SBI Bank LLC

Financial Statements
and Independent Auditor's Report
for the Year Ended 31 December 2020

SBI BANK LLC

Contents

SBI Bank LLC

Statement of Management's Responsibilities for the Preparation and Approval of the Financial Statements for the Year Ended 31 December 2020

Management is responsible for the preparation of the financial statements that present fairly the financial position of SBI Bank LLC (the "Bank") as at 31 December 2020, and the related statements of profit or loss, other comprehensive income, changes in equity and cash flows for the year then ended, and of significant accounting policies and other notes to the financial statements (the "financial statements") in compliance with International Financial Reporting Standards ("IFRS").

In preparing the financial statements, management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Bank's financial position and financial performance;
- Making an assessment of the Bank's ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Bank;
- Maintaining adequate accounting records that are sufficient to show and explain the Bank's transactions and disclose with reasonable accuracy at any time the financial position of the Bank, and which enable them to ensure that the financial statements of the Bank comply with IFRS;
- Maintaining statutory accounting records in compliance with Russian legislation and accounting standards;
- Taking all reasonably available measures to safeguard the assets of the Bank; and
- Detecting and preventing fraud and other violations.

The financial statements for the year ended 31 December 2020 were approved on 28 April 2021 by the Management Board of the Bank.

On behalf of the Management Board:

Chairman of the Board **Karyakin Andrei Dmitrievich**	**Chief Accountant** **Sytenko Vadim Gennadievich**

Общество с ограниченной ответственностью Эс-Би-Ай Банк ОГРН 1037739028678 SBI Bank Strategic Business Innovator Москва

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Russia

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INDEPENDENT AUDITOR'S REPORT

To the sole participant of SBI Bank Limited Liability Company

Opinion

We have audited the financial statements of SBI Bank LLC (the "Bank") which comprise the statement of financial position as at 31 December 2020, the statement of profit or loss, the statement of other comprehensive income, the statement of changes in equity and statement of cash flows for 2020, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISA"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in the Russian Federation, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the 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 Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Bank'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 Bank or to cease its operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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 Bank's internal control;
- Evaluate the appropriateness of the 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 Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Report on procedures performed in accordance with the Federal Law No. 395-1 dated 2 December 1990 "On Banks and Banking Activities"

The Management of the Bank is responsible for compliance with the mandatory ratios established by the Bank of Russia, as well as for compliance of the Bank's internal control and risk management systems with the Bank of Russia requirements.

According to Article 42 of Federal Law No. 395-1 "On Banks and Banking Activities" dated 2 December 1990 (the "Federal Law") in the course of our audit of the Bank's financial statements for 2020 we performed procedures with respect to the Bank's compliance with the obligatory ratios as at 1 January 2021 and compliance of its internal control and risk management systems with the CBR requirements.

We have selected and performed procedures based on our judgment, including inquiries, analysis and review of documentation, comparison of the Bank's policies, procedures and methodologies with the CBR requirements, as well as recalculations, comparisons and reconciliations of numeric values and other information.

We report our findings below:

1. With respect to the Bank's compliance with the mandatory ratios: the mandatory ratios as at 1 January 2021 were within the limits established by the Central Bank of Russia. We have not performed any procedures with respect to the Bank's accounting records other than those we considered necessary to express our opinion on whether the financial statements of the Bank present fairly, in all material respects, the financial position of the Bank as at 31 December 2020, its financial performance and its cash flows for 2020 in accordance with IFRS and Russian accounting standards;
2. With respect to compliance of the Bank's internal control and risk management systems with the CBR requirements:
   (a) in accordance with the requirements and recommendations of the CBR, as at 31 December 2020 the Bank's internal audit department was functionally subordinated and accountable to the Bank's Board of Directors, and the Bank's risk management department was not subordinated or accountable to the departments undertaking the respective risks, heads of the Bank's internal audit and risk management departments meet the qualification requirements set by the CBR;
   (b) as at 31 December 2020, the Bank's effective internal policies governing the identification and management of significant risks, including credit, operational, market, liquidity risks, and the performance of stress-testing were approved by the Bank's competent management bodies in accordance with the CBR requirements and recommendations;
   (c) as at 31 December 2020, the Bank had a reporting system with regard to the Bank's significant credit, operational, market, liquidity risks and with regard to the Bank's capital;

(d) frequency and sequential order of reports prepared by the Bank's risk management and internal audit departments in 2020 on management of credit, operating, market and liquidity risks were in compliance with the Bank's internal policies; these reports included results of monitoring by the Bank's risk management and internal audit departments of effectiveness of the Bank's respective methodologies and improvement recommendations;

(e) as at 31 December 2020, the authority of the Bank's Board of Directors and the Bank's executive bodies included control over compliance with the risk limits and capital adequacy ratios established by the Bank. In order to control the efficiency and consistency of how the Bank's risk management policies were applied during 2020, the Bank's Board of Directors and the Bank's executive bodies regularly discussed reports prepared by the risk management and internal audit departments and considered proposed corrective measures.

We have carried out the procedures with respect to the Bank's internal control and risk management systems solely to report on the findings related to compliance of the Bank's internal control and risk management systems with the CBR requirements.

Ekaterina Vladimirovna Ponomarenko
Engagement Partner

29 April 2021

Company: SBI Bank LLC

State registration certificate No. 035.102 issued on 30 December 1994 by the state institution Moscow Registration Chamber on 8 January 2003.

Primary state registration number: 1037739028678

Certificate of registration in the Unified State Register of Legal Entities: № 1037739028678, issued by the Moscow Federal Tax Service on 11 March 2003.

Location: 125315, Moscow, 72 Leningradskiy ave., bld. 2, office 4

Audit Firm: AO Deloitte & Touche CIS

State Registration Certificate No. 018.482 issued by Moscow Registration Chamber on 30 October 1992.

Primary state registration number: 1027700425444

Certificate of registration in the Unified State Register of Legal Entities: series 77 No. 004840299 of 13 Nvember 2002, issued by Moscow Interdistrict Inspectorate of the Russian Ministry of Taxation № 39.

Member of Self-Regulated Organization of Auditors "Sodruzhestvo" (Association), ORNZ 12006020384.

SBI Bank LLC

Statement of financial position as at 31 December 2020
(in thousands of Russian rubles)

	Notes	31 December 2020	31 December 2019
ASSETS			
Cash and cash equivalents	6	2 411 986	2 852 024
Mandatory cash balance with the Central Bank of the RF		55 699	50670
Due from financial institutions	7	2 190 954	525 282
Loans to customers	8, 26, 28	9 787 556	9 120 776
Investment assets	9	718 499	675 525
Property and equipment and intangible assets	10	566 889	553 816
Other assets	11	58 762	80 455
Non-current assets held for sale	12	89 089	293 947
Total assets		**15 879 434**	**14 152 495**
LIABILITIES			
Due to banks	13	910 178	605 200
Due to customers	14	7 393 085	8 824 162
Other liabilities	15	523 924	449 632
Total liabilities and equity		**8 827 187**	**9 878 994**
EQUITY			
Share capital		1 746 000	1 746 000
Share premium		4 922 900	4 922 900
Other provisions		4 000 000	-
Reserve funds		16 584	20 420
Accumulated losses		(3 633 237)	(2 415 819)
Total equity	16	**7 052 247**	**4 273 501**
Total liabilities and equity		**15 879 434**	**14 152 495**

On behalf of the Management Board:

Chairman of the Board
Karyakin Andrei Dmitrievich

Общество с ограниченной ответственностью Эс-Би-Ай Банк ОГРН 1037739028678 МОСКВА
SBI Bank Strategic Business Innovator

Chief Accountant
Sytenko Vadim Gennadievich

28 April 2021

The notes on pages 11-97 form an integral part of these financial statements.

Statement of profit and loss for the year ended 31 December 2020
(in thousands of Russian rubles)

	Notes	2020	2019
Interest income		1 312 219	810 957
Interest expenses		(380 006)	(235 235)
Net interest income before impairment losses on assets	17	**932 213**	**575 722**
Impairment losses recovery/(recognition) on interest bearing assets	6, 7, 8, 9	(805 965)	(382 669)
Net interest income after recognition of impairment losses on interest bearing assets		**126 248**	**193 053**
Fee and commission income	18	243 935	134 693
Fee and commission expense	18	(92 327)	(85 527)
Net gain/(loss) on financial instruments operations	19	12 956	5 073
Net gain/(loss) from trading in foreign currencies		(17 892)	58 711
Net gain/(loss) on foreign currency translation		46 441	(18 903)
Recovery/(formation) of other provisions	20	(91 817)	(71 748)
Impairment of non-current assets held for sale		(206 339)	(191 201)
Other net income/(expenses)	21	25 387	4 855
Net non-interest income/(expenses)		**(79 656)**	**(164 047)**
Operating income/(expense)		**46 592**	**29 006**
Operating expenses	22	(1 261 658)	(1 186 941)
Loss before taxation		**(1 215 066)**	**(1 157 935)**
Income tax	23	(2 352)	(1 333)
Net loss for the period		**(1 217 418)**	**(1 159 268)**

On behalf of the Management Board:

Chairman of the Board
Karyakin Andrei Dmitrievich

Chief Accountant
Sytenko Vadim Gennadievich

28 April 2021

The notes on pages 11-97 form an integral part of these financial statements.

