Joint Stock Company
Asian-Pacific Bank

Consolidated Financial Statements

as at and for the year ended
31 December 2020

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Independent Auditors' Report

To the Shareholder of Joint Stock Company Asian-Pacific Bank

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Joint Stock Company Asian-Pacific Bank (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.

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.

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 Group'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 Board of Directors, 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 Board of Directors 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 Board of Directors 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, Russia

7 April 2021

	Notes	2020 RUB'000	2019 RUB'000
Interest income calculated using the effective interest method	5	10 404 465	9 611 544
Other interest income	5	503 670	527 721
Interest expense	5	(3 574 276)	(4 021 562)
Net interest income		**7 333 859**	**6 117 703**
Deposit insurance expenses		(260 348)	(372 806)
Net interest income after deposit insurance expenses		**7 073 511**	**5 744 897**
Fee and commission income	6	3 633 901	3 099 979
Fee and commission expense	7	(520 725)	(427 658)
Net fee and commission income		**3 113 176**	**2 672 321**
Net gain on financial instruments at fair value through profit or loss		61 967	202 726
Realised gain on financial assets at fair value through other comprehensive income		338 443	331 245
Loss from equity-accounted investee	22	(7 203)	(7 978)
Net foreign exchange gain	8	503 185	912 177
Net gain on operations with precious metals	9	315 767	72 098
Other operating income	10	652 002	552 243
Operating income		**12 050 848**	**10 479 729**
Allowance for expected credit losses	11	(1 868 182)	(3 425 738)
Allowances for loan commitments and financial guarantees		(94 424)	(186 530)
Other provisions	11	51 879	870 088
Personnel expenses	12	(4 621 836)	(3 935 505)
Other general administrative expenses	13	(2 982 211)	(2 620 993)
Profit for the year before income tax		**2 536 074**	**1 181 051**
Income tax expense	14	(483 203)	(503 279)
Profit for the year		**2 052 871**	**677 772**

The Consolidated Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements.

	Notes	2020 RUB'000	2019 RUB'000
Other comprehensive (loss) income, net of income tax			
Items that are or may be reclassified subsequently to profit or loss			
Fair value reserve for financial assets at fair value through other comprehensive income:			
- net change in fair value		132 930	913 648
- net change in fair value transferred to profit or loss		(270 754)	(265 240)
Total items that are or may be reclassified subsequently to profit or loss		*(137 824)*	*648 408*
Items that will not be reclassified subsequently to profit or loss			
Revaluation of buildings		(43 182)	7 522
Revaluation reserve for unquoted equity assets at fair value through other comprehensive income		(10 705)	233 588
Total items that will not be reclassified subsequently to profit or loss		(53 887)	*241 110*
Other comprehensive (loss) income for the year, net of income tax		**(191 711)**	**889 518**
Total comprehensive income for the year		**1 861 160**	**1 567 290**

The consolidated financial statements were approved on 7 April 2021:

Mr. A.A. Korovin
Chairman of the Management Board

Ms. E. V. Schekina
Chief Accountant

The Consolidated Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements.

	Notes	31 December 2020 RUB'000	31 December 2019 RUB'000
ASSETS			
Cash and cash equivalents	15	14 022 435	9 827 572
Obligatory reserves with the Central Bank of the Russian Federation		732 143	586 700
Financial instruments at fair value through profit or loss	16, 24	8 365 652	2 891 805
Financial assets at fair value through other comprehensive income	17, 24	15 560 915	13 225 829
including assets pledged under repurchase agreements	*17, 24*	*3 295 148*	*106 915*
Due from banks	18	396 247	1 801 066
Amounts receivable under reverse repurchase agreements	19	397 255	400 082
Loans to customers	20	73 494 713	54 087 231
Net investments in finance leases	21	1 508 304	1 297 461
Investments in associates and other investments	22	75 578	82 781
Investments at amortised cost	23, 24	1 295 924	976 784
including assets pledged under repurchase agreements	*23, 24*	*620 721*	-
Deferred tax assets	14	463 063	747 440
Property, equipment, intangible assets and investment property	25	5 341 858	5 717 343
Other assets	26	11 164 552	5 408 130
Total assets		**132 818 639**	**97 050 224**
LIABILITIES			
Financial instruments at fair value through profit or loss	16	31 461	5 113
Deposits and balances from banks	27	2 598 859	755 128
Amounts payable under repurchase agreements	28, 24	11 846 260	103 527
Current accounts and deposits from customers	29	98 394 746	77 950 925
Debt securities issued	30	29 661	93 869
Other liabilities	31	2 054 466	2 139 636
Total liabilities		**114 955 453**	**81 048 198**

The Consolidated Statement of Financial Position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements.

	Notes	31 December 2020 RUB'000	31 December 2019 RUB'000
EQUITY			
Share capital	32	6 000 000	6 000 000
Treasury shares		-	-
Share premium		3 000 000	3 000 000
Additional paid-in capital		-	-
Fair value reserve for financial assets at fair value through other comprehensive income		(52 667)	95 862
Revaluation surplus for buildings		1 032 931	1 076 113
Retained earnings		7 882 922	5 830 051
Total equity		**17 863 186**	**16 002 026**
Total liabilities and equity		**132 818 639**	**97 050 224**

Mr. A.A. Korovin
Chairman of the Management Board

Ms. E. V. Schekina
Chief Accountant

The Consolidated Statement of Financial Position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements.

	Notes	2020 RUB'000	2019 RUB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest receipts		10 668 025	10 317 428
Interest payments		(3 723 292)	(4 019 061)
Fee and commission receipts		3 495 501	3 044 137
Fee and commission payments		(528 841)	(507 978)
Net receipts from financial instruments at fair value through profit or loss and financial assets at fair value through other comprehensive income		490 628	505 666
Net (payments) receipts from foreign exchange		(953 370)	1 619 995
Other income receipts		649 074	552 243
Net (payments) receipts from operations with precious metals		(101 088)	135 293
Deposit insurance, personnel and other general administrative expenses paid		(7 203 420)	(6 306 633)
Income tax refund as a result of cameral tax inspection		403 368	-
Increase (decrease) in operating assets			
Obligatory reserves with the Central Bank of the Russian Federation		(145 443)	(39 772)
Financial instruments at fair value through profit or loss		(5 378 112)	349 692
Financial assets at fair value through other comprehensive income		(1 806 503)	(480 120)
Due from banks		1 861 479	(1 953 000)
Amounts receivable under reverse repurchase agreements		2 827	390 271
Loans to customers		(20 466 634)	(10 401 814)
Net investment in finance leases		(213 226)	(283 161)
Other assets		(5 503 885)	(1 045 055)
Increase (decrease) in operating liabilities			
Deposits and balances from banks		1 790 433	(429 755)
Amounts payable under repurchase agreements		11 740 827	82 837
Current accounts and deposits from customers		19 338 563	9 844 159
Promissory notes		(64 208)	(1 804)
Other liabilities		(111 806)	(1 570 869)
Net cash from/(used in) operating activities before income tax paid		**4 240 896**	**(197 301)**
Income tax paid		(184 153)	(430 809)
Net cash from/(used in) operations		**4 056 744**	**(628 110)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of investments at amortised cost		(1 296 627)	(629 943)
Redemption of investments at amortised cost		899 915	1 307 652
Purchases of property, equipment, intangible assets and investment property		(256 206)	(1 213 742)
Receipts from sale of property, equipment, intangible assets and investment property		3 155	134 155
Net cash flows used in investing activities		**(649 763)**	**(401 878)**

The Consolidated Statement of Cash Flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements.

	Notes	2020 RUB'000	2019 RUB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Redemption of bonds	30	-	(538 811)
Lease liabilities payments	31	(107 525)	(127 940)
Net cash flows used in financing activities		**(107 525)**	**(666 751)**
Net increase/(decrease) in cash and cash equivalents		**3 299 456**	**(1 696 739)**
Effect of changes in exchange rates on cash and cash equivalents		896 619	(485 560)
Effect of changes in expected credit losses on cash and cash equivalents		(1 212)	14 008
Cash and cash equivalents as at the beginning of the year		9 827 572	11 995 863
Cash and cash equivalents as at the end of the year	15	**14 022 435**	**9 827 572**

Mr. A.A. Korovin
Chairman of the Management Board

Ms. E. V. Schekina
Chief Accountant

The Consolidated Statement of Cash Flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements.

RUB'000	Share capital	Treasury shares	Share premium	Additional paid-in capital	Revaluation reserve for financial assets at FVOCI	Revaluation surplus for buildings	Retained earnings	Total equity
Balance as at 31 December 2018	**6 000 000**	**-**	**3 000 000**	**-**	**(786 134)**	**1 068 591**	**5 152 279**	**14 434 736**
Total comprehensive income for the year								
Profit for the year	-	-	-	-	-	-	677 772	677 772
Other comprehensive income, net of income tax								
Items that are or may be reclassified subsequently to profit or loss								
Net change in fair value of financial assets at fair value through other comprehensive income, net of deferred tax of RUB 228 412 thousand	-	-	-	-	913 648	-	-	913 648
Net change in fair value of financial assets at fair value through other comprehensive income transferred to profit or loss, net of deferred tax of RUB 66 310 thousand	-	-	-	-	(265 240)	-	-	(265 240)
Total items that are or may be reclassified subsequently to profit or loss	-	-	-	-	*648 408*	-	-	*648 408*
Items that will not be reclassified subsequently to profit or loss								
Revaluation of buildings, net of deferred tax of RUB 1 880 thousand	-	-	-	-	-	7 522	-	7 522
Revaluation reserve for unquoted equity financial assets at fair value through other comprehensive income, net of deferred tax of RUB 58 397 thousand	-	-	-	-	233 588	-	-	233 588
Total items that will not be reclassified subsequently to profit or loss	-	-	-	-	*233 588*	*7 522*	-	*241 110*
Total comprehensive income for the year, net of income tax	**-**	**-**	**-**	**-**	**881 996**	**7 522**	**677 772**	**1 567 290**
Balance as at 31 December 2019	**6 000 000**	**-**	**3 000 000**	**-**	**95 862**	**1 076 113**	**5 830 051**	**16 002 026**

The Consolidated Statement of Changes in Equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements.

RUB'000	Share capital	Treasury shares	Share premium	Additional paid-in capital	Revaluation reserve for financial assets at FVOCI	Revaluation surplus for buildings	Retained earnings	Total equity
Total comprehensive income for the year								
Profit for the year	-	-	-	-	-	-	2 052 871	2 052 871
Other comprehensive loss, net of income tax								
Items that are or may be reclassified subsequently to profit or loss								
Net change in fair value of financial assets at fair value through other comprehensive income, net of deferred tax of RUB 33 233 thousand	-	-	-	-	132 930	-	-	132 930
Net change in fair value of financial assets at fair value through other comprehensive income transferred to profit or loss, net of deferred tax of RUB 67 689 thousand	-	-	-	-	(270 754)	-	-	(270 754)
Total items that are or may be reclassified subsequently to profit or loss	-	-	-	-	*(137 824)*	-	-	*(137 824)*
Items that will not be reclassified to profit or loss								
Revaluation of buildings, net of deferred tax of RUB 10 796 thousand	-	-	-	-	-	(43 182)	-	(43 182)
Revaluation reserve for unquoted equity assets at fair value through other comprehensive income, net of deferred tax of RUB 2 676 thousand	-	-	-	-	(10 705)	-	-	(10 705)
Total items that will not be reclassified to profit or loss	-	-	-	-	*(10 705)*	*(43 182)*	-	*(53 887)*
Total comprehensive income for the year, net of income tax	-	-	-	-	**(148 529)**	**(43 182)**	**2 052 871**	**1 861 160**
Balance as at 31 December 2020	**6 000 000**	-	**3 000 000**	-	**(52 667)**	**1 032 931**	**7 882 922**	**17 863 186**

Mr. A.A. Korovin
Chairman of the Management Board

Ms. E. V. Schekina
Chief Accountant

The Consolidated Statement of Changes in Equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements.

1 Background

Organisation and operations

These consolidated financial statements include the financial statements of JSC Asian-Pacific Bank (the "Bank") and its subsidiaries (together referred to as the Group).

The Bank was established in the Russian Federation as a closed joint-stock company in 1992 under the name "Amurpromstroybank" as a successor of Promstroybank of USSR which was founded in 1929. In 2006 the Bank was reorganised from a closed joint-stock company to an open joint-stock company and renamed to "Asian-Pacific Bank" by decision of the shareholders. On 7 May 2010 LLC "PPFIN REGION", being a common majority shareholder for OJSC "Asian-Pacific Bank", OJSC "Kamchatprombank" and OJSC "Kolyma-Bank", merged the operations of these entities and therefore granted full control over OJSC "Kamchatprombank" and OJSC "Kolyma-Bank" to "Asian-Pacific Bank" (OJSC). In July 2015 the Bank was reorganised from an open joint-stock company to a public joint-stock company. From 26 April 2018 the Bank management functions have been carried out by LLC "Fund of Banking Sector Consolidation Asset Management Company". On 26 April 2019 the Bank formed the Board of Directors and permanent management bodies. In September 2020, the annual general meeting of shareholders of the Bank made a decision to terminate the public recognition of the Asia-Pacific Bank (PJSC) and amend the Bank's Charter. In December 2020, the Central Bank of the Russian Federation made an entry in the Book of State Registration of Credit Institutions about the new corporate name of the Bank - "Asian-Pacific Bank" (Joint Stock Company).

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

The Bank has 195 (2019: 199), offices from which it conducts business throughout the Russian Federation including a head office, 3 regional branches, 13 additional offices, 178 operational offices. The registered address of the head office is 225, Amurskaya Street, Blagoveschensk, 675000. The majority of the Bank's assets and liabilities is located in the Russian Federation.

As at 31 December 2020 and 31 December 2019, the following shareholders held the issued shares of JSC Asian-Pacific Bank:

Shareholder	31 December 2020 %	31 December 2019 %
Bank of Russia	99.99	99.99
Others	0.01	0.01
Total	**100.00**	**100.00**

Details of the subsidiaries and associates are as follows:

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

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

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

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

On 4 May 2016, 51.58% of the shares of CUIF “Celena” were received by the Bank as a result of non-performance of repurchase agreement with PJSC “BaikalBank”. CUIF “Celena” was registered in 2010 in Russian Federation. At the date of acquisition, the fund was managed by Finance Trade Asset Management LLC licensed to manage investment funds in 2008. On 30 December 2016, CUIF “Celena” issued 58 533 additional investment units totaling RUB 64 140 thousand which resulted in the decrease of the Bank’s share down to 40,99%. In 2018, the number of the issued investment units of the CUIF "Celena" decreased to 284 414 units, with the result that the Bank’s share increased to 41,09%

In 2020 the average number of the Group’s employees was 3 807 (2019: 3 996).

Russian business environment

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

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

From the beginning of 2020 there has been seeing the significant global market volatility caused by the outbreak of the COVID-19 pandemic. In response to the potentially serious threat posed to public health by the COVID-19 virus, the government of the Russian Federation has taken measures to constrain the spread of the COVID-19 virus, including the introduction of restrictions on crossing the borders of the Russian Federation, restrictions on the entry of foreign citizens, and recommendations to enterprises on transferring employees to a remote work mode. During March 2020, local governments gradually introduced additional measures to ensure social distancing, including the closure of schools, higher education institutions, restaurants, cinemas, theaters, museums, and sports facilities. In order to ensure the sanitary and epidemiological well-being of the population, the President of the Russian Federation announced non-working days with the preservation of wages from March 30 to April 30, 2020 for all categories of workers, with the exception of employees of medical and pharmacy organizations, emergency services, companies providing the population with food and essential goods and continuous cycle enterprises.

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

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

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

The Bank of Russia takes different measures to support the banking system as a whole, aimed to helping the banks to comply with statutory requirements. So, in March 2020, in conditions of a coronavirus pandemic and a possible deterioration in the macroeconomic situation, the Bank of Russia decided to implement a set of measures aimed at maintaining the financial sector's ability to provide the necessary resources to the economy, as well as adapting the financial sector to the action of restrictive measures to combat with an epidemic. The majority of measures supporting the banking system were introduced for the period till 30 September 2020. In August 2020, the Bank of Russia 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 COVID-19. As part of supporting consumer lending, the Bank of Russia has reduced a number of premiums on unsecured consumer loans issued after September 1, 2020. Besides, in accordance with the countercyclical approach of pursuing macroprudential policy, the Bank of Russia canceled the premiums to the risk ratios on unsecured consumer loans in rubles issued after August 31, 2019.

As part of financial planning, the Group carried out stress testing, one of the scenarios of which was “III wave of COVID-19”. The situation was calculated for the deterioration of the epidemiological situation, the introduction of restrictions and the shutdown of enterprises, leading to a deterioration in the financial condition of borrowers, an increase in the cost of risk by 1.5 times.

Based on the results of stress testing, the Group's sensitivity to the deterioration of the epidemiological situation can be characterized as quite high, and the Group's key performance indicators may come under high pressure. The Group expects that this scenario may lead to a

decrease in the Group's expected net profit, which may lead to a slowdown in the growth of regulatory capital (equity), but this will not lead to a violation of capital adequacy ratios.

Based on the results of the stress test, the Bank complies with the mandatory standards of the Bank of Russia and the Bank does not have grounds to terminate its activities.

At present, due to the management of the Bank of Russia, the peak of the COVID-19 pandemic in the Russian Federation has passed and the Bank of Russia sees no contraindications to minimize anti-crisis measures.

The presented consolidated financial statements reflect management's assessment of the possible impact of the current business environment on the results of operations and the financial position of the Group. Subsequent developments in the business environment may differ from management's assessment.

2 Basis of the consolidated financial statements preparation

a) Statement of compliance

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

Changes to significant accounting policies are described in Note 2(c).

Basis of measurement

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

Functional and presentation currency

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

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

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

b) Use of estimates and judgments

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

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

In accordance with the latest guidance from the IASB on the application of IFRS 9 Financial Instruments in a time of heightened economic uncertainty caused by the COVID-19 pandemic, the

Group has reassessed its expected credit losses (ECLs) by restating macro adjustments to the probability of borrowers' default to reflect the changed economic conditions. ECLs for individually assessed loans have also been restated based on the most recent information on the impact of current economic conditions on clients' businesses and the most relevant macroeconomic forecast.

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

- for loans to legal entities - from 1,15 to 1,16 on average;

- for loans to individuals - from 1,0 to 1,215 on average;

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

During 2020, the Group changed its approach to calculating LGD for the retail portfolio, namely, it extended the accounting period for payments from 2 years after the date of default to 7 years after the date of default. Average LGD decreased from 73,18% to 59,15%. The effect on provisions for expected credit losses from the change in valuation amounted to RUB 1 386 864 thousand.

Judgments

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies is described in the following notes:

- classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding – Note 3(d)(i).
- establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of ECL and selection and approval of models used to measure ECL – Note 4.
- insurance agent commission - Note 3(u).

Assumptions and estimations uncertainty

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment of consolidated financial statements for the year ended 31 December 2020 is included in the following notes:

- impairment of financial instruments: determining inputs into the ECL measurement model, including incorporation of forward-looking information – Note 4.

- building revaluation estimates – Note 25;

- estimates of fair values of financial assets and liabilities – Note 39;

- recognition of deferred tax assets: availability of future taxable profit against which carry-forward tax losses can be utilised – Note 14.

3 Significant accounting policies

The accounting policies set out below are applied consistently by the Group entities to all periods presented in these consolidated financial statements, except for with certain exceptions specified in Note 2(c) relating to changes in accounting policies and the presentation of data.

(a) 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 as the fair value of the consideration transferred (including the fair value of any previously-held equity interest in the acquiree) and the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as at the acquisition date. When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The Group elects on a transaction-by-transaction basis whether to measure non-controlling interests at fair value, or at their proportionate share of the recognised amount of the identifiable net assets of the acquiree at the acquisition date.

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.

Subsidiaries

Subsidiaries are investees controlled by the Group. The Group controls an investee when it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In particular, the Group consolidates investees that it controls on the basis of de facto circumstances. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

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 sise of its exposure to the variability of returns of the investee.

Acquisitions of entities under common control

Acquisitions of controlling interests in entities that are under the control of the same controlling shareholders as the Group are accounted for from the date of acquisition by the Group. The assets and liabilities acquired are recognised at their previous book values as recognised in the individual financial statements of the acquiree. Any cash paid for the acquisition is debited to equity.

Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognised gains and losses of associates on an equity-accounted basis, from the date that significant influence effectively commences until the date that significant influence effectively ceases. When the Group's share of losses exceeds the Group's interest (including long-term loans) in the associate, that interest is reduced to nil and recognition of further losses is discontinued, except to the extent that the Group has incurred obligations in respect of the associate.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated to the extent of the Group's interest in the enterprise. Unrealised gains resulting from transactions with associates are eliminated against the investment in the associate. Unrealised losses are eliminated in the same way as unrealised gains except that they are only eliminated to the extent that there is no evidence of impairment.

Goodwill

Goodwill on acquisitions of subsidiaries is included in intangible assets. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associate.

Goodwill is allocated to cash-generating units for impairment testing purposes and is stated at cost less impairment losses.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(b) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated 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 period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments unless the difference is due to impairment in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss.

(c) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances (nostro accounts) held with the CBR and other banks, highly liquid financial assets with original maturities of less than ninety days and which are free from contractual encumbrances. The mandatory reserve deposits with the CBR are not considered to be a cash equivalent due to restrictions on their withdrawability. Cash and cash equivalents are carried at amortised cost in the consolidated statement of financial position.

(d) Financial assets and liabilities

i. Classification of financial instruments

Financial assets

Upon initial recognition, financial assets are classified as measured at amortised cost or fair value through other comprehensive income (FVOCI) or at fair value through profit or loss (FVTPL).

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 (SPPI) on the principal amount outstanding.

A debt instrument is measured at FVOCI only 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 (SPPI) on the principal amount outstanding.

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

- interest income calculated using the effective interest method;
- expected credit losses and recovered impairment losses; and
- gains or losses from changes in exchange rates.

On derecognition of a debt financial asset measured at FVOCI accumulated profit or loss that were previously recognised in other comprehensive income are reclassified from equity into 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 fair value in other comprehensive income. This election is made on an investment-by-investment basis.

For such equity instruments gains and losses are never reclassified into profit or loss and no impairment is recognised in profit or loss. Dividends are recognised in profit or loss unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognised

in other comprehensive income. Cumulative gains and losses recognised in other comprehensive income are transferred to retained earnings on disposal of an investment.

