation as capital for banking groups. Since 1 January 2016 the Group calculated amount of capital in accordance with Provision of the CBR dated 3 December 2016 No. 509-P '*On Calculation of Amount of Own Funds (Capital), Economic Ratios and Amounts (Limits) of Open Currency Positions of Banking Groups'*. As at 31 December 2020 and 31 December 2019, minimum levels of basic capital ratio (ratio N20.1), main capital ratio (ratio N20.2), own funds (capital) ratio (ratio N20.0) are 4.5%, 6.0% and 8.0%, accordingly.

Starting from 1 January 2016 the Group should comply with capital mark-ups: capital conservation mark-up, countercycle mark-up and mark-up for systematical importance. Management believes that the Group maintains capital adequacy at the level appropriate to the nature and volume of its operations.

The Group provides the territorial CBR office that supervises the Bank with information on mandatory ratios in accordance with regulatory requirements. The Accounting Department controls on a daily basis compliance with capital adequacy ratios.

(in millions of Russian Roubles unless otherwise stated)

In case capital adequacy ratios become close to limits set by the CBR and the Group's internal limits this information is communicated to the Management Board and the Supervisory Board. The Group is in compliance with the statutory capital ratios as at 31 December 2020 and 31 December 2019.

The capital adequacy ratio of the Group calculated in accordance with the Basel III requirements as adopted in the Russian Federation, based on the IFRS financial statements as at 31 December 2020 and 31 December 2019 is as follows:

	31 December 2020	31 December 2019
Tier 1 capital		
Share capital and additional paid-in capital	88 902	88 902
Retained earnings	103 990	82 042
Intangible assets	(1 611)	(750)
Core tier 1 capital	**191 281**	**170 194**
Additional capital		
Perpetual debt issued	41 950	37 871
Total tier 1 capital	**233 231**	**208 065**
Tier 2 capital		
Revaluation surplus for buildings	536	407
Fair value reserve for securities	(1 107)	1 146
Subordinated debt		
Subordinated loans	65 067	61 154
Subordinated bonds	34 603	32 112
Total tier 2 capital	**99 099**	**94 819**
Total capital	**332 330**	**302 884**
Risk-weighted assets		
Banking book	1 339 205	1 063 429
Trading book	100 383	262 540
Operational risk	117 361	105 231
Total risk weighted assets	**1 556 949**	**1 431 200**
Total core tier 1 capital expressed as a percentage of risk-weighted assets (core tier 1 capital ratio) (%)	**12.3**	**11.9**
Total tier 1 capital expressed as a percentage of risk-weighted assets (tier 1 capital ratio) (%)	**15.0**	**14.5**
Total capital expressed as a percentage of risk-weighted assets (total capital ratio) (%)	**21.3**	**21.2**

In June 2015 the State Corporation "Deposit Insurance Agency" provided a subordinated loan of RUB 20 231 million to the Bank in a form of federal loan bonds (OFZ). The Bank has an obligation to return securities received back to the lender at the maturity of the agreement. The Bank pays charges equal to coupons on the bonds transferred plus a fixed margin. The contract also includes certain restrictions on ability of the Bank to sell or pledge securities received. The arrangement is a securities lending transaction.

The Group does not recognise securities received and a subordinated obligation to return them to the lender in the consolidated statement of financial position of the Group. The obligation to return securities received to the State Corporation "Deposit Insurance Agency" is subordinated to other ordinary obligations of the Group and the terms of the loan satisfy the criteria for inclusion of the loan into the regulatory capital of the Bank in accordance with Russian banking legislation. As such, the Bank includes the amount of the subordinated loan described above into its tier 2 capital for the purpose of statutory regulatory capital and capital calculated for capital management purposes in accordance with Basel III.

In 2019 the risk-weighted assets were measured by means of a hierarchy of risk weights classified according to the nature of – and reflecting an estimate of credit, market and other risks associated with – each asset and counterparty, taking into account any eligible collateral or guarantees.

In preparation of consolidated financial statements in accordance with IFRS as at 31 December 2020 for more precise calculation of risk weghted assets we applied the approach defined in normative acts of the Central Bank of Russia.

(in millions of Russian Roubles unless otherwise stated)

For the calculation of RWA on loans to corporate clients and available for sale and investment-type securities we applied the approach defined in the Instruction 199 of CBR "On mandatory ratios and premiums to capital adequacy ratios for banks with universal license". The calculation of the amount of market risk was based on the principles set out in Instruction 178 "On establishment of the size (limits) of open foreign exchange positions, the methodology of their calculation and the specifics of supervision over their observance by credit institutions".

30 Analysis by segment

The Group has six reportable segments, as described below, which are strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Chairman of the Management Board reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the reportable segments:

- Corporate business comprises corporate lending, overdraft lending, factoring, financial and operating leasing, letters of credit, guarantees, corporate deposit services, settlements and money transfers
- Retail banking comprises retail demand and term deposit services; retail lending, including cash loans, car loans and mortgages, money transfers and private banking services; banking card products, settlements and money transfers
- Investment comprises securities trading and brokerage in securities, repo transactions, foreign exchange services
- Treasury comprises interbank lending and borrowings from banks, issuance of domestic bonds and promissory notes, securities trading
- Cash operations comprises all operations connected with cash, cash handling, calculation and transportation
- Subsidiary banks consist of JSC "RUSNARBANK", Investment Bank VESTA (LLC), LLC "Bank SKS". In accordance with IFRS 8 "Operating segments" a new subsidiary must be assigned to the existing reportable segment, except "Subsidiary banks" segment, in case if it reports to the management of that reportable segment. Otherwise, it should be assigned to the "Subsidiary banks" segment, if such accountability has not been established.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax, which is calculated based on consolidated financial information prepared in accordance with IFRS, as included in the internal management reports that are reviewed by the Chairman of the Management Board. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to others who operate within these industries. Inter-segment pricing is determined on an arm's length basis.

In 2019 the Group revised its approach to allocation of assets, liabilities and financial results between reportable segments. Comparative information was revised accordingly.

The segment breakdown of assets and liabilities is set out below:

	31 December 2020	31 December 2019
ASSETS		
Corporate banking	938 577	728 691
Retail banking	133 482	123 809
Investment	1 666 707	1 430 515
Treasury	124 717	113 186
Cash operations	18 092	11 112
Subsidiary banks	34 890	16 184
Total assets	**2 916 465**	**2 423 497**
LIABILITIES		
Corporate banking	1 241 574	861 222
Retail banking	495 579	488 852
Investment	699 596	648 607
Treasury	211 140	192 808
Cash operations	6 726	6 140
Subsidiary banks	27 354	15 436
Total liabilities	**2 681 969**	**2 213 065**

(in millions of Russian Roubles unless otherwise stated)

Segment information for the main reportable segments for the year ended 31 December 2020 is set below:

	Corporate banking	Retail banking	Investment	Treasury	Cash operations	Subsidiary banks	Total
Interest income	53 824	15 093	79 297	6 352	44	1 804	156 414
Interest expense	(34 068)	(27 170)	(23 036)	(12 198)	(11)	(683)	(97 166)
Transfer (expense) or income	(3 007)	28 164	(42 681)	17 524	-	-	-
Net interest income	**16 749**	**16 087**	**13 580**	**11 678**	**33**	**1 121**	**59 248**
Charge for credit losses on debt financial assets	(9 410)	(8 978)	(108)	(383)	(4)	(25)	(18 908)
Net interest income after credit losses on debt financial assets	**7 339**	**7 109**	**13 472**	**11 295**	**29**	**1 096**	**40 340**
Fee and commission income	10 763	4 052	1 051	-	2 455	1 112	19 433
Fee and commission expense	(733)	(1 788)	(447)	(675)	(39)	(313)	(3 995)
Net gain on loans to customers at FVTPL	1 223	-	-	-	-	11	1 234
Net gain or on financial assets at FVTPL	70	-	1 777	3 379	-	-	5 226
Net gain or (loss) from sale and redemption of Investment financial assets at FVOCI	-	-	1 388	(804)	-	-	584
Net gain on Investment financial assets at FVTPL	2 320	-	-	-	-	-	2 320
Net realised gain on Investment financial assets at amortised cost	-	-	149	-	-	-	149
Net foreign exchange (losses) or gains	(1 266)	(135)	3 195	(11 085)	-	30	(9 261)
Net gain on change in financial liabilities measured at fair value through profit or loss	-	-	-	26	-	-	26
Impairment gain or (loss) on other non-financial assets, credit gain or (losses) on other financial assets and credit related commitments and other provisions	326	(292)	-	(2)	56	(221)	(133)
State deposit insurance scheme contributions	(116)	(2 027)	-	-	-	(11)	(2 154)
Other net operating income or (expense)	7 445	(609)	1	(946)	(69)	(264)	5 558
Operating income	**27 371**	**6 310**	**20 586**	**1 188**	**2 432**	**1 440**	**59 327**
General administrative and other expenses	(6 775)	(7 134)	(2 687)	(633)	(3 224)	(1 348)	(21 801)
Internal provision of services	(248)	555	(86)	(221)	-	-	-
Segment result before income taxes	**20 348**	**(269)**	**17 813**	**334**	**(792)**	**92**	**37 526**