SBI Bank LLC

Statement of other comprehensive income for the year ended 31 December 2020
(in thousands of Russian rubles)

	Notes	2020	2019
Net loss for the period		**(1 217 418)**	**(1 159 268)**
Other comprehensive income/(expense) to be reclassified to profit or loss in subsequent periods:			
Change of the revaluation reserve of financial assets at FVTOCI	16	(4 667)	25 417
Change of the credit risk on financial assets measured at FVTOCI	16	831	267
Items that may be reclassified to profit or loss		***(3 836)***	***25 684***
Other comprehensive income/(expense)		**(3 836)**	**25 684**
Total comprehensive expense for the year		**(1 221 254)**	**(1 133 584)**
Loss for the period recognized in the statement of profit or loss		**(1 217 418)**	**(1 159 268)**

On behalf of the Management Board:

Chairman of the Board
Karyakin Andrei Dmitrievich

Chief Accountant
Sytenko Vadim Gennadievich

28 April 2021

The notes on pages 11-97 form an integral part of these financial statements.

SBI Bank LLC

Statement of changes in equity for 2020
(in thousands of Russian rubles)

	Note	Share capital	Share premium	Other reserves	Reserve funds: Revaluation reserve of the fair value related to the financial assets at FVTOCI	Reserve funds: Credit risk on financial assets measured at FVTOCI	(Accumulated deficit)/retained earnings	Total
Balance at the beginning of the period at 31 December 2018		**1 300 000**	**3 331 300**	**-**	**(7 909)**	**2 645**	**(1 256 551)**	**3 369 485**
Increase in share capital		446 000	1 591 600	-	-	-	-	**2 037 600**
Profit(loss) for the period		-	-	-	-	-	(1 159 268)	**(1 159 268)**
Other comprehensive income/(expense) for the period less income tax								
Fair value movements of financial assets at FVTOCI		-	-	-	25 417	-	-	**25 417**
Allowance for impairment losses of financial assets at FVTOCI		-	-	-	-	267	-	**267**
Total other comprehensive income/(expense) for the period		-	-	-	25 417	267	-	**25 684**
Balance as at 31 December 2019	16	**1 746 000**	**4 922 900**	**-**	**17 508**	**2 912**	**(2 415 819)**	**4 273 501**
Increase in share capital		-	-	-	-	-	-	**-**
Loss for the period		-	-	-	-	-	(1 217 418)	**(1 217 418)**
Financial assistance of the participant		-	-	4 000 000	-	-	-	**4 000 000**
Other comprehensive income for the period less income tax								
Fair value movements of financial assets at FVTOCI		-	-	-	(4 667)	-	-	**(4 667)**
Allowance for impairment losses of financial assets at FVTOCI		-	-	-	-	831	-	**831**
Total other comprehensive income/(expense) for the period		-	-	-	(4 667)	831	-	**(3 836)**
Balance as at 31 December 2020	16	**1 746 000**	**4 922 900**	**4 000 000**	**12 841**	**3 743**	**(3 633 237)**	**7 052 247**

On behalf of the Management Board:

Chairman of the Board
Karyakin Andrei Dmitrievich

Chief Accountant
Sytenko Vadim Gennadievich

28 April 2021

The notes on pages 11-97 form an integral part of these financial statements.

SBI Bank LLC

Statement of cash flows for the year 2020
(in thousands of Russian rubles)

	Notes	2020	2019
Cash flows from operating activities			
Interest received		1 253 174	757 374
Interest paid		(326 218)	(148 609)
Gains less losses/(losses less gains) from financial derivatives transactions		272	-
Gains less losses (losses less gains) from trading in foreign currency		(17 894)	59 826
Fee and commission income		253 276	165 614
Fee and commission expense		(91 109)	(85 527)
Other operating income received/(expenses paid)		4 593	1 417
Administrative and other operating expenses paid		(1 111 583)	(1 053 886)
Income tax paid		(2 092)	(1 250)
Cash flows used in operating activities before changes in operating assets and liabilities		**(37 581)**	**(305 041)**
Net decrease/(increase) in cash balances with the Central Bank of the RF		(5 029)	(25 837)
Net decrease/(increase) in deposits with financial institutions		(1 664 887)	922 309
Net decrease/(increase) in loans to customers		(1 433 946)	(8 210 340)
Net decrease/(increase) in other assets		(29 536)	(47 068)
Net (decrease)/increase in deposits by banks		300 000	(1 417)
Net (decrease)/increase in customer accounts		(2 007 372)	6 979 552
Net decrease/(increase) in other liabilities		25 487	19 430
Net cash used in operating activities		**(4 852 864)**	**(668 412)**
Cash flows from investing activities			
Purchase of investment securities		(374 047)	(258 598)
Proceeds from disposal and redemption of investments securities		370 499	157 736
Purchase of property, plant and equipment and intangible assets		(116 983)	(324 506)
Proceeds from sale of long-term assets held for sale		55 000	-
Net cash and cash equivalents in investing activities		**(65 531)**	**(425 368)**
Cash flows from financing activities			
Contributions to share capital		-	1 000 000
Other participant's contributions		4 000 000	-
Repayment of lease liabilities		(64 324)	(60 683)
Net cash and cash equivalents received from financing activities		**3 935 676**	**939 317**
Effect of changes in CBR foreign exchange rate on cash and cash equivalents		542 487	(60 839)
Net increase/(decrease) in cash and cash equivalents		**(440 232)**	**(215 302)**
Cash and cash equivalents, beginning of period	6	**2 852 211**	**3 067 513**
Cash and cash equivalents, end of period	6	**2 411 979**	**2 852 211**

On behalf of the Management Board:

Chairman of the Board
Karyakin Andrei Dmitrievich

Chief Accountant
Sytenko Vadim Gennadievich

ОБЩЕСТВО С ОГРАНИЧЕННОЙ ОТВЕТСТВЕННОСТЬЮ Эс-Би-Ай Банк ОГРН 1037739028678 SBI Bank Strategic Business Innovator МОСКВА

28 April 2021

The notes on pages 11-97 form an integral part of these financial statements.

1. General information

SBI Bank Limited Liability Company (hereinafter - the "Bank") is a limited liability company registered in the Russian Federation in 1994. The activity of the Bank is regulated by the Central Bank of the Russian Federation and is carried out on the basis of a general license for banking operations with funds in rubles and foreign currency (with the right to attract deposits from individuals) and banking operations with precious metals, registration number 3185.

The Bank is primarily engaged in the following operating activities:

1. Corporate banking:
   - Opening and maintenance of current and settlement accounts;
   - Bank deposits;
   - Loans and other credit facilities;
   - Issuance of financial guarantees;
   - Transactions with foreign currencies and derivative financial instruments;

2. Retail banking:
   - Opening and maintaining bank accounts of individuals;
   - Deposits;
   - Credit and debit cards;
   - Consumer loans and mortgages;

3. Investing activities: trade and repos with financial instruments.

The main types of banking operations:

- Operations with securities;
- Granting loans to legal entities and individuals;
- Deposits;
- Provision of bank guarantees.

All Bank's operations are carried out within the Russian Federation only.

The Bank is covered by the federal government's deposit insurance scheme introduced by Russian Federal Law No. 177-FZ *Insurance of Individual's Bank Deposits in the Russian Federation* dated 23 December 2003 - certificate № 872 dated 26 August 2005.

The state deposit insurance scheme guarantees reimbursement of 100% for insured deposit not exceeding RUB 1 400 thousand for each individual in case of revocation of the banking license and moratorium on payments declared by the CBR.

(in thousands of Russian Rubles, unless otherwise indicated)

1. General information (continued)

On 29 June 2020 ACRA assigned a credit rating of BBB- (RU) to SBI Bank LLC with a stable outlook.

The bank's legal and business address as at the reporting date: Russian Federation, 125315, Moscow, Leningradsky Avenue, 72, bld. 2, bld. 4.

As at 31 December 2020 there were 311 employees in the Bank, as at 31 December 2019 – 281 employees.

As at 31 December 2020 and 2019 the Bank had the following participants:

	31 December 2020	**31 December 2019**
	%	**%**
SBI Holdings, Inc.	100.00%	100.00%
Total	**100.00%**	**100.00%**

SBI Holdings, Inc. is the sole participant of SBI Bank LLC with 100% stake.

SBI Holdings, Inc. is a large financial group specializing in the implementation and development of Internet technologies, which operates in such areas as asset management, brokerage operations, investment banking, financial services, real estate operations, development of system software solutions.

SBI Holdings, Inc. is a large international corporation with offices and representative offices in many countries of the world, mainly in Asia (Singapore, Malaysia, Hong Kong, China, South Korea, etc.).
The company is headquartered in Japan.