All other financial assets are classified as at FVTPL.

In addition, on initial recognition the Group may irrevocably designate a financial asset that 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.

Business model assessment

The Group will make 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 that will be considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets 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).
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading and those that are managed and whose performance is evaluated on a fair value basis will be measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell 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, 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 (SPPI criterion), the Group will consider the contractual terms of the instrument. This will include 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 the assessment, the Group will consider:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse asset arrangements);

- features that modify consideration for the time value of money (e.g. periodic reset of interest rates).

The Group holds a portfolio of long-term fixed rate loans for which the Group has the option to revise the interest rate following the change of key rate set by the CBR. The borrowers have an option to either accept the revised rate or redeem the loan at par without significant penalty. The Group has determined that the contractual cash flows of these loans are solely payments of principal and interest because the option varies the interest rate in a way that is consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding. Instead, the Group considers these loans as in essence floating rate loans.

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 must reclassify financial assets only when it has changed the business model for managing these financial assets. Such changes are expected to be very rare. Such changes must be designated by the top management of the Group as a result of external or internal changes and must be significant for the Group's activity and evident for external parties. Therefore, a change of the Group's business model can occur when and only when the Group starts or ceases to conduct certain activity which is significant for its operations; for instance, when the Group acquired, disposed of or terminated a certain business line.

Financial liabilities

The Group classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost or FVTPL.

Reclassification

Financial liabilities are not reclassified subsequent to their initial recognition.

Recognition

Financial assets and liabilities were recognised in the consolidated statement of financial position when the Group became a party to the contractual provisions of the instrument. All regular way purchases of financial assets were accounted for at the settlement date.

Measurement

A financial asset or liability was initially measured at its fair value plus, in the case of a financial asset or liability not at fair value through profit or loss, transaction costs that were directly attributable to the acquisition or issue of the financial asset or liability.

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 measured the fair value of an instrument using quoted prices in an active market for that instrument. A market was regarded as active if transactions for the asset or liability took place with sufficient frequency and volume to provide pricing information on an ongoing basis.

When there was no quoted price in an active market, the Group used valuation techniques that maximised the use of relevant observable inputs and minimised the use of unobservable inputs. The chosen valuation technique incorporated 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 determined that the fair value at initial recognition differed from the transaction price and the fair value was evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that used only data from observable markets, the financial instrument was initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference was recognised in profit or loss on an appropriate basis over the life of the instrument, but no later than when the valuation was supported wholly by observable market data or the transaction was closed out.

Gains and losses on subsequent measurement

Profit or loss arising from a change in the fair value of a financial asset or liability were recognised as follows:

- profit or loss on a financial instrument classified as at fair value through profit or loss for the period was recognised in profit or loss;

- profit or loss on an available-for-sale financial asset was recognised as other comprehensive income in equity (except for impairment losses and foreign exchange profit and loss on debt available-for-sale financial instruments) until the asset was derecognised, at which time the cumulative profit or loss previously recognised in equity was recognised in profit or loss. Interest in relation to an available-for-sale financial asset was recognised in profit or loss using the effective interest method.

For financial assets and liabilities measured at amortised cost, profit or loss was recognised in profit or loss when the financial asset or liability was derecognised or impaired, and through the depreciation process.

ii. 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.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Any cumulative gain/loss recognised in other comprehensive income in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities, as explained in Note 3(d)(i). Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability.

The Group enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities lending and sale-and-repurchase transactions.

In transactions in which the Group neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions, the Group retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

iii. Modification of financial assets and financial liabilities

Financial assets

If the terms of a financial asset were modified, then the Group evaluated whether the cash flows of the modified asset were 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 plus any eligible transaction costs. 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.

Changes in cash flows on existing financial assets or financial liabilities are not considered as modification, if they result from existing contractual terms, e.g. changes in interest rates initiated by the Group due to changes in the CBR key rate, if the loan agreement entitles the Group to do so.

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 analogises 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 in 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 the SPPI criterion (e.g. inclusion of conversion feature) (applicable from 1 January 2018).

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate (issue) a new asset with substantially different terms. If the Group plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see below for write off policy). This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases. The Group further performs qualitative evaluation of whether the modification is substantial.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Group first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. The costs incurred or fees paid and commissions received arising from such modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining life of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower (see Note 3(d)(iv)), then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest method (see Note 3(t)).

For fixed-rate loans, where the borrower has an option to prepay the loan at par without significant 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.

As part of its credit risk management the Group renegotiates loans to customers in financial difficulties (referred to as ‘forbearance activities’). If the Group intends to change the terms of a financial asset so that this change will result in a partial forgiveness of current contractual cash flows, part of the asset is written-off (See Note 3(d)(iv)) until the assessment as to whether the modification of terms was significant. As a result, the amount of remaining contractual cash flows related to the original financial asset that are still recognised upon modification is likely to be equal to the amount of new modified contractual cash flows. If, based on the results of a quantitative assessment, the Group concludes that the modification of financial assets conducted as part of the Group’s forbearance policy is not substantial, the Group conducts a qualitative assessment as to whether this 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. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

The 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 in 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 the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification[1].

Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

iv. Impairment

See also Note 4.

The Group recognises a loss allowance for expected credit losses for the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- net investments in finance leases;
- financial guarantee contracts issued; and
- loan commitments issued.

No impairment loss is recognised on equity investments.

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

- debt investment securities that are determined to have low credit risk at the reporting date; and

[1] If replacement of a debt instrument with another one or modification of its terms is not accounted for as derecognition, the requirements for measuring the amortised cost of a financial liability are consistent with the requirements for measuring gross carrying amount of a financial asset. The entity applies the guidance provided in footnote 20 above to determine if the effective interest rate of the modified financial liability may be revised. The Group is guided by IFRS 9.B5.4.5 in relation to the revision of the floating interest rate (or interest rate component) of a financial liability to the new current market interest rate.

- other financial instruments on which credit risk has not increased significantly since their initial recognition (see Note 4).

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'.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1' financial instruments.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of the financial instrument. Financial instruments that are neither purchased nor originated credit-impaired assets, for which a lifetime ECL is recognised, are referred to as 'Stage 2' financial instruments (if the credit risk has increased significantly since initial recognition, but the financial instruments are not credit-impaired) and 'Stage 3' financial instruments (if the financial instruments are credit-impaired).

Measurement of ECL

ECLs are a default 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 entity 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*: the difference between the gross carrying amount and the present value of estimated future cash flows;
- *undrawn loan commitments*: 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 the expected payments to reimburse the holder's credit losses less any amounts that the Group expects to recover.

See also Note 4.

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 (see Note 3(d)(iii)) 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 results 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; or
- 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 credit-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 (loan issued):* 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 recovering a financial asset in its entirety or a portion thereof. 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. 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.

Non-integral financial guarantee contracts

The Group assesses whether a financial guarantee contract held is an integral element of a financial asset that is accounted for as a component of that instrument or is a contract that is accounted for separately. The factors that the Group considers when making this assessment include whether:

- the guarantee is implicitly part of the contractual terms of the debt instrument;
- the guarantee is required by laws and regulations that govern the contract of the debt instrument;
- the guarantee is entered into at the same time as and in contemplation of the debt instrument; and
- the guarantee is given by the parent of the borrower or another company within the borrower's group.

If the Group determines that the guarantee is an integral element of the financial asset, then any premium payable in connection with the initial recognition of the financial asset is treated as a transaction cost of acquiring it. The Group considers the effect of the protection when measuring the fair value of the debt instrument and when measuring ECL.

If the Group determines that the guarantee is not an integral element of the debt instrument, then it recognises an asset representing any prepayment of guarantee premium and a right to compensation for credit losses. A prepaid premium asset is recognised only if the guaranteed exposure neither is credit-impaired nor has undergone a significant increase in credit risk when the guarantee is acquired. These assets are recognised in 'other assets'. The Group presents gains or losses on a compensation right in profit or loss in the line item 'Allowance for expected credit losses '.

(e) 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 goodwill is estimated at each reporting date. 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 value is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised when the carrying value of an asset or its cash-generating unit exceeds its recoverable value.

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 value. Any impairment loss is only reversed to the extent that the asset's carrying value does not exceed the carrying value that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised in the consolidated financial statements. An impairment loss in respect of goodwill is not reversed.

(f) Embedded derivatives

Derivatives may be embedded in another contractual arrangement (a host contract). The Group accounts for an embedded derivative separately from the host contract when:

- the host contract is not an asset in the scope of IFRS 9;
- the host contract is not itself carried at FVTPL;
- the terms of the embedded derivative would meet the definition of a derivative if they were contained in a separate contract; and
- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract.

Separated embedded derivatives are measured at fair value, with all changes in fair value recognised in profit or loss unless they form part of a qualifying cash flow or net investment hedging relationship.

(g) Loans to customers

'Loans to customers' caption in the consolidated statement of financial position include loans to customers and finance lease receivables 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.

(h) Securities

The 'Financial instruments at fair value through profit or loss' caption in the consolidated statement of financial position includes: trading equity investment securities mandatorily measured at FVTPL; these are measured at fair value with changes recognised immediately in profit or loss.

The 'Financial assets at fair value through other comprehensive income' caption in the consolidated statement of financial position includes:

- debt securities measured at FVOCI; and
- equity investment securities designated as at FVOCI.

The 'Investments at amortised cost' caption in the consolidated statement of financial position include debt investment securities 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.

(i) Repurchase and reverse repurchase agreements

Securities sold under sale and repurchase ("repo") agreements are recognised 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. The difference between the sale and repurchase prices represents interest expense and is recognised in 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. 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.

(j) 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.

(k) Offsetting

Financial assets and 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 recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. The Group currently has a legally enforceable right to set off if that right is not contingent on a future event and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the Group and all counterparties.

(l) 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.

(m) 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 as follows:

- at the higher of the loss allowance determined in accordance with IFRS 9 (see Note 3(d)(iv)) 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 no loan commitments that are measured at FVTPL.

For other loan commitments:

- the Group recognises a loss allowance (see Note 3(d)(iv)).

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

(n) Property and equipment

Owned assets

Items of property and equipment are stated in the consolidated financial statements at cost less accumulated depreciation and impairment losses, except for buildings, which are stated at revalued amounts as described below.

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, in which case it is recognised in 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:

-	buildings	50 years
-	computers and equipment	5 years
-	fixtures and fittings	5 years
-	vehicles	5 years

(o) Intangible assets

Acquired intangible assets are stated in the consolidated financial statements 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. The useful life of intangible assets is determined by the Group at the date the intangible asset is recognized and averages from 5 to 10 years.

(p) 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.

(q) Leases

The Group has adopted IFRS 16 *Leases* from 1 January 2019.

IFRS 16 Leases

IFRS 16 introduced a single, on-balance sheet accounting model for lessees, assuming their record on the lessee's balance sheet. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies. The Group applies IFRS 16 using the modified retrospective approach. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 *Determining Whether an Arrangement contains a Lease*. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. On transition to IFRS 16, the Group decided to apply the practical expedient. It means that the Group applied IFRS 16 to the contracts concluded before 1 January 2019 and which were identified as leases under IAS 17 and IFRIC 4. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

As a lessee

The Group leases many assets, including properties and vehicles. As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet. However, the Group has decided not to recognise right-of-use assets and lease liabilities for some leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term. The Group presents right-of-use assets that do not meet the definition of investment property in ‘property, plant and equipment’, the same line item as it presents underlying assets of the same nature that it owns. The carrying amounts of right-of-use assets are as below.

	Property, RUB'000
Balance at 1 January 2019	201 040
Balance at 31 December 2019	190 938

The Group presents lease liabilities within Other liabilities in the consolidated interim condensed statement of financial position.

i. Significant accounting policies

The 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. 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. Generally, the Group uses its incremental borrowing rate as the discount rate. The carrying amount of 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, a change in the estimate of the amount expected to be payable under a residual value guarantee, 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. 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.

ii.Transition

Previously, the Group classified property leases as operating leases under IAS 17. At transition to IFRS 16, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at an amount equal to lease liability, adjusted at any prepaid or accrued lease payments – the Group applied this approach to all leases.

The Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

The Group leases a number of vehicles. These leases were classified as finance leases under IAS 17. For these finance leases, the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 were determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

As a lessor

The Group leases out its investment property, including right-of-use assets. The accounting policies applicable to the Group as a lessor are not different from those under IAS 17. The Group does not sub-lease any of its properties. Adjustments to leases for which the Group is the lessor are not required in the transition to IFRS 16, the most part of lease agreements do not contain a non-lease component.

Impacts on financial statements

a) Impact on transition

On transition to IFRS 16, the Group recognised additional right-of-use assets and additional lease liabilities without recognising the difference in retained earnings. The impact on transition is summarised below.

	1 January 2019 RUB'000
Right-of-use assets presented in property, plant and equipment	201 040
Lease liabilities in other liabilities	196 628

(r) 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.

The provision for restructuring is recognized in the period when the Group approves the formal detailed restructuring plan and proceeds with its implementation or publicly announces the upcoming restructuring. Provision for future operating expenses is not provided.

(s) 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.

Preference share capital

Preference share capital that is non-redeemable and carries no mandatory dividends is classified as equity.

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 Group 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.

(t) 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 profit 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 in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: 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 parent 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.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For investment property that is measured at fair value the presumption is that the carrying amount of investment property will be recovered through sale.

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.

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. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

(u) Interest income and expense

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 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 losses 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 loss allowance.

Calculation of interest income and expenses

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.

For information on when financial assets are credit-impaired, see Note 3(d)(iv).

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 consolidated statement of profit or loss and other comprehensive income includes interest income on non-derivative debt financial instruments measured at FVTPL and net investments in finance leases.

Interest expense presented in the consolidated statement of profit or loss and other comprehensive income includes:

- interest on financial liabilities measured at amortised cost;

- interest on non-derivative financial liabilities measured at FVTPL.

(v) 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 (see Note 3(t)).

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.

The Group 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 Group 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 Group's contractual arrangements with the insurance provider rather than with the borrower. The Group 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 Group 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.

(w) Net income from transactions with financial instruments at fair value through profit or loss

'Net income from transactions with financial instruments at fair value through profit or loss' comprises gains less losses related to assets and liabilities measured at fair value through profit or loss, and includes all fair value changes, and foreign exchange differences.

(x) New standards and interpretations not yet adopted

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

- Reform of basic interest rates (amendments to IFRS 9, IAS 39 and IFRS 7);

- The definition of a business (amendments to IFRS (IFRS) 3);

- Definition of "significant" (amendments to IAS 1 and IAS 8);

As of 1 June 2020, the following revised standards have become binding on the Group:

- COVID-19 related lease benefits (Amendments to IFRS 16).

A number of new standards and interpretations have been published that are mandatory for annual periods beginning on or after 1 January 2021 or after this date, and which the Group has not yet early adopted. The adoption of the following other new accounting policies is not expected to have a material impact on the Group:

- Amendments to IAS 1: Classification of liabilities as current or non-current;

- Amendments to IFRS 10 and IAS 28: "Sale or contribution of assets in transactions between an investor and its associate or joint venture";

- Base interest rate reform - Phase 2 (amendments to IFRS 9, IAS 39 and IFRS 7, 4, 16).

4 Financial risk review

This note presents information about the Group's exposure to financial risks. For information on the Group's financial risk management framework, see Note 33.

Credit risk - Amounts arising from ECL

Inputs, assumptions and techniques used for estimating impairment

See accounting policy in Note 3(d)(iv).

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 on 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 (based on a point rating system) using qualitative and quantitative factors that are indicative of risk of default. These factors may 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 – e.g. the difference in the 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. Examples of areas of particular focus are: gross profit margins, financial	• Payment record – this includes overdue status

Corporate exposure	All exposures (corporate and retail exposures)
leverage ratios, debt service coverage, compliance with covenants, quality of management, senior management changes. • Data from credit reference agencies, press articles, changes in external credit ratings • Quoted bond and credit default swap (CDS) prices for the borrower where available • Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities	• Utilisation of the granted limit • Requests for and granting of forbearance • Existing and forecast changes in business, financial and economic conditions.

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. For some portfolios, information purchased from external credit reference agencies is also used.

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.

Model of expected credit losses (ECL)

The loss allowance calculated by the model of expected credit losses represents an amount that reflects the various probabilities, the time value of money, as well as reasonable and verified information, both about past events, and about the current and future economic situation.

The allowances calculated according to the model of expected credit losses will be estimated as follows:

- Based on 12-month expected credit losses (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
- On the basis of expected credit losses for the lifetime of the financial instrument, if the instrument has a significant increase in credit risk since the initial recognition of the instrument.

The model of expected credit losses divides financial instruments into three stages:

- Stage 1 includes all non-impaired financial instruments for which there has been no significant increase in credit risk since initial recognition. Stage 1 requires recognition of 12-month expected credit losses.
- Stage 2 includes non-impaired financial instruments, for which a significant increase in credit risk occurred. For Stage 2, the Group recognises the lifetime expected credit losses of the financial instrument. The financial instrument is reclassified into Stage 1 in future periods if there are no indicators of impairment and or significant increase in credit risk. In case of reclassification, 12-month credit losses should be recognised subsequently.

- Stage 3 includes impaired financial instruments. For Stage 3, the Group recognises the lifetime expected credit losses of the financial instrument. The financial instrument is reclassified into Stage 2 in future periods if there are no indicators of impairment.

For financial instruments that are impaired at the time of their initial recognition, the Bank recognises changes in the amount of lifetime expected losses from their initial recognition in profit or loss. Any positive changes for such financial instruments are qualified as impairment income, even if the total expected cash flows exceed the estimated amount of cash flows at initial recognition.

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); or
- the Borrower's debt on any of the material credit liabilities to the Group is overdue by more than 90 days for retail loans, more than 30 days for corporate loans, more than 5 days for interbank loans or by another period depending on the type of the financial instrument and the presence of other factors indicating a deterioration in credit quality (restructuring, prolongation, changes in rating or other negative factors).

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

- qualitative – e.g. breaches of covenants;
- quantitative – e.g. overdue status and non-payment of 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.

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(d)(iii).

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 behavioural 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(d)(iv)). A customer needs to demonstrate consistently good payment behaviour 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.

Incorporation of forward-looking information

The Group incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL. The Group uses expert judgment in assessment of forward-looking information. This assessment is based also on external information. External information considered includes economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Group operates, such as the CBR and Ministry of Economic Development, and certain private sector and academic forecasters.

The Group has identified and documented key drivers of credit risk and credit losses and, using an analysis of historical data, has estimated relationships between macro-economic variables, 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 structures of the following variables:

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

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

PD estimates are estimates at a certain date, which will be calculated based on statistical rating models and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models will be 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. PDs will be 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 by types of financial assets. LGD parameters 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 and arising from amortisation. The EAD of a financial asset is its gross carrying amount. For lending commitments and financial guarantees, the EAD includes the amount drawn and 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 credit 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.

For portfolios in respect of which the Group has limited historical data, external benchmark information is used to supplement the internally available data.

A significant increase in credit risk for the corporate portfolio occurs when the quality category defined in accordance with the requirements of Russian legislation changes by 2 positions. A significant increase in credit risk for the retail portfolio occurs when the 30-day default period is reached. The impact of macroeconomics is not significant.

5 Interest income and expense

	2020 RUB'000	2019 RUB'000
Interest income calculated using the effective interest rate		
Loans to customers	9 419 730	8 564 948
Financial assets at FVOCI	783 588	686 004
Due from banks and cash equivalents	129 933	280 940
Investments at amortised cost	71 214	79 652
	10 404 465	**9 611 544**
Other interest income		
Net investments in finance leases	319 110	269 700
Financial instruments at FVTPL	184 560	258 021
	503 670	**527 721**
Interest expense		
Current accounts and deposits from customers	3 331 580	3 931 462
including lease liabilities	*12 375*	*17 927*
Deposits and balances from banks	240 317	86 737
Debt securities issued	2 379	3 363
	3 574 276	**4 021 562**

6 Fee and commission income

	2020 RUB'000	2019 RUB'000
Insurance agent commission	1 295 574	1 079 462
Settlement operations	1 063 627	932 732
Accounts opening and maintenance	851 090	770 051
Consulting and information services agent commission	211 286	157 607
Guarantees issuance	117 741	49 115
Other	94 583	111 012
	3 633 901	**3 099 979**

Information on the basis of which insurance agent commission income is recognised in profit or loss is disclosed in note 3(u).

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

7 Fee and commission expense

	2020 RUB'000	2019 RUB'000
Expenses for money transfer services, including payment and settlement system services	356 213	243 717
Encashment	63 263	57 333
Commission expenses on operations with currency items	26 737	27 302
Cash and settlement operations	16 371	14 010
Brokerage operations	11 751	4 859
SMS notification for banking cards	11 513	30 399
Accounts opening and maintenance expenses	3 637	2 654
Expenses on received guarantees	1 223	1 608
Expenses of professional participants of the securities market related to the acquisition and sale of securities, other than expenses for consulting and information services	712	721
Other commission expenses	29 305	45 055
	520 725	**427 658**

8 Net foreign exchange gain

	2020 RUB'000	2019 RUB'000
Gain (loss) from revaluation of financial assets and liabilities	1 476 615	(871 086)
(Loss) gain on swap operations	(325 341)	417 665
(Loss) gain on derivatives and spot transactions (except swaps)	(648 089)	1 365 598
	503 185	**912 177**

9 Net gain on operations with precious metals

	2020 RUB'000	2019 RUB'000
Gain (loss) from revaluation of financial assets and liabilities and operations with derivatives	416 855	(63 195)
(Loss) gain on trading operations	(101 088)	135 293
	315 767	**72 098**

10 Other operating income

	2020 RUB'000	2019 RUB'000
Penalties on issued loans and other operations	403 041	315 796
Income from sale of loans and repayment of written off loans	128 907	113 099
Rental income	40 084	26 226
Income from revaluation and sale of property	28 843	18 391
Other income	51 127	78 731
	652 002	**552 243**

11 Allowance for expected credit losses and other allowances

	2020 RUB'000	2019 RUB'000
Loans to customers	1 824 815	3 060 891
Financial assets at FVOCI	19 063	(21 540)
Cash equivalents and Due from banks	(18 379)	7 132
Investments at amortised cost	1 148	(201)
Credit related commitments	94 424	186 530
Net investments in finance leases	4 554	19 695
Other assets	36 981	359 761
	1 962 606	**3 612 268**

Other provisions in the amount of RUB 51 879 thousand represent a change in the provision for other contingent liabilities, which are represented by legal claims.