(in millions of Russian Roubles unless otherwise stated)

Segment information for the main reportable segments for the 31 December 2019 is set below:

	Corporate banking	Retail banking	Investment	Treasury	Cash operations	Subsidiary banks	Total
Interest income	50 703	15 320	80 152	442	119	616	147 352
Interest expense	(39 452)	(27 982)	(22 619)	(11 658)	(25)	(333)	(102 069)
Transfer (expense) or income	(3 765)	27 924	(49 348)	24 675	514	-	-
Net interest income	**7 486**	**15 262**	**8 185**	**13 459**	**608**	**283**	**45 283**
Charge for credit losses on debt financial assets	(2 401)	(3 986)	(385)	(36)	(6)	(7)	(6 821)
Net interest income after credit losses on debt financial assets	**5 085**	**11 276**	**7 800**	**13 423**	**602**	**276**	**38 462**
Fee and commission income	5 756	5 632	-	239	3 633	138	15 398
Fee and commission expense	(76)	(2 952)	-	(799)	(34)	(3)	(3 864)
Net loss on loans to customers at FVTPL	(1 590)	-	-	-	-	-	(1 590)
Net gain or (loss) on financial assets at FVTPL	161	-	934	(302)	-	-	793
Net (loss) or gain from sale and redemption of Investment financial assets at FVOCI	-	-	(273)	1	-	-	(272)
Net gain on change in financial liabilities measured at fair value through profit or loss	-	-	-	162	-	-	162
Net realised gain on Investment financial assets at amortised cost	1	-	199	-	-	-	200
Net realised gain on derecognition of financial instruments measured at amortised cost	295	-	-	-	-	-	295
Net foreign exchange gains or (losses)	-	108	1 562	(14 924)	-	2	(13 252)
Impairment gain or (loss) on other non-financial assets, credit gain or (losses) on other financial assets and credit related commitments and other provisions	3 532	(267)	-	38	15	-	3 318
State deposit insurance scheme contributions	(146)	(2 545)	-	-	-	-	(2 691)
Other net operating (expense) or income	(50)	(48)	(244)	(109)	(169)	(1)	(621)
Operating income	**12 968**	**11 204**	**9 978**	**(2 271)**	**4 047**	**412**	**36 338**
General administrative and other expenses	(5 176)	(7 826)	(1 183)	(1 795)	(4 856)	(389)	(21 225)
Internal provision of services	(76)	521	(1 134)	689	-	-	-
Segment result before income taxes	**7 716**	**3 899**	**7 661**	**(3 377)**	**(809)**	**23**	**15 113**

31 Risk management, corporate governance and internal control

Corporate governance framework

The Bank is established as a public joint-stock company in accordance with Russian law. The supreme governing body of the Bank is the general shareholders' meeting that is called for annual or extraordinary meetings. The general shareholders' meeting makes strategic decisions on the Bank's operations.

The general shareholders' meeting elects the Supervisory Board. The Supervisory Board is responsible for overall governance of the Bank's activities.

Russian legislation and the charter of the Bank establish decisions that are exclusively approved by the general shareholders' meeting and that are approved by the Supervisory Board.

As at 31 December 2020, the Supervisory Board includes:
- William F. Owens – Chairman

Members:
- Roman I. Avdeev
- Andrew S. Gazitua
- Thomas G. Grasse
- Vladimir A. Chubar
- Sergey Y. Menzhinskiy
- Alexey A. Stepanenko
- Lord Peter H. Dursbery
- Andreas Klingen
- Ilkka S. Salonen.

During 2020, there were no changes in the Supervisory Board.

General activities of the Bank are managed by the sole executive body of the Bank (Chairman of the Management Board) and collective executive body of the Bank (Management Board). The Supervisory Board meeting elects the Chairman of the Management Board. The executive bodies are responsible for implementation of decisions of the general shareholders' meeting and the Supervisory Board. Executive bodies report to the Supervisory Board and to the general shareholders' meeting.

As at 31 December 2020, the Management Board includes:
- Vladimir A. Chubar – Chairman of the Management Board
- Mikhail V. Polunin – First Deputy Chairman of the Management Board
- Kamil R. Yusupov – Deputy Chairman of the Management Board
- Alexey V. Kosyakov – Deputy Chairman of the Management Board
- Svetlana V. Sass – Chief Accountant, Member of the Management Board
- Anton O. Viritchev – Head of the Risk Management, Member of the Management Board
- Oleg A. Borunov – Deputy Chairman of the Management Board
- Alexander N. Kaznacheev – Deputy Chairman of the Management Board
- Sergey E. Putyatinskiy – Deputy Chairman of the Management Board

During 2020, there were no changes in the Supervisory Board

Internal control policies and procedures

The Supervisory Board and the Management Board have responsibility for the development, implementation and maintenance of internal controls in the Bank that are commensurate with the scale and nature of operations.

The purpose of internal controls is to ensure:
- proper and comprehensive risk assessment and management;
- proper business and accounting and financial reporting functions, including proper authorization, processing and recording of transactions;
- completeness, accuracy and timeliness of accounting records, managerial information, regulatory reports, etc.;
- reliability of IT-systems, data and systems integrity and protection;

- prevention of fraudulent or illegal activities, including misappropriation of assets;
- compliance with laws and regulations.

Management is responsible for identifying and assessing risks, designing controls and monitoring their effectiveness. Management monitors the effectiveness of internal controls and periodically implements additional controls or modifies existing controls as considered necessary.

The Group developed a system of standards, policies and procedures to ensure effective operations and compliance with relevant legal and regulatory requirements, including the following areas:
- requirements for appropriate segregation of duties, including the independent authorization of transactions
- requirements for the recording, reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentating of controls and procedures
- requirements for the periodic assessment of operational risks, and the adequacy of controls and procedures to address the risks identified
- requirements for the reporting of operational losses and proposed remedial action
- development of contingency plans
- training and professional development
- ethical and business standards, and
- risk mitigation, including insurance where this is effective.

In 2014 new requirements for the organisation of internal control system in credit organisations came into force. The new version of Provision of the Central bank of Russian Federation dated 16 December 2003 No. 242-P '*On the Organisation of Internal Control in Credit Organisations and Banking Groups'* sets out the specific requirements for the internal audit service and the internal control service (the compliance service).

The main functions of the Internal Audit Service include the following:
- audit and efficiency assessment of the system of internal control as a whole, fulfillment of the decisions of key management structures
- audit of efficiency of methodology of assessment of banking risks and risk management procedures, regulated by internal documents in the Bank (methods, programmes, rules and procedures for banking operations and transactions, and for the management of banking risks)
- audit of reliability of internal control system over automated information systems
- audit and testing of fairness, completeness and timeliness of accounting and reporting function and the reliability (including the trustworthiness, fullness and objectivity) of the collection and submission of financial information
- audit of applicable methods of safekeeping of the Bank's property
- assessment of economic reasonability and efficiency of operations and other deals
- audit of internal control processes and procedures
- audit of the internal control service and the risk management service.

The Internal Control Service conducts compliance activities focused primarily on regulatory risks faced by the Group.

The main functions of the Internal Control (Compliance) Service include the following:
- identification of compliance risks and regulatory risks
- monitoring of events related to regulatory risk, including probability of occurrence and quantitative assessment of its' consequences
- monitoring of regulatory risk
- preparation of recommendations on regulatory risk management
- coordination and participation in design of measures to decrease regulatory risk
- monitoring of efficiency of regulatory risk management
- participation in preparation of internal documents on regulatory risk management, anti-corruption, compliance with corporate behaviour rules, code of professional ethics and minimisation of conflicts of interest
- analysis of dynamics of clients' complaints
- analysis of economic reasonableness of agreements with suppliers
- participation in interaction with authorities, self-organised organisations, associations and financial market participants.

Compliance with Group standards is supported by a program of periodic reviews undertaken by the Internal Audit

(in millions of Russian Roubles unless otherwise stated)

Service. The Internal Audit Service is independent from management and reports directly to the Supervisory Board. The results of the Internal Audit Service reviews are discussed with relevant business process managers, with summaries submitted to the Audit Committee and Supervisory Board and senior management of the Group.

Russian legislation, including Federal Law dated 2 December 1990 No. 395-1 '*On Banks and Banking Activity',* Direction of the CBR dated 1 April 2014 No. 3223-U '*On Requirement to Head of Risk Management Service, Head of Internal Control Service, Head of Internal Audit Service of the Credit Organisation'*, establish the professional qualifications, business reputation and other requirements for members of the Supervisory Board, Management Board, Heads of the Internal Audit Service, Internal Control Service and Risk Management Service and other key management personnel. All members of the Bank's Risks Division meet these requirements.