The Bank does not have any branches. The Bank's financial statements are available on the Bank's website: www.SBIbankLLC.ru.

2. Adoption of new and revised standards

New and amended IFRSs effective in the current year

The amendments to the standards and interpretations specified below became effective for the Bank starting from 1 January 2020, but had no significant effect on the Bank:

Amendments to IFRS 9 and IFRS 7	*Interest Rate Benchmark Reform and its Effects on Financial Reporting*
Amendments to IAS 3	*Definition of a Business*
Amendments to IAS 1 and IAS 8	*Definition of Material*
Conceptual Framework	Amendments to References to the Conceptual Framework in IFRS Standards

(in thousands of Russian Rubles, unless otherwise indicated)

2. Adoption of new and revised standards (continued)

Bank did not applied the amendment to IFRS 16 *COVID-19-Related Rent Concessions*. This amendment is mandatory for the application for annual reporting periods beginning on or after 1 July 2020. It is applied retrospectively in accordance with IAS 8, but does not require comparative data revision.

The adoption of the new standards and interpretations did not lead to significant changes in the Bank's accounting policies that have an impact on the reporting data of the current and previous periods.

New and revised IFRSs in issue but not yet effective. At the time of approval of these financial statements, the Bank had not applied the following new and revised IFRSs in issue but not yet effective:

IFRS 17	*Insurance contracts*
Amendments to IAS 1	*Classification of Liabilities as Current or Non-Current:*
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16	*Basic interest rate reform - stage 2*
Amendments to IFRS 3;	*Business combinations - Reference to the Conceptual Framework*
Amendments to IAS 16	*Property, Plant and Equipment (PPE) - Revenue before expected use*
Amendments to IAS 37	*Provisions, Contingent Liabilities and Contingent Assets — Onerous Contracts — Cost of Fulfilling a Contract*
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
Amendments to IFRS 1, IFRS 9, IAS 41, IFRS 16	Annual improvements to IFRSs 2018-2020 Cycle

The Bank does not expect that the application of the Standards above will have a significant impact on financial statements of the Bank in subsequent periods.

IFRS 17 Insurance Contracts. IFRS 17 establishes principles for recognition, measurement, disclosure and presentation of insurance contracts, and supersedes IFRS 4 *Insurance Contracts*.

IFRS 17 establishes a general model, which is modified and defined with respect to insurance contracts with direct participation features as the variable fee approach. The General Model is simplified if certain criteria are met by measuring the liability for remaining coverage using the Premium Allocation Approach.

The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. The model takes into account market interest rates and the impact of options and guarantees of policyholders.

The Standard is effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted. It is applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied. As a result, the effective date of the standard has been deferred to 1 January 2023, instead of the initially proposed date of 1 January 2021.

For the purpose of the transition requirements, the date of initial application is the start if the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application.

The management of the Bank does not expect the application of this standard to affect the financial statements of the Bank in the future, since the Bank does not have the tools within the scope of the application of this standard.

2. Adoption of new and revised standards (continued)

Amendments to IAS 1 "Classification of Liabilities as Short-Term or Long-Term" (as part of the project to formulate Annual Improvements to IFRS 2010-2012 cycles). The amendments are intended to facilitate the understanding that a liability is classified as long-term if the organization expects and has the authority to refinance the liability or postpone its maturity by at least 12 months after the reporting period under the existing credit line with the previous lender, on equal or similar terms.

The amendment affect only the presentation of liabilities in the statement of financial position- not the amount or timing of recognition, or the information that entities disclose about those items.

The amendments clarify that the classification should be based on the existence at the end of the reporting period of the right to defer repayment of a liability for at least 12 months. Thus, the amendments explicitly indicate that only those rights that exist "at the end of the reporting period" should affect the classification of the liability. Moreover, the classification does not depend on expectations as to whether the organization will use the right to defer repayment of the liability, which means transferring funds, equity instruments, or other assets or services to a counterparty.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and are to be applied retrospectively. Early application is acceptable.

The Bank's management does not anticipate that the application of these amendments may have an impact on the Bank's financial statements in future periods.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, IFRS 16 Interest Rate Benchmark Reform – Phase 2. Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 *Interest Rate Benchmark Reform – Phase 2* address the impact from the interest rate benchmark reform as regards accounting for modifications to financial assets, financial liabilities and lease liabilities, hedge accounting and disclosure requirements in line with IFRS 7.

Modification of financial assets, financial liabilities and lease liabilities. The amendments provide for a practical expedient to account for the change in the basis for determining the contractual cash flows as a direct consequence of interest rate benchmark reform. This practical expedient only applies where the new basis for determining the contractual cash flows is economically equivalent to the previous basis. Based on the practical expedient, the change in the basis for determining the contractual cash flows is applied prospectively by revising the effective interest rate. Any other changes are accounted for using the effective IFRS requirements. The similar practical expedient applies to lessees accounting for leases under IFRS 16.

Disclosures. The amendments require an entity provide disclosures that enable a user to understand the nature and extent of risks arising from IBOR, how the entity is managing those risks, its progress in completing the transition from interest rate benchmarks to alternative benchmark interest rates and how it is managing the transition.

The amendments apply retrospectively for annual periods beginning on or after 1 January 2021, with earlier application permitted.

The Bank's management does not anticipate that the application of these amendments may have an impact on the Bank's financial statements in future periods.

2. Adoption of new and revised standards(continued)

Amendment to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture. The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognized in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognized in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the board; however, earlier application of the amendments is permitted.

Management does not anticipate that the application of these amendments may have an impact on the Bank's financial statements in future periods should such transactions arise.

Annual Improvements to IFRS 2018-2020 Cycles. The list of amendments includes amendments to the three standards, as well as annual improvements to the Board, which are changes that clarify the wording or eliminate minor inconsistencies, omissions or contradictions between the requirements in the standards.

- **The amendments to IFRS 3** *Business Combinations* update the reference in IFRS 3 to the Conceptual Framework for Financial Statements without changing the accounting requirements for a business combination.
- **The amendments to IAS 16** *Property, Plant and Equipment* prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the condition necessary for it to be capable of operating in the manner intended by management. Instead, these sales revenue and related costs are recognized in profit or loss.
- **Amendments to IAS 37** *Provisions, Contingent Liabilities and Contingent Assets* determine the costs to be included in assessing whether the contract is unprofitable.
- Annual improvements introduce minor amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards*, IFRS 9 *Financial Instruments*, IAS 41 *Agriculture* and illustrative examples accompanying IFRS 16 *Leases*.

All amendments are effective from 1 January 2022, with early application permitted.

Management does not anticipate that the application of these amendments may have an impact on the Bank's financial statements in future periods should such transactions arise.

3. Significant Accounting Policies and the Principles of Preparation the Financial Statements

Statement of compliance. These financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS”).

These financial statements are presented in thousand of Russian Rubles (“RUB thousand”), unless otherwise indicated.

These financial statements have been prepared based on the assumption that the Bank will continue as a going concern in the foreseeable future and has neither intention nor obligation to discontinue or significantly reduce its activities, and that therefore its obligations will be discharged in due course.

Abbreviations used in these statements:

- FVTOCI refers to fair value through other comprehensive income;
- FVTPL refers to fair value through profit or loss;
- ECL refers to expected credit losses;
- ICAAP - internal capital adequacy assessment procedures;
- CBR or Bank of Russia - Central Bank of the Russian Federation.

Impact of the operating environment on going concern. Starting from early 2020 a new coronavirus disease (COVID-19) has begun rapidly spreading all over the world resulting in announcement of the pandemic status by the World Health Organization in March 2020. COVID-19 prevention efforts taken by many countries lead to significant operating straits for many businesses and have a significant impact on international financial markets.

The rapid spread of COVID-19 can significantly affect many businesses operating in various industries, including, but not limited to, disruption of operations due to production interruptions/shutdowns, supply chain disruptions, staff quarantine, days off, decrease in demand and funding issues.

COVID-19 May also affect the Bank more seriously due to its negative impact on the global economy and major financial markets. The effect of COVID-19 on the Bank’s operations is largely dependent on the duration of the pandemic and its impact on the global and Russian economies. All of the above may significantly affect the Bank’s operations and financial performance, including the quality indicators of the loan portfolio, liquidity and capital.

Taking it into account, the Bank carried out a deep analysis of the current situation, simulated the potential impact of stress scenarios on the Bank’s activities and financial indicators, having considered the possible negative effect of the above events. The results of the stress testing carried out demonstrate that there is a sufficient reserve of equity and a buffer of the Bank’s liquidity to absorb possible stress losses without violating the mandatory standards of the Bank of Russia and the principle of going concern.

3. Significant Accounting Policies and the Principles of Preparation the Financial Statements (continued)

At the time of signing these statements, the Bank received a letter from the Participant in which he expressed his intention to provide support to the Bank within the next 12 months, including a situation that may arise as a result of the negative impact of the factors described above. In the reporting period, the Participant provided financial support to the Bank in the amount of RUB 4 000 000 thousand. (refer to note 16).