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

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

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

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

- provision in the amount of 572 000 thousand rubles at the claim of the bankruptcy administrator of PJSC "M2M Private Bank" - State Corporation "Deposit Insurance Agency" are not at the

balance sheet as at December 31, 2020, as compensation was made: partially by payment in cash at the expense of a previously created provision, partially by the way of write-off of assets;

- reserves in the amount of 66 815 thousand rubles were restored at the claim of the Territorial Administration of the Federal Property Management Agency in the Primorsky Territory in connection with the end of the court proceedings in favor of the Bank:

- estimated reserves for the payment of the variable part of remuneration for 2020 in the amount of 14 936 thousand rubles were formed.

Provisions for litigation and remuneration are recorded under “Other liabilities”.

12 Personnel expenses

	2020 RUB’000	2019 RUB’000
Employee compensation	3 650 792	3 089 615
Payroll related taxes	971 044	845 890
	4 621 836	**3 935 505**

13 Other general administrative expenses

	2020 RUB’000	2019 RUB’000
Depreciation and amortisation	509 659	452 410
Organizational and management expenses	415 733	339 298
Advertising and marketing	400 981	267 696
Taxes other than income tax	285 934	255 721
Repairs and maintenance	251 079	243 367
Write-off of materials and loss on disposals of assets	201 857	197 378
IT expense	150 814	162 700
Information and telecommunication services	123 537	100 468
Fines, penalties, payments for damages	107 592	192 996
Expenses from insignificant modification of loans to legal entities	96 137	-
Security	76 147	60 536
Professional services	70 730	49 043
Revaluation of property	69 722	9 064
Rent	26 014	58 172
Travel expenses	22 348	51 489
Representative expenses	22 289	28 044
Charity	9 724	5 481
Insurance	8 478	13 969
Loss on cease and restructuring of lease agreements	2 171	59 037
Other	131 265	74 124
	2 982 211	**2 620 993**

14 Income tax expense

	2020 RUB'000	2019 RUB'000
Current year tax expense	(150 898)	(139 627)
Movement in deferred tax assets and liabilities due to origination and reversal of temporary differences	(332 305)	(363 734)
Change in deferred tax asset, not recognised in the consolidated financial statements	-	84
Total income tax (expense) benefit	**(483 203)**	**(503 279)**

In 2020, the applicable tax rate for current and deferred tax is 20% (2019: 20%).

Reconciliation of effective tax rate for the year ended 31 December:

	2020 RUB'000	%	2019 RUB'000	%
Profit before income tax	**2 536 074**		**1 181 051**	
Income tax at the applicable tax rate	(507 215)	(20.0)	(236 210)	(20.0)
Non-taxable income from write-off of subordinated borrowings	-	-	-	-
Non-deductible expenses (non-taxable income)	(4 132)	(0.2)	(297 672)	(25.2)
Other differences	14 952	0.6	(1 859)	(0.2)
Change in deferred tax asset, not recognised in the consolidated financial statements	-	-	84	-
Income taxed at lower tax rates	13 192	0.5	32 378	2.8
	(483 203)	**(19.1)**	**(503 279)**	**(42.6)**

Deferred tax assets and liabilities

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes give rise to deferred tax assets as at 31 December 2020 and 31 December 2019. Net deferred tax assets have been recognised in these consolidated financial statements.

The term of use of temporary differences, which decrease the amount of tax base on profit tax and tax losses carry-forward is not limited by the current tax legislation of the Russian Federation.

As at 31 December 2020 the Bank has recognized tax losses carried forward in the amount of RUB 396 786 thousand (as at 31 December 2019 – RUB 508 107 thousand), which can be used against future taxable profit. As of 31December 2020 the Bank has unrecognised tax losses carried forward in the amount of RUB 1 001 264 thousand (as at 31 December 2019 – RUB 1 001 264 thousand).

The decision not to recognize a deferred tax asset for deferred losses in 2018 was made due to the fact that the 2018 loss was formed as a result of the implementation of measures by UK FKBS LLC aimed at improving the financial stability of the Bank.

Accumulated tax losses that are not used in the current year can be transferred to subsequent years. Starting from 1 January 2017 to 31 December 2021 tax profit can be reduced by using a tax loss carried forward by no more than 50%. Currently, at the legislative level, the issue of saving until 2024 by the initiative of the federal subjects of the Russian Federation the existing 50% limitation on the transfer of losses when calculating income tax is being considered, which will improve the balance of regional budgets and compensate for the redistribution of this tax from the regional to the federal provided for the same period budget.

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

RUB'000	**Balance 1 January 2020 (restated)**	**Recognised in profit or loss**	**Recognised in other comprehensive income and directly in equity**	**Balance 31 December 2020**
Cash and cash equivalents	361	424	-	785
Due from banks	4 228	(3 918)	-	310
Financial assets at FVPL	(149)	(9 372)	-	(9 521)
Financial assets at FVOCI	77 325	(35 008)	37 132	79 449
Held-to-maturity investments	26 682	(7 664)	-	19 018
Derivative financial instruments	(1 076)	3 173	-	2 097
Loans to customers	(253 775)	87 227	-	(166 548)
Net investments in finance leases	130 270	23 644	-	153 914
Property, equipment, intangible assets and investment property	(211 252)	(4 868)	10 796	(205 324)
Investments in associates	20 835	1 441	-	22 276
Other assets	322 418	(290 896)	-	31 522
Other liabilities	123 466	14 833	-	138 299
Tax loss carry-forward	1 509 371	(111 321)	-	1 398 050
Deferred tax assets	**1 748 704**	**(332 305)**	**47 928**	**1 464 327**
Change in deferred tax asset, not recognised in the consolidated financial statements	(1 001 264)	-	-	(1 001 264)
Recognised net deferred tax assets	**747 440**	**(332 305)**	**47 928**	**463 063**
Comprising of:				
Deferred tax asset	747 440			463 063

RUB'000	Balance 1 January 2019 (restated)	Effect of IFRS 16	Recognised in profit or loss	Recognised in other comprehensive income and directly in equity	Balance 31 December 2019
Cash and cash equivalents	-	-	361	-	361
Due from banks	82 566	-	(78 338)	-	4 228
Financial assets at FVPL	-	-	(149)	-	(149)
Financial assets at FVOCI	122 441	-	175 383	(220 499)	77 325
Held-to-maturity investments	(119)	-	26 801	-	26 682
Derivative financial instruments	-	-	(1 076)	-	(1 076)
Loans to customers	(392 484)	-	138 709	-	(253 775)
Net investments in finance leases	123 238	-	7 032	-	130 270
Property, equipment, intangible assets and investment property	(197 673)	(40 208)	28 509	(1 880)	(211 252)
Investments in associates	480 656	-	(459 821)	-	20 835
Other assets	(79 636)	-	402 054	-	322 418
Due to banks	203		(203)	-	-
Other liabilities	639 840	40 208	(556 582)	-	123 466
Tax loss carry-forward	1 555 785	-	(46 414)	-	1 509 371
Deferred tax assets	**2 334 817**	**-**	**(363 734)**	**(222 379)**	**1 748 704**
Change in deferred tax asset, not recognised in the consolidated financial statements	(1 001 348)	-	84	-	(1 001 264)
Recognised net deferred tax assets	**1 333 469**	**-**	**(363 650)**	**(222 379)**	**747 440**
Comprising of:					
Deferred tax asset	1 333 469				747 440

15 Cash and cash equivalents

	2020 RUB'000	2019 RUB'000
Cash on hand	**3 353 300**	**2 093 085**
Nostro accounts with the CBR	**5 048 634**	**2 047 040**
Nostro accounts with other banks		
rated from AA- до AA+	142 619	138 338
rated from A- to A+	173 199	103 983
rated from BBB- to BBB+	119 544	366 506
rated from BB- to BB+	682 089	212 039
rated below BB- and no rated	5 472	17 328
Total nostro accounts with other banks	**1 122 923**	**838 194**
Term deposits with the CBR	**4 500 518**	**-**
Term deposits with other banks		
rated from BBB- to BBB+	-	4 000 685
rated from CCC to B+	-	850 296
Total term accounts with other banks	**-**	**4 850 981**
Allowance for expected credit losses	(2 940)	(1 728)
Total cash and cash equivalents	**14 022 435**	**9 827 572**

Analysis of changes in allowance for expected credit losses for cash and cash equivalents for year ended 31 December 2020:

	2020 RUB'000	
	Stage 1	**Total**
Cash and cash equivalents		
Balance at 1 January	**1 728**	**1 728**
Net change in allowance for expected credit losses	1 212	1 212
Balance at 31 December	**2 940**	**2 940**

Analysis of changes in allowance for expected credit losses for cash and cash equivalents for the year ended 31 December 2019:

	2019 RUB'000	
	Stage 1	**Total**
Cash and cash equivalents		
Balance at 1 January	**15 736**	**15 736**
Net change in allowance for expected credit losses	(14 008)	(14 008)
Balance at 31 December	**1 728**	**1 728**

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

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

As at 31 December 2020, the Group has no counterparty (except for the CBR) (31 December 2019 (except for the CBR): one counterparty), whose balances individually exceed 10% of equity (total balances of the banks as at 31 December 2019: RUB 4 013 803 thousand).

As at 31 December 2020, the balance of cash and cash equivalents of the CBR exceeds 10% of equity of the Group (31 December 2019: exceeds 10% of equity of the Group). Total balances of the CBR as at 31 December 2020 are RUB 9 549 152 thousand (31 December 2019: RUB 2 047 040 thousand).

16 Financial instruments at fair value through profit or loss

	2020 RUB'000	2019 RUB'000
ASSETS		
Securities at FVTPL		
Securities owned by the Group		
- Government bonds		
Russian Government Federal bonds (OFZ) (rated BBB)	5 197 200	1 152 392
Total government bonds	**5 197 200**	**1 152 392**
- Corporate bonds		
rated from A- to A+	-	376 753
rated from BBB- to BBB+	1 191 521	1 348 956
Total corporate bonds	**1 191 521**	**1 725 709**
Total securities owned by the Group	**6 388 721**	**2 878 101**
Debt securities at fair value through profit or loss pledged under sale and repurchase agreements, and introduced into General Collateral Certificate Pool and pledged as General Collateral Certificate Pool (GCC)		
- Corporate bonds		
Rated from BBB- to BBB+	1 035 680	-
Rated from BB- to BB+	921 176	-
Total corporate bonds	**1 956 856**	**-**
Total debt securities at fair value through profit or loss pledged under sale and repurchase agreements, and introduced into General Collateral Certificate Pool and pledged as General Collateral Certificate Pool (GCC)	**1 956 856**	**-**
Total debt securities at fair value through profit or loss	**8 345 577**	**2 878 101**
Derivative financial instruments		
Foreign currency and securities contracts	20 075	13 704
	8 365 652	**2 891 805**
LIABILITIES		
Derivative financial instruments		
Foreign currency and securities contracts	31 461	5 113
	31 461	**5 113**

Ratings in the table above are based on Standard & Poor's and Fitch ratings.

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

Foreign currency and securities contracts

The table below summarises, by major currencies, the contractual amounts of forward exchange and securities contracts outstanding at 31 December 2020 and 31 December 2019 with details of the contractual exchange rates and prices and remaining periods to maturity. Foreign currency and securities amounts presented below are translated at rates ruling at the reporting date. The resultant unrealised gains and losses on these unmatured contracts are recognised in profit or loss and in financial instruments at fair value through profit or loss, as appropriate.

	Notional amount		Weighted average contractual exchange rates	
	2020 RUB'000	**2019 RUB'000**	**2020**	**2019**
Buy USD sell RUB				
Less than 3 months	3 116 525	307 434	73.84	62.08
Buy USD sell CNY				
Less than 3 months	2 275	-	6.51	-
Buy USD sell JPY				
Less than 3 months	50 007	-	103.55	-
Sell GBP buy USD				
Less than 3 months	14 037	-	1.36	-
Sell USD buy RUB				
Less than 3 months	18 469	1 183 858	73.88	61.97
Sell USD buy JPY				
Less than 3 months	34 371	2 105	103.62	1.09
Sell USD buy CNY				
Less than 3 months	4 548	-	6.51	-
Sell USD buy EUR				
Less than 3 months	37 085	-	1.23	-
Sell USD buy GBP				
Less than 3 months	-	5 637	-	1.31
Buy EUR sell RUB				
Less than 3 months	60 304	167 224	90.88	69.46
Buy EUR sell USD				
Less than 3 months	36 970	-	1.23	-
Buy EUR sell CHF				
Less than 3 months	472 460	336 555	1.08	1.09
Sell EUR buy RUB				
Less than 3 months	2 369 078	2 933 246	91.81	69.85
Buy CNY sell RUB				
Less than 3 months	11 866	43 743	11.33	8.88

Buy JPY sell RUB				
Less than 3 months	3 572	570	71.68	56.96
Sell CNY buy RUB				
Less than 3 months	208 139	124 483	11.31	8.85
Percentage swap				
Less than 3 months	217 804	109 154	-	-
Between 3 to 12 months	1 500 629	-	-	-
More than 12 months	2 000 000	-	-	-

Information on derivative financial instruments recorded as assets and liabilities as at 31 December 2020 is presented below:

		Fair value	
	Notional amounts	**Asset**	**Liability**
Foreign currency and securities contracts	6 439 706	20 075	(31 461)

Information on derivative financial instruments recorded as assets and liabilities as at 31 December 2019 is presented below:

		Fair value	
	Notional amounts	**Asset**	**Liability**
Foreign currency and securities contracts	5 239 450	13 704	(5 113)

17 Financial assets at fair value through other comprehensive income

	2020 RUB'000	**2019 RUB'000**
Held by the Group		
- Government, the CBR and municipal bonds		
Russian Government Federal bonds (OFZ) (credit rating BBB)	2 912 762	1 261 100
Municipal bonds, including	-	43 334
rated BB	-	28 856
not rated	-	14 478
Total government, the CBR and municipal bonds	**2 912 762**	**1 304 434**
- Corporate bonds		
rated from A- to A+	-	91 563
rated from BBB- to BBB+	931 444	9 195 521
rated from BB- to BB+	-	2 088 840
rated from B- to B+	-	129 954
banks with revoked license	102 651	102 651
not rated	-	-
Total corporate bonds	**1 034 095**	**11 608 529**
- Corporate shares		
not rated	192 569	205 951

	2020 RUB'000	2019 RUB'000
Total corporate shares	**192 569**	**205 951**
Total financial assets at FVOCI held by the Group	**4 139 426**	**13 118 914**
Financial assets at fair value through other comprehensive income pledged under sale and repurchase agreements, and introduced into General Collateral Certificate Pool and pledged as General Collateral Certificate Pool (GCC)		
- Government and municipal bonds		
Russian Government Federal bonds (OFZ) (rated BBB)	760 012	106 915
Total government and municipal bonds	**760 012**	**106 915**
- Corporate bonds		
Rated from A- to A+	447 785	-
Rated from BBB- to BBB+	8 948 576	-
Rated from BB- to BB+	1 265 116	
Total corporate bonds	**10 661 477**	**-**
Total financial assets at fair value through other comprehensive income pledged under sale and repurchase agreements, and introduced into General Collateral Certificate Pool and pledged as General Collateral Certificate Pool (GCC)	**11 421 489**	**106 915**
Total financial assets at fair value through other comprehensive income	**15 560 915**	**13 225 829**
Allowance for expected credit losses*	(119 783)	(121 951)
Total financial assets at fair value through other comprehensive income (carrying amount)	**15 560 915**	**13 225 829**

**The above loss allowance is not recognised in the consolidated statement of financial position because the carrying amount of debt investment securities at FVOCI is their fair value.*

The following table sets out information about the credit quality of debt instruments at FVOCI as at 31 December 2020.

RUB'000	31 December 2020				
	12-month ECLs	Lifetime ECLs for assets that are not credit-impaired	Lifetime ECLs for credit-impaired assets	Credit-impaired assets at initial recognition	Total
Debt financial assets at FVOCI					
Rated from от A- до A+	447 785	-	-	-	447 785
Rated from BBB- to BBB+	13 552 794	-	-	-	13 552 794
Rated from BB- to BB+	1 265 116	-	-	-	1 265 116
Not rated	-	-	-	102 651	102 651
	15 265 695	**-**	**-**	**102 651**	**15 368 346**
Loss allowance	**(17 132)**	**-**	**-**	**(102 651)**	**(119 783)**
Gross carrying amount	**15 419 182**	**-**	**-**	**122 675**	**15 541 857**
Carrying amount – fair value	**15 265 695**	**-**	**-**	**102 651**	**15 368 346**

The following table sets out information about the credit quality of debt instruments at FVOCI as at 31 December 2019.

RUB'000	31 December 2019				
	12-month ECLs	Lifetime ECLs for assets that are not credit-impaired	Lifetime ECLs for credit-impaired assets	Credit-impaired assets at initial recognition	Total
Debt financial assets at FVOCI					
Rated from от A- до A+	91 563	-	-	-	91 563
Rated from BBB- to BBB+	10 563 536	-	-	-	10 563 536
Rated from BB- to BB+	2 117 696	-	-	-	2 117 696
Rated from B- to B+	129 954				129 954
Not rated	14 478	-	-	102 651	117 129
	12 917 227	**-**	**-**	**102 651**	**13 019 878**
Loss allowance	**(19 300)**	**-**	**-**	**(102 651)**	**(121 951)**
Gross carrying amount	**13 168 491**	**-**	**-**	**122 675**	**13 291 166**
Carrying amount – fair value	**12 917 227**	**-**	**-**	**102 651**	**13 019 878**

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

The following table shows a reconciliation of the estimated loss allowance balances at the beginning and end of the reporting period for financial assets at fair value through other comprehensive income for 2020:

	31 December 2020				
RUB'000	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Debt financial assets at FVOCI					
Balance at 1 January 2020	**19 300**	**-**	**-**	**102 651**	**121 951**
Net remeasurement of loss allowance	6 550	-	-	-	6 550
New financial assets originated or purchased	12 513	-	-	-	12 513
Financial assets that have been derecognised	(21 231)	-	-	-	(21 231)
Balance at 31 December 2020	**17 132**	**-**	**-**	**102 651**	**119 783**

The following table provides an analysis of changes in the allowance for expected credit losses for financial assets at fair value through other comprehensive income for 2019:

	31 December 2019				
RUB'000	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Debt financial assets at FVOCI					
Balance at 1 January 2019	**12 777**	**38 017**	**-**	**102 651**	**153 445**
Transfer to Stage 1	38 017	(38 017)	-	-	-
Net remeasurement of loss allowance	(37 500)	-	-	-	(37 500)
New financial assets originated or purchased	15 960	-	-	-	15 960
Financial assets that have been derecognised	(9 954)	-	-	-	(9 954)
Balance at 31 December 2019	**19 300**	**-**	**-**	**102 651**	**121 951**

As at 31 December 2020 unquoted corporate shares at fair value through other comprehensive income amount to RUB 192 569 thousand and are categorised as Level 3 in the fair value hierarchy.

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

18 Due from banks

	2020 RUB'000	2019 RUB'000
Due from banks		
rated from A- to A+	1 983	1 593
rated from BBB- to BBB+	122 956	125 899
rated from BB- to BB+	181 833	209 171
rated from B до BB-	91 024	1 485 543
Total due from banks	**397 796**	**1 822 206**
Allowance for expected credit losses	(1 549)	(21 140)
Total due from banks net of allowance for expected credit losses	**396 247**	**1 801 066**

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

The following table shows a reconciliation of the estimated loss allowance balances at the beginning and end of the reporting period:

	For the year ended 31 December 2020	
RUB'000	**Stage 1**	**Total**
Due from banks		
Balance at 1 January 2020	**21 140**	**21 140**
Net remeasurement of loss allowance	(19 591)	(19 591)
Balance at 31 December 2020	**1 549**	**1 549**

As at 31 December 2020 all due from banks amounts are classified as Stage 1 financial assets (31 December 2019: all funds in banks are classified as Stage 1).

Analysis of changes in allowance for expected credit losses for year ended 31 December 2019:

	For the year ended 31 December 2019		
RUB'000	**Stage 1**	**Stage 3**	**Total**
Due from banks			
Balance at 1 January 2019	**-**	**6 514 477**	**6 514 477**
Financial assets that have been derecognised	-	(6 514 477)	(6 514 477)
Net remeasurement of loss allowance	21 140	-	21 140
Balance at 31 December 2019	**21 140**	**-**	**21 140**

As at 31 December 2020 none of amounts due from banks are overdue or credit-impaired.

19 Amounts receivable under reverse repurchase agreements

The table below sets out receivables under reverse repurchase agreements showing individual types of securities received as collateral under reverse repurchase agreements outstanding as at 31 December 2020:

	Corporate bonds RUB'000	Corporate shares RUB'000	Russian Federation Government bonds RUB'000	Total RUB'000
Amounts receivable under reverse repurchase agreements				
Rated from B to BBB	210 947	2 361	1 388	214 696
Not rated	182 559	-	-	182 559
	393 506	**2 361**	**1 388**	**397 255**

As at 31 December 2020, the fair value of securities collateralising reverse repurchase agreements is RUB 564 846 thousand.

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

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

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

The following table sets out information about the credit quality of receivables under reverse repurchase agreements as at 31 December 2020:

RUB'000	31 December 2020				
	12-month ECLs	Lifetime ECLs for not credit-impaired assets	Lifetime ECLs for credit-impaired assets	POCI	Total
Accounts receivable under reverse repurchase agreements					
Rated from B to BBB	214 696	-	-	-	214 696
Not rated	182 559				182 559
	397 255	**-**	**-**	**-**	**397 255**
Allowance for expected credit losses	**-**	**-**	**-**	**-**	**-**
Carrying amount	**397 255**	**-**	**-**	**-**	**397 255**

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

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

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

Reverse repurchase receivables are neither credit-impaired nor overdue.