Management believes that the Bank complies with the CBR requirements related to risk management and internal control systems, including requirements related to the Internal Audit and Control function, and that risk management and internal control systems are appropriate for the scale, nature and complexity of operations.

Risk management policies and procedures

Management of risk is fundamental to the business of banking and forms an essential element of the Group's operations. The major (significant) risks faced by the Group are those related to market risk, credit risk, liquidity risk, and operational, legal and reputational risks.

Credit risk

Credit risk is the risk of financial loss occurring as a result of default by a borrower or counterparty on their obligation to the Group. The Group has policies and procedures for the management of credit exposures (both for recognised and unrecognised exposures), including guidelines to limit portfolio concentration and the establishment of a Credit Committee, which actively monitors credit risk. The credit policy is reviewed and approved by the Management Board.

The credit policy establishes:

- procedures for review and approval of credit applications
- methodology for the credit assessment of borrowers (corporate and individuals)
- methodology for the credit assessment of counterparties, issuers and insurance companies
- methodology for the evaluation of collateral
- credit documentation requirements
- procedures for the ongoing monitoring of loans and other credit exposures.

Retail credit applications are reviewed by the Retail Lending Division through the use of scoring models and procedures to evaluate borrowers' credit worthiness developed together with the Risk Division.

Apart from individual customer analysis, the credit portfolio is assessed by the Risk Division with regard to credit concentration and market risks.

The maximum exposure to credit risk is generally reflected in the carrying amounts of financial assets on the consolidated statement of financial position. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

The maximum exposure to credit risk in relation to assets recognised at 31 December 2020 and 31 December 2019 is as follows:

	31 December 2020	31 December 2019
ASSETS		
Cash and cash equivalents excluding cash on hand	664 314	936 167
Obligatory reserves with the Central bank of the Russian Federation	22 244	16 944
Due from credit and other financial organizations	778 837	348 794
Trading financial assets	78 816	38 550
Investment financial assets	323 365	258 168
Loans to customers	1 009 165	788 655
Other financial assets	3 476	1 883
Total maximum exposure to credit risk on consolidated statement of financial position	**2 880 217**	**2 389 161**

For the analysis of concentration of credit risk in respect of loans to customers refer to Note 15.

The maximum exposure to credit risk in relation to guarantees and commitments at the reporting date is presented in Note 25.

Guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, can be covered by the funds deposited by customers and therefore bear limited credit risk.

With respect to undrawn loan commitments the Group is potentially exposed to loss in an amount equal to the total amount of such commitments. However, the likely amount of loss is less than that, since most commitments are contingent upon certain conditions set out in the loan agreements.

In accordance with the requirements of the CBR, the Bank also calculates on a daily basis mandatory maximum risk exposure ratio per borrower or group of related borrowers (N6), which regulates the Bank's credit risk in respect of a borrower or group of related borrowers and sets the maximum ratio of the total liabilities of a borrower (borrowers within a group of related borrowers) owed to the Bank, to the Bank's own funds (capital). As at 31 December 2020 and 31 December 2019, the maximum level of N6 ratio set by the CBR was 25%. The N6 ratio calculated by the Bank was in compliance with limits set by the CBR as at 31 December 2020 and 31 December 2019.

The Bank's management is responsible for the compliance of the banking group, wherein the Bank is the parent credit institution, with the requirements of the CBR in respect of mandatory ratios, including the banking group's maximum risk exposure ratio per borrower or group of related borrowers (N21); the banking group's maximum risk exposure to large credit risks ratio (N22).

N21 ratio regulates the credit risk of the banking group, wherein the Bank is the parent credit institution, in respect of a borrower or group of related borrowers and sets the maximum ratio of the banking group's total credit claims (excluding unconsolidated participants of the banking group) to the borrower or group of related borrowers to the banking group's own funds (capital).

N22 ratio regulates the total exposure to large credit risks of the banking group, wherein the Bank is the parent credit institution, and sets the maximum ratio of the banking group's total exposure to large credit risks (excluding unconsolidated participants of the banking group) to the banking group's own funds (capital).

The structure of the banking group, wherein the Bank is the parent credit institution, is determined in accordance with the requirements of the Provision of the CBR dated 3 December 2016 No. 509-P '*Calculation of Own Funds (Capital), Mandatory Ratios and Open Currency Position Limits for Banking Groups*' and may differ from the Group structure determined in accordance with IFRS requirements.

The Bank was in compliance with the mandatory ratios in respect of the banking group's credit risk as at 31 December 2020 and 31 December 2019.

Offsetting financial assets and financial liabilities

The disclosures set out in the tables below include financial assets and financial liabilities that:

– are offset in the Group's consolidated statement of financial position or
– are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the consolidated statement of financial position.

Similar agreements include derivative clearing agreements, global master repurchase agreements. Similar financial instruments include derivatives, sales and repurchase agreements, and reverse sale and repurchase agreements.

The Group's derivative transactions that are not transacted on an exchange are entered into under International Derivative Swaps and Dealers Association (ISDA) Master Netting Agreements. In general, under such agreements the amounts owed by each counterparty that are due on a single day in respect of transactions outstanding in the same currency under the agreement are aggregated into a single net amount payable by one party to the other. In certain circumstances, for example when a credit event such as a default occurs, all outstanding transactions under the agreement are terminated, the termination value is assessed, and only a single net amount is due or payable in settlement transactions.

(in millions of Russian Roubles unless otherwise stated)

Sale and repurchase, reverse sale and repurchase transactions are covered by master agreements with netting terms similar to those of ISDA Master Netting Agreements.

These ISDA and similar master netting arrangements do not meet the offsetting criteria in the consolidated statement of financial position. This is because they create a right of set-off of recognised amounts that is enforceable only following an event of default, insolvency or bankruptcy of the Group or the counterparties. In addition, the Group and its counterparties do not intend to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

The Group receives and accepts collateral in the form of cash and marketable securities in respect of sale and repurchase, and reverse sale and repurchase agreements.

Such collateral is subject to the standard industry terms of the ISDA Credit Support Annex. This means that securities received/given as collateral can be pledged or sold during the term of the transaction, but must be returned on maturity of the transaction. The terms also give each counterparty the right to terminate the related transactions upon the counterparty's failure to post collateral.

The table below shows financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar arrangements as at 31 December 2020:

Types of financial assets/liabilities	Gross amount of recognised financial assets/liabilities	Gross amount of recognised financial liabilities/assets offset in the consolidated statement of financial position	Gross amount of financial assets/liabilities presented in the consolidated statement of financial position	Related amounts subject to offset under specific conditions		
				Financial instruments	**Cash collateral received**	**Net amount**
Reverse sale and repurchase agreements	1 297 298	-	1 297 298	1 297 298	-	1 297 298
Total financial assets	**1 297 298**	**-**	**1 297 298**	**1 297 298**	**-**	**1 297 298**
Sale and repurchase agreements	653 273	-	653 273	653 273	-	653 273
Total financial liabilities	**653 273**	**-**	**653 273**	**653 273**	**-**	**653 273**

The table below shows financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar arrangements as at 31 December 2019:

Types of financial assets/liabilities	Gross amount of recognised financial assets/liabilities	Gross amount of recognised financia liabilities/assets offset in the consolidated statement of financial position	Gross amount of financial assets/liabilities presented in the consolidated statement of financial position	Related amounts subject to offset under specific conditions		
				Financial instruments	**Cash collateral received**	**Net amount**
Reverse sale and repurchase agreements	1 168 659	-	1 168 659	1 168 659	-	1 168 659
Total financial assets	**1 168 659**	**-**	**1 168 659**	**1 168 659**	**-**	**1 168 659**
Sale and repurchase agreements	629 853	-	629 853	629 853	-	629 853
Total financial liabilities	**629 853**	**-**	**629 853**	**629 853**	**-**	**629 853**

The gross amounts of financial assets and financial liabilities and their net amounts as presented in the consolidated statement of financial position that are disclosed in the above tables are measured in the consolidated statement of financial position on the following basis:

– assets and liabilities resulting from sale and repurchase agreements, reverse sale and repurchase agreements – amortised cost.