Based on this, the Management concluded that the going concern assumption is applicable to the Bank and that the financial stability of the Bank in the foreseeable future will depend both on external economic conditions, on the implementation of the Strategy and the support of the Participant.

On 25 January 2021, a capital investment agreement was signed. The capital of the Bank will include the Russian Direct Investment Fund (RDIF, the sovereign fund of the Russian Federation) and the Russia-Japan Investment Fund (RJIF, established by RDIF, Japan Bank for International Cooperation and JBIC IG Partners). On 25 January 2021, new investors signed a capital investment agreement with the Japanese corporation SBI Holdings that was the only member of SBI Bank. Each participant will account for 4.63% of the share capital of the Bank. As at the date of signing these statements, cash in the amount of RUB 1 000 000 thousand is credited to the Bank's correspondent account and correspond to the monetary value of the participants' shares in accordance with the capital investment agreement.

During 2020, the Bank has had continued losses from its main activities in the amount of RUB 1 217 418 thousand. The Bank's activities in 2020 were carried out in accordance with the Strategy for the period 2020-2023, updated on 14 September 2020 by the Board of Directors (Minutes dated 14 September 2020). This Strategy implies planned loss-making activities at the end of 2020 with the support of the participant (attracting additional investments and funding), with a break-even activity at the end of 2021.

The activity of the Bank in 2020 was carried out in accordance with the tasks defined for the first phase of the implementation of the Development Strategy for the period 2020-2023 and is characterized with the achievement of the following results:

- Development of competitive products for small and medium-sized businesses (hereinafter referred to as "SMEs") (lending, bank guarantees, package products for settlement and cash services);
- Implementation of marketing policies in the target strategic areas, testing of communication channels and conducting the necessary studies of the target audience and the market;
- Optimization of the risk management system in order to ensure the optimal balance between the profitability of business areas and the level of risks assumed by the Bank;
- Development of a risk management system taking into account the specifics of the selected business model;
- Phased development of remote service channels for corporate clients, testing and implementation of express products and business processes for servicing SMEs.

On 29 June 2020, ACRA assigned a credit rating of BBB- (RU) to SBI Bank LLC with a stable outlook which allowed the Bank to continue working in the market of express guarantees for participation in public procurement within the Federal laws, which is strategically important for its business model: Federal law No. 44-FZ dated 05.04.2013 "On the contract system in the field of procurement of goods, works, services to meet state and municipal needs" and Federal law No. 223-FZ dated 18.07.2011 "On the procurement of goods, works, services by certain types of legal entities."

(in thousands of Russian Rubles, unless otherwise indicated)

3. Significant Accounting Policies and the Principles of Preparation the Financial Statements (continued)

When planning the development of corporate business for 2020 - 2023, the Bank focuses on attracting customers from small and medium-sized businesses (SMEs) and rendering comprehensive services to them, as well as large businesses.

While working with the clients of the SME segment, the Bank first of all focuses on:

- Creating a modern high-tech digital bank for small and medium-sized businesses.
- Customer service throughout the Russian Federation through remote channels (first of all, Internet-bank platforms).
- Using qualified courier partner services to ensure direct contact with customers when opening accounts.
- The primary focus is on the cities with the population of more than 100 thousand people, cumulatively covering at least 80% of SMEs in Russia.
- Creating own wide agent network to attract customers working in the government procurement market.
- Ensuring the work of remote client services in 24x7 mode.
- Formation of a general product line, which includes both the Bank's own "express products" and high-tech partner solutions.

Attracting customers of small and medium-sized businesses will be carried out through remote channels (including the Internet), as well as through partnerships with electronic trading platforms, marketplaces, agents and brokers.

The business model of the Bank's retail business development is focused on providing customers with banking products, payment services and commission services through the innovative digital platform for families "Svoy Krug" created in 2019. This solution will simultaneously involve all family members, including children, in the use of the Bank's products and services.

Basis of preparation. These financial statements have been prepared on the historical cost basis except for financial instruments.

Exchange rates for the currencies in which the Bank transacted were as follows:

	31 December 2020	**31 December 2019**
Closing exchange rates (RUB)		
1 US dollar (USD dollar)	73.8757	61.9057
EUR 1	90.6824	69.3406
JPY 100	71.4915	56.7032

In addition to these foreign currencies, the Bank carried out operations in British pounds, Swiss francs.

Net interest income. Interest income and expense for all financial instruments are recognized in *Net interest income* as *Interest income* and *Interest expense* in the profit or loss account using the effective interest method.

3. Significant Accounting Policies and the Principles of Preparation the Financial Statements (continued)

The effective interest rate (EIR) is the rate that exactly discounts estimated future cash flows of the financial instrument through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. The future cash flows are estimated taking into account all the contractual terms of the instrument.

The calculation of the EIR includes all fees and points paid or received between parties to the contract that are incremental and directly attributable to the specific lending arrangement, transaction costs, and all other premiums or discounts. For financial assets at FVTPL transaction costs are recognised in profit or loss at initial recognition.

The interest income/ interest expense is calculated by applying the EIR to the gross carrying amount of non-credit impaired financial assets (i.e. at the amortized cost of the financial asset before adjusting for any expected credit loss allowance), or to the amortized cost of financial liabilities. For credit-impaired financial assets the interest income is calculated by applying the EIR to the amortised cost of the credit-impaired financial assets (i.e. the gross carrying amount less the allowance for expected credit losses (ECLs)). For financial assets originated or purchased credit-impaired (hereinafter - POCI) the EIR reflects the ECLs in determining the future cash flows expected to be received from the financial asset.

***Fee and commission income/expenses*.** Fee and commission income and expense include fees other than those that are an integral part of EIR (see above). The fees included in this part of the Bank's statement of profit or loss include among other things fees charged for servicing a loan, non-utilization fees relating to loan commitments when it is unlikely that these will result in a specific lending arrangement and loan syndication fees.

Fee and commission expenses with regards to services are accounted for as the services are received.

Net profit/(loss) on transactions with trading assets and other financial assets at FVTPL and trading liabilities. Net gain/(loss) on trading and other financial assets at FVTPL and trading liabilities includes all gains and losses from changes in the fair value of financial assets and financial liabilities held for trading, except interest income/expenses. The latter are recorded in the profit or loss account as part of "Net interest income".

Dividend income. Dividend income is recognized when the right to receive payment is established. This is the ex-dividend date for listed equity securities, and usually the date when shareholders approve the dividend for unlisted equity securities.

The presentation of dividend income in the statement of profit and loss depends on the classification and measurement of the equity investment. Specifically:

- For equity instruments which are held for trading, dividend income is presented as trading income;
- For equity instruments designated at FVTOCI dividend income is presented in other income; and
- For equity instruments not designated at FVTOCI and not held for trading, dividend income is presented as net income from other instruments at FVTPL.

3. Significant Accounting Policies and the Principles of Preparation the Financial Statements (continued)

Financial assets. All financial assets are recognized and derecognized on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, Initially financial assets are measured at fair value, plus transaction costs. The exception is for those financial assets classified at FVTPL. Transaction costs that are directly attributable to the acquisition of financial assets classified as at FVTPL are charged directly to profit or loss.

All recognized financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortized cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

In particular:

- Debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are subsequently measured at amortized cost.
- Debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are SPPI, are subsequently measured at FVTOCI.
- All other debt instruments (e.g. debt instruments managed on a fair value basis, or held for sale) and equity investments are subsequently measured at FVTPL.

However, the Bank makes the following irrevocable election / designation at initial recognition of a financial asset on an asset- by-asset basis. Specifically:

- The Bank may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, in OCI; and
- The Bank may irrevocably designate a debt instrument that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (referred to as the "fair value option").

<u>Debt instruments at amortized cost or at FVTOCI.</u> The Bank assesses the classification and measurement of a financial asset based on the contractual cash flow characteristics of the asset and the Bank's business model for managing the asset.

For an asset to be classified and measured at amortized cost or at FVTOCI, its contractual terms should give rise to cash flows that are solely payments of principal and interest on the principal outstanding (SPPI).

For the purpose of SPPI test, principal is the fair value of the financial asset at initial recognition. That principal amount may change over the life of the financial asset (e.g. if there are repayments of principal). Interest consists of 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, as well as a profit margin. The SPPI assessment is made in the currency in which the financial asset is denominated.

3. Significant Accounting Policies and the Principles of Preparation the Financial Statements (continued)

Contractual cash flows that are SPPI are consistent with a basic lending arrangement. Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI. An originated or an acquired financial asset can be a basic lending arrangement irrespective of whether it is a loan in its legal form.

An assessment of business models for managing financial assets is performed at the date of initial application of IFRS 9 to determine the classification of a financial asset. The business model was applied retrospectively to all financial assets recognized on the Bank's balance as at the date of initial application of IFRS 9. The Bank determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Bank's business model does not depend on management's intentions for an individual instrument, therefore the business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis.