20 Loans to customers

	2020 RUB'000	2019 RUB'000
Loans to corporate customers	**18 753 687**	**23 200 654**
Loans to retail customers		
Consumer loans	50 863 738	43 669 276
Mortgage loans	14 993 318	6 646 349
Total loans to retail customers	**65 857 056**	**50 315 625**
Gross loans to customers	**84 610 743**	**73 516 279**
Allowance for expected credit losses/ Impairment allowance	(11 116 030)	(19 429 048)
Loans to customers net of allowance for expected credit losses	**73 494 713**	**54 087 231**

The table below shows analysis of changes in allowance for expected credit losses by classes of loans issued to customers for 2020:

	Loans to corporate customers RUB'000	Loans to retail customers RUB'000	Total RUB'000
Allowance for expected credit losses at the beginning of the year	**4 693 765**	**14 735 283**	**19 429 048**
Unwinding of discount	34 642	204 870	239 512
Net allowance for expected credit losses	592 596	1 232 219	1 824 815
Financial assets that have been derecognised	(2 876 992)	(6 868 634)	(9 745 626)
Write-offs	(86 492)	(594 544)	(681 036)
Other changes	49 317	-	49 317
Allowance for expected credit losses at the year end	**2 406 836**	**8 709 194**	**11 116 030**

The table below shows analysis of changes in allowance for expected credit losses by class of loans issued to customers for 2019:

	Loans to corporate customers RUB'000	Loans to retail customers RUB'000	Total RUB'000
Allowance for expected credit losses at the beginning of the year	**8 225 258**	**20 606 386**	**28 831 644**
Unwinding of discount	140 441	580 312	720 753
Net allowance for expected credit losses	1 593 910	1 520 981	3 060 891
Transfer of loans to retail customers to loans to customers	753 518	(753 518)	-
Financial assets that have been derecognised	(5 893 998)	(5 827 697)	(11 721 695)
Write-offs	(23 408)	(1 391 181)	(1 414 589)
Other changes	(47 956)	-	(47 956)
Allowance for expected credit losses at the year end	**4 693 765**	**14 735 283**	**19 429 048**

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

Credit quality analysis

The following table sets out information about the credit quality of corporate loans issued as at 31 December 2020.

	31 December 2020				
RUB'000	**12-month ECLs**	**Lifetime ECLs for assets that are not credit-impaired**	**Lifetime ECLs for credit-impaired assets**	**Credit-impaired assets at initial recognition**	**Total**
Loans to customers – corporate customers					
Standard	14 555 901	-	-	-	14 555 901
Below standard	-	1 147 846	897 825	-	2 045 671
Doubtful	-	-	2 152 115	-	2 152 115
	14 555 901	**1 147 846**	**3 049 940**	**-**	**18 753 687**
Allowance for expected credit losses	**(376 891)**	**(49 145)**	**(1 980 800)**	**-**	**(2 406 836)**
Carrying amount	**14 179 010**	**1 098 701**	**1 069 140**	**-**	**16 346 851**

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

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

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

- "Standard" - assets where the counterparties have a low probability of default, a high ability to fulfil financial liabilities in a timely manner: these are loans where Borrowers have a "good" financial position, with a single change in repayment schedule or with a prolongation of no more than for 30 days.
- "Below standard" - assets where the counterparties have a medium probability of default, demonstrate a medium ability to fulfil financial liabilities in a timely manner and demand a closer attention at the monitoring stage: these are loans for which the financial situation has

deteriorated, modifications leading to a significant increase of credit risk, an overdue of 31 to 90 days has occurred.

- "Doubtful" - assets that, based on the signs of impairment, meet the definition of default: borrowers have overdue payments by more than 90 days, modifications leading to impairment of the financial instrument, the Group has initiated a bankruptcy procedure or entered into an agreement with the borrower on the terms of repayment of the overdue loan.

The following table sets out information about the credit quality of retail loans issued as at 31 December 2020:

	31 December 2020				
RUB'000	**12-month ECLs**	**Lifetime ECLs for assets that are not credit-impaired**	**Lifetime ECLs for credit-impaired assets**	**Credit-impaired assets at initial recognition**	**Total**
Loans to customers – retail customers					
Not overdue	51 659 613	2 785 447	1 639 777	60 679	56 145 516
Overdue less than 30 days	917 706	33 830	29 134	6 497	987 167
Overdue 30-89 days	-	728 761	-	7 305	736 066
Overdue 90-723 days	-	-	4 602 689	59 831	4 662 520
Overdue more than 724 days	-	-	3 310 060	15 727	3 325 787
	52 577 319	**3 548 038**	**9 581 660**	**150 039**	**65 857 056**
Allowance for expected credit losses	**(1 712 350)**	**(496 584)**	**(6 667 499)**	**167 239**	**(8 709 194)**
Carrying amount	**50 864 969**	**3 051 454**	**2 914 161**	**317 278**	**57 147 862**

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

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

The following table reconciles opening and closing balances of allowance for expected credit losses for corporate and retail loans measured at amortised cost.

	31 December 2020			
RUB'000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loans to corporate customers				
Balance as at 1 January (restated)	**400 103**	**2 820**	**4 290 842**	**4 693 765**
Transfer to Stage1	1 059	(1 059)	-	-
Transfer to Stage2	(57 254)	57 254	-	-
Transfer to Stage3	(33 617)	(3 005)	36 622	-
Net remeasurement of loss allowance	(290 937)	(6 865)	534 675	236 873
New financial assets originated or purchased	355 723	-	-	355 723
Unwinding of discount	-	-	34 642	34 642
Financial assets that have been derecognised	-	-	(2 876 992)	(2 876 992)
Write-offs and sales	-	-	(86 492)	(86 492)
Other changes	1 814		47 503	49 317
Balance as at 31 December 2020	**376 891**	**49 145**	**1 980 800**	**2 406 836**

	31 December 2020				
RUB'000	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Loans to retail customers					
Balance at 1 January 2020	**1 350 577**	**390 271**	**12 994 435**	**-**	**14 735 283**
Transfer to Stage1	709 220	(570 145)	(139 075)	-	-
Transfer to Stage2	(286 503)	413 126	(126 623)	-	-
Transfer to Stage3	(204 482)	(724 772)	929 254	-	-
Net remeasurement of loss allowance	(1 261 648)	988 104	267 816	(167 239)	(172 967)

New financial assets originated or purchased	1 405 186	-	-	-	1 405 186
Unwinding of discount	-	-	204 870	-	204 870
Financial assets that have been derecognised	-	-	(6 801 844)	-	(6 801 844)
Derecognition due to substantial modification	-	-	(66 790)	-	(66 790)
Write-offs	-	-	(594 544)	-	(594 544)
Balance 31 December	**1 712 350**	**496 584**	**6 667 499**	**(167 239)**	**8 709 194**

Below is the explanation of how significant changes in the gross carrying amount of corporate loans during the year contributed to changes in loss allowance:

- Write-offs of corporate loans in the amount of RUB 86 492 thousand during the year led to a decrease of ECLs by RUB 86 492 thousand.
- Derecognition due to the assignment of claims on loans to corporate customers with a gross carrying amount of RUB 5 083 271 thousand reduced the ECL of stage 3 in the amount of RUB 2 876 992 thousand. The assignment is represented by the sale of corporate loans to unrelated parties to the Group for RUB 2 055 681 thousand.
- Corporate loans issued in the amount of RUB 14 244 988 thousand during the year led to an increase in ECL by RUB 355 723 thousand.

Below is the explanation of how significant changes in the gross carrying amount of retail loans during the year contributed to changes in loss allowance:

- Write-offs of retail loans in the amount of RUB 594 544 thousand during the year led to a decrease of ECLs, classified into Stage 3 by RUB 594 544 thousand.
- Derecognition of loans to retail customers as a result of a cession with a gross carrying amount of RUB 6 944 199 thousand during the 2020 year reduced the ECL of loans classified into Stage 3 by RUB 6 801 844 thousand. The assignment is represented by the sale of retail loans to unrelated parties to the Group for RUB 403 858 thousand.
- Retail loans classified as POCI with a gross carrying amount of RUB 160 749 thousand were derecognised as a result of the assignment of claims for these loans to parties not related to the Group for RUB 175 160 thousand.
- A number of loans with a gross carrying amount of RUB 118 867 thousand were substantially modified during the reporting period, the allowance for expected credit losses on these loans was RUB 66 790 thousand at the date of modification. As a result of significant modification, these loans were derecognized and transferred to the “POCI” asset category.
- Issue of retail loans in the amount of RUB 48 658 389 thousand during 2020 led to an increase in ECLs by RUB 1 405 186 thousand.

	31 December 2019			
RUB'000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loans to corporate customers				
Balance as at 1 January (restated)	**174 575**	**11 294**	**8 039 389**	**8 225 258**
Transfer to Stage1	33 544	(19 776)	(13 768)	-
Transfer to Stage2	(18 122)	22 068	(3 946)	-
Transfer to Stage3	(3 922)	(5 891)	9 813	-
Net remeasurement of loss allowance	(119 850)	(4 875)	1 328 670	1 203 945
New financial assets originated or purchased	335 965	-	-	335 965
Reclass of a loan from retail loans to corporate loans	-	-	753 518	753 518
Unwinding of discount	-	-	140 441	140 441
Financial assets that have been derecognised	-	-	(5 893 998)	(5 893 998)
Write-offs	-	-	(23 408)	(23 408)
Other changes	(2 087)	-	(45 869)	(47 956)
Balance as at 31 December	**400 103**	**2 820**	**4 290 842**	**4 693 765**

	31 December 2019			
RUB'000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loans to retail customers				
Balance at 1 January (restated)	**845 834**	**827 837**	**18 932 715**	**20 606 386**
Transfer to Stage1	1 391 480	(481 700)	(909 780)	-
Transfer to Stage2	(147 596)	561 113	(413 517)	-
Transfer to Stage3	(207 499)	(900 384)	1 107 883	-
Net remeasurement of loss allowance	(1 295 953)	383 405	1 669 218	756 670
New financial assets originated or purchased	764 311	-	-	764 311
Reclass of a loan from retail loans to corporate loans	-	-	(753 518)	(753 518)
Unwinding of discount	-	-	580 312	580 312
Financial assets that have been derecognised	-	-	(1 834 166)	(1 834 166)
Derecognition due to substantial modification	-	-	(3 993 531)	(3 993 531)
Write-offs	-	-	(1 391 181)	(1 391 181)
Balance 31 December	**1 350 577**	**390 271**	**12 994 435**	**14 735 283**

Below is the explanation of how significant changes in the gross carrying amount of corporate loans during the year affected changes in allowance for expected credit losses:

- Write-offs of corporate loans in the amount of RUB 23 408 thousand during the year led to a reduction of ECLs by RUB 23 408 thousand.
- The disposal of assets due to assignment of the rights of claims of LLC MC FKBS on Corporate loans, with a gross carrying amount of 5 893 998 thousand rubles, respectively, reduced the ECL of stage 3, in the same amount.
- Corporate loans issued in the amount of RUB 12 837 989 thousand during the year led to an increase in ECLs by RUB 335 965 thousand.
- During 2019, a loan to an individual was transferred to the original borrower by a court decision and transferred from the portfolio of loans to retail customers to the portfolio of loans to corporate customers, with a corresponding transfer of ECL from the category of

loans to retail customers in the amount of RUB 753 518 thousand, in the category of loans issued to corporate customers. The loss allowance rate for this loan has been and is currently set at 100%. By the court decision, the original conditions were returned on this loan.

Below is the explanation of how significant changes in the gross carrying amount of retail loans issued during the year affected changes in allowance for expected credit losses:

- Write-offs of retail loans in the amount of RUB 1 391 181 thousand during the year led to a reduction of ECLs, classified into Stage 3 by RUB 1 391 181 thousand.
- Derecognition of loans to retail customers resulting from the exercise of claims with a gross carrying amount of RUB 1 834 166 thousand during the 2020 year reduced the ECL of loans classified as Stage 3 by the same amount.
- Issue of retail loans in the amount of RUB 22 039 369 thousand during the year led to an increase in ECLs by RUB 764 311 thousand.
- Redemption of retail loans in the amount of RUB 17 505 830 thousand led to a reduction of ECLs by RUB 541 582 thousand
- A number of loans with a gross carrying amount of RUB 4 285 530 thousand were substantially modified during the reporting period, the allowance for expected credit losses on these loans was RUB 3 993 531 thousand at the date of modification. As a result of significant modification, these loans were derecognized and transferred to the "POCI" asset category.

Analysis of collateral

Loans to corporate customers

Loans to corporate customers are secured by different types of collateral, including pledge over securities, real estate, guarantees provided by individuals, commercial enterprises or banks and other collateral.

The following table provides an analysis of loans to corporate customers (net of allowance for expected credit losses) by types of collateral as at 31 December 2020 and 2019:

	2020 RUB'000	**% of loan portfolio**	**2019 RUB'000**	**% of loan portfolio**
Real estate	6 861 829	41,98	8 183 428	44,22
Other collateral and property rights	2 256 732	13,81	2 026 899	10,95
Motor vehicles	1 768 347	10,82	1 602 755	8,66
Guarantees and warranties	644 751	3,94	507 091	2,74
Rights for deposits	110 295	0,67	122 412	0,66
Securities, precious metals	-	-	24 013	0,13
No collateral	4 704 897	28,78	6 040 291	32,64
	16 346 851	**100,00**	**18 506 889**	**100,00**

The amounts shown in the table above represent the carrying value of the loans and do not necessarily represent the fair value of the collateral.

Corporate and personal guarantees are not taken into account for ECL assessment purposes.

The recoverability of non-impaired and non-past due loans primarily depends on the solvency of borrowers, rather than on the value of collateral. Therefore, the Group does not need to reassess collateral at each reporting date.

Loans to corporate customers that are impaired or past due

Loans with individual signs of impairment or past due with net carrying value of RUB 1 069 140 thousand (31 December 2019: RUB 2 877 228 thousand) are secured by collateral (mainly real estate) with fair value RUB 1 069 037 thousand (31 December 2019: 2 608 541 thousand), excluding the effect of over collateralisation.

Loans to retail customers

Mortgage loans are secured by the underlying housing real estate. The Group's policy is to issue mortgage loans with a loan-to-value ratio of a maximum of 90%.

For certain mortgage loans the Group updates the appraised values of collateral obtained at inception of the loan to the current values considering the approximate changes in property values. The Group may also obtain a specific individual valuation of collateral at each reporting date where there are indications of impairment. For the remaining mortgage loans the fair value of collateral was estimated at inception of the loans and was not adjusted for subsequent changes to the reporting date.

For overdue mortgage loans management believes that the fair value of collateral is at least 100% of the carrying amount of the loans at the reporting date.

As at 31 December 2020 mortgage loans portfolio includes impaired loans in the amount of RUB 629 391 thousand before impairment allowance, the fair value of collateral for which is RUB 629 391 thousand (31 December 2019: RUB 612 165 thousand and RUB 612 165 thousand, respectively).

Consumer loans are mainly not secured.

Repossessed collateral

During the year ended 2020, the Group obtained certain assets by taking possession of collateral for loans to customers with a net carrying amount of RUB 214 335 thousand (2019: RUB 134 105 thousand). Repossessed collateral was recognized as at 31 December 2020 and 31 December 2019 as follows:

	2020 RUB'000	**2019 RUB'000**
Real estate	273 251	255 490
Other assets	7 684	6 152
Total repossessed collateral	**280 935**	**261 642**

The Group's policy is to sell these assets as soon as it is practicable.

As at 31 December 2020 and 31 December 2019 the Group did not have any loans for which no loss allowance was recognised due to existence of collateral.

Asset securitisation

As at 31 December 2020 the Group transferred mortgage loans of RUB 538 683 thousand LLC SFC APB 2 (31 December 2019: RUB 631 443 thousand to LLC SFC APB 2) entities that are, in substance, controlled by the Group. Accordingly, LLC SFC APB 2 as at 31 December 2020 and as at 31 December 2019 are consolidated into these consolidated financial statements and the loans are included in the consolidated statement of financial position. These loans serve as collateral for secured mortgage backed securities issued by the Group. All bonds issued by LLC SFO ATB 2 in 2016 were redeemed by the Bank. The nominal value of these bonds as at 31 December 2020 was RUB 238 746 thousand (31 December 2019: RUB 276 235 thousand).

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:

	2020 RUB'000	2019 RUB'000
Wholesale and retail trade	6 869 544	6 395 164
Construction	3 685 237	2 994 230
Agriculture and fishery	3 171 332	2 793 292
Wood processing and production of wood products	1 581 488	2 325 817
Investment activities and real estate	650 174	2 949 691
Production and distribution of energy, gas and water	613 076	1 172 994
Transport services and communication	567 442	987 849
Production	550 103	521 526
Services	539 941	553 757
Public authorities	188 109	20 274
Mining	3 812	2 425 447
Other	333 428	60 613
Loans to retail customers	65 857 056	50 315 625
	84 610 743	**73 516 279**
Impairment allowance	(11 116 030)	(19 429 048)
	73 494 713	**54 087 231**

Significant credit exposures

As at 31 December 2020 the Group has no borrowers and groups of related borrowers whose loan balances individually exceed 10% of equity (2019: one group of borrowers, the carrying amount of these balances as at 31 December 2019 is RUB 3 290 385 thousand).

For maturity analysis refer to note 33.

21 Net investments in finance leases

Net investments in finance leases comprise:

	2020 RUB'000	2019 RUB'000
Gross investments in finance leases	1 982 218	1 712 695
Unearned finance lease income	(425 334)	(368 124)
	1 556 884	**1 344 571**
Allowance for expected credit losses	(48 580)	(47 110)
Net investments in finance leases	**1 508 304**	**1 297 461**

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

Information on the reconciliation of gross investments and net investments in finance leases expected to be received as at 31 December 2020 is disclosed further:

	Within 1 year RUB'000	From 1 to 5 years RUB'000	Total RUB'000
Gross investments in finance leases	**983 477**	**998 741**	**1 982 218**
Less unearned finance lease income	(184 564)	(240 770)	(425 334)
Net investments in finance leases	**798 913**	**757 971**	**1 556 884**

Information on the reconciliation of gross investments and net investments in finance leases expected to be received as at 31 December 2019 is disclosed further:

	Within 1 year RUB'000	From 1 to 5 years RUB'000	Total RUB'000
Gross investments in finance leases	**882 893**	**829 802**	**1 712 695**
Less unearned finance lease income	(165 248)	(202 876)	(368 124)
Net investments in finance leases	**717 645**	**626 926**	**1 344 571**

Gross investments in leases is receivable in the following currencies:

	2020 RUB'000	2019 RUB'000
RUB	1 982 218	1 712 695
Gross investments in finance leases	**1 982 218**	**1 712 695**

The following table provides information on the credit quality of net investments in finance leases as at 31 December 2020 and 31 December 2019:

	31 December 2020				
RUB'000	**12-month ECLs**	**Lifetime ECLs for assets that are not credit-impaired**	**Lifetime ECLs for credit-impaired assets**	**Credit-impaired assets at initial recognition**	**Total**
Standard	1 076 698	-	-	-	1 076 698
Below standard	-	398 382	-	-	398 382
Doubtful	-	-	81 804	-	81 804
	1 076 698	**398 382**	**81 804**	**-**	**1 556 884**
Loss allowance	**(11 537)**	**(7 338)**	**(29 705)**	**-**	**(48 580)**
Carrying amount	**1 065 161**	**391 044**	**52 099**	**-**	**1 508 304**

	31 December 2019				
RUB'000	**12-month ECLs**	**Lifetime ECLs for assets that are not credit-impaired**	**Lifetime ECLs for credit-impaired assets**	**Credit-impaired assets at initial recognition**	**Total**
Standard	1 228 649	52 982	-	-	1 281 631
Below standard	-	-	-	-	-
Doubtful	-	-	62 940	-	62 940
	1 228 649	**52 982**	**62 940**	**-**	**1 344 571**
Loss allowance	**(16 065)**	**(657)**	**(30 388)**	**-**	**(47 110)**
Carrying amount	**1 212 584**	**52 325**	**32 552**	**-**	**1 297 461**

The credit quality categories used in the table above are described in note 20.

The following table reconciles opening and closing balances of allowance for expected credit losses for net investments in finance leases:

	For the period ended 31 December 2020			
RUB'000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance at 1 January	**16 065**	**657**	**30 388**	**47 110**
Transfer to Stage 1	5 812	(5 812)	-	-
Transfer to Stage 2	(5 521)	5 521	-	-
Transfer to Stage 3	-	(17 785)	17 785	-
Net remeasurement of loss allowance	(9 801)	23 636	(20 153)	(6 318)
New financial assets originated or purchased	8 124	912	1 836	10 872
Write-offs	(3 142)	209	(151)	(3 084)
Balance 31 December	**11 537**	**7 338**	**29 705**	**48 580**

The following table shows the analysis of changes in allowance for expected credit losses for the year ended 31 December 2019:

	For the period ended 31 December 2019			
RUB'000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance at 1 January	**5 959**	**12 155**	**14 209**	**32 323**
Transfer to Stage 1	14 904	(9 743)	(5 161)	-
Transfer to Stage 2	(401)	401	-	-
Transfer to Stage 3	-	(1 408)	1 408	-
Net remeasurement of loss allowance	(13 366)	(3 884)	24 840	7 590
New financial assets originated or purchased	8 969	3 136	-	12 105
Write-offs	-	-	(4 908)	(4 908)
Balance 31 December	**16 065**	**657**	**30 388**	**47 110**

22 Investments in associates and other investments

Associates and other investments comprise the following:

Name	Country of incorporation	Main activity	Ownership, % 2020	Ownership, % 2019	2020 Carrying value RUB'000	2019 Carrying value RUB'000
CUIF "Celena"	Russian Federation	Unit investment fund	41.09%	41.09%	75 578	82 781
					75 578	**82 781**

The following table summarises the financial information of CUIF "Celena" as at 31 December 2020 and 31 December 2019 and for 2020 and 2019 years and reconciliation of carrying amount of the Group's interest in associate:

	2020 RUB'000	2019 RUB'000
Total assets	188 467	206 339
Total liabilities	(4 535)	(4 876)
Net assets	**183 932**	**201 463**
Group's share of net assets (41.09%)	**75 578**	**82 781**

	2020 RUB'000	2019 RUB'000
Net loss for the year	(17 531)	(19 430)
Group's share in the loss of the associate (41.09%)	**(7 203)**	**(7 984)**

23 Investments measured at amortised cost

	2020 RUB'000	2019 RUB'000
Held by the Group		
Corporate bonds		
Rated from BBB- to BBB+	-	977 394
Total corporate bonds	**-**	**977 394**
Total investments at amortised cost held by Group	**-**	**977 394**
Investments at amortised cost pledged under sale and repurchase agreements, and contributed to the General Collateral Certificate Pool (GCC) and pledged as General Collateral Certificate Pool (GCC)		
- Corporate bonds		
Rated from BBB- to BBB+	1 297 587	-
Total corporate bonds	**1 297 587**	**-**
Total iinvestments at amortised cost pledged under sale and repurchase agreements, and contributed to the General Collateral Certificate Pool (GCC) and pledged as General Collateral Certificate Pool (GCC)	**1 297 587**	**-**
Total investments at amortised cost	**1 297 587**	**977 394**

	2020 RUB'000	2019 RUB'000
Allowance for expected credit losses	(1 663)	(610)
Total investments at amortised cost net of allowance for expected credit losses	**1 295 924**	**976 784**

Ratings in the table above are based on Standard & Poor's and Fitch ratings.