(in millions of Russian Roubles unless otherwise stated)

The table below reconciles the "Net amounts of financial assets and financial liabilities presented in the consolidated statement of financial position", as set out above, to the line items presented in the consolidated statement of financial position as at 31 December 2020:

Types of financial assets/liabilities	Gross amounts of recognised financial asset/liability	Line item in the consolidated statement of financial position	Gross amount in the consolidated statement of financial position	Financial assets/liabilities not in the scope of offsetting disclosure	Note
Reverse sale and repurchase agreements	545 915	Cash and cash equivalents	683 957	138 042	12
	751 383	Deposits in credit and other financial organizations	780 278	28 895	13
Sale and repurchase agreements	652 988	Due to credit institutions	721 682	68 694	19
	285	Due to customers	1 737 515	1 737 230	20

The table below reconciles the "Net amounts of financial assets and financial liabilities presented in the consolidated statement of financial position", as set out above, to the line items presented in the consolidated statement of financial position as at 31 December 2019:

Types of financial assets/liabilities	Gross amounts of recognised financial asset/liability	Line item in the consolidated statement of financial position	Gross amount in the consolidated statement of financial position	Financial assets/liabilities not in the scope of offsetting disclosure	Note
Reverse sale and repurchase agreements	824 634	Cash and cash equivalents	955 222	130 588	12
	344 025	Deposits in credit and other financial institutions	349 102	5 077	13
Sale and repurchase agreements	629 853	Due to credit institutions	677 936	48 083	19
	-	Due to customers	1 339 535	1 339 535	20

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

The Group is exposed to several types of operational risk, including unauthorised transactions by employees, operational errors by employees such as clerical or record keeping errors, errors resulting from faulty computer or telecommunications systems and the risk that the Group will be used for money laundering and financing of terrorist activities.

The Group's Operational Risk Management Policy is based on Russian statutory requirements, recommendations of the CBR and the Basel Committee on Banking Supervision, and internationally recognised principles. The Group gathers data on operational risk occurrences and monitors key risk indicators, and organizational units carry out self-assessment of risk and subsequently provide operational risk mapping across the Group.

The Group also seeks to manage its operational risks by recruiting qualified staff, provides training, regularly updating operational procedures, monitoring the security of its IT systems and ensuring that its infrastructure systems are robust.

The Group established an Operational Risk Unit as a part of the Internal Control Division. The Operational Risk Unit determines policies and procedures in the area of operational risks.

The Operational Risk Unit collects information in relation to the circumstances leading to losses and uses this information for necessary corrections of processes and control tools. The Operational Risk Unit reports to the Head of the Internal Control Service on important developments and issues. The Head of the Internal Control Service reports directly to the Chairman of the Management Board.

Liquidity risk

Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group is exposed to daily calls on its available cash resources from overnight deposits, current deposits, maturing deposits, loan draw downs and guarantees. The Group maintains liquidity management with the objective of ensuring that funds will be available at all times to honor all cash flow obligations as they become due.

(in millions of Russian Roubles unless otherwise stated)

The Asset and Liability Management Committee (ALCO) sets limits on the minimum proportion of maturing funds available to cover such cash outflows and on the minimum level of interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

The Group calculates liquidity ratios on a daily basis in accordance with the requirements of the CBR. These ratios are:

- instant liquidity ratio (N2), which is calculated as the ratio of highly-liquid assets to liabilities payable on demand;
- current liquidity ratio (N3), which is calculated as the ratio of liquid assets to liabilities maturing within 30 calendar days;
- long-term liquidity ratio (N4), which is calculated as the ratio of assets maturing after one year to regulatory capital and liabilities maturing after one year.

The Group was in compliance with these ratios as at 31 December 2020 and 31 December 2019.

The following tables as at 31 December 2020 and 31 December 2019 show the undiscounted cash flows from financial liabilities on the basis of their contractual maturity. Debt securities issued are shown in accordance with their early redemption dates. These expected cash flows can vary significantly from the actual future cash flows. Foreign currency payments are translated using the spot exchange rate at the reporting date.

31 December 2020	**Less than 1 month**	**1 to 6 months**	**6 months to 1 year**	**Over 1 year**	**Total**	**Carrying value**
Liabilities						
Deposits by the CBR	-	10 223	29	9	**10 261**	**10 041**
Due to credit institutions	283 811	413 179	40 573	3 836	**741 399**	**721 682**
Due to customers	477 335	316 182	383 014	728 470	**1 905 001**	**1 737 515**
Financial liabilities measured at fair value through profit or loss	-	255	68	10 096	**10 419**	**9 477**
Net settled derivative financial instruments	3 043	1 637	110	642	**5 432**	**6 773**
Gross settled derivative financial instruments	9	(22)	(292)	1 073	**768**	**3 079**
- inflow	(2 079)	(8 176)	(642)	(27 558)	**(38 455)**	
- outflow	2 088	8 155	350	28 630	**39 223**	
Debt securities issued	926	4 045	26 403	164 920	**196 294**	**171 465**
Other financial liabilities	734	4 175	3 069	2 566	**10 544**	**10 544**
Total contractual future payments for financial obligations	**765 857**	**739 451**	**452 945**	**911 603**	**2 869 857**	**2 660 536**
Guarantees and letters of credit	246 665				246 665	
Credit related commitments	31 418				31 418	

31 December 2019	**Less than 1 month**	**1 to 6 months**	**6 months to 1 year**	**Over 1 year**	**Total**	**Carrying value**
Liabilities						
Due to credit institutions	310 791	365 256	900	5 292	**682 239**	**677 936**
Due to customers	457 125	262 498	171 491	636 904	**1 528 018**	**1 339 535**
Financial liabilities measured at fair value through profit or loss	-	14	94	3 914	**4 022**	**3 486**
Net settled derivative financial instruments	944	25	(8)	11	**972**	**946**
Gross settled derivative financial instruments	139	2 494	4 877	4 494	**12 004**	**5 442**
- inflow	(16 756)	(8 898)	(69 151)	(24 933)	**(119 738)**	
- outflow	16 895	11 392	74 028	29 427	**131 741**	
Debt securities issued	-	14 339	4 220	182 786	**201 345**	**168 549**
Other financial liabilities	420	1 840	1 151	2 359	**5 770**	**5 770**
Total contractual future payments for financial obligations	**769 419**	**646 466**	**182 725**	**835 760**	**2 434 370**	**2 201 664**
Guarantees and letters of credit	216 402				216 402	
Credit related commitments	23 153				23 153	

(in millions of Russian Roubles unless otherwise stated)

In accordance with Russian legislation, individuals can withdraw their term deposits at any time, losing in most of the cases the accrued interest. Management believes term deposits from individuals to be a stable source of funding based on the past experience, thus classifying them in accordance with their stated maturity dates. The amount of such deposits, by each time band, is as follows:

	31 December 2020	31 December 2019
Demand and less than 1 month	40 111	50 797
From 1 to 6 months	173 000	147 202
From 6 to 12 months	136 931	148 847
More than 1 year	50 670	78 891
	400 712	**425 737**

In accordance with terms of issuance of bonds the holders are entitled to demand early redemption of bonds at their nominal value at certain dates. Management believes based on the past experience that it can manage amounts that are claimed for early redemption by changing coupon rates on bonds, thus classifying bonds in accordance with their stated final maturity dates. Maturity based on early redemption dates as at 31 December 2020 and 31 December 2019 is shown in the tables below:

31 December 2020	Less than 1 month	1 to 6 months	6 months to 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
Debt securities issued	-	-	22 345	57 585	91 535	-	**171 465**

31 December 2019	Less than 1 month	1 to 6 months	6 months to 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
Debt securities issued	-	3 013	5 065	70 493	89 978	-	**168 549**

The following tables provide an analysis, by expected maturities, of amounts recognised in the consolidated statement of financial position.

Securities included in trading financial assets and investment financial assets that qualify as collateral for borrowing from the Central bank of the Russian Federation are shown in the category "Less than 1 month" as management believes they are liquid assets which can be sold quickly or pledged into a repo transaction in response to liquidity needs, if necessary. Liquid securities included in the Lombard list of the Central bank of the Russian Federation pledged as collateral are presented in accordance with maturity of related repo transactions.