The Bank has more than one business model for managing its financial instruments which reflect how the Bank manages its financial assets in order to generate cash flows. The Bank's business models determine whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

The Bank considers all relevant information available when making the business model assessment. However, this assessment is not performed on the basis of scenarios that the Bank does not reasonably expect to occur, such as so-called 'worst case' or 'stress case' scenarios. The Bank takes into account all relevant evidence available such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Bank's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed; and
- How managers of the Bank are compensated (e.g. whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

At initial recognition of a financial asset, the Bank determines whether newly recognized financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Bank reassess its business models each reporting period to determine whether the business models have changed since the preceding period. For the current reporting period, the Bank has not identified a change in its business models.

When a debt instrument measured at FVTOCI is derecognized, the cumulative gain/loss previously recognized in OCI is reclassified from equity to profit or loss. In contrast, for an equity investment designated as measured at FVTOCI, the cumulative gain/loss previously recognized in OCI is not subsequently reclassified to profit or loss but transferred within equity. Debt instruments that are subsequently measured at amortized cost or at FVTOCI are subject to impairment.

3. Significant Accounting Policies and the Principles of Preparation the Financial Statements (continued)

Financial assets at FVTPL. Financial assets at FVTPL include:

- Assets with contractual cash flows that are not SPPI; or/and
- Assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell; or
- Assets designated at FVTPL using the fair value option.

These assets are measured at fair value, with any gains/losses arising on revaluation recognized in profit or loss.

Reclassifications. If the business model under which the Bank holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying the Bank's financial assets. Changes in contractual cash flows are considered under the accounting policy below (*"Modification and derecognition of financial assets")*.

Gains and losses on foreign exchange operations. The book value of financial assets and liabilities denominated in foreign currency is determined in the respective foreign currency and is recorded in rubles at the rate set by the Central Bank of the Russian Federation for the respective currency against the ruble at the beginning of each business day of the reporting period. In particular:

- For financial assets measured at amortized cost that are not part of certain hedging relationships, exchange differences are recognized in profit or loss as "Net gain/(loss) from revaluation of foreign currency".
- For debt instruments measured at FVTOCI that are not part of certain hedging relationships, exchange differences at amortized cost of the debt instrument are recognized in profit or loss as "Net gain/(loss) from revaluation of foreign currency". Other exchange differences are recorded in other comprehensive income in the investments revaluation reserve.
- For financial assets measured at fair value in profit or loss that are not part of certain hedging relationships, exchange differences are recognized in profit or loss as "Net gain/(loss) from revaluation of foreign currency".
- For equity instruments at fair value through other comprehensive income, exchange differences are recorded in other comprehensive income in the revaluation reserve for investments.

Impairment. The Bank recognizes loss provisions for ECLs on the following financial instruments that are not measured at FVTPL:

- Cash and cash equivalents;
- Due from financial institutions;
- Loans to customers;
- Investment securities;
- Other financial assets in other assets;
- Commitments on loans and unused credit lines;
- Financial guarantees issued.

3. Significant Accounting Policies and the Principles of Preparation the Financial Statements (continued)

No impairment loss is recognized on equity investments.

With the exception of POCI financial assets (which are considered separately below), ECLs are required to be measured through a loss provision at an amount equal to:

- 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- Full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

For more details about staging refer to Note 28.

A loss provision for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Bank under the contract and the cash flows that the Bank expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's effective interest rate ("EIR").

The Bank measures ECL on an individual basis, or on a collective basis for portfolios of loans that share similar risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original EIR, regardless of whether it is measured on an individual basis or a collective basis.

<u>Credit-impaired financial assets.</u> 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. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data about the following events:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or past due event;
- The lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- The disappearance of an active market for a security because of financial difficulties; or
- The purchase of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event instead; the combined effect of several events may have caused financial assets to become credit-impaired. The Bank assesses whether debt instruments that are financial assets measured at amortized cost or FVTOCI are credit-impaired at each reporting date. To assess if sovereign and corporate debt instruments are credit-impaired, the Bank considers factors such as bond yields, credit ratings and the ability of the borrower to raise funding.

3. Significant Accounting Policies and the Principles of Preparation the Financial Statements (continued)

A loan is considered credit-impaired when a concession is granted to the borrower due to the deterioration in the borrower's financial condition, unless there is evidence that as a result of granting the concession the risk of not receiving the contractual cash flows has reduced significantly and there are no other indicators of impairment. For financial assets where concessions are contemplated but not granted, the asset is deemed credit-impaired when there is observable evidence of credit-impairment including meeting the definition of default. The definition of default (see below) includes unlikeliness to pay indicators and a back-stop if amounts are overdue for 90 days or more.

Purchased or originated credit-impaired (POCI) financial assets. POCI financial assets are treated differently because the asset is credit-impaired at initial recognition. For these assets, the Bank recognizes all changes in lifetime ECL since initial recognition as a loss provision with any changes recognized in profit or loss. A favorable change for such assets creates an impairment gain.

Definition of default. Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss provision is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk.

The Bank considers the following events as constituting an event of default:

- The borrower is past due more than 90 days on any material credit obligation to the Bank;
- The borrower is unlikely to pay its credit obligations to the Bank in full.

The definition of default is appropriately tailored to reflect different characteristics of different types of assets. Overdrafts are considered as being past due once the customer has breached an advised limit or has been advised of a limit smaller than the current amount outstanding.

When assessing if the borrower is unlikely to pay its credit obligation, the Bank takes into account both qualitative and quantitative indicators. The assessed information depends on the type of an asset. For example in corporate lending a qualitative indicator used is the breach of covenants, which is not relevant for retail lending. Quantitative indicators, such as overdue status and non-payment on another obligation of the same counterparty are key inputs in this analysis. The Bank uses a variety of sources of information to assess default, which are either developed internally or obtained from external sources.

Significant increase in credit risk. The Bank monitors all financial assets, issued credit commitments and financial guarantee contracts that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Bank will measure the loss provision based on lifetime rather than 12-month ECL.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Bank compares the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognized. In making this assessment, the Bank considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, based on the Bank's historical experience and expert credit assessment including forward-looking information.

3. Significant Accounting Policies and the Principles of Preparation the Financial Statements (continued)

Multiple economic scenarios form the basis of determining the probability of default at initial recognition and at subsequent reporting dates. Different economic scenarios will lead to a different probability of default. It is the weighting of these different scenarios that forms the basis of a weighted average probability of default that is used to determine whether credit risk has significantly increased.

For corporate lending, forward-looking information includes the future prospects of the industries in which the Bank's counterparties operate, consideration of various internal and external sources of actual and forecast economic information. For loans to individuals, forward-looking information also includes inside information about customer payment behavior. The Bank allocates its counterparties to a relevant internal credit risk grade depending on their credit quality. The quantitative information is a primary indicator of significant increase in credit risk and is based on the change in lifetime PD by comparing:

- The remaining lifetime PD at the reporting date; and
- The remaining lifetime PD for this point in time that was estimated based on facts and circumstances at the time of initial recognition of the exposure.

The PDs used are forward-looking and the Bank uses the same methodologies and data used to measure the loss provision for ECL.

The qualitative factors that indicate significant increase in credit risk are reflected in PD models on a timely basis. However, the Bank still considers separately some qualitative factors to assess if credit risk has increased significantly. In relation to loans to legal entities, special attention is paid to the assets that are included in the "watch list". It is assumed that if there is doubt about the creditworthiness of a particular counterparty, the risk arises in relation to this list. With regard to loans to individuals, the Bank analyzes expectations in relation to problematic changes to contracts, deferred payment, client's credit rating, as well as events such as loss of employment, bankruptcy, divorce or death.

Given that a significant increase in credit risk since initial recognition is a relative measure, a given change, in absolute terms, in the PD will be more significant for a financial instrument with a lower initial PD than compared to a financial instrument with a higher PD.

As a back-stop when an asset becomes 30 days past due, the Bank considers that a significant increase in credit risk has occurred and the asset is in Stage 2 of the impairment model, i.e. the loss provision is measured as the lifetime ECL.

<u>Modification and derecognition of financial assets.</u> A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date. In addition, the introduction or adjustment of existing covenants of an existing loan would constitute a modification even if these new or adjusted covenants do not yet affect the cash flows immediately but may affect the cash flows depending on whether the covenant is or is not met (e.g. a change to the increase in the interest rate that arises when covenants are breached).

3. Significant Accounting Policies and the Principles of Preparation the Financial Statements (continued)

The Bank renegotiates loans to customers in financial difficulty to maximize collection and minimize the risk of default. Problematic change of the contracts is granted in cases where although the borrower made all reasonable efforts to pay under the original contractual terms, there is a high risk of default or default has already happened and the borrower is expected to be able to meet the revised terms. The revised terms in most of the cases include an extension of the maturity of the loan, changes to the timing of the cash flows of the loan (principal and interest repayment), reduction in the amount of cash flows due (principal and interest forgiveness) and amendments to covenants.