The following table shows a reconciliation of the allowance for expected credit losses as at the beginning and end of the reporting period for investments measured at amortised cost:

RUB'000	31 December 2020	
	Stage 1	**Total**
Investments measured at amortised cost		
Balance as at 1 January 2020	**610**	**610**
Net change in allowance for expected credit losses	(515)	(515)
New financial assets originated or purchased	1 663	1 663
Financial assets that have been derecognised	(95)	(95)
Balance as at 31 December 2020	**1 663**	**1 663**

Analysis of changes in allowance for expected credit losses for investments measured at amortised costs for year ended 31 December 2019:

RUB'000	31 December 2019	
	Stage 1	**Total**
Investments measured at amortised cost		
Balance as at 1 January 2019	**1 134**	**1 134**
Net change in allowance for expected credit losses	(201)	(201)
Financial assets that have been derecognised	(323)	(323)
Balance as at 31 December 2019	**610**	**610**

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

24 Transfers of financial assets

a) Transferred financial assets, that are not derecognised in their entirety

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

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

	31 December 2020		31 December 2019	
	Accounts payable under repo agreements		Accounts payable under repo agreements	
RUB'000	**Book value of assets/ nominal value of GCC**	**Carrying amount of the associated liability**	**Book value of assets/ nominal value of GCC**	**Carrying amount of the associated liability**
Securities pledged under REPO agreements	3 915 869	2 922 584	106 915	103 527
GCC, pledged under REPO agreements	8 922 132	8 923 676	-	-
	12 838 001	**11 846 260**	**106 915**	**103 527**

Information about the Group's own portfolio of securities pledged under repurchase agreements, as well as securities introduced into General Collateral Certificate Pool and pledged under repurchase agreements (GCC) is presented in Note 16, Note 17 and Note 23.

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

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

	31 December 2020		31 December 2019	
RUB'000	**Book value of assets included in the GCC Pool of the GCC**	**Nominal value of GCC**	**Book value of assets included in the GCC Pool of the GCC**	**Nominal value of GCC**
Securities included in the GCC Pool of the GCC:				
- corporate bonds	10 760 064	9 014 069	-	-
	10 760 064	**9 014 069**	**-**	**-**

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

b) Transferred financial assets with continuing involvement

Securitisations

As part of securitisation transaction with unconsolidated structured entity (for details refer to note 35) the Group transferred mortgage loans and neither transferred nor retained substantially all the risks and rewards of ownership of the loans. The Group recognises its continuing involvement in mortgage loans in the amount of the issued lower tranche of bonds by unconsolidated structured entity.

The Group also retains servicing rights in respect of the transferred mortgage loans. Under the servicing arrangements the Group collects cash flows on the transferred mortgage loans on behalf of the unconsolidated structured entity. In return, the Group receives a fee that is expected to compensate the Group adequately for performing the servicing of the related assets. Consequently, the Group accounts for the servicing arrangements as executory contracts and has not recognised a servicing asset/liability.

Mortgage loans transferred were classified as loans to customers and measured at amortised cost with a total carrying amount of RUB 2 300 027 thousand at the date of transfer. As at 31 December 2020 the value of the loans that the Group still services amounts to RUB 538 036 thousand (31 December 2019: RUB 747 162 thousand).

During the year ended 31 December 2020, the Group recognised income of RUB 7 484 thousand in respect of servicing transferred mortgage loans (2019: RUB 9 145 thousand).

25 Property, equipment, intangible assets and investment property

RUB'000	Land and buildings	Computers and equipment	Fixtures and fittings	Vehicles	Right of use assets	Intangible assets	Construction in progress	Total
Cost/revalued amount								
Balance at 1 January 2020	**3 801 042**	**1 698 993**	**10 348**	**95 430**	**190 398**	**1 468 622**	**44 181**	**7 309 014**
Additions and transfers	3 163	126 657	-	31 772	117 265	71 770	22 974	373 601
Disposals and transfers	(18 560)	(13 182)	(1 172)	(7 176)	(6 307)	-	-	(46 397)
Revaluation	(132 442)	-	-	-	-	-	-	(132 442)
Balance at 31 December 2020	**3 653 203**	**1 812 468**	**9 176**	**120 026**	**301 356**	**1 540 392**	**67 155**	**7 503 776**
Depreciation, amortisation and impairment losses								
Balance at 1 January 2020	**3 430**	**1 118 320**	**10 156**	**67 247**	**56 498**	**507 590**	**-**	**1 763 241**
Depreciation and amortisation for the year	74 746	259 402	72	12 334	72 552	90 553	-	509 659
Disposals	(4 962)	(13 029)	(1 107)	(5 794)	(4 556)	-	-	(29 448)
Revaluation	(69 324)	-	-	-		-		(69 324)
Balance at 31 December 2020	**3 890**	**1 364 693**	**9 121**	**73 787**	**124 494**	**598 143**	**-**	**2 174 128**
Carrying amounts								
At 31 December 2020	**3 649 313**	**447 775**	**55**	**46 239**	**176 862**	**942 249**	**67 155**	**5 329 648**
At 31 December 2019	**3 797 612**	**580 673**	**192**	**28 183**	**133 900**	**961 032**	**44 181**	**5 545 773**

There were no capitalised borrowing costs related to the acquisition or construction of property, equipment and intangible assets during 2020 (2019: nil).

RUB'000	Land and buildings	Computers and equipment	Fixtures and fittings	Vehicles	Right of use assets	Intangible assets	Construction in progress	Total
Cost/revalued amount								
Balance at 1 January 2019	**2 848 955**	**1 601 862**	**10 348**	**83 679**	**-**	**1 420 048**	**11 217**	**5 976 109**
Effect of adoption of IFRS 16	-	-	-	-	201 040	-	-	201 040
Additions and transfers	1 001 170	108 066	-	11 751	-	48 574	44 181	1 213 742
Disposals and transfers	-	(10 935)	-	-	(10 642)	-	(11 217)	(32 794)
Revaluation	(49 083)	-	-	-	-	-	-	(49 083)
Balance at 31 December 2019	**3 801 042**	**1 698 993**	**10 348**	**95 430**	**190 398**	**1 468 622**	**44 181**	**7 309 014**
Depreciation, amortisation and impairment losses								
Balance at 1 January 2019	**2 964**	**883 886**	**9 772**	**58 477**	**-**	**422 913**	**-**	**1 378 012**
Depreciation and amortisation for the year	56 819	245 261	384	8 770	56 498	84 677	-	452 409
Disposals	-	(10 827)	-	-	-	-	-	(10 827)
Revaluation	(56 353)	-	-	-	-	-	-	(56 353)
Balance at 31 December 2019	**3 430**	**1 118 320**	**10 156**	**67 247**	**56 498**	**507 590**	**-**	**1 763 241**
Carrying amounts								
At 31 December 2019	**3 797 612**	**580 673**	**192**	**28 183**	**133 900**	**961 032**	**44 181**	**5 545 773**
At 31 December 2018	**2 845 991**	**717 976**	**576**	**25 202**	**-**	**997 135**	**11 217**	**4 598 097**

Investment property

	2020 RUB'000	2019 RUB'000
Balance at 1 January	171 570	264 815
(Disposals)/Additions	(172 321)	(87 826)
Fair value revaluation during the year	12 961	(5 419)
Balance at 31 December	**12 210**	**171 570**

The investment property is represented by land and buildings.

In 2020, the disposal of investment property represented a non-cash movement to settle the legal proceedings on the claim of the bankruptcy trustee of PJSC M2M Private Bank - State Corporation Deposit Insurance Agency (Note 11).

Revalued assets

As at 31 December 2020 the fair value of real estate was measured based on the results of an assessment carried out by the independent appraisal company LLC "LL- Consult".

In accordance with the appraisal agreement, LLC "LL -Consult" (hereinafter referred to as the Appraiser) has assessed the fair value (market value) of the assessed objects as at 31 December 2020

For assessment of non-residential commercial property, the market (sales comparison) approach and the income (capitalisation) approach were used; for individual assessed objects only the market approach was used. For assessment of residential property only the market (sales comparison) approach was used.

The market (sales comparison) approach: when applying the sales comparison method, property is assessed by examining the relations that are identified based on the analysis of transaction and/or ask prices for similar objects. In the process of implementing the market approach, the Appraiser identified elements of comparison that affect the value of commercial and residential property. Elements of comparison, for which there are differences between the properties and similar objects, are adjusted in accordance with the adjustment factors.

Income approach (method of capitalisation by calculation models): is used to assess property generating regular income streams with the expected dynamics of their changes.
The following assumptions were used in applying the direct income capitalisation approach:
- the rental rates applied by the Appraiser were calculated based on market data. To assess the market rental rate, data on the rental of objects comparable to the assessed objects by functional and parametric characteristics was used, taking into account the analysis of the best use;
- the vacancy rate was determined based on market data depending on the type of property, location, market activity. The vacancy rate was from 6,7% to 12,5%. The vacancy rate was determined on an individual basis;
- the amount of operating expenses was determined on the basis of market data depending on the type of real estate, location, market activity. The amount of operating expenses is from 20,7% to 24,2% of the potential gross income. The amount of operating expenses was determined on an individual basis;
- to determine the capitalisation rate, the Appraiser used data from open sources, depending on the type of property, location, market activity. The capitalisation rate is from 9,5% to 11,7%. The capitalisation rate was determined on an individual basis.

In the process of determining the value of commercial objects, the Appraiser gave the following weights to the approaches used:
- value determined by the market approach – 50 %;
- value determined by the income approach – 50 %.

In the process of determining the value of residential objects, the Appraiser gave the following weights to the approaches used:
- value determined by the market approach – 100%;
- value determined by the income approach –% was not applicable.

Changes in the estimates above could affect the value of the buildings. For example, to the extent that the net present value of the estimated cash flows differs by plus/minus three percent, the building valuation as at 31 December 2020 would be RUB 112 051 thousand higher/lower (31 December 2019: RUB 113 928 thousand).

The carrying value of buildings as at 31 December 2020 if the buildings would not have been revalued, would be RUB 3 040 940 thousand (31 December 2019: RUB 3 103 000 thousand).

As at 31 December 2020 and 2019 fair value measurement of investment property is categorised as Level 3 in the fair value hierarchy.

There was no rental income from real estate temporarily unused in the main activity during 2020 (2019: RUB 26 226 thousand).

The amount of direct operating expenses for investment property for 2020 and 2019 were not material.

26 Other assets

	2020 RUB'000	2019 RUB'000
Guarantee deposits (with international ratings from BB- to A+)	821 798	572 100
Continuing involvement with sold loan portfolio (Note 35)	499 806	563 048
Receivables on commissions	346 664	127 117
Promissory notes of LLC FTK	277 179	481 545
Settlements on claims	207 138	282 497
Outstanding settlements with payment infrastructure services and cash transfers operators	153 324	94 955
Commemorative coins	95 466	127 135
Other receivables	22 179	56 674
Total other financial assets	**2 423 554**	**2 305 071**
Impairment allowance	(235 761)	(306 303)
Total other financial assets net of allowance for expected credit losses	**2 187 793**	**1 998 768**
Gold	7 139 625	1 340 248
Prepayments	609 168	699 679
Assets held for sale	424 976	474 556
Advances on precious metals delivery	413 949	298 919
Prepayments for assets to be leased under finance lease	256 412	121 522
VAT payable	49 427	16 623
Materials and supplies	5 251	11 258
Current income tax	-	292 136
Other	77 951	154 421
Total other non-financial assets	**8 976 759**	**3 409 362**
Total other assets net of allowance for expected credit losses	**11 164 552**	**5 408 130**

The table below provides information on the credit quality of other financial assets as at 31 December 2020 and 31 December 2019:

	31 December 2020			
RUB'000	**12-month ECLs**	**Lifetime ECLs for assets that are not credit-impaired**	**Lifetime ECLs for credit-impaired assets**	**Total**
Standard	2 127 854	-	-	2 127 854
Below standard	-	51 238	-	51 238
Doubtful	-	-	244 462	244 462
	2 127 854	**51 238**	**244 462**	**2 423 554**
Allowance for expected credit losses	**(77 572)**	**(1 762)**	**(156 427)**	**(235 761)**
Carrying amount	**2 050 282**	**49 476**	**88 035**	**2 187 793**

RUB'000	31 December 2019			
	12-month ECLs	Lifetime ECLs for assets that are not credit-impaired	Lifetime ECLs for credit-impaired assets	Total
Standard	2 005 950	-	-	2 005 950
Below standard	-	767	-	767
Doubtful	-	-	298 324	298 324
	2 005 950	**767**	**298 324**	**2 305 071**
Allowance for expected credit losses	**(206 152)**	**(30)**	**(100 121)**	**(306 303)**
Carrying amount	**1 799 798**	**737**	**198 203**	**1 998 768**

The credit quality categories presented in the table above are described in Note 20

Movements in the allowance for expected credit losses are as follows as at the beginning and the end of the reporting period:

	2020 RUB'000
Balance of the allowance for expected credit losses as at the beginning of the year	**306 303**
Net charge	36 981
Write-offs	(20 371)
Disposal of assets on the sale of assets	(87 152)
Balance of the allowance for expected credit losses as at the end of the year	**235 761**

Movements in the allowance for expected credit losses for year ended 31 December 2019 are as follows as at the beginning and the end of the reporting period:

	2019 RUB'000
Balance of the allowance for expected credit losses as at the beginning of the year	**73 291**
Net charge	359 761
Write-offs	(85 782)
Disposal of assets on the sale of assets	(40 967)
Balance of the allowance for expected credit losses as at the end of the year	**306 303**

For details on continuing involvement with sold loan portfolio please refer to Note 35.

27 Deposits and balances from banks

	2020 RUB'000	2019 RUB'000
Vostro accounts	1 757 513	177 424
Term deposits from banks	841 346	577 704
	2 598 859	**755 128**

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

28 Amounts payable under repurchase agreements

The table below sets out payables under repurchase agreements showing individual types of securities transferred as collateral under repo agreements outstanding as at 31 December 2020:

RUB'000	General collateral certificates	Corporate bonds	Russian Federation Government bonds	Total
Amounts payable under repurchase agreements				
- Largest 30 Russian banks	8 923 676	2 217 485	705 099	11 846 260
	8 923 676	**2 217 485**	**705 099**	**11 846 260**

The table below sets out payables under repurchase agreements showing individual types of securities transferred as collateral under repo agreements outstanding as at 31 December 2019:

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

Fair value of securities pledged under repurchase agreements as at 31 December 2020 comprised RUB 3 915 869 thousand (31 December 2019: RUB 106 915 thousand), nominal value of general collateral certificates pledged under repurchase agreements as at 31 December 2020 comprised RUB 8 922 132 thousand (31 December 2019: there were no general collateral certificates pledged under repurchase agreements). Also see Note 24.

29 Current accounts and deposits from customers

	2020 RUB'000	2019 RUB'000
Current accounts and demand deposits		
- Retail	12 523 006	12 481 597
- Corporate	26 658 292	12 802 377
Term deposits		
- Retail	41 667 049	41 028 560
- Corporate	17 546 399	11 638 391
	98 394 746	**77 950 925**

As at 31 December 2020 the Group has one client (31 December 2019: one client), whose balances individually exceed 10% of equity. The amount of funds on the accounts of this client as at 31 December 2020 was RUB 4 483 838 thousand or 25.0% of the Bank's equity (31 December 2019: RUB 3 499 999 thousand or 21,9% of the Bank's equity).

30 Debt securities issued

	2020 RUB'000	2019 RUB'000
Promissory notes	29 661	93 869
	29 661	**93 869**

31 Other liabilities

	2020 RUB'000	2019 RUB'000
Payables to employees	384 941	361 426
Lease liabilities	187 824	136 995
Other taxes payable	125 402	98 222
Payables to creditors	107 527	23 854
Social security and security liabilities	97 471	94 144
Current income tax payable	77 977	-
Payables to Deposit Insurance Agency on deposit insurance	70 019	94 331
VAT payables	62 342	47 554
Incomplete settlements with operators of payment infrastructure services	17 226	22 580
Liabilities for the payment of long-term employee benefits	15 337	15 295
The amounts received on correspondent accounts until clarification	8 913	30 731
Payables under cession agreements	4 497	33 339
Other liabilities	36 762	14 935
Total other financial liabilities	**1 196 238**	**973 406**
Provision for loss on loan commitments and financial guarantees	483 234	388 810
Advances from lessees received	221 205	82 873
Unearned commissions and reserve for issued guarantees	134 616	53 469
Reserves for recharge	14 936	-
Provisions for claims	-	638 815
Other liabilities	4 237	2 263
Total other non-financial liabilities	**858 228**	**1 166 230**
	2 054 466	**2 139 636**

For information on changes in allowance for expected credit losses on loan commitments and financial guarantees refer to Note 36.

Reconciliation of changes in lease liabilities and cash flows from financing activities

Balance as at 1 January 2019	196 628
Lease liabilities recognized during the year	50 380
Interest expense	17 927
Settlements of lease liabilities	(127 940)
Balance as at 31 December 2019	**136 995**

Lease liabilities recognized during the year	145 979
Interest expense	12 375
Settlements of lease liabilities	(107 525)
Balance as at 31 December 2020	**187 824**

32 Share capital

Issued capital

Movements in share capital for the years ended 31 December 2020 and 2019 are as follows:

	Shares (thousands)	Nominal amount, RUB'000	Inflation adjustment, RUB'000	Total, RUB'000
Balance as at 1 January 2019	**30 931 745 649 833 118 000 000**	**6 000 000**	**-**	**6 000 000**
Ordinary shares	30 931 745 649 742 401 424 266	6 000 000	-	6 000 000
Preferred shares	250	-	-	-
Treasury shares	90 716 575 484	-	-	-
Balance as at 1 January 2020	**30 931 745 649 833 118 000 000**	**6 000 000**	**-**	**6 000 000**
Ordinary shares	30 931 745 649 742 401 424 266	6 000 000	-	6 000 000
Preferred shares	250	-	-	-
Treasury shares	90 716 575 484	-	-	-
Balance as at 31 December 2020	**30 931 745 649 833 118 000 000**	**6 000 000**	**-**	**6 000 000**

In accordance with article 189.50 of Federal Law dated 26 October 2002 No. 127-FZ On Insolvency (Bankruptcy), in connection with the determination by the Bank of Russia of a negative value of the Bank's own funds (capital), based on the decision of the Banking Supervision Committee dated 10 July 2018, the Bank's share capital was reduced to one Rouble.

The Bank's share capital was reduced by converting the Bank's issued ordinary and preferred shares into shares of the same categories with a lower par value: from shares with a par value of RUB 0,000000112 each with a total par value of RUB 577 392 585.47 into shares with a par value of RUB 1/5 155 290 941 638 853 each with a total par value of RUB 1.

28 September 2018 the Bank of Russia additionally capitalized the Bank at RUB 9 billion using the funds of the "Fund of Banking Sector Consolidation Asset Management Company". The funds were directed to acquision of additional issue of shares of the Bank. In the result of that, the Bank of Russia became the owner of 99.9% shares of the Bank.

Additional capitalization was made by additional placement of 30 931 745 644 677 827 058 361 147 ordinary shares of the Bank with a nominal value of one share RUB 1/5 155 290 941 638 853 with total nominal value of RUB 5 999 999 999. The actual price of shares issue amounted to RUB 8 999 999 999/30 931 745 644 677 827 058 361 147, which led to the share premium in the total amount of RUB 3 000 000 000.

In the result of the additional capitalization the total share quantity of the Bank amounted 30 931 745 649 833 118 000 000 000, including 30 931 745 649 833 117 999 750 000 ordinary shares and 250 000 preferred shares of the Bank with a nominal value RUB 1/5 155 290 941 638 853 each and total nominal value RUB 6 000 000 000.

During 2020 there were no changes in share capital.

33 Corporate governance, internal control and risk management

Corporate governance framework

On 26 April 2018 as part of the implementation of measures aimed at improving the financial stability of the Bank, the Bank of Russia's Order № OD-1076 dated 25.04.2018 appointed a temporary administration for managing the Bank in the person of LLC “Management company of the banking sector consolidation Fund” (hereinafter referred to as LLC “CC FCBS”).

In 2019 the Bank completed its financial rehabilitation measures and, on 26 April 2019 the functions of the Tempopary administration for the management of “Asia-Pacific Bank” (PJSC) assigned to the limited liability company “Management company of the banking sector consolidation Fund” were terminated. On 26 April 2019 the Bank established permanent management bodies - the Board of Directors and the Management Board.

The Bank operates as a joint-stock company in accordance with Russian law. In September 2020, the annual general meeting of shareholders of the Bank made a decision to terminate the public recognition of the Asia-Pacific Bank (PJSC) and amend the Bank's Charter. In December 2020, the Central Bank of the Russian Federation made an entry in the Book of State Registration of Credit Institutions about the new corporate name of the Bank – “Asian-Pacific Bank” (Joint Stock Company).

The Bank's management bodies are: General meeting of shareholders; Board of Directors; collegial Executive body – the management Board; sole Executive body – Chairman of the Board.

The General meeting of shareholders is the highest management body of the Bank, makes decisions on the most important issues of the Bank's activities and is the main way for shareholders to participate in the Bank's management. General meetings of shareholders may be annual or extraordinary. The General meeting of shareholders is responsible for determining the number of members of the Bank's Board of Directors, electing members of the Bank's Board of Directors, and early termination of their powers.

The Board of Directors performs general management of the Bank.

Management of current activities of the Bank is carried out by the collegial executive body - the Management board and the sole executive body - the Chairman of the management board. The work of the Board of the Bank is managed by the Chairman of the Board of the Bank. The formation of the board and the early termination of its powers is carried out by decision of the Board of Directors of the Bank. The decision of the Board of directors determines the quantitative and personal composition of the board.