As at 31 December 2020 and 31 December 2019 the contractual maturities of all instruments included in trading financial assets and investment financial assets were as follows:

31 December 2020	Less than 1 month	1 to 6 months	6 months to 1 year	1 to 3 years	3 to 5 years	Over 5 years	No maturity	Total
Trading financial asests	5 402	6 333	19 189	14 216	20 698	12 013	965	**78 816**
Investment financial asests	752	15 765	10 961	53 081	48 470	175 867	18 469	**323 365**

31 December 2019	Less than 1 month	1 to 6 months	6 months to 1 year	1 to 3 years	3 to 5 years	Over 5 years	Over 5 years	Total
Trading financial asests	1 577	4 183	556	14 641	5 572	11 317	704	**38 550**
Investment financial asests	18 877	96 194	47	46 367	22 836	57 699	16 148	**258 168**

(in millions of Russian Roubles unless otherwise stated)

31 December 2020	**Less than 1 month**	**1 to 3 months**	**3 to 6 months**	**6 to 9 months**	**9 months to 1 year**	**1 to 2 years**	**2 to 3 years**	**3 to 5 years**	**Over 5 years**	**No maturity**	**Overdue**	**Total**
Assets												
Cash and cash equivalents	683 283	-	-	-	-	-	-	-	-	-	-	**683 283**
Obligatory reserves with the CBR	-	-	-	-	-	-	-	-	-	22 244	-	**22 244**
Due from credit and other financial organizations	312 394	442 601	14 143	4 168	5 531	-	-	-	-	-	-	**778 837**
Trading financial assets	18 787	4 499	1 592	18 609	533	9 329	4 024	17 998	2 480	965	-	**78 816**
Loans to customers	174 254	139 044	83 183	22 373	83 237	102 325	69 735	100 490	224 390	-	10 134	**1 009 165**
Investment financial assets	229 420	9 359	1 492	308	2 806	9 276	20 101	21 442	10 692	18 469	-	**323 365**
Investments in associates	-	-	-	-	-	-	-	-	-	2 446	-	**2 446**
Property and equipment	-	-	-	-	-	-	-	-	-	8 950	-	**8 950**
Deferred tax assets	-	-	-	-	-	-	-	-	-	120	-	**120**
Assets held for sale										999		**999**
Other assets	1 095	563	1 465	796	874	303	388	175	51	2 530	-	**8 240**
	1 419 233	**596 066**	**101 875**	**46 254**	**92 981**	**121 233**	**94 248**	**140 105**	**237 613**	**56 723**	**10 134**	**2 916 465**
Liabilities												
Deposits by the Central Bank of the Russian Federation	-	-	10 004	-	28	3	6	-	-	-	-	**10 041**
Due to credit institutions	277 575	329 681	70 442	39 956	312	3 716	-	-	-	-	-	**721 682**
Due to customers	477 061	186 345	126 140	84 320	290 827	81 328	70 608	387 046	33 840	-	-	**1 737 515**
Financial liabilities measured at fair value through profit or loss	3 183	3 578	124	-	384	3 048	8 143	870	-	-	-	**19 330**
Debt securities issued	-	-	-	-	22 345	10 233	16 778	91 535	30 574	-	-	**171 465**
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	5 399	-	**5 399**
Other liabilities	1 097	4 170	1 974	2 381	1 914	2 513	1 014	869	605	-	-	**16 537**
	758 916	**523 774**	**208 684**	**126 657**	**315 810**	**100 841**	**96 549**	**480 320**	**65 019**	**5 399**	**-**	**2 681 969**
Net position	**660 317**	**72 292**	**(106 809)**	**(80 403)**	**(222 829)**	**20 392**	**(2 301)**	**(340 215)**	**172 594**	**51 324**	**10 134**	**234 496**
Cumulative position	**660 317**	**732 609**	**625 800**	**545 397**	**322 568**	**342 960**	**340 659**	**444**	**173 038**	**224 362**	**234 496**	

(in millions of Russian Roubles unless otherwise stated)

31 December 2019	Less than 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 months to 1 year	1 to 2 years	2 to 3 years	3 to 5 years	Over 5 years	No maturity	Overdue	Total
Assets												
Cash and cash equivalents	953 645	-	-	-	-	-	-	-	-	-	-	**953 645**
Obligatory reserves with the CBR	-	-	-	-	-	-	-	-	-	16 944	-	**16 944**
Due from credit and other financial organizations	3 687	188 745	150 883	3 941	1 515	23	-	-	-	-	-	**348 794**
Trading financial assets	2 976	3 381	792	340	216	7 150	7 478	4 589	10 924	704	-	**38 550**
Loans to customers	58 115	100 780	84 633	36 383	46 621	100 604	89 703	160 105	102 560	-	9 151	**788 655**
Investment financial assets	195 541	100	244	-	-	6 339	18 745	15 939	5 112	16 148	-	**258 168**
Investments in associates	-	-	-	-	-	-	-	-	-	2 350	-	**2 350**
Property and equipment	-	-	-	-	-	-	-	-	-	9 515	-	**9 515**
Deferred tax assets	-	-	-	-	-	-	-	-	-	113	-	**113**
Assets held for sale	-	-	-	-	-	-	-	-	-	1 177	-	**1 177**
Other assets	718	310	1 933	464	509	24	27	219	2	1 380	-	**5 586**
	1 214 682	**293 316**	**238 485**	**41 128**	**48 861**	**114 140**	**115 953**	**180 852**	**118 598**	**48 331**	**9 151**	**2 423 497**
Liabilities												
Due to credit institutions	310 414	274 137	87 419	-	878	4 831	257	-	-	-	-	**677 936**
Due to customers	448 854	176 497	82 131	84 822	78 839	99 667	26 018	60 350	282 357	-	-	**1 339 535**
Financial liabilities measured at fair value through profit or loss	1 041	19	128	3 330	-	250	3 489	1 617	-	-	-	**9 874**
Debt securities issued	-	3 013	5 065	-	-	32 178	38 315	89 978	-	-	-	**168 549**
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	3 370	-	**3 370**
Other liabilities	1 291	3 781	2 481	1 165	1 001	2 206	882	644	350	-	-	**13 801**
	761 600	**457 447**	**177 224**	**89 317**	**80 718**	**139 132**	**68 961**	**152 589**	**282 707**	**3 370**	**-**	**2 213 065**
Net position	**453 082**	**(164 131)**	**61 261**	**(48 189)**	**(31 857)**	**(24 992)**	**46 992**	**28 263**	**(164 109)**	**44 961**	**9 151**	**210 432**
Cumulative position	**453 082**	**288 951**	**350 212**	**302 023**	**270 166**	**245 174**	**292 166**	**320 429**	**156 320**	**201 281**	**210 432**	

(in millions of Russian Roubles unless otherwise stated)

Market risk

Market risk is the risk that movements in market prices, including foreign exchange rates, interest rates, credit spreads and equity prices will affect income or the value of portfolios. Market risk comprises currency risk, interest rate risk and other price risks. Market risk arises from open positions in interest rate currency and equity financial instruments which are exposed to general and specific market movements and changes in the level of volatility of market prices.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters whilst optimizing the return on risk.

Overall authority for market risk is vested in the ALCO which is chaired by the Chairman of the Management Board. Market risk limits are approved by the ALCO based on recommendations of the Risk Division's Financial Risk Management Department.

The Group manages its market risk by setting open position limits in relation to financial instruments, interest rate maturity and currency positions and stop-loss limits. Limits and positions are monitored on a regular basis and reviewed and approved by the Management Board and/or the ALCO.

In addition, the Group uses a wide range of stress tests to model the financial impact of a variety of exceptional market scenarios on individual trading portfolios and the overall position. Stress tests provide an indication of the potential size of losses that could arise in extreme conditions.

Interest rate risk is also managed by monitoring the interest rate gap and is supplemented by monitoring the sensitivity of net interest margin to various standard and non-standard interest rate scenarios.

Interest rate risk

Interest rate risk is the risk that movements in interest rates will affect income or the value of financial instruments.

The Group is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may also reduce or create losses in the event that unexpected movements occur.

Interest rate risk arises when the actual or forecasted assets of a given maturity period are either greater or less than the actual or forecasted liabilities in that maturity period.

The table below summarises the exposure to interest rate risks. The table presents the aggregated amounts of financial assets and liabilities at carrying amounts, categorised by the earlier of contractual interest repricing or maturity dates.

	Less than 1 month	1 to 6 months	6 months to 1 year	Over 1 year	Overdue	Total
31 December 2020						
Interest-bearing assets	1 072 722	700 828	145 412	808 189	10 134	2 737 285
Interest-bearing liabilities	513 018	722 612	437 789	733 113	-	2 406 532
Net interest sensitivity gap as at 31 December 2020	**559 704**	**(21 784)**	**(292 377)**	**75 076**	**10 134**	**330 753**
31 December 2019						
Interest-bearing assets	923 546	625 417	89 064	611 426	9 151	2 258 604
Interest-bearing liabilities	440 344	725 317	383 493	411 463	-	1 960 617
Net interest sensitivity gap as at 31 December 2019	**483 202**	**(99 900)**	**(294 429)**	**199 963**	**9 151**	**297 987**

An analysis of sensitivity of profit or loss and equity to changes in market interest rates based on a simplified scenario of a 200 bp symmetrical fall or rise in all yield curves and positions of interest-bearing assets and liabilities existing as at 31 December 2020 and 31 December 2019 is as follows:

	2020		**2019**	
	Profit or loss	**Equity**	**Profit or loss**	**Equity**
200 bp parallel rise	11 567	11 567	6 394	6 394
200 bp parallel fall	(11 567)	(11 567)	(6 394)	(6 394)

(in millions of Russian Roubles unless otherwise stated)

An analysis of sensitivity of profit or loss and equity as a result of changes in the fair value of trading financial assets and investment financial assets due to changes in the interest rates based on positions existing as at 31 December 2020 and 31 December 2019 and a simplified scenario of a 200 bp symmetrical fall or rise in all yield curves is as follows:

	2020		2019	
	Profit or loss	**Equity**	**Profit or loss**	**Equity**
200 bp parallel rise	2 621	25 817	2 525	9 296
200 bp parallel fall	(2 621)	(25 817)	(2 525)	(9 296)

Currency risk

The Group has assets and liabilities denominated in several foreign currencies. Foreign currency risk arises when the actual or forecasted assets in a foreign currency are either greater or less than the liabilities in that currency.