When a financial asset is modified the Bank assesses whether this modification results in derecognition. In accordance with the Bank's policy a modification results in derecognition when it gives rise to substantially different terms. To determine if the modified terms are substantially different from the original contractual terms the Bank considers the following:

- Qualitative factors. For example, after changing the conditions, the contractual cash flows include not only payments on the principal amount of the debt and interest; the contract currency or counterparty has changed. The extent of change in interest rates, maturity, covenants are also analyzed.

If these do not clearly indicate a substantial modification, then:

- A quantitative assessment is performed to compare the present value of the remaining contractual cash flows under the original terms with the contractual cash flows under the revised terms, both amounts discounted at the original effective interest.

If the financial asset is derecognized the loss allowance for ECL is remeasured at the date of derecognition to determine the net carrying amount of the asset at that date. The difference between this revised carrying amount and the fair value of the new financial asset with the new terms will lead to a gain or loss on derecognition. The new financial asset will have a loss provision measured based on 12-month ECL except in the rare occasions where the new loan is considered to be originated-credit impaired. This applies only in the case where the fair value of the new loan is recognized at a significant discount to its revised par amount because there remains a high risk of default, which has not been reduced by the modification.

The Bank monitors credit risk of modified financial assets by evaluating qualitative and quantitative information, such as if the borrower is in past due status under the new terms.

When the contractual terms of a financial asset are modified and the modification does not result in derecognition, the Bank determines if the financial asset's credit risk has increased significantly since initial recognition by comparing:

- The remaining lifetime PD estimated based on data at initial recognition and the original contractual terms; with
- The remaining lifetime PD at the reporting date based on the modified terms.

3. Significant Accounting Policies and the Principles of Preparation the Financial Statements (continued)

For financial assets modified as part of the Bank's forbearance policy, where modification did not result in derecognition, the estimate of PD reflects the Bank's ability to collect the modified cash flows taking into account the Bank's previous experience of similar forbearance action, as well as various behavioral indicators, including the borrower's payment performance against the modified contractual terms. If the credit risk remains significantly higher than what was expected at initial recognition the loss allowance will continue to be measured at an amount equal to lifetime ECL.

The loss provision on the loans in respect of which a problematic change of the contract is carried out will generally only be measured based on 12-month ECL when there is evidence of the borrower's improved repayment behavior following modification leading to a reversal of the previous significant increase in credit risk.

Where a modification does not lead to derecognition the Bank calculates the modification gain/loss comparing the gross carrying amount before and after the modification (excluding the ECL allowance). Then the Bank measures ECL for the modified asset, where the expected cash flows arising from the modified financial asset are included in calculating the expected cash shortfalls from the original asset.

The Bank derecognizes a financial asset only when the contractual rights to the asset's cash flows expire (including expiry arising from a modification with substantially different terms), or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain/loss that had been recognized in OCI and accumulated in equity is recognized in profit or loss, The exception is for the equity investment designated as measured at FVTOCI, where the cumulative gain/loss previously recognized in OCI is not subsequently reclassified to profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Bank retains an option to repurchase part of a transferred asset), the Bank allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain/loss allocated to it that had been recognized in OCI is recognized in profit or loss. A cumulative gain/loss that had been recognized in equity is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts. This does not apply for equity investments designated as measured at FVTOCI, as the cumulative gain/loss previously recognized in OCI is not subsequently reclassified to profit or loss.

3. Significant Accounting Policies and the Principles of Preparation the Financial Statements (continued)

<u>Write-off of assets.</u> Loans and debt securities are written off when the Bank has no reasonable expectations of recovering the financial asset, either in its entirety or a portion of it. This is the case when the Bank 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. A write-off constitutes a derecognition event. The Bank may apply enforcement activities to financial assets written off. Recoveries resulting from the Bank's enforcement activities will result in decrease in ECLs.

<u>Presentation of Allowance for ECL in the statement of financial position</u>. Loss allowances for ECL are presented in the statement of financial position as follows:

- For financial assets measured at amortised cost: as a deduction from the gross carrying amount of assets;
- For debt instruments measured at FVTOCI: no loss provision is recognized in the statement of financial position as the carrying amount is at fair value. However, the loss provision is included as part of the revaluation amount in the investments revaluation reserve;
- For loan commitments and financial guarantee contracts: as a provision.

Financial liabilities and equity. Debt and equity instruments issued are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Financial liability is a contractual obligation to provide cash or another financial asset or exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Bank, or the contract that could potentially be settled in the Bank's own equity instruments and is a non-derivative contract for which the Bank is obliged or may be required to provide a variable amount of its own equity instruments, or a derivative contract in excess of its own equity, which will or can be repaid only by exchanging a fixed amount of cash (or another financial asset) for a fixed number of Bank's own equity instruments.

Financial liabilities. Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

<u>Financial liabilities at FVTPL.</u> Financial liabilities are classified as at FVTPL when the financial liability is (i) held for trading, or (ii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- It has been incurred principally for the purpose of repurchasing it in the near term;
- On initial recognition it is part of a portfolio of identified financial instruments that the Bank manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

3. Significant Accounting Policies and the Principles of Preparation the Financial Statements (continued)

A financial liability other than a financial liability held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Bank's documented risk management or investment strategy, and information about the grouping is provided internally on that basis;
- It forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire hybrid (combined) contract to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains/losses arising on remeasurement recognized in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain/loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the 'net gain/(loss) from other financial instruments at FVTPL' in the profit and loss account.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in OCI, unless the recognition of the effects of changes in the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognized in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognized in OCI are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

For issued loan commitments and financial guarantee contracts that are designated as at FVTPL all gains and losses are recognized in profit or loss.

In making the determination of whether recognizing changes in the liability's credit risk in OCI will create or enlarge an accounting mismatch in profit or loss, the Bank assesses whether it expects that the effects of changes in the liability's credit risk will be offset in profit or loss by a change in the fair value of another financial instrument measured at FVTPL. This determination is made at initial recognition.

<u>Other financial liabilities.</u> Other financial liabilities, including deposits and borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest rate method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. For details on EIR see the "net interest income section" above.

<u>Derecognition of financial liabilities.</u> The Bank derecognizes financial liabilities when, and only when, the Bank's obligations are discharged, canceled or they expire. The difference between the carrying value of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

3. Significant Accounting Policies and the Principles of Preparation the Financial Statements (continued)

An exchange of debt instruments between a Bank and a lender with substantially different terms is accounted for as the settlement of the original financial liability and the recognition of a new financial liability. The Bank accounts for a material change in the terms of an existing financial liability or part of it as the settlement of the original financial liability and the recognition of a new financial liability. Likewise, a significant change in the terms of the existing financial liability or part of it (whether the change is due to the financial difficulty of the debtor or not) should be accounted for as the extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, shall be recognized in profit or loss.

<u>Derivative financial instruments.</u> The Bank enters into a variety of derivative financial instruments some of which are held for trading while others are held to manage its exposure to interest rate risk, credit risk and foreign exchange rate risk. Derivative held include foreign exchange forward contracts, interest rate swaps, cross currency interest rate swaps and credit default swaps.

Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately.

A derivative with a positive fair value is recognized as a financial asset whereas a derivative with a negative fair value is recognized as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realized or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

<u>Financial guarantee contracts</u>. A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Bank are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- The amount of the provision for losses determined in accordance with IFRS 9; and
- The amount initially recognized less, where appropriate, cumulative amount of income recognized in accordance with the Bank’s revenue recognition policies.

Financial guarantee contracts not designated at FVTPL are presented as provisions in the statement of financial position and the remeasurement is presented in other revenue.

The Bank did not classify any financial guarantee contracts as at FVTPL.

Cash and cash equivalents**.** Cash and cash equivalents consist of cash on hand, unrestricted balances on corresponded and term deposits with the Central Bank of the Russian Federation with original maturity of less or equal to 30 days and amounts due from credit institutions with original maturity of less or equal to 30 days and are free from contractual encumbrances.

3. Significant Accounting Policies and the Principles of Preparation the Financial Statements (continued)

Mandatory cash balances with the Central Bank of the Russian Federation. Mandatory cash balances with the Central Bank of the Russian Federation represent mandatory reserve deposits with the Central Bank of the Russian Federation, which are not available to finance the Bank's day-to-day operations and hence are not considered as part of cash and cash equivalents for the purposes of the statement of cash flows.

Property and equipment. Property and equipment are initially measured at cost and after initial recognition, are carried at cost less accumulated depreciation and amortization and accumulated impairment losses.