The management Board consists of the Chairman of the management Board and members of the management Board. One or more members of the management Board may be appointed as the first Deputy Chairman of the management Board. The decision to appoint the Deputy Chairman of the management Board as the first Deputy Chairman of the management Board is made by the Chairman of the management Board.

By the decision of the extraordinary General meeting of shareholders (Minutes No. 3 dated December 30, 2019), a new composition of the Board of Directors was formed:

1. Avramov Sergey Vladimirovich

2. Demidova Nina Gennadievna

3. Zvereva Ekaterina Yurievna

4. Kazantsev Evgeny Vyacheslavovich

5. Kononikhin Dmitry Lvovich

6. Kontsevoy Denis Sergeevich

7. Oreshko Andrey Valerievich

By the decision of the extraordinary General Meeting of Shareholders (Minutes No. 4 dated April 10, 2020), the powers of the members of the Board of Directors were terminated and a new composition of the Board of Directors was formed:

1. Pozdyshev Vasily Anatolievich

2. Avramov Sergey Vladimirovich

3. Oreshko Andrey Valerievich

4. Zvereva Ekaterina Yurievna

5. Kontsevoy Denis Sergeevich

6. Zinoviev Dmitry Yurievich

By the decision of the annual General meeting of Shareholders (Minutes No. 5 dated September 30, 2020), the Bank's Board of Directors was formed:

1. Avramov Sergey Vladimirovich

2. Belov Sergey Vladimirovich

3. Korovin Aleksey Aleksandrovich (as an independent director)

4. Lunev Aleksandr Valerievich

5. Nasochevsky Viktor Valdemarovich (as an independent director)

6. Neumoina Irina Viktorovna (as an independent director)

7. Osipyan Ashot Feliksovich (as an independent director)

8. Simanovsky Aleksey Yurievich

On December 30, 2019, the Board of Directors (Minutes dated December 30, 2019 No. 18) determined the composition of the Management Board in the amount of three people:

1. Avramov Sergey Vladimirovich

2. Malakhov Mikhail Yurievich

3. Novikov Vladimir Aleksandrovich

On February 20, 2020, the Board of Directors of the Bank made a decision (Minutes No. 5/23 dated February 21, 2020), the quantitative composition of the Management Board was determined in the amount of seven people (after approval by the Bank of Russia and the appointment of 4 candidates).

By the decision of the Board of Directors on May 22, 2020 (Minutes No. 11/29 dated May 25, 2020), the number of members of the Management Board of the Bank was determined in the amount of 6 people.

Composition of the Management Board:

1. Avramov Sergey Vladimirovich (Chairman of the management Board)

2. Burkova Anastasia Yurievna (Deputy Chairman of the Management Board)

3. Gusev Aleksey Aleksandrovich (Deputy Chairman of the Management Board)

4. Malakhov Mikhail Yurievich (Deputy Chairman of the Management Board)

5. Goncharenko Evgeny Tuvievich (Board member)

6. Kurnakov Viktor Viktorovich (Board member)

The Board of Directors on October 30, 2020 (Minutes No. 23/41 dated October 30, 2020) determined the quantitative composition of the Bank's Management Board in the amount of 5 people.

Composition of the Management Board:

1. Burkova Anastasia Yurievna (Deputy Chairman of the Management Board)

2. Gusev Aleksey Aleksandrovich (Deputy Chairman of the Management Board)

3. Malakhov Mikhail Yurievich (Deputy Chairman of the Management Board)

4. Goncharenko Evgeny Tuvievich (Board member)

5. Kurnakov Viktor Viktorovich (Board member)

The Board of Directors on November 2, 2020 (Minutes No. 24/42 dated November 5, 2020) made the following decisions:

- early terminate the powers of the Deputy Chairman of the Management Board Burkova A.Y.
- to determine from November 02, 2020 the quantitative composition of the Management Board in the amount of four people:

1. Goncharenko Evgeny Tuvievich

2. Gusev Aleksey Aleksandrovich

3. Kurnakov Viktor Viktorovich

4. Malakhov Mikhail Yurievich

After receiving the approval of the Bank of Russia, the candidacy of A.A. Korovin for the position of the Chairman of the Management Board, the number of members of the Management Board was determined in the amount of five people.

Composition of the Management Board from 13 November 2020:

1. Korovin Aleksey Aleksandrovich (Chairman of the management Board)

2. Gusev Aleksey Aleksandrovich (Deputy Chairman of the Management Board)

3. Malakhov Mikhail Yurievich (Deputy Chairman of the Management Board)

4. Goncharenko Evgeny Tuvievich (Board member)

5. Kurnakov Viktor Viktorovich (Board member)

b) Internal control policies and procedures

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

The purpose of internal controls is to ensure:

- efficiency and effectiveness of the financial and economic activity in performing banking operations and other transactions, efficiency of assets and liabilities management, including the preservation of assets and management of banking risks;

- reliability, completeness, objectivity and timeliness of the preparation and issuance of financial, accounting, statistical and other statements (for internal and external users), as well as informational security in the information sphere, which represents the variety of information, information infrastructure, persons performing collection, forming, distribution and use of information, as well as the systems of the arising relationships regulation;

- compliance with laws and regulations, standards of self-regulating organisations (for professional participants of the security market), foundation and internal documents;

- prevention of fraudulent or illegal activities of the Group and its employees, including legalisation (the laundering) of income, received in the result of fraudulent or illegal activities, and financing terrorism, as well as timely submission of information in accordance with the legislation of Russian Federation to state governing authorities and the CBR.

Management is responsible for the development and implementation of the effective internal control system, implementation of the strategy and policy of the Group relating to the organisation and functioning of the internal control, identification and evaluation of risks, approval of documentation on organising the internal control system and monitoring internal control system. Management monitors the effectiveness of the Group's internal controls and periodically modifies existing controls as considered necessary.

The internal control system includes the following areas.

I. Control by the management bodies over organisation of the Group's functioning.

II. Control over the functioning of the banking risks management system and assessment of banking risks.

III. Control over disaggregation of authorities in the process of banking operations and other deals performing.

Disaggregation of authorities between divisions and employees during the process of performing banking operations and other deals is set by the internal documents of the Bank and includes such forms (means) of control as:

- inspections, carried out by the management bodies in the form of reports and information about the results of divisions' activities, explanations by the divisional heads with the aim of lacks of controls identification, violations, mistakes;

- control, carried out by the divisional heads, in the form of reports inspections on the work of subordinates (on a daily, weekly or monthly basis);

- material (physical) control, carried out by checks of access restrictions to inventory, by the inventory of tangible assets (cash, securities in the documentary form, etc.), the disaggregation of duties for the storage and use of tangible assets, security of premises for tangible assets storage;

- the check of established limits on conducting of banking operations and other transactions by the receiving of relevant reports and reconciliation with the primary supporting documents;

- the system of confirmation (approval) of operations (transactions) and disaggregation of authorities over the banking operations and other transactions, exceeding the set limits, prescribing the appropriate timely notification the relevant managers of the Bank (its divisions) on such operations (transactions) or the current situation and its proper recording in the accounting and financial statements;

- the check of compliance with the order of execution (procedures) of banking operations and other transactions, reconciliation of accounts, informing of relevant management bodies (its divisions) about the revealed breaches, mistakes and drawbacks.

Segregation of duties of the Bank's employees is in place to exclude conflicts of interests (the contradiction between material and other interests of the Bank and (or) its employees and (or) clients, which can lead to the unfavourable consequences to the Bank and (or) its clients) and the conditions of its origin, committing crimes and the implementation of other illegal actions in the process of conducting banking operations and other transactions, as well as the providing to the same division or employee the right of:

- to conduct banking operations and other transactions and to register them and (or) to make accounting records;

- to authorise cash payments and to make factual payments;

- to conduct operations by the accounts of the Bank's clients and accounts, reflecting own financial and economic activity of the Bank;

- to render consulting and information services to the clients of the Bank and perform operations with the same clients;

- to assess the reliability and completeness of documents, presented for loan issue and to perform monitoring of the financial statement of the borrower;

- to perform actions in any other areas, where the conflict of interest can arise.

IV. The control over the information flows management (receipt and transfer of information) and ensuring of information security.

Internal control over automated information systems and technical means consists of general control and application control.

General control of automated information systems covers the control over computer systems (control over the host computer, the client-server system and end-user workstations, etc.), conducted to ensure uninterrupted and ongoing operation.

General control consists of the backup (copying) of data procedures and restoring of automated information systems procedures implemented by the Bank, providing support during the automated information systems time of use, including establishing rules for the acquisition, development and service (maintenance) of software, the procedure for monitoring the safety of physical access.

Application control is implemented by automated procedures built into the application programs, as well as by manual procedures controlling the processing of banking operations and other transactions (control editing, monitoring of logic access, internal procedures for data backup and recovery, etc.).

The Bank establishes rules for managing information activities, including the procedure for protection against unauthorised access and distribution of confidential information, as well as against the use of confidential information for personal purposes.

V. Continuous monitoring of the internal control system functioning in order to assess the level of its compliance with the objectives of the Group's activities, identifying gaps, developing proposals and monitoring the implementation of decisions to improve the internal control system.

The Group has developed a system of regulations, policies and procedures to ensure that operations are properly performed and that relevant legislative and regulatory requirements are met.

Internal control is exercised in accordance with the powers defined by the constituent and internal documents of the Bank:

- management bodies of the Bank (general shareholders' meeting, the Board of Directors, including the Assets and Liabilities Management Committee ("ALMC"), the Management Board, the Chairman of the Management Board);

- Revision Commission;

- chief accountant (his deputies) of the Bank;

- heads (their deputies) and chief accountants (their deputies) of the Bank's branches;

- divisions and employees performing internal control in accordance with the powers defined by internal documents of the Bank, including:

- the Internal audit service;

- the Internal control service;

- employee responsible for counteraction the legalisation (anti-money laundering) of proceeds from crime and financing of terrorism;

- professional securities market participant controller;

- other structural units and (or) responsible employees, depending on the nature and scale of operations, the level and combination of risks.

The Internal audit service performs the audit and evaluation of the effectiveness of the Bank's internal control system as a whole. The Internal audit service is independent of the Management Board of the Bank and is subordinated to the Board of Directors. The results of the Internal audit service checks are discussed with the heads of departments indicated in the report on the results of the audit. The report with the results of the audits is communicated to the Chairman of the Management Board of the Bank. The Internal audit service, at least once every six months, submits a written report on the results of inspections conducted during the reporting half-year term to the Audit and Risk Committee and the Board of Directors of the Bank.

The main functions of the Internal audit service include the following:

- audit and efficiency assessment of the system of internal control as a whole, fulfilment 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) and completeness of application of these documents;

- 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 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 Department;

- other issues provided for in the internal documents of the Bank.

The main functions of the Internal control service (the compliance service) include the following:

- identification of 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 of 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;

- conflict of interests identification in the Bank's and its employees activities, participation in aimed to its minimization internal documents development;

- 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;

- other issues provided for in the internal documents of the Bank.

Russian legislation, including Federal Law No. 395-1, Direction of the CBR dated 25 December 2017 No. 4662-U On the Qualification Requirements for the Head of Risk Management, Internal Controls and Internal Audit of a Credit Institution; for the Risk Management Officer and Controller of a Non-governmental Pension Fund, and the Auditor of an Insurance Company; on the Procedure for Informing the Bank of Russia about the Appointment to (Termination of) these Positions (Except for the Controller of a Non-governmental Pension Fund) and the Position of Special Officers Responsible for the Implementation of Internal Controls Rules Aimed at Countering the Legalisation (Laundering) of Criminally Obtained Incomes and the Financing of Terrorism of Credit Institutions, Non-governmental Pension Funds, Insurance Companies, Management Companies of Investment Funds, Unit Investment Funds and Non-governmental Pension Funds, and Microfinance Companies; of the

Internal Control Officer of a Management Company of Investment Funds, Unit Investment Funds and Non-governmental Pension Funds; and on the Procedure for the Bank of Russia to Assess the Compliance of These Persons (Except for the Controller of a Non-governmental Pension Fund) with Qualification and Business Reputation Requirements (1 January 2018: 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 Board of Directors, the Management Board, Heads of the Internal audit service, the Internal control service and the Risk Department and other key management personnel. All members of the Bank's governing and management bodies meet these requirements.

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

c) Risk management policies and procedures

In 2019, the Bank completed its financial rehabilitation measures, and in this regard, the Bank carried out work on optimizing (reorganizing) the risk management system. Thus, the Bank has established permanent management bodies - the Board of Directors and the Management Board. An Audit and Risk Committee has been established under the Board of Directors.

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 market risk, including interest rate risk, credit risk, liquidity risk, and operational, legal and reputational risks.

The risk management policies of the Group aim to identify, analyse and manage the risks faced by the Group, to set appropriate risk limits and controls, and to continuously monitor risk levels and adherence to limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions, products and services offered and emerging best practice. The Group has developed a system of reporting on significant risks and capital of the Bank.

The Group's internal documentation effective on 31 December 2020, establishing the procedures and methodologies for identification and managing the Group's significant risks, stress-testing of these risks was approved by the authorised management bodies of the Bank in accordance with the regulations and recommendations issued by the CBR.

The risk and capital management policies established in the Group, as well as internal control policies, are consistent with the nature and scope of its operations and the level and combination of risks it takes.

The Board of Directors approves the General risk management policy, which regulates the general principles of risk management, acceptable level of risks, strategic goals in risk management and priorities for development of risk management policies. The Board of Directors ensures the improvement of the risk management policies, approves draft risk management documents, terms of standard products and programs for the Bank's clients, monitors and controls the elements of the risk management, approves the acceptable level of risks within the approved development strategy, controls compliance of the Group's operations with the basic principles of credit policy and policies for other operations, develops, implements and manages credit decisions making process.

The Management Board implements the risk management policy, approves the rights and structure of the collegial risk management bodies, takes decisions on the certain types of risks, approves the credit policy and the policy regarding other asset- and liability-related transactions.

The Credit Committee (credit committee system) of the Bank is responsible for optimization of credit risks and maintaining of an effective loan portfolio in terms of the "risk-profitability" ratio and controls risk both at the portfolio and specific transactions levels.

The Risk Department is responsible for general risk management and controls the application of general principles and methods of identification, estimation, management and reporting risks on a regular basis. The Risk Department develops methodology for risk assessment, performs independent risk analysis for products, programs and limits of particular customers/transactions, performs a portfolio risk analysis and controls the risk by setting limits and controlling their compliance, preparing risk reports covering all major risks, including credit, market, operational and liquidity risks, which are regularly reported to the Board of Directors, the Audit and Risk Committee of the Board of Directors and the Management Board. The Risk Department is not subordinate to and does not report to risk-taking divisions.

The divisions manage risks within the area of their responsibilities.

The Internal audit service audits the divisions for compliance with internal policy, reports on non-compliances to the Board of Directors and management, suggests measures to eliminate the identified violations and controls their correction.

d) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises currency risk, interest rate risk and other price risks. Market risk arises from open positions in interest rate, currency and equity based financial instruments, which are exposed to general and specific market movements and changes in the level of volatility of the mentioned indicators.

The Bank has the "Market risk management policy", which specifies basic principles and methods of market risk management, the participants of market risk management process, their rights and responsibilities.

In accordance with the policy, the Bank applies the independence principle for divisions responsible for transactions with market risks and divisions responsible for identification, assessment and monitoring of taken risks. The approved broad structure of limits for market risk transactions allows to control the level of the taken risk and possible impact on financial performance and capital of the Bank. The limits are reviewed on a regular basis depending on the market situation and the Bank's financial needs. The reports on the risks taken are prepared on a regular basis by the responsible divisions and provided to the management of the Group.

The Bank also utilises the Value-at-Risk (VAR) methodology to monitor the market risk of its trading positions.

Value-at-Risk (VAR) estimates

VAR is a technique that estimates the potential losses that could occur on risk positions as a result of movements in market rates and prices over a specified time horizon and to a given level of confidence. The VAR model used by the Bank is based on a 99 percent confidence level and assumes a 10-day holding period depending on the type of positions. The VAR model used is mainly based on historical simulation. The model derives plausible future scenarios based on historical market rate time series, taking into account inter-relationships between different markets and rates. Potential market price movements are determined with reference to market data from at least the most recent 12 months.

Although VAR is a valuable tool in measuring market risk exposures, it has a number of limitations, especially in less liquid markets, as follows:

- the use of historical data as a basis for determining future events may not encompass all potential scenarios (particularly those of an extreme nature)

- a 10-day holding period assumes that all positions can be liquidated or hedged within that period. This is considered to be a realistic assumption in almost all cases, but may not be the case in situations in which there is severe market illiquidity for an extended period

- the use of a 99 percent confidence level does not take into account losses that may occur beyond this level. There is a one percent probability that the loss could exceed the VAR estimate

- VAR is only calculated on the end-of-day balances and does not necessarily reflect exposures that may arise on positions during the trading day

- the VAR measure is dependent on the position and the volatility of market prices. The VAR of an unchanged position reduces if market volatility declines and vice versa.

A summary of the VAR estimates of losses that could occur in respect of the portfolio of financial instruments at fair value as at 31 December is as follows:

	2020 RUB'000	**2019 RUB'000**
Interest rate risk	100 043	160 224
Currency risk	66 653	3 181
Equity risk	-	-
Commodity risk	-	-
	166 096	**163 405**

The Bank does not solely rely on its VAR calculations in its market risk measurement due to inherent risk of usage of VAR as described above. The limitations of the VAR methodology are recognised by supplementing VAR limits with other position and sensitivity limit structures, including limits to address potential concentration risks within each trading portfolio, and the structural gap analysis in accordance with the Regulation for market risk control developed by the Bank.

i.Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. 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.

Average interest rates

The table below displays average effective interest rates for interest bearing assets and liabilities as at 31 December. These interest rates are an approximation of the yields to maturity of these assets and liabilities.

	2020 Average effective interest rate, %			**2019 Average effective interest rate, %**		
	RUB	**USD**	**Other currencies**	**RUB**	**USD**	**Other currencies**
Interest bearing assets						
Cash and cash equivalents	4%	-	-	6%	-	-
Financial instruments at FVTPL	7%	5%	-	7%	5%	-
Financial assets at FVOCI	6%	3%	2%	7%	3%	3%
Due from banks	-	2%	2%	-	7%	2%

	2020 Average effective interest rate, %			2019 Average effective interest rate, %		
	RUB	**USD**	**Other currencies**	**RUB**	**USD**	**Other currencies**
Amounts receivable under reverse repurchase agreements	4%	-	-	6%	-	-
Loans to customers						
- retail	15%	-	-	20%	-	-
- corporate	11%	6%	9%	16%	8%	9%
Net investments in finance leases	30%	-	-	35%	-	-
Investments measured at amortised cost	5%	2%	-	6%	2%	-
Interest bearing liabilities						
Deposits and balances from banks	4%	-	-	6%	1%	-
Amounts payable under repurchase agreements	4%	-	-	4%	-	-
Current accounts and term deposits from customers						
- retail	5%	1%	1%	6%	2%	0%
- corporate	4%	1%	2%	6%	1%	1%
Debt securities issued						
- promissory notes	1%	-	-	4%	-	-
Other liabilities	8%	-	-	8%	-	-

Due to the fact that substantially all the financial instruments are fixed rated contracts, these remaining contractual maturity dates also represent the contractual interest rate repricing dates.

Interest rate sensitivity analysis

The management of interest rate risk based on interest rate gap analysis is supplemented by monitoring the sensitivity of financial assets and liabilities.

An analysis of sensitivity of profit or loss and equity (net of taxes) to changes in interest rates (repricing risk) based on a simplified scenario of a 300 basis point (bp) symmetrical fall or rise in all yield curves and positions of interest bearing assets and liabilities existing as at 31 December is as follows:

	2020		2019	
	Profit or loss RUB'000	**Equity RUB'000**	**Profit or loss RUB'000**	**Equity RUB'000**
300 bp parallel fall	847 962	847 962	462 731	462 731
300 bp parallel rise	(847 962)	(847 962)	(462 731)	(462 731)

An analysis of sensitivity of profit or loss and equity (net of taxes) as a result of changes in the fair value of financial instruments at fair value though profit or loss and available-for-sale financial assets due to changes in the interest rates based on positions existing as at 31 December and a simplified scenario of a 300 basis point (bp) symmetrical fall or rise in all yield curves is as follows:

	2020		2019	
	Profit or loss RUB'000	**Equity RUB'000**	**Profit or loss RUB'000**	**Equity RUB'000**
300 bp parallel fall	238 077	1 820 823	87 788	932 826
300 bp parallel rise	(340 451)	(2 328 878)	(72 353)	(822 441)

ii.Currency risk

The Group has assets and liabilities denominated in several foreign currencies.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates. Although the Group hedges its exposure to currency risk, such activities do not qualify as hedging relationships in accordance with IFRS.

The system of currency risk management includes procedures for calculating the limit of the amount of open currency position and limits for conversion operations, as well as exchange rate policy.

Currency risk management is carried out on the basis of the ALMC decisions.

The Group controls the level of currency risk by observing the limits of the open currency position ("OCP"). The Treasury monitors OCP daily to ensure its compliance with the requirements of the CBR and intra-bank restrictions.

Currency risk is minimised by the balanced value of OCP, which allows to provide the required liquidity per foreign currencies.