An analysis of sensitivity of profit or loss and equity to changes in the foreign currency exchange rates based on positions existing as at 31 December 2020 and 31 December 2019 and a simplified scenario of a 20% change in USD to RUB exchange rates is as follows:

	2020		2019	
	Profit or loss	**Equity**	**Profit or loss**	**Equity**
20% appreciation of USD against RUB	10 304	10 304	8 490	8 490
20% depreciation of USD against RUB	(10 304)	(10 304)	(8 490)	(8 490)

Equity price risk

Price risk is the risk that the value of an equity financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual instrument or factors affecting all instruments traded in the market. Price risk arises when the Group takes a long or short position in an equity financial instrument.

Equity price risk is not significant.

Interest rate analysis

The interest rate policy is reviewed and approved by the ALCO. The average effective interest rates for interest bearing financial instruments are as follows:

	2020			2019		
	RUB	**USD**	**Other foreign currencies**	**RUB**	**USD**	**Other foreign currencies**
Interest bearing assets						
Cash and cash equivalents	7.80%	1.60%	0.40%	8.30%	3.80%	2.20%
Deposits in credit and other financial organizations	7.40%	1.90%	-	6.80%	3.90%	0.10%
Trading financial assets						
– government and municipal bonds	6.31%	-	1.33%	6.79%	-	-
– corporate bonds	6.48%	3.64%	3.04%	7.76%	4.45%	-
Loans to customers	7.82%	4.39%	3.94%	9.90%	5.82%	4.25%
Investment financial assets						
– government and municipal bonds	6.06%	2.26%	-	6.75%	3.19%	-
– corporate bonds	6.21%	2.00%	0.80%	7.94%	2.93%	2.62%
Interest bearing liabilities						
Deposits by the Central Bank of the Russian Federation	2.30%	-	-	-	-	-
Due to credit institutions						
– term deposits	4.70%	1.10%	0.20%	6.50%	2.10%	0.10%
– syndicated debt	-	-	-	-	3.90%	1.60%
Due to customers						

	2020			2019		
	RUB	**USD**	**Other foreign currencies**	**RUB**	**USD**	**Other foreign currencies**
– term deposits	5.23%	2.16%	1.13%	6.80%	3.70%	1.00%
– subordinated debt	8.75%	4.90%	-	8.75%	4.90%	-
Debt securities issued	10.00%	6.00%	5.10%	10.00%	6.50%	5.10%

Currency analysis

The Group is exposed to effects of fluctuation in the prevailing foreign currency exchange rates on its financial position and cash flows. The Group sets limits on the level of exposure by currencies. These limits also comply with the minimum requirements of the Central bank of the Russian Federation. The exposure of assets and liabilities to foreign currency exchange rate risk is as follows:

31 December 2020	**RUB**	**USD**	**Other currencies**	**Total**
Assets				
Cash and cash equivalents	573 553	97 683	12 047	683 283
Obligatory reserves with the CBR	22 244	-	-	22 244
Due from credit and other financial organizations	280 616	492 087	6 134	778 837
Trading financial assets	59 478	15 776	3 562	78 816
Loans to customers	691 829	111 902	205 434	1 009 165
Investment financial assets	273 225	43 310	6 830	323 365
Investments in associates	2 446	-	-	2 446
Property and equipment	8 950	-	-	8 950
Deferred tax assets	120	-	-	120
Assets held for sasle	999			999
Other assets	6 860	910	470	8 240
	1 920 320	**761 668**	**234 477**	**2 916 465**
Liabilities				
Deposits by the Central Bank of the Russian Federation	10 041	-	-	10 041
Due to credit institutions	438 673	250 776	32 233	721 682
Due to customers	854 454	844 769	38 292	1 737 515
Financial liabilities measured at fair value through profit or loss	10 545	4 187	4 598	19 330
Debt securities issued	22 345	118 509	30 611	171 465
Deferred tax liabilities	5 399	-	-	5 399
Other liabilities	12 082	286	4 169	16 537
	1 353 539	**1 218 527**	**109 903**	**2 681 969**
Net position before hedging	**566 781**	**(456 859)**	**124 574**	**234 496**
Derivative financial instruments	(373 127)	521 259	(148 132)	-
Net position	**193 654**	**64 400**	**(23 558)**	**234 496**

31 December 2019	**RUB**	**USD**	**Other currencies**	**Total**
Assets				
Cash and cash equivalents	757 223	190 556	5 866	953 645
Obligatory reserves with the CBR	16 944	-	-	16 944
Due from credit and other financial organizations	55 132	292 863	799	348 794
Trading financial assets	28 351	9 110	1 089	38 550
Loans to customers	562 785	176 512	49 358	788 655
Investment financial assets	203 680	49 234	5 254	258 168
Investments in associates	2 350	-	-	2 350
Property and equipment	9 515	-	-	9 515
Deferred tax assets	113	-	-	113
Assets held for sasle	1 177	-	-	1 177
Other assets	5 281	119	186	5 586
	1 642 551	**718 394**	**62 552**	**2 423 497**

(in millions of Russian Roubles unless otherwise stated)

31 December 2019	**RUB**	**USD**	**Other currencies**	**Total**
Liabilities				
Due to credit institutions	312 299	345 396	20 241	677 936
Due to customers	840 871	467 693	30 971	1 339 535
Financial liabilities measured at fair value through profit or loss	9 741	35	98	9 874
Debt securities issued	25 962	109 718	32 869	168 549
Deferred tax liabilities	3 370	-	-	3 370
Other liabilities	13 677	60	64	13 801
	1 205 920	**922 902**	**84 243**	**2 213 065**
Net position before hedging	**436 631**	**(204 508)**	**(21 691)**	**210 432**
Derivative financial instruments	(288 006)	257 569	30 437	-
Net position	**148 625**	**53 061**	**8 746**	**210 432**

As at 31 December 2020 and 31 December 2019 the Group's significant open currency position in USD is due to the fact that perpetual debt issued in USD is reflected in equity and is not included in the table above.

Geographical risk

The geographical risk is the risk due to political, economic or social instability in the respective country.

The geographical concentration of major financial assets and liabilities as at 31 December 2020 and 31 December 2019 is disclosed in the table below:

31 December 2020	**Russia**	**OECD**	**Other non-OECD**	**Total**
Assets				
Cash and cash equivalents	652 017	6 061	25 205	683 283
Obligatory reserves with the CBR	22 244	-	-	22 244
Due from credit and other financial organizations	757 562	6 858	14 417	778 837
Trading financial assets	66 348	7 653	4 815	78 816
Loans to customers	737 569	118 262	153 334	1 009 165
Investment financial assets	274 975	39 412	8 978	323 365
Investments in associates	2 446	-	-	2 446
	2 513 161	**178 246**	**206 749**	**2 898 156**
Liabilities				
Deposits by the Central Bank of the Russian Federation	10 041	-	-	10 041
Due to credit institutions	705 534	3 361	12 787	721 682
Due to customers	1 648 050	32 923	56 542	1 737 515
Financial liabilities measured at fair value through profit or loss	14 904	2 822	1 604	19 330
Debt securities issued	17 277	154 188	-	171 465
	2 395 806	**193 294**	**70 933**	**2 660 033**
Net position	**117 354**	**(15 048)**	**135 816**	**238 123**

31 December 2019	**Russia**	**OECD**	**Other non-OECD**	**Total**
Assets				
Cash and cash equivalents	865 855	15 244	72 546	953 645
Obligatory reserves with the CBR	16 944	-	-	16 944
Due from credit and other financial institutions	333 123	4 361	11 310	348 794
Trading financial assets	31 944	4 508	2 098	38 550
Loans to customers	569 269	95 800	123 586	788 655
Investment financial assets	227 102	31 066	-	258 168
Investments in associates	2 350	-	-	2 350
	2 046 587	**150 979**	**209 540**	**2 407 106**

(in millions of Russian Roubles unless otherwise stated)

31 December 2019	Russia	OECD	Other non-OECD	Total
Liabilities				
Due to credit institutions	647 072	20 417	10 447	677 936
Due to customers	1 306 235	21 352	11 948	1 339 535
Financial liabilities measured at fair value through profit or loss	8 000	1 609	265	9 874
Debt securities issued	20 897	147 652	-	168 549
	1 982 204	**191 030**	**22 660**	**2 195 894**
Net position	**64 383**	**(40 051)**	**186 880**	**211 212**

The majority of non-financial assets and liabilities is located in Russia.