Depreciation and amortization is recognized so as to write off the cost or valuation of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis at the following annual rates:

Office and computer equipment	25% - 40%
Other property and equipment	10% - 33%

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets acquired separately. Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Internally-generated intangible assets – research and development expenditure. Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following conditions have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

3. Significant Accounting Policies and the Principles of Preparation the Financial Statements (continued)

The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Derecognition of intangible assets. An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

Impairment of tangible and intangible assets. At the end of each reporting period, the Bank reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the recoverable amount of an individual asset cannot be estimated, the Bank estimates the recoverable amount of the cash-generating unit to which the asset belongs. Intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of 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 which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount. In this case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. Recovery of impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount. In this case the recovery of impairment loss is treated as a revaluation increase.

Taxation. Income tax expense comprises current tax and deferred tax.

Current tax. Current income tax is based on taxable profit for the year. Profit before tax differs from profit as reported in the profit or loss statement because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Bank's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

3. Significant Accounting Policies and the Principles of Preparation the Financial Statements (continued)

Deferred tax. Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The assessment of deferred tax liabilities and assets reflects tax consequences of the Bank's intentions (as at the end of the reporting period) concerning ways of compensation or repayment of the carrying amount of assets and liabilities.

Current and deferred tax for the year. Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, In this case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

Provisions**.** Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of a past event, it is probable that the Bank will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, relevant accounts receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the accounts receivable can be measured reliably.

Contingent liabilities. Contingent liabilities are not recognized in the statement of financial position but are disclosed in the financial statements unless the possibility of any outflow in settlement is remote. A contingent asset is not recognized in the statement of financial position but disclosed in the financial statements when an inflow of economic benefits is probable.

Collateral. The Bank obtains collateral in respect of customer liabilities where this is considered appropriate. The collateral normally takes the form of a lien over the customer's assets and gives the Bank a claim on these assets for both existing and future customer liabilities.

3. Significant Accounting Policies and the Principles of Preparation the Financial Statements (continued)

Reserve funds (equity funds). The reserves recorded in equity (other comprehensive income) and in the Bank's statement of financial position include:

- Revaluation reserve for financial assets at fair value through other comprehensive income, which includes changes in the fair value of financial assets in the FVTPL category less amounts reclassified to profit or loss on disposal;
- Fund for credit impairment of financial assets at FVTOCI.

Other provisions. Provisions recorded in equity (other comprehensive income) and in the statement of financial position of the Bank include cash provided to the Bank as financial assistance by the sole participant of the Bank.

Non-current assets held for sale. Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

4. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Bank's accounting policies, the Bank management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant under certain circumstances. Actual results may differ from those estimates.

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

Critical accounting judgments

Significant increase in credit risk. As explained above, ECL are measured as a provision equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Bank takes into account qualitative and quantitative reasonable and supportable forward looking information. Refer to Note 28 for more details.

4. Critical accounting judgments and key sources of estimation uncertainty (continued)

Establishing groups of assets with similar credit risk characteristics. When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. Further details about the characteristics considered within the relevant judgment are given in Note 28. The Bank monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets. Re-segmentation of portfolios and movement between portfolios is more common when there is a significant increase in credit risk (or when that significant increase reverses) As a result, the assets move from 12-month to lifetime ECLs, or vice versa. These movements can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differ.

Models and assumptions used. The Bank uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgment is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk. See Note 28 for more details on ECL and Note 26 for more details on fair value measurement.

Key sources of estimation uncertainty. The following are key estimations that the directors have used in the process of applying the Bank's accounting policies and that have the most significant effect on the amounts recognized in financial statements:

Determination of the number and relative value of forward-looking scenarios for each type of product/market and the definition of forward-looking information related to each scenario. When measuring the level of credit losses, the Bank uses reasonable forward-looking information, which is based on the assumptions about the future movement of various economic factors and how these factors will affect each other. Refer to Note 28 for more details, including analysis of the sensitivity of the reported ECL to changes in estimated forward-looking information.

Probability of default (PD). Probability of default (PD) constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions (refer to Note 28).

Provisions. For a liability to be considered eligible for recognition, there must be an existing obligation along with a probable outflow of resources containing economic benefits to settle the liability. Estimates are used to measure the provision. The Bank considers the amount of expenditures required at the end of the reporting period to settle the existing liability as the best estimate, i.e. the amount that it would be reasonable to pay to settle the liability or transfer it to a third party at the end of the reporting period.

Loss given default. Loss given default (LGD) is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements. See Note 28 for more details, including analysis of the sensitivity of the reported ECL to changes in LGD resulting from changes in economic drivers.

(in thousands of Russian Rubles, unless otherwise indicated)

5. Prior period reclassification

Certain reclassifications have been made to the financial statements for 2019 to conform it with the reporting form for 2020

Item of the statement of profit or loss	Recognized in the financial statements for 2019	Adjustment Amount in RUB thousand	Recognized in the statements for 2020 (adjusted for 2019)
Total interest expense	**(231 953)**	**(3 282)**	**(235 235)**
including:			
- interest expenses on funds attracted to term deposits of individuals	(126 480)	(4 233)	(130 713)
- interest expenses on customer accounts	(14 210)	(809)	(15 019)
- interest expenses on subordinated loan	(57 520)	-	(57 520)
- interest expense on finance lease obligations	(18 523)	-	(18 523)
- interest expenses on balances due from credit organizations	(6 415)	-	(6 415)
- interest expense on funds attracted to settlement/current accounts	(7 045)	-	(7 045)
Expenses on liabilities raised at above-market rates	(1 760)	1 760	-
Net gain/(loss) on financial instruments operations	**1 791**	**3 282**	**5 073**
including:			
- net income/(loss) in financial assets at fair value through profit or loss	(1 093)	-	(1 093)
- net income/(loss) on financial assets at fair value through other comprehensive income	2 907	-	2 907
- net income/(loss) on loans and account receivables	(23)	274	251
- net income/(loss) on financial liabilities measured at amortized cost	-	1 248	1 248
- net income/(loss) on financial liabilities measured at amortized cost, placed at rates below/(above) market ones	-	1 760	1 760

Non-interest income/(expenses) were recorded as interest expenses in the total amount of RUB 3 282 thousand in the statements for 2019. The Bank eliminated that discrepancy in the financial statements for 2020 by recording the indicated income under the item of the financial statement of profit or loss “Net profit/(loss) from operations with financial instruments”, the financial result for 2019 did not change.

(in thousands of Russian Rubles, unless otherwise indicated)

6. Cash and cash equivalents

	31 December 2020	31 December 2019
Term deposits with original maturities up to 30 days	1 700 118	1 650 000
Term deposits with maturity up to 30 days with the Central Bank of the Russian Federation	195 000	-
Correspondent accounts with the Central Bank of the Russian Federation	201 445	135 686
Correspondent accounts with the banks of the Russian Federation	134 016	81 497
Cash on hand	99 595	51 858
Correspondent accounts with other banks	81 923	933 170
Total cash and cash equivalents before provision	**2 412 097**	**2 852 211**
Less Allowance for expected credit losses	(111)	(187)
Total cash and cash equivalent	**2 411 986**	**2 852 024**
Allowance for expected credit losses	111	187
Accrued interests on cash and cash equivalents	(118)	-
Cash and cash equivalents for the purposes of the statement of cash flows	**2 411 979**	**2 852 211**

Term deposits with initial maturity of up to 30 days are placed with the banks of the Russian Federation only in the currency of the Russian Federation, maturity date is till 11 January 2021, placement rates are from 4.00% to 4.25 % per annum. As at the reporting date of the comparative period term deposits with initial maturity of up to 30 days are placed with the banks of the Russian Federation only in the currency of the Russian Federation, maturity date is till 9 January 2020, placement rates are from 5.5% to 6.75 % per annum.

Funds on the correspondent accounts with the banks of other countries as at 31 December 2020 and 31 December 2019 were placed in Japan and Austria. As at 31 December 2020 and 31 December 2019, the Bank had deposits from a Russian subsidiary of a non-resident bank (Japan), the amount and terms are disclosed in Note 13.