The following table shows the foreign currency structure of assets and liabilities as at 31 December 2020:

	RUB	USD	EUR	Gold	Other currencies	Total
	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000
ASSETS						
Cash and cash equivalents	10 992 939	1 318 143	702 195	557 651	451 507	14 022 435
Obligatory reserves with the Central Bank of the Russian Federation	732 143	-	-	-	-	732 143
Financial instruments at FVTPL	7 828 777	233 390	283 410	-	-	8 345 577
Financial assets at FVOCI	14 034 773	447 159	345 304	-	733 679	15 560 915
Due from banks	105 118	40 631	249 255	-	1 243	396 247
Amounts receivable under reverse repurchase agreements	397 255	-	-	-		397 255
Loans to customers	72 720 784	772 025	1 904	-	-	73 494 713
Net investments in finance leases	1 508 304	-	-	-	-	1 508 304
Investments in associates and other investments	75 578	-	-	-	-	75 578
Investments measured at amortised cost	1 164 646	131 278	-	-	-	1 295 924
Deferred tax assets	463 063	-	-	-	-	463 063
Property, equipment, intangible assets and investment property	5 341 858	-	-	-	-	5 341 858
Other assets	3 188 400	108 201	728 326	7 139 625	-	11 164 552
Total assets	**118 553 638**	**3 050 827**	**2 310 394**	**7 697 276**	**1 186 429**	**132 798 564**

	RUB RUB'000	USD RUB'000	EUR RUB'000	Gold RUB'000	Other currencies RUB'000	Total RUB'000
LIABILITIES						
Deposits and balances from banks	2 466 071	25 221	26 130	-	81 437	2 598 859
Amounts payable under repurchase agreements	11 846 260	-	-	-	-	11 846 260
Current accounts and deposits from customers	84 411 063	5 439 434	481 476	7 699 494	363 279	98 394 746
Debt securities issued	29 661	-	-	-	-	29 661
Other liabilities	2 052 169	1 006	1 291	-	-	2 054 466
Total liabilities	**100 805 224**	**5 465 661**	**508 897**	**7 699 494**	**444 716**	**114 923 992**
Net position	**17 748 414**	**(2 414 834)**	**1 801 497**	**(2 218)**	**741 713**	**17 874 572**
The effect of derivatives held for risk management	**(608 359)**	**3 088 371**	**(1 799 344)**	**-**	**(692 054)**	**(11 386)**
Net position after derivatives held for risk management purposes	**17 140 055**	**673 537**	**2 153**	**(2 218)**	**49 659**	**17 863 186**

The following table shows the foreign currency structure of assets and liabilities as at 31 December 2019:

	RUB RUB'000	USD RUB'000	EUR RUB'000	Gold RUB'000	Other currencies RUB'000	Total RUB'000
ASSETS						
Cash and cash equivalents	8 540 126	624 936	305 627	113 031	243 852	9 827 572
Obligatory reserves with the Central Bank of the Russian Federation	586 700	-	-	-	-	586 700
Financial instruments at FVTPL	2 177 501	700 600	-	-	-	2 878 101
Financial assets at FVOCI	9 960 309	2 078 471	623 191	-	563 858	13 225 829
Due from banks	59 218	326 269	1 413 367	-	2 212	1 801 066
Amounts receivable under reverse repurchase agreements	400 082	-	-	-	-	400 082
Loans to customers	52 070 304	2 015 639	1 282	-	6	54 087 231

	RUB	USD	EUR	Gold	Other currencies	Total
	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000
Net investments in finance leases	1 297 461	-	-	-	-	1 297 461
Investments in associates and other investments	82 781	-	-	-	-	82 781
Investments measured at amortised cost	633 108	343 676	-	-	-	976 784
Deferred tax assets	747 440	-	-	-	-	747 440
Property, equipment, intangible assets and investment property	5 717 343	-	-	-	-	5 717 343
Other assets	3 485 212	73 476	509 193	1 340 247	2	5 408 130
Total assets	**85 757 585**	**6 163 067**	**2 852 660**	**1 453 278**	**809 930**	**97 036 520**
LIABILITIES						
Deposits and balances from banks	582 268	113 711	22 630	-	36 519	755 128
Amounts payable under repurchase agreements	103 527	-	-	-	-	103 527
Current accounts and deposits from customers	70 406 924	5 402 113	407 240	1 454 124	280 524	77 950 925
Debt securities issued	93 869	-	-	-	-	93 869
Other liabilities	2 129 992	9 643	1	-	-	2 139 636
Total liabilities	**73 316 580**	**5 525 467**	**429 871**	**1 454 124**	**317 043**	**81 043 085**
Net position	**12 441 005**	**637 600**	**2 422 789**	**(846)**	**492 887**	**15 993 435**
The effect of derivatives held for risk management	**3 718 875**	**(835 992)**	**(2 428 604)**	**-**	**(445 688)**	**8 591**
Net position after derivatives held for risk management purposes	**16 159 880**	**(198 392)**	**(5 815)**	**(846)**	**47 199**	**16 002 026**

A weakening of the RUB, as indicated below, against the following currencies at 31 December 2020 and 31 December 2019 would have decreased equity and profit or loss by the amounts shown below. This analysis is on net of tax basis and is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

	2020		2019	
	Profit or loss RUB'000	**Equity RUB'000**	**Profit or loss RUB'000**	**Equity RUB'000**
30% appreciation of USD against RUB	161 649	161 649	(47 614)	(47 614)
30% appreciation of EUR against RUB	517	517	(1 396)	(1 396)

A strengthening of the RUB against the above currencies at 31 December 2020 and 31 December 2019 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

iii. Equity risk

Equity risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Equity risk arises when the Group takes a long or short position in an equity financial instrument.

As at 31 December 2020 and 31 December 2019 the Bank had no securities and derivative financial instruments that are sensitive to changes in the fair value of equity securities, so there is no impact of equity risk on the Bank's financial results and equity.

e) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations before the Group.

The Group has policies and procedures for the management of credit exposures regulating the procedures of the evaluation of the financial position of the Borrower, the order to take decision for issuing loans, guidelines to monitor the timing of its settlement.

The Group limits the concentration of risks per separate clients, counterparties and issuers of securities, as well as groups of interdependent clients.

The management of credit risks is performed in accordance with the "Policy on managing credit risks", assuming the realisation of the system approach, which is based on the principles of awareness of the risks, separation of authorities for accepting, assessing and monitoring of accepted risks, integrity and consistency of credit risks evaluation, alignment of procedures and methods of evaluation of credit risks, actuality of applied procedures of evaluation and monitoring of risks. The principles of identification, analyses, evaluation, optimisation, monitoring and control of credit risks are established by the regulatory documents of the Bank.

The main direction of credit risk management are:

- the limitation of credit risks by the operating system of limits for credit risks decisions, for credit risks concentration for the separate borrowers/groups of interrelated borrowers;

- coverage of credit risks through the accepted collateral and its insurance, charging adequate fees for credit risks and accrual of allowance for impairment for credit losses;

- the control of credit risks level, taken by the Group for the counterparty or group of interrelated counterparties, as well as through regular monitoring the quality of credit loan portfolio, separate clients, deals and collateral property;

- credit risk prevention on the stage of consideration of loan applications, as well as by taking timely actions in identifying factors of credit risks in the process of monitoring;

- the detailed study of the borrowers business including the evaluation of the financial statement of the borrower, as well as the initial structuring of the transaction, exercised by the regional credit divisions/credit committees;

- the ongoing monitoring of credit projects - includes the verification of the borrower's financial statement and its business as a whole, the determination of the level of risks and the amount of allowance for impairment for credit losses, the specification of parameters and the structure of the deal, as well as the evaluation of the taken collateral, exercised by the Head office credit divisions/credit committees;

- the independent verification and validation of the credit projects - includes the calculation of borrower's rating, the evaluation the level of credit investments concentration, the control over the impairment allowance calculation, the correction of the structure of the deal, and within the scope of retail lending the analyses of the approved (changing) characteristics of the retail products of the Bank, as well as assessing the cost of products with consideration the premium for risk (COR), performed by the risk-management divisions of the Head office;

- disaggregation of authorities to take credit decisions - includes the developed system of credit limits for independent procedure of risks taking; the overview of limits is carried on at least two times a year by the regulatory body;

- the operation of the "veto" institute at all levels of taking credit decisions – includes vesting the right for "veto" to employees of risk-management employees, members of credit committees of the Bank; the ultimate authority for the overcoming of "veto" is the Management Board of the Bank;

- the evaluation of the portfolio credit risk level on the on-going base – includes the analysis and evaluation of the credit risk level (risk - reporting).

The main internal risk reporting includes the corporate and retail credit risks reports, which are prepared on a monthly basis by the relevant risk-management divisions, at least once per quarter are reviewed by the Audit and Risk Committee of the Board of Directors. Based on the results of this review, the decisions on changing/correction of credit policy are taken with the aim of maintaining the level of credit risk at the acceptable level.

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

For the analysis of concentration of credit risk in respect of loans to customers refer to Note 20.

The maximum exposure to credit risk from unrecognised contractual commitments at the reporting date is presented in Note 36.

f) 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, and global master securities lending agreements. Similar financial instruments include derivatives, sales and repurchase agreements, reverse sale and repurchase agreements.

The Group's derivative transactions that are not transacted on the 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.

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

The above 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 realise the assets and settle the liabilities simultaneously.

The Group receives and accepts collateral in the form of cash and marketable securities in respect of the following transactions:

- derivatives;
- 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:

RUB'000				Related amounts not offset in the consolidated statement of financial position		
Types of financial assets/liabilities	**Gross amounts of recognised financial assets/liabilities**	**Gross amount of recognised financial assets/liabilities offset in the consolidated statement of financial position**	**Net amount of financial assets/liabilities presented in the consolidated statement of financial position**	**Financial instruments**	**Cash collateral received**	**Net amount**
Foreign currency and security sale and purchase agreements	20 075	-	20 075	20 075	-	-
Reverse sale and repurchase agreements	397 255	-	397 255	397 255	-	-
Total financial assets	**417 330**	**-**	**417 330**	**417 330**	**-**	**-**
Foreign currency and security sale and purchase agreements	(31 461)	-	(31 461)	(31 461)	-	-
Sale and repurchase agreements	(11 846 260)	-	(11 846 260)	(11 846 260)	-	-
Total financial liabilities	**(11 877 721)**	**-**	**(11 877 721)**	**(11 877 721)**	**-**	**-**

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

RUB'000				Related amounts not offset in the consolidated statement of financial position		
Types of financial assets/liabilities	**Gross amounts of recognised financial assets/liabilities**	**Gross amount of recognised financial assets/liabilities offset in the consolidated statement of financial position**	**Net amount of financial assets/liabilities presented in the consolidated statement of financial position**	**Financial instruments**	**Cash collateral received**	**Net amount**
Foreign currency and security sale and purchase agreements	13 704	-	13 704	13 704	-	-
Reverse sale and repurchase agreements	400 082	-	400 082	400 082	-	-
Total financial assets	**413 786**	**-**	**413 786**	**413 786**	**-**	**-**
Foreign currency and security sale and purchase agreements	(5 113)	-	(5 113)	(5 113)	-	-
Sale and repurchase agreements	(103 527)	-	(103 527)	(103 527)	-	-
Total financial liabilities	**(108 640)**	**-**	**(108 640)**	**(108 640)**	**-**	**-**

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:

- derivative assets and liabilities – at fair value;
- assets and liabilities resulting from sale and repurchase agreements, reverse sale and repurchase agreements and securities lending and borrowing – amortised cost.

j) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities or current payments on behalf of customers without restructuring the assets and/or urgently raising the necessary funds. Liquidity risk exists when the maturities of assets and liabilities do not match.

The Group has developed a policy for managing and monitoring the liquidity situation, which is the basis for the organisation of work on liquidity management and regulates the system of requirements for divisions' interaction, a list of activities conducted within the framework of liquidity management, and a system of measures to maintain and restore liquidity of the Group. The liquidity management policy is reviewed and approved by the Board of Directors of the Bank.

The purpose of the policy is to ensure the Group's liquidity level is sufficient to fulfil its obligations, while observing the cost of attracting additional funding under reasonable market conditions.

The process of liquidity management includes two main parts:

- compliance with mandatory liquidity ratios established by the CBR;

- intra-bank liquidity management activities.

The Bank calculates the value of the short-term liquidity indicator (STLI) monthly, in accordance with the procedure established by the CBR, taking into account international approaches to the calculation of the short-term liquidity indicator and the instruments for monitoring liquidity risk (Basel III).

Within the framework of the Group's liquidity management policy, the following actions are taken:

- initial liquidity assessment based on the payment calendar data, taking into account the planned new transactions with customers and counterparties;

- forming a regulatory liquidity reserve in the form of highly liquid assets, converting into cash in minimum terms and with minimal losses from their market value, which can be easily realised as a protective measure in case of a break in cash liquidity;

- forecasting of cash flows and calculation of the required level of liquid assets related to these flows;

- performing regular monitoring and analysis of the level, structure and parameters of liquidity of assets and determining the liquidity requirements taking into account the current market situation and available alternative sources of financing;

- determining the estimated timeframe necessary for converting each type of asset into cash;

- carrying out diversification of short-term financing sources to achieve maximum liquidity.

Liquidity risk management is divided into management of current, short-term and forecast (medium- and long-term) liquidity.

The management of current liquidity covers the management of liquidity reserves, in order to ensure the timely and full execution of payment orders of customers, as well as conducting the Group's own payments. Money market instruments, which include short-term interbank loans, repurchase agreements, are used to regulate current and short-term liquidity and are not used to fund long-term assets.

The main source of liquidity of the Group is a portfolio of securities.

The methodology for measuring the liquidity position of the Bank is established by the procedure for maintaining a report on the net monetary position and liquidity reserves of the Bank. The Bank's net monetary position and liquidity reserves are indicators that are not subject to mandatory disclosure, but are used by the Bank to manage liquidity risk.

The net monetary position is formed on the basis of the balances of the following highly liquid assets:

- cash on hand;

- funds in ATMs;

- Correspondent account in the CBR;

- NOSTRO accounts;

- balance of transactions in the inter-bank loan market with a maturity of up to 30 days;

- balance of REPO transactions with a maturity of up to 30 days;

- highly liquid securities, free of collateral;

- presentation for payment of own/third-party promissory notes.

The net monetary position is adjusted for the unstable balance of customer accounts.

The total value of the above items shows the net monetary position as of the morning of the reporting day, taking into account expected inflows/outflows for 1,7 and 30 days.

Liquidity reserves indicate the level of free liquid assets after deducting the necessary minimum values for the continued activity of the Bank.

The Treasury monitors the liquidity position on a daily basis and performs operational management of the Group's current liquidity by initiating interbank operations to attract and allocate funds to other structural divisions of the Group that are responsible for concluding transactions with inter-bank and capital market instruments.

Carrying out measures aimed at increasing the amount of highly liquid assets of the Bank is submitted for consideration to the ALMC. By the ALMC decision, the divisions of the Group may be given instructions on the sale of low liquid assets, making borrowing and other activities. In addition, certain issues may be submitted for consideration to the Management Board.

Possible actions include:

- attraction of loans from the CBR in accordance with the Regulation of the CBR dated 12 November 2007, No 312-P *About Procedure for Granting Loans to Credit Institutions by the Bank of Russia Secured by Assets or Guarantees*;

- raising funds in the inter-bank market, within the limits of other banks opened for the Bank;

- securitisation of loan portfolios;

- reduction in the amount of new loans issuance within the inter-bank, retail and corporate loan portfolios.

Medium-term and long-term liquidity management is carried out by the ALMC by developing a set of measures aimed at maintaining solvency and ensuring profitability of the Bank's operations as a whole. When forecasting, the analysis is performed taking into account the actual demand/maturity of assets/liabilities and the control of the gap between assets and liabilities (GAP analysis).

In order to assess the potential impact on the liquidity situation of the Group of negative market events and/or directly related to the Group, the Treasury conducts stress tests on a regular basis to assess the Group's ability to sell assets and raise additional funds in the event of a liquidity lack.

Liquidity status reports are reviewed weekly at the ALMC meetings.

The ALMC decisions may set limits for indicators that are not subject to mandatory disclosure but used by the Group for liquidity management purposes.

Decisions on measures to manage liquidity risks are made by the ALMC and executed by the Group's divisions involved in the implementation of the liquidity management policy. The results of the reports prepared by the ALMC are communicated to the management bodies and the Board of Directors.

The following tables show the undiscounted cash flows from financial liabilities and unrecognised credit related commitments under contractual maturities. The aggregate amounts of cash inflows and outflows indicated in these tables represent contractual undiscounted cash flows from financial liabilities or off-balance sheet commitments.

The maturity analysis for financial liabilities as at 31 December 2020 is as follows:

RUB'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	Total gross amount outflow (inflow)	Carrying amount
Non-derivative liabilities							
Deposits and balances from banks	1 756 158	33 691	212 205	646 463	-	2 648 517	2 598 859
Amounts payable under repurchase agreements	11 861 540	-	-	-	-	11 861 540	11 846 260
Current accounts and deposits from customers	53 850 875	14 274 202	31 293 085	428 260	-	99 846 422	98 394 746
Debt securities issued	5 976	329	22 813	536	34	29 687	29 661
Other financial liabilities	223 547	343 982	466 118	201 658	-	1 235 305	1 196 238
Derivative liabilities							
Inflow	(3 206 931)	(221 133)	(1 000 000)	(2 000 000)	-	(6 428 064)	-
Outflow	3 219 615	239 910	1 000 000	2 000 000	-	6 459 525	31 461
Total financial liabilities	**67 710 779**	**14 670 981**	**31 994 222**	**1 276 916**	**34**	**115 652 932**	**114 097 225**
Credit related commitments	**19 954 750**	**-**	**-**	**-**	**-**	**19 954 750**	**19 954 750**

The maturity analysis for financial liabilities as at 31 December 2019 is as follows:

RUB'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	Total gross amount outflow (inflow)	Carrying amount
Non-derivative liabilities							
Deposits and balances from banks	179 652	16 137	80 424	562 978	-	839 191	755 128
Amounts payable under repurchase agreements	103 663	-	-	-	-	103 663	103 527
Current accounts and deposits from customers	35 824 801	14 351 780	28 204 843	879 083	-	79 260 507	77 950 925
Debt securities issued	64 599	-	-	29 651	34	94 284	93 869
Other financial liabilities	125 439	361 426	373 842	167 497	-	1 028 204	973 406
Derivative liabilities							
Inflow	(509 800)	(185 717)	-	-	-	(695 517)	-
Outflow	510 730	189 900	-	-	-	700 630	5 113
Total financial liabilities	**36 299 084**	**14 733 526**	**28 659 109**	**1 639 209**	**34**	**81 330 962**	**79 881 968**
Credit related commitments	**15 473 516**	**-**	**-**	**-**	**-**	**15 473 516**	**15 473 516**

The tables above show the undiscounted cash flows of financial liabilities, including issued financial guarantee contracts and unrecognised loan commitments, on the basis of their earliest possible contractual maturity. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

In accordance with Russian Federation legislation, individuals can withdraw their term deposits at any time, forfeiting in most of the cases the accrued interest. These retail deposits with future payments of interests, included in the tables above, totalling RUB 42 563 709 thousand (31 December 2019: RUB 41 163 593 thousand) are classified in accordance with their stated maturity dates, but could legally be withdrawn on demand.

The table below shows an analysis (by expected maturities) of the amounts recognised in the consolidated statement of financial position as at 31 December 2020:

RUB'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	No maturity	Total
ASSETS							
Cash and cash equivalents	14 022 435		-	-	-	-	14 022 435
Obligatory reserves with the Central Bank of the Russian	-	-	-	-	-	732 143	732 143
Financial instruments at FVTPL*	5 197 275	17 804	629	1 673 446	1 476 4989	-	8 365 652
Financial assets at FVOCI*	15 368 346	-	-	-	-	192 569	15 560 915
Due from banks	122 691	68 357	202 477	-	-	2 722	396 247
Amounts receivable under reverse repurchase agreements	397 255	-	-	-	-	-	397 255
Loans to customers	3 189 814	4 105 788	14 923 833	35 491 489	13 433 350	2 350 439	73 494 713
Net investments in finance leases	55 363	108 208	551 095	747 019		46 619	1 508 304
Investments in associates and other investments	-	-	-	-	-	75 578	75 578
Investments measured at amortised cost				1 295 924		-	1 295 924
Deferred tax assets	-	-	-	463 063	-	-	463 063
Property, equipment, intangible assets and investment	-	-	-	-	-	5 341 858	5 341 858
Other assets	9 404 750	90 239	1 180 352	144 233	207 467	137 511	11 164 552
Total assets	**47 757 929**	**4 390 396**	**16 858 386**	**39 815 174**	**15 117 315**	**8 879 439**	**132 818 639**
LIABILITIES							
Financial instruments at FVTPL	31 461	-	-	-	-	-	31 461
Deposits and balances from banks	1 755 411	31 703	201 449	610 296	-	-	2 598 859
Amounts payable under repurchase agreements	11 846 260	-	-	-	-	-	11 846 260
Current accounts and deposits from customers	53 392 723	14 250 827	30 341 135	410 061	-	-	98 394 746
Debt securities issued	5 949	329	22 813	536	34		29 661
Other liabilities	603 195	321 583	460 502	181 923	-	487 263	2 054 466
Total liabilities	**67 634 999**	**14 604 442**	**31 025 899**	**1 202 816**	**34**	**487 263**	**114 955 453**
Net position	**(19 877 070)**	**(10 214 046)**	**(14 167 513)**	**38 612 358**	**15 117 281**	**8 392 176**	**17 863 186**
Total liquidity gap	**(19 877 070)**	**(30 091 116)**	**(44 258 629)**	**(5 646 271)**	**9 471 010**	**17 863 186**	

*Financial assets at FVOCI (debt instruments) and financial instruments at FVPL were classified as "on demand and less than 1 month" because the Group's management considers these assets to be highly liquid and the Group will be able to sell them at any time in case of a need for liquidity.

In constructing liquidity forecasts, the Group believes that the negative positions presented in the table above will be sufficiently covered by constant balances on current and settlement accounts of customers that will not be claimed by depositors and customers (the amount of stable balances as of January 1, 2021 is 24,2 billion rubles). According to statistical models for assessing customer behavioral characteristics based on historical data, it is expected that cash flows in the part of the loan portfolio of consumer and mortgage loans to retail customers will differ from that indicated in the agreements in the direction of reducing the terms, while having a positive effect on the state of liquidity for a period of up to 1 year in the amount of 11,7 billion rubles.

On the balance sheet of the Group there are about 4,5 billion rubles of securities that have contractual maturities of more than 1 year, however, these securities are highly liquid and, in the opinion of the Group's management, can be immediately sold if necessary. Additionally, the Bank plans an inflow of current liquidity from the conclusion of securitization transactions and / or the sale of a part of the loan portfolio (including overdue) of retail clients in the amount of 5,5 billion rubles.