32 Transfers of financial assets

Transferred financial assets that are not derecognised in their entirety

	Trading financial assets	Investment financial assets
2020		
Carrying amount of assets	3 208	42 484
Carrying amount of associated liabilities	2 222	35 929
2019		
Carrying amount of assets	630	51 324
Carrying amount of associated liabilities	555	45 134

Securities

The Group has transactions to sell securities under agreements to repurchase and to purchase securities under agreements to resell. Sale and repurchase agreements are transactions in which the Group sells a security and simultaneously agrees to repurchase it (or an asset that is substantially the same) at a fixed price on a future date. A part of securities that serve as collateral under reverse repurchase agreements has been pledged under sale and repurchase agreements by the Group. The securities sold under agreements to repurchase are transferred to a third party and the Group receives cash in exchange. These financial assets may be repledged or resold by counterparties in the absence of any default by the Group, but the counterparty has an obligation to return the securities when the contract matures. The Group has determined that it retains substantially all the risks and rewards related to these securities and therefore has not derecognised them. These securities are presented as "pledged under sale and repurchase agreements" in Notes 14 and 16. The cash received is recognised as a financial liability for the obligation to repay the purchase price for this collateral, and is included in due to credit institutions and due to customers (Notes 19 and 20). Because the Group sells the contractual rights to the cash flows of the securities, it cannot use the transferred assets during the term of the agreement.

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

33 Financial assets and liabilities: fair values and accounting classifications

Accounting classifications and fair values

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 31 December 2020:

	FVTPL	Amortised cost	FVOCI	Total carrying amount	Fair value
Cash and cash equivalents	-	683 283	-	683 283	683 283
Obligatory reserves with the CBR	-	22 244	-	22 244	22 244
Due from credit and other financial	-	778 837	-	778 837	778 837

(in millions of Russian Roubles unless otherwise stated)

	FVTPL	Amortised cost	FVOCI	Total carrying amount	Fair value
Trading financial assets	78 816	-	-	78 816	78 816
Loans to customers	86 839	922 326	-	1 009 165	1 038 557
Investment financial assets	20 164	39 533	263 668	323 365	325 423
Other financial assets	-	3 476	-	3 476	3 476
	185 819	**2 449 699**	**263 668**	**2 899 186**	**2 930 636**
Due to credit institutions	-	721 682	-	721 682	721 682
Due to customers	-	1 737 515	-	1 737 515	1 743 598
Debt securities issued	-	171 465	-	171 465	179 829
Financial liabilities measured at fair value through profit or loss	19 330	-	-	19 330	19 330
Other financial liabilities	-	10 544	-	10 544	10 544
	19 330	**2 641 206**	**-**	**2 660 536**	**2 674 983**

The main assumptions used by management to estimate the fair values of financial instruments as at 31 December 2020 are:

- discount rates from 4.7% to 15.8% (roubles) and from 2.1% to 5.5% (foreign currency) are used for discounting future cash flows from corporate loans;
- discount rates from 7.9% to 23.3% (roubles) and from 5.4% to 7.4% (foreign currency) are used for discounting future cash flows from loans to individuals;
- discount rates from 4.0% to 4.8% (roubles) and from 0.1% to 3.0% (foreign currency) are used for discounting future cash flows from corporate deposits;
- discount rates from 3.4% to 4.8% (roubles) and from 0.3% to 0.8% (foreign currency) are used for discounting future cash flows from retail deposits.

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 31 December 2019:

	FVTPL	Amortised cost	FVOCI	Total carrying amount	Fair value
Cash and cash equivalents	-	953 645	-	953 645	953 645
Obligatory reserves with the CBR	-	16 944	-	16 944	16 944
Due from credit and other financial organizations	-	348 794	-	348 794	348 794
Trading financial assets	38 550	-	-	38 550	38 550
Loans to customers	77 175	711 480	-	788 655	807 888
Investment financial assets	16 148	34 235	207 785	258 168	260 371
Other financial assets	-	1 883	-	1 883	1 883
	131 873	**2 066 981**	**207 785**	**2 406 639**	**2 428 075**
Due to credit institutions	-	677 936	-	677 936	677 936
Due to customers	-	1 339 535	-	1 339 535	1 374 091
Debt securities issued	-	168 549	-	168 549	174 850
Financial liabilities measured at fair value through profit or loss	9 874	-	-	9 874	9 874
Other financial liabilities	-	5 770	-	5 770	5 770
	9 874	**2 191 790**	**-**	**2 201 664**	**2 242 521**

The main assumptions used by management to estimate the fair values of financial instruments as at 31 December 2019 are:

- discount rates from 6.9% to 11.9% (roubles) and from 3.0% to 7.1% (foreign currency) are used for discounting future cash flows from corporate loans;
- discount rates from 9.2% to 25.3% (roubles) and from 5.8% to 10.3% (foreign currency) are used for discounting future cash flows from loans to individuals;
- discount rates from 5.8% to 6.1% (roubles) and from 1.3% to 2.1% (foreign currency) are used for discounting future cash flows from corporate deposits;
- discount rates from 4.7% to 6.3% (roubles) and from 0.8% to 1.3% (foreign currency) are used for discounting future cash flows from retail deposits.

(in millions of Russian Roubles unless otherwise stated)

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

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

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

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

There is no active market for loans to customers. The estimation of fair value for loans to customers is based on management's assumptions.

Fair value hierarchy

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

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

The following tables show an analysis of financial instruments recorded at fair value and financial instruments recorded at amortised cost for which fair value does not approximate their carrying amount as at 31 December 2020 and 31 December 2019:

31 December 2020	Level 1	Level 2	Level 3	Total
Trading financial assets	30 565	45 769	2 482	**78 816**
Loans to customers	-	-	1 038 557	**1 038 557**
Investment financial assets	302 099	13 029	10 295	**325 423**
Due to customers	-	1 743 598	-	**1 743 598**
Financial liabilities measured at fair value through profit or loss	-	19 330	-	**19 330**
Debt securities issued	179 829	-	-	**179 829**

(in millions of Russian Roubles unless otherwise stated)

31 December 2019	Level 1	Level 2	Level 3	Total
Trading financial assets	21 837	16 713	-	**38 550**
Loans to customers	-	-	807 888	**807 888**
Investment financial assets	256 290	3 970	111	**260 371**
Due to customers	-	1 374 091	-	**1 374 091**
Financial liabilities measured at fair value through profit or loss	-	9 874	-	**9 874**
Debt securities issued	174 851	-	-	**174 851**

During the year ended 31 December 2020 there was transfer of assets between Level 1 and Level 3 in the amount of RUB 940 million (31 December 2019: RUB 111 million).

A reconciliation of movements in fair value of loans to customers at FVTPL for the year ended 31 December 2020 and 31 December 2019 is as follows:

	Loans to individuals	**Corporate loans**	
	31 December 2020	**31 December 2020**	**31 December 2019**
Fair value as at 1 January	-	77 175	63 383
Loan issues	3 375	60 517	27 504
Loan repayments	(3 079)	(63 390)	(10 709)
Interest income recognised	153	3 779	4 613
Changes in fair value measurement	20	1 223	(667)
Acquisition of subsidiaries	1 207	-	-
Write-offs and cessions	-	(7 904)	(291)
Net foreign exchange (loss) gain	-	13 763	(6 658)
Fair value as at 31 December	**1 676**	**85 163**	**77 175**

The table below sets out information about significant unobservable inputs used in the measuring of financial instruments categorised as Level 2 and Level 3 in the fair value hierarchy as at 31 December 2020:

Type if instrument	**Fair values**	**Valuation technique**	**Significant unobservable input**	**Unobservable inputs used**
Loans to customers at FVTPL	86 839	Discounted cash flow from operating activities	Risk-adjusted discount rate	RUB: 5.5% - 9.2% USD: 6.7% EUR: 2.9% - 3.8%
Structured bonds issued designated at FVTPL	9 477	Sum of FV of the ordinary bond (discounted cash flow) and FV of the embedded option (simulation modeling)	non-applicable	non-applicable

The table below sets out information about significant unobservable inputs used in the measuring of financial instruments categorised as Level 2 and Level 3 in the fair value hierarchy as at 31 December 2019:

Type of instrument	**Fair values**	**Valuation technique**	**Significant unobservable input**	**Unobservable inputs used**
Loans to customers at FVTPL	77 175	Discounted cash flow from operating activities	Risk-adjusted discount rate	RUB: 6.5% - 29.7% USD: 4.5% - 7.1% EUR: 2.7%
Structured bonds issued designated at FVTPL	3 487	Sum of FV of the ordinary bond (discounted cash flow) and FV of the embedded option (simulation modeling)	non-applicable	non-applicable

(in millions of Russian Roubles unless otherwise stated)

If discount rates differ by plus/minus one percent, fair values of the loans to customers at FVTPL would be RUB 83 289 million and RUB 88 874 million respectively (31 December 2019: RUB 76 822 million – RUB 78 150 million).

34 Earnings per share

Basic earnings per share are calculated by dividing (loss) profit for the year ended 31 December 2020 by the weighted average number of ordinary shares in issue during the period.

Basic earnings per share are calculated as follows:

	2020	2019
Profit for the period	30 009	11 957
Interest paid on perpetual debt issue, net of tax	(3 233)	(3 098)
Total profit for the period	26 776	8 859
Weighted average number of ordinary shares in issue	29 829 709 866	27 486 559 181
Basic and diluted earnings per share (in RUB per share)	**0.90**	**0.32**

35 Acquisition of subsidiaries

In May 2020 the Group acquired 100% of the equity interests of Investment Bank VESTA (LLC) and JSC "RUSNARBANK". In November the Group acquired 100% of the equity interests of MBK Investicii (LLC).

For the purpose of determining goodwill on acquisition the fair values of identifiable assets and liabilities of Investment Bank VESTA (LLC) were as follows:

	Amounts on acquisition
ASSETS	
Cash and cash equivalents	1 518
Obligatory reserves with the Central bank of the Russian Federation	23
Due from credit and other financial organizations	13
Investment financial assets	2 336
Loans to customers	1 915
Property and equipment	147
Other assets	35
LIABILITIES	
Due to credit institutions	1 996
Due to customers	2 881
Other liabilities	176
Identifiable net assets acquired	**934**
Consideration given	1 082
less fair value of identifiable net assets acquired	(934)
Excess of consideration given over fair value of acquired net assets	**148**

The excess of fair value of acquired net assets over cost was written off to profit or loss for the period and presented within the line Other net operating income or (expense).

The amount of net loss of Investment Bank VESTA (LLC) since the acquisition date included in consolidated statement of profit or loss is RUB 88 million.

For the purpose of determining goodwill on acquisition the fair values of identifiable assets and liabilities of JSC "RUSNARBANK" were as follows:

	Amounts on acquisition
ASSETS	
Cash and cash equivalents	2 426
Obligatory reserves with the Central bank of the Russian Federation	56
Investment financial assets	1 594

(in millions of Russian Roubles unless otherwise stated)

	Amounts on acquisition
Loans to customers	6 416
Property and equipment	166
Other assets	876
LIABILITIES	
Deposits by the Central Bank of the Russian Federation	54
Due to credit institutions	14
Due to customers	7 690
Other liabilities	916
Identifiable net assets acquired	**2 860**
Consideration given	2 971
less fair value of identifiable net assets acquired	(2 860)
Excess of consideration given over fair value of acquired net assets	**111**

The excess of fair value of acquired net assets over cost was written off to profit or loss for the period and presented within the line Other net operating income or (expense).

The amount of net profit of JSC "RUSNARBANK" since the acquisition date included in consolidated statement of profit or loss is RUB 280 million.

For the purpose of determining goodwill on acquisition the fair values of identifiable assets and liabilities of MKB Investicii (LLC) were as follows:

	Amounts on acquisition
ASSETS	
Cash and cash equivalents	1 459
Trading financial assets	248
Property and equipment	9
Other assets	122
LIABILITIES	-
Due to customers	1 437
Other liabilities	17
Identifiable net assets acquired	**384**
Consideration given	400
less fair value of identifiable net assets acquired	(384)
Excess of consideration given over fair value of acquired net assets	**16**

The excess of fair value of acquired net assets over cost was written off to profit or loss for the period and presented within the line Other net operating income or (expense).

The amount of net profit of MKB Investicii (LLC) since the acquisition date included in consolidated statement of profit or loss is RUB 43 million.

(in millions of Russian Roubles unless otherwise stated)

36 Changes in liabilities arising from financing activities

Changes in liabilities arising from financing activities during the years ended 31 December 2020 and 31 December 2019 are presented as follows:

	Total amount as at 31 December 2019	Cash flow changes arising from financing activities	Non-cash flow changes arising from financing activities	Cash flow changes arising from investing activities	Non-cash flow changes arising from operating activities				Total amount as at 31 December 2020
			The effect of changes in foreign exchange rates	Acquisition of subsidiaries	The effect of changes in foreign exchange rates	The effect of changes in fair value	New lease liabilities recognised during reporting period	Changes in the amount of accrued interest	
Syndicated loans in Due to credit institutions	**26 783**	(34 063)	7 472	-	97	-	-	(289)	**-**
Subordinated debt in Due to customers	**41 292**	-	3 591	-	16	-	-	(3)	**44 896**
Bonds in Debt securities issued	**136 012**	(25 611)	25 152	-	190	-	-	81	**135 824**
Structured bonds issued designated at FVTPL in Financial liabilities measured at fair value through profit or loss	**3 487**	6 213	-	-	-	(227)	-	4	**9 477**
Subordinated bonds in Debt securities issued	**32 536**	(2 147)	5 177	-	239	-	-	(164)	**35 641**
Lease liabilities	**2 762**	(1 083)	-	283	-	-	733	225	**2 920**
Total	**242 872**	**(56 691)**	**41 392**	**283**	**542**	**(227)**	**733**	**(146)**	**228 758**

	Total amount as at 31 December 2018	Effect of adopting IFRS 16	Cash flow changes arising from financing activities	Non-cash flow changes arising from financing activities	Cash flow changes arising from investing activities	Non-cash flow changes arising from operating activities		Total amount as at 31 December 2019
				The effect of changes in foreign exchange rates	Net cash inflow (outflow) on disposal of subsidiary	The effect of changes in foreign exchange rates	Changes in the amount of accrued interest	
Syndicated loans in Due to credit institutions	**21 799**	**-**	8 200	(3 181)	(23)	-	(12)	**26 783**
Subordinated debt in Due to customers	**43 571**	**-**	-	(2 269)	(8)	-	(2)	**41 292**
Bonds in Debt securities issued	**61 134**	**-**	85 539	(8 564)	(197)	-	1 800	**139 712**
Subordinated bonds in Debt securities issued	**44 171**	**-**	(7 444)	(4 006)	(45)	-	(140)	**32 536**
Lease liabilities	**-**	**2 960**	(891)	-	-	436	257	**2 762**
Total	**170 675**	**2 960**	**85 404**	**(18 020)**	**(273)**	**436**	**1 903**	**243 085**

37 Events subsequent to the reporting date

In January 2021, the Group placed senior Loan Participation Notes in the total amount of EUR 600 million at par with a fixed coupon rate of 3.1% p.a. and maturity of 5 years.

In January 2021, the Bank paid out the 5th coupon in the amount of RUB 299.2 million or RUB 59.84 per bond on perpetual subordinated bonds series 15. The issue was originally placed on 24 July 2018. The nominal value of the issue is RUB 5 billion.

In January 2021, the Bank paid out the coupon in the amount of USD 12.7 million on 5-year Loan Participation Notes due 2025 with the nominal value of USD 600 million.

In February 2021, the Bank paid out the 1st coupon in the amount of RUB 20.0 thousand or RUB 0.05 per bond and the upside return in the amount of RUB 0.00 or RUB 0.00 per bond on domestic bonds series BSO-P17. The issue was originally placed on 7 August 2020. The nominal value of the issue is RUB 400 million.

In February 2021, the Bank paid out the 1st coupon in the amount of RUB 20.0 million or RUB 0.05 per bond and the upside return in the amount of RUB 0.00 or RUB 0.00 per bond on domestic bonds series BSO-P18. The issue was originally placed on 7 August 2020. The nominal value of the issue is RUB 400 million.

In February 2021, the Group paid out the coupon in the amount of USD 12.0 million on perpetual subordinated Loan Participation Notes with the nominal value of USD 700 million.

In February 2021, the Bank paid out the 1st coupon in the amount of RUB 25.1 million or RUB 12.53 per bond and the upside return in the amount of RUB 0.00 or RUB 0.00 per bond on domestic bonds series BSO-P11. The issue was originally placed on 12 February 2020. The nominal value of the issue is RUB 2 billion.

In February 2021, the Bank paid out the 1st coupon in the amount of RUB 1.5 million or RUB 1.00 per bond and the upside return in the amount of RUB 228.2 million or RUB 152.10 per bond on domestic bonds series BSO-P12. The issue was originally placed on 12 February 2020. The nominal value of the issue is RUB 3 billion.

In February 2021, the Group paid out the coupon in the amount of USD 6.3 million on 5-year Loan Participation Notes due 2023 with the nominal value of USD 500 million.

In February 2021, the Group paid out the coupon in the amount of EUR 16.9 million on 5-year Loan Participation Notes due 2024 with the nominal value of EUR 500 million.

In March 2021, the Bank signed a deal to acquire 100% of the equity interests in Russian-based bank "Koltso Urala", owned by the UMMC Group.