The table below shows an analysis (by expected maturities) of the amounts recognised in the consolidated statement of financial position as at 31 December 2019:

RUB'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	No maturity	Total
ASSETS							
Cash and cash equivalents	9 827 572	-	-	-	-	-	9 827 572
Obligatory reserves with the Central Bank of the Russian	-	-	-	-	-	586 700	586 700
Financial instruments at FVTPL*	2 557 008	8 573	326 224	-	-	-	2 891 805
Financial assets at FVOCI*	13 019 878	-	-	-	-	205 951	13 225 829
Due from banks	90 733	36 920	1 322 894	348 306	-	2 213	1 801 066
Amounts receivable under reverse repurchase agreements	400 082	-	-	-	-	-	400 082
Loans to customers	2 014 225	4 301 966	17 436 955	25 621 471	1 959 721	2 752 893	54 087 231
Net investments in finance leases	75 039	114 487	457 213	618 170	-	32 552	1 297 461
Investments in associates and other investments	-	-	-	-	-	82 781	82 781
Investments measured at amortised cost	13 203	142 361	821 220	-	-	-	976 784
Deferred tax assets	-	-	-	747 440	-	-	747 440
Property, equipment, intangible assets and investment	-	-	-	-	-	5 717 343	5 717 343
Other assets	2 272 081	1 051 134	592 888	69 050	563 048	859 929	5 408 130
Total assets	**30 269 821**	**5 655 441**	**20 957 394**	**27 404 437**	**2 522 769**	**10 240 362**	**97 050 224**

RUB'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	No maturity	Total
LIABILITIES							
Financial instruments at FVTPL	5 113	-	-	-	-	-	5 113
Deposits and balances from banks	179 802	15 973	76 565	482 788	-	-	755 128
Amounts payable under repurchase agreements	103 527	-	-	-	-	-	103 527
Current accounts and deposits from customers	35 650 439	14 299 781	27 180 828	819 877	-	-	77 950 925
Debt securities issued	64 520	-	-	29 315	34	-	93 869
Other liabilities	371 210	249 031	379 493	941 292	198 610	-	2 139 636
Total liabilities	**36 374 611**	**14 564 785**	**27 636 886**	**2 273 272**	**198 644**	**-**	**81 048 198**
Net position	**(6 104 790)**	**(8 909 344)**	**(6 679 492)**	**25 131 165**	**2 324 125**	**10 240 362**	**16 002 026**
Total liquidity gap	**(6 104 790)**	**(15 014 134)**	**(21 693 626)**	**3 437 539**	**5 761 664**	**16 002 026**	

*Financial assets at FVOCI (debt instruments) and financial instruments at FVPL were classified as "on demand and less than 1 month" because the Group's management considers these assets to be highly liquid and the Group will be able to sell them at any time in case of a need for liquidity.

In accordance with the Russian Federation legislation, individuals can withdraw their term deposits at any time, forfeiting in most of the cases the accrued interest. These retail deposits totalling RUB 40 994 797 thousand (31 December 2019: 40 174 862 thousand) are classified in accordance with their stated maturity dates, but could legally be withdrawn on demand. The classification of these deposits in accordance with their stated maturity dates is presented below:

	2020 RUB'000	2019 RUB'000
Demand and less than 1 month	5 423 872	5 605 430
From 1 to 3 months	7 912 231	8 622 430
From 3 to 12 months	27 270 431	25 201 325
From 1 to 5 years	388 263	745 677
	40 994 797	**40 174 862**

Management expects that the cash flows from certain assets and liabilities will be different from their contractual terms either because management has the discretionary ability to manage the cash flows or because past experience indicates that cash flows will differ from contractual terms.

The portfolio of bonds classified as financial assets at fair value through profit or loss is formed based on their maximum suitability for immediate sale on the market and use for instant refinancing under reverse repurchase agreements transactions at a minimum discount. In this regard, when analyzing liquidity, cash flows on bonds intended for sale in the short term in accordance with The Bank's Investment policy in the amount of RUB 5 197 200 thousand (31 December 2019: RUB 2 554 256 thousand) reclassified from temporary categories corresponding to repayment/immediate offer to the category "on demand and less than 1 month".

Contractual maturities of financial assets at fair value through other comprehensive income are as follows:

	2020 RUB'000	2019 RUB'000
On demand and less 1 month	-	2 946
From 1 to 3 months	-	10 995
From 3 to 12 months	-	3 940
From 1 to 5 years	2 393 252	1 603 437
More than 5 years	2 803 948	932 938
	5 197 200	**2 554 256**

Bonds as part of financial assets at fair value through other comprehensive income for the period are shown in the table above in the category "on demand and less than 1 month" based on the expectations of the Group's management to realize them in case of needs in liquidity. The contractual maturities of these financial assets can be presented as follows:

	2020 RUB'000	2019 RUB'000
Less 1 month	-	71 834
From 1 to 3 months	-	151 729
From 3 to 12 months	1 316 013	897 492
From 1 to 5 years	10 089 559	10 666 845
More than 5 years	3 962 774	1 231 978
Without maturity	192 569	205 951
	15 560 915	**13 225 829**

The Bank also calculates mandatory liquidity ratios on a daily basis in accordance with the requirements of the CBR. These ratios include:

- 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 1 year to the equity and liabilities maturing after 1 year.

The Bank was in compliance with these ratios as at 31 December 2020 and 31 December 2019. The following table shows the mandatory liquidity ratios calculated as at 31 December 2020 and 31 December 2019.

	Requirement	2020, %	2019, %
Instant liquidity ratio (N2)	Not less than 15%	127,7	63.0
Current liquidity ratio (N3)	Not less than 50%	187,5	130.4
Long-term liquidity ratio (N4)	Not more than 120%	63,1	38.0

h) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks, such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and innovation. In all cases, the Group policy requires compliance with all applicable legal and regulatory requirements.

The Group manages operational risk by establishing internal controls that management determines to be necessary in each area of its operations.

34 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. The Group calculates the amount of capital in accordance with Provision of the CBR dated 3 December 2015 No 509-P On Calculation of Amount of Own Funds (Capital), Economic Ratios and Amounts (Limits) of Open Currency Positions of Banking Groups.

The CBR sets and monitors capital requirements for the Group.

As at 31 December 2020 and 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. The Bank should comply with capital buffers: capital conservation buffer and countercycle buffer. As at 31 December 2020, the minimum levels of capital buffers are 2,5% and 0% accordingly (31 December 2019: 2,5% and 0%).

The Group provides the territorial CBR that supervises its activity with information on mandatory ratios in accordance with set form. The Bank's Financial-Analytical Department controls on a daily basis compliance with capital adequacy ratios.

In case values of capital adequacy ratios become close to limits set by the CBR and Group's internal policy this information is communicated to the Management Board and the Board of Directors.

The Group is in compliance with the statutory capital ratios as at 31 December 2020.

In 2020 and 2019, the Group's capital adequacy ratios were in line with the statutory level.

The calculation of capital adequacy for the Group based on requirements set by the CBR ratios as at 31 December 2020 and 31 December 2019 is as follows:

	2020 RUB'000	**2019 RUB'000**
Base capital	14 952 794	11 595 712
Main capital	14 952 794	11 595 712
Additional capital	1 437 070	1 557 820
Own funds (capital)	**16 389 864**	**13 153 532**
Risk-weighted assets for basic capital ratio (H20.1)	**133 492 049**	**123 987 451**
Risk-weighted assets main capital ratio (H20.2)	**133 492 049**	**123 987 451**
Risk-weighted assets for own funds (capital) ratio (H20.0)	**135 089 452**	**125 595 410**
Ratio N20.1 (%)	**11,20**	**9.35**
Ratio N20.2 (%)	**11,20**	**9.35**
Ratio N20.0 (%)	**12,13**	**10.47**

35 Involvement with unconsolidated structured entities

The table below describes the structured entities that the Group does not consolidate, but in which it holds an interest as at 31 December:

Description	**Country of registration**	**The main types of activity**	**Interest held by the Group**	**2020 Total assets, RUB'000 (unaudited)**	**2019 Total assets, RUB'000 (unaudited)**
CJSC "Multi Originator Mortgage Agent 1"	Russian Federation	Mortgage agent	See below	2 852 333	3 948 081

CJSC "Multi Originator Mortgage Agent 1" ("MMA 1") is a structured entity established to facilitate the issue of mortgage backed securities (refer to notes 24 and 26). The Group does not control MMA 1. The involvement of the Group refers to retaining risks and benefits of the entity in the amount of the issued lower tranche of bonds by MMA 1 which was bought by the Group, as well as the fees for transferred mortgage loan servicing.

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

	2020 Other assets, RUB'000	2019 Other assets, RUB'000
Continuing involvement with sold loan portfolio	499 806	563 048
Allowance for expected credit losses	(16 294)	(32 679)
Total net continuing involvement with sold loan portfolio net of impairment allowance	**483 512**	**530 369**

36 Credit-related 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 commitments assume that amounts are fully advanced. 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.

	2020 RUB'000	2019 RUB'000
Contracted amount		
Undrawn overdraft facilities	6 356 919	5 440 190
Guarantees and letters of credit, including:	7 322 924	3 796 501
Financial guarantees	-	44 089
Loan and credit line commitments	6 274 907	6 236 825
	19 954 750	**15 473 516**

Based on the management's assessment of probability of loss on credit related commitments, as at 31 December 2020 allowance in the amount of RUB 483 234 thousand was created (31 December 2019: RUB 388 810 thousand).

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

The following table shows movement of balances of allowance for expected credit losses for 2020:

Loan commitments and financial guarantees	2020 RUB'000
Allowance for expected credit losses as at the beginning of the year	**388 810**
Net change in allowance for expected credit losses	94 424
Balance as at 31 December 2020	**483 234**

The following table shows movement of balances of allowance for expected credit losses for 2019:

Loan commitments and financial guarantees	**2019 RUB'000**
Allowance for expected credit losses as at the beginning of the year	**202 280**
Net change in allowance for expected credit losses	186 530
Balance as at 31 December 2019	**388 810**

Credit quality analysis

The following table sets out information about the credit quality of loan commitments and financial guarantees as at 31 December 2020. The amounts in the table represent the amounts committed or guaranteed, respectively.

	31 December 2020				
RUB'000	**12- month ECLs**	**Lifetime ECLs for assets that are not credit-impaired**	**Lifetime ECLs for credit-impaired assets**	**Credit-impaired assets at initial recognition**	**Total**
Loan commitments and financial guarantees					
Standard	12 283 744	-	-	-	12 283 744
Below standard	-	347 630	-	-	347 630
Doubtful	-	-	454	-	454
Allowance for expected credit losses	**(461 482)**	**(21 533)**	**(219)**	**-**	**(483 234)**

The terms "12-month ECLs", "lifetime ECLs" and "credit-impaired financial assets" are explained in Note 3(d)(iv).

	31 December 2019				
RUB'000	**12- month ECLs**	**Lifetime ECLs for assets that are not credit-impaired**	**Lifetime ECLs for credit-impaired assets**	**Credit-impaired assets at initial recognition**	**Total**
Loan commitments and financial guarantees					
Standard	11 713 923	-	-	-	11 713 923
Below standard	-	7 181	-	-	7 181
Allowance for expected credit losses	**(388 655)**	**(155)**	**-**	**-**	**(388 810)**

As at 31 December 2020, the Group has a commitment to purchase 6 549 kg of gold, 12 761 kg of silver (31 December 2019: 4 366 kg of gold, 10 726 kg of silver) under contracts to be settled at the market price at the date of maturity.

37 Contingencies

a) 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 its 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.

b) 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 of the Group.

c) Taxation contingencies

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

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 Group's financial position, if the authorities were successful in enforcing their interpretations, could be significant.

38 Related party transactions

a) Control relationships

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

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

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

As at 31 December 2020 and as at 31 December 2019 balances on accounts with the Bank of Russia and the banks under its control are as follows:

Consolidated statement of financial position	**2020 RUB'000**	**2019 RUB'000**
ASSETS		
Cash and cash equivalents, including:	10 142 352	2 471 678
Allowance for expected credit losses	(2 465)	(492)
Obligatory reserves with the Central Bank of the Russian Federation	732 143	586 700
Financial assets at FVOCI	18 432	6 215
Due from banks, including:	72 806	54 343
Allowance for expected credit losses	(104)	(77)
Loans to customers, including:	360 534	332 104
Allowance for expected credit losses	(261 026)	(178 743)
Amounts receivable under reverse repurchase agreements	397 245	400 082
Other assets, including:	30 020	16 961
Allowance for expected credit losses	(32)	(2)
LIABILITIES		
Due to banks	841 346	577 704
Amounts payable under reverse repurchase agreements	11 846 259	103 527
Current accounts and deposits from customers	-	74 532
Debt securities issued	22 610	22 610
Financial assets at FVPL	1 407	463
Other liabilities	5	404

The amounts included in the consolidated statement of profit or loss and other comprehensive income for transactions with the Bank of Russia and the banks under its control for the period ended 31 December 2020 and 31 December 2019 can be presented as follows:

Consolidated statement of profit or loss and other comprehensive income	**2020 RUB'000**	**2019 RUB'000**
Interest income on funds placed with the Bank of Russia	13 772	113 936
Interest income calculated using the effective interest method	80 290	58 978
Interest expenses	(142 945)	(46 947)
Commission expenses	(7 029)	(1 784)
Net income from operations with precious metals	64 474	13 602

Net income from foreign currency transactions	(994 314)	963 867
Interest expenses on funds received from the Bank of Russia	(31 626)	(12 359)
Change in allowance for expected credit losses	(83 628)	(72 439)

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

Total remuneration included in personnel expenses for the years ended 31 December 2020 and 2019 is as follows

	2020 RUB'000	2019 RUB'000
Short term employee benefits	70 116	43 760
	70 116	**43 760**

d) Transactions with government-related entities

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

Consolidated statement of financial position	2020 RUB'000	2019 RUB'000
ASSETS		
Cash and cash equivalents	84 841	4 055 591
Financial instruments at FVTPL	8 112 186	2 387 603
Financial assets at FVOCI	10 844 013	7 073 867
Loans to customers	1 394 372	1 344 760
Investments measured at amortised cost	1 166 128	713 747
Other assets	14 697	7 161
LIABILITIES		
Financial instruments at FVTPL	86	-
Bank accounts and deposits	17 508	-
Current accounts and deposits from customers	8 862 424	5 816 216
Debt securities issued	567	600
Other liabilities	2 165	1 028
Commitments		
Non-credit related commitments	-	638 815

The amounts included in the consolidated statement of profit or loss and other comprehensive income for transactions with the government agencies for 2020 to 2019 are as follows:

Consolidated statement of profit or loss and other comprehensive income	2020 RUB'000	2019 RUB'000
Interest income	330 653	833 906
Interest expense	(330 874)	(141 998)
Net gain on operations with precious metals	8 518	3 869
Net profit from operations with financial instruments at FVTL	(2 129)	27 165
Net profit from operations with financial instruments at FVOCI	45 957	301 414
allowance for expected credit losses	38 688	(94 588)

Consolidated statement of profit or loss and other comprehensive income	**2020 RUB'000**	**2019 RUB'000**
Other provisions	66 815	815 332

39 Financial assets and liabilities: fair values and accounting classifications

a) Accounting classifications and fair values

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

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

The estimated fair value of all financial instruments as at 31 December 2020 approximates their carrying values.

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

During 2020, the models for assessing the fair value of investments in equity securities of Sanymon Corporation were changed in connection with the revaluation of the asset by a professional appraiser (instead of the income method, the appraiser used the capital market method - due to the availability of information on comparable listed companies).

b) Fair value hierarchy

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

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

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

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

The Group has a control framework with respect to the measurement of fair values. This framework includes a Market Risks Department function, which reports directly to the Deputy Chairman of the Management Board, and which has overall responsibility for independently verifying the results of

trading and investment operations and all significant fair value measurements. Specific controls include:

- verification of observable pricing;

- re-performance of model valuations;

- analysis and investigation of significant daily valuation movements.

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

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

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

RUB'000	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial instruments at FVTPL				
- Derivative assets	-	20 075	-	20 075
- Debt security	8 345 577	-	-	8 345 577
- Derivative liabilities	-	(31 461)	-	(31 461)
Financial assets at FVOCI				
- Debt instruments	10 288 030	4 598 012	482 304	15 368 346
- Equity instruments	-	-	192 569	192 569

As at 31 December 2020 unquoted investments at fair value through other comprehensive income amount to RUB 674 873 thousand and are categorised as Level 3 in the fair value hierarchy.

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

RUB'000	Level 1	Level 2	Level 3	Total
Financial instruments at FVTPL				
- Derivative assets	-	13 704	-	13 704
- Debt security	2 792 334	85 768	-	2 878 101
- Derivative liabilities	-	(5 113)	-	(5 113)
Financial assets at FVOCI				
- Debt instruments	10 129 458	2 890 420	-	13 019 878
- Equity instruments	-	-	205 951	205 951

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

The following table reconciles the amounts recognised at the beginning and the end of the reporting period for financial assets categorised as Level 3 of the fair value hierarchy, measured at fair value through other comprehensive income for year ended 31 December 2020:

RUB'000	31 December 2019 RUB'000	Revaluation recognised in other comprehensive income	Bought	Sold	31 December 2020 RUB'000
Financial assets at FVOCI	205 951	(27 424)	496 346	-	674 873

The following table reconciles the amounts recognised at the beginning and the end of the reporting period for financial assets categorised as Level 3 of the fair value hierarchy, measured at fair value through other comprehensive income for year ended 31 December 2019:

RUB'000	31 December 2018 RUB'000	Exchange differences recognised in consolidated statement of profit or loss in gain or loss	Revaluation recognised in other comprehensive income	Sold	31 December 2020 RUB'000
Financial assets at FVOCI	942 485	(3 254)	(14 345)	(718 935)	205 951

The table below provides information on significant unobservable inputs used as at 31 December 2020 when measuring financial instruments categorised as level 3 of fair value hierarchy as at 31 December 2020:

Type of instrument	Fair value	Valuation technique	Significant unobservable inputs	Amount of unobservable inputs used	Range of estimates of unobservable inputs used	Sensitivity of fair value measurements to unobservable inputs
Financial assets at FVOCI						
Other equity instruments Sanymon Corporation	173 812	Comparative approach (capital market method)	EV/Proceeds (EV/EBITDA) Multiplier weight. Lack of liquidity discount	0.42 % (6.47)% 50% 12,97%	0,42-0,48 (6,47-6,93)	A significant increases (decrease) in any of the above inputs in isolation will result in a decrease (increase) in the fair value.
Other equity instruments "Kvant" real estate closed-end investment fund	18 757	Net asset value	Adjustments for condition of the object (discount)	56,28%	n/a	A significant increases (decrease) in any of the above inputs in isolation will result in a decrease (increase) in the fair value.
Debt securities of legal entities (LLC "SOPF "FPF")	482 304	Factorial Price Decomposition Method	Market price of NSD's price center-3 levels of the price hierarchy ,% of the normal	99%	98,44% - 99,56%	A significant increases (decrease) in any of the above inputs in isolation will result in a decrease (increase) in the fair value.

The table below provides information on significant unobservable inputs used as at 31 December 2019 when measuring financial instruments categorised as level 3 of fair value hierarchy as at 31 December 2019:

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

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

During 2020 and 2019 buildings within property and equipment and investment property were revalued based on the results of appraisals carried out by both independent appraisal companies and the Group management.

As at 31 December 2020 buildings within property and equipment and investment property were revalued based on the results of an independent appraisal performed by LLC "LL-Consult".

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

Changes in the value of property and equipment and investment property are recorded in the consolidated statement of changes in equity as part of changes in the revaluation reserve for buildings, as well as in the consolidated statement of profit or loss and other comprehensive income in other general and administrative expenses.

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

40 Going concern

Management of the Group has prepared these consolidated financial statements on a going concern basis.

From 26 April 2018 the Bank has violated the own funds (capital) ratio (N1.0). On 26 April 2018 as part of measures aimed at improving the financial stability of the Bank, the Order of the Bank of Russia dated 25.04.2018 No. OD-1076 appointed Temporary Administration for management of the Bank represented by LLC "Fund of Banking Sector Consolidation Asset Management

Company" (hereinafter referred to as LLC "FBSC AMC"). The Temporary Administration analysed the Bank's assets, assessed their risk level and created additional provisions to the appropriate level.

In 2019 the Bank completed its financial rehabilitation measures.

After recapitalization the Bank meets the requirements for compliance with mandatory standards established by the Bank of Russia's Instruction No. 180-I "On mandatory standards of banks" dated 28 June 2017 (hereinafter - "instruction of the Bank of Russia No. 180-I"). At the minimum established value of the equity (capital) adequacy ratio (N1.0) of 8.0% as of 1 January 2021, the ratio was 11,6% (as of 1 January 2020 – 10,3%). The maximum amount of risk per borrower and group of related borrowers for the Bank and the Group (N6 and N21, respectively) should be maintained at a level of no more than 25,0%, as of 1 January 2021 the value of the N6 standard was 13,8% and the value of the N21 standard was 9,7% (as of 1 January 2020 – 17,0% and 14,2% respectively).

In 2020, there were no violations of the standards. In 2019 there were violations of the N6 standard: as of 1 March 2019 and as of 1 April 2019.

As at 31 December 2020 the Bank does not have any underestimated reserves based on internal assessments or assessments and recommendations of the regulator.

The open auction for the sale of Bank of Russia-owned Bank shares scheduled for 14 March 2019 was declared invalid due to the fact that none of the two participants admitted by the Bank of Russia to the auction actually took part in the auction.

As at 31 January 2020, the Bank of Russia announced the beginning of receiving messages about intentions to participate in the sale of the Bank's shares. On 15 April 2020, the Bank of Russia completed receiving messages from interested parties on their intentions to participate in the sale of the Bank's shares. During the pre-sale preparation of the Bank's shareholding in 2020, the Bank of Russia received four messages from interested parties about their intention to take part in the procedures for the sale of shares and acquire 100% of the Bank's shares. At the same time, certain stakeholders expressed uncertainty about the advisability of acquiring shares in the Bank without the ability to assess the impact on the Bank's activities of the COVID-19 pandemic.

The Bank of Russia decided to carry out procedures for the sale of the Bank's shares for 2021–2022, with all pre-sale procedures anew, as well as to expand the circle of bidders and obtain an adequate price for the shares sold. This will provide all interested parties with an opportunity to more accurately assess the results of the Bank's activities in the new conditions and its further development prospects.

The specific dates for the sale of the Bank's shares and the necessary pre-sale procedures will be determined and announced after summing up the results of the Bank's activities for 2020 and stabilizing the situation.

41 Subsequent events

Since the beginning of 2021 the economy of the Russian Federation has been in an extremely unstable condition due to COVID-19 pandemic. These events are non-adjusting events for 2020 consolidated financial statements. The impact of the COVID-19 pandemic on the Group's consolidated financial position is described in Note 1.