Information on the movement of the provision for the impairment of cash and cash equivalents for 2020 and 2019 is in the table below:

	2020	2019
Allowance for ECL as at the beginning of the reporting period	**187**	**27**
Charge /(recovery) of the provision during the reporting period	(76)	160
Allowance for ECL as at the end of the reporting period	**111**	**187**

(in thousands of Russian Rubles, unless otherwise indicated)

7. Due from financial institutions

	31 December 2020	31 December 2019
Repurchase receivables	2 146 955	500 970
Accounts for settlements with plastic cards	42 621	24 269
Other accounts with financial institutions	2 064	115
Total due from financial institutions before provision	**2 191 640**	**525 354**
Less Allowance for expected credit losses	(686)	(72)
Total due from financial institutions	**2 190 954**	**525 282**

As at 31 December 2020, the carrying amount of repurchase agreements and the fair value of pledged assets were:

	31 December 2020		31 December 2019	
Instrument description	**Carrying amount of loans**	**Fair value of collateral**	**Carrying amount of loans**	**Fair value of collateral**
Clearing Certificate of Participation	1 896 926	1 899 800	250 045	250 000
Corporate bonds	250 031	262 970	250 925	304 088
Allowance for expected credit losses	(176)	-	(15)	-
Total	**2 146 781**	**2 162 770**	**500 955**	**554 088**

The movements in the Allowance for ECL in relation to due from banks for 2020 and 2019 comprised:

	2020	2019
Allowance for ECL as at the beginning of the reporting period	**72**	**272**
Charge /(recovery) of the provision during the reporting period	614	(200)
Allowance for ECL as at the end of the reporting period	**686**	**72**

(in thousands of Russian Rubles, unless otherwise indicated)

8. Loans to customers

Loans to customers comprise:

	31 December 2020	31 December 2019
Loans to legal entities	10 272 961	9 267 928
Allowance for expected credit losses	(1 825 567)	(1 868 706)
Total loans to legal entities	**8 447 394**	**7 399 222**
Loans to individuals	2 546 156	2 256 407
Allowance for expected credit losses	(1 205 994)	(534 853)
Total loans to individuals	**1 340 162**	**1 721 554**
Loans to customers before allowance	12 819 117	11 524 335
Allowance for expected credit losses	(3 031 561)	(2 403 559)
Total loans to customers	**9 787 556**	**9 120 776**

The movements in the allowance for ECL in relation to the loans to customers for 2020 and 2019 comprised:

	2020	2019
Allowance for ECL as at the beginning of the reporting period	**2 403 559**	**2 046 950**
Charge /(recovery) of the allowance during the reporting period	804 596	382 442
Write-off as a result of the sale of an asset	(124 459)	-
Assets written off during the reporting period as uncollectible	(52 135)	(25 833)
Allowance for ECL as at the end of the reporting period	**3 031 561**	**2 403 559**

More detailed information about the loans to customers is disclosed in Note 28.

9. Investment assets

According to the adopted accounting policy, investment securities are represented by financial instruments at FVTOCI.

	31 December 2020	31 December 2019
Corporate bonds	500 710	389 962
Credit institution eurobonds	101 022	77 228
Corporate eurobonds	93 696	73 973
CBR bonds	23 071	23 239
Bonds issued by credit institutions	-	111 123
Total investment assets	**718 499**	**675 525**

(in thousands of Russian Rubles, unless otherwise indicated)

9. Investments assets (continued)

Debt securities have the following characteristics as at 31 December 2020 and 31 December 2019, respectively:

	Maturity, month/year		Annual coupon rate, %%		31 December
	from	**to**	**from**	**to**	**2020**
Corporate bonds	23 January	24 April	6.70	13.10	500 710
Credit institution eurobonds	24 February	24 February	5.15	5.15	101 022
Corporate eurobonds	21 May	21 May	3.37	3.37	93 696
CBR bonds	21 August	21 August	7.50	7.50	23 071
Total debt securities	-	-	-	-	**718 499**

	Maturity, month/year		Annual coupon rate, %%		31 December
	from	**to**	**from**	**to**	**2019**
Corporate bonds	20 December	26 September	8.15	13.10	389 962
Corporate eurobonds	21 May	21 May	3.37	3.37	73 973
CBR bonds	21 August	21 August	7.50	7.50	23 239
Bonds issued by credit institutions	29 March	29 March	9.25	9.25	111 123
Credit institution eurobonds	24 February	24 February	5.15	5.15	77 228
Total debt securities	-	-	-	-	**675 525**

The movements in the impairment provision for the investment securities for 2020 and 2019 are presented in the table below. The provision is recorded in equity and does not change the carrying amount of investment securities (see Statement of changes in capital).

	2020	2019
Allowance for ECL as at the beginning of the reporting period	**2 912**	**2 645**
Charge /(recovery) of the allowance during the reporting period	831	267
Allowance for ECL as at the end of the reporting period	**3 743**	**2 912**

(in thousands of Russian Rubles, unless otherwise indicated)

10. Property and equipment and intangible assets

As at 31 December 2020 and 31 December 2019, the line item was presented with the following non-current assets:

		Office and computer equipment	Other property and equipment	Lease (right-of-use assets)	Software licenses	Total
Gross value as at	31 December 2018	30 312	13 909	-	91 413	**135 634**
Gross value as at	31 December 2019	78 463	1 465	251 597	375 161	**706 686**
Gross value as at	31 December 2020	71 697	1 671	251 597	487 047	**812 012**
Accumulated depreciation and amortization as at	31 December 2018	(29 315)	(11 848)	-	(32 227)	**(73 390)**
Accumulated depreciation and amortization as at	31 December 2019	(44 301)	(851)	(55 928)	(51 790)	**(152 870)**
Accumulated depreciation and amortization as at	31 December 2020	(46 532)	(1 246)	(112 008)	(85 337)	**(245 123)**
Reconciliation of carrying amount:						
Carrying amount as at	31 December 2018	997	2 061	-	59 186	**62 244**
Additions		38 013	-	251 597	288 203	**577 813**
Disposals		(2 445)	(397)	-	(4 455)	**(7 297)**
Depreciation		(6 324)	(363)	(55 928)	(20 448)	**(83 063)**
Other changes, incl. accumulated depreciation and amortization on retired property and equipment		3 921	(687)	-	885	**4 119**
Carrying amount as at	**31 December 2019**	**34 162**	**614**	**195 669**	**323 371**	**553 816**
Additions		4 892	205	-	111 886	**116 983**
Disposals		(11 659)	-	-	-	**(11 659)**
Depreciation		(13 889)	(394)	(56 080)	(33 547)	**(103 910)**
Other changes, incl. accumulated depreciation and amortization on retired property and equipment		11 659	-	-	-	**11 659**
Carrying amount as at	**31 December 2020**	**25 165**	**425**	**139 589**	**401 710**	**566 889**

As at 31 December 2020 and 2019 property and equipment included property and equipment for which depreciation and amortization was accumulated in the amount of 100%, the value of such objects was RUB 27 383 thousand and RUB 38 821 thousand respectively.

All disposals of property and equipment and intangible assets were carried out as a result of the complete depreciation and amortization and amortization of these assets; these objects were not sold in 2020 and 2019.

In accordance with the adopted accounting policy, the Bank records the right-of-use asset in the specified item, that is, the cost of renting office premises. The period remaining until the end of the lease is 3 years. Please see Note 28 for the analysis of lease liabilities by maturity. The lease liability is recorded in Note 15. Depreciation and amortization expense on the right-of-use assets and interest expense on lease liabilities for 2020 and 2019 are recorded in Note 22 and 17, respectively.

(in thousands of Russian Rubles, unless otherwise indicated)

11. Other assets

Other assets are represented by the following financial and non-financial assets:

	31 December 2020	31 December 2019
Recognized penalties and fines for late payment of bank claims	17 213	19 112
Outstanding settlements	10 320	7 825
Other receivables	8 777	4 828
Fair value of swap, spot transactions	12	1 112
Security deposits guaranteeing performance of the obligations	-	25 151
Total other financial assets before provisions	**36 322**	**58 028**
Less Allowance for expected credit losses	(25 532)	(23,681)
Total other financial assets	**10 790**	**34 347**
Advances paid	46 665	46 027
Advances to employees	88	-
Prepayment on taxes and duties, other than income tax	6	81
Other	1 213	-
Total other non-financial assets before provisions	**47 972**	**46 108**
Less: allowance for impairment losses	-	-
Total other non-financial assets	**47 972**	**46 108**
Total other assets	**58 762**	**80 455**

According to the adopted accounting policy, the line “Accounts receivable under swap, spot transactions” as at 31 December 2020 records the revaluation of foreign currency under spot transactions in the amount of a net position of RUB 12 thousand, as at 31 December 2019 it records the revaluation of foreign currency on spot transactions in the amount of a net position of RUB 14 thousand and transactions with derivatives in the amount of a net position of RUB 1 098 thousand for a total amount of RUB 1 112 thousand. These assets are carried at fair value.

(in thousands of Russian Rubles, unless otherwise indicated)

11. Other assets (continued)

	31 December 2020			
	Nominal amount		Fair value	
Type of derivative	**Amounts recoverable**	**Amounts to maturity**	**Asset**	**Liability**
Foreign currencies				
Spot	181 377	(181 365)	12	-
Total regular purchase or sale	**181 377**	**(181 365)**	**12**	**-**
Total	**181 377**	**(181 365)**	**12**	**-**

	31 December 2019			
	Nominal amount		Fair value	
Type of derivative	**Amounts recoverable**	**Amounts to maturity**	**Asset**	**Liability**
Derivative financial instruments held for trading:				
Foreign currencies				
Swaps	2 551 596	(2 550 498)	1 278	(180)
Total derivative financial instruments held for trading	**2 551 596**	**(2 550 498)**	**1 278**	**(180)**
Regular purchase or sale				
Foreign currencies				
Swaps	46 401	(46 429)	-	(28)
Spot	23 897	(23 856)	42	-
Total regular purchase or sale	**70 298**	**(70 285)**	**42**	**(28)**
Total derivative financial instruments held for trading	**2 621 894**	**(2 620 783)**	**1 320**	**(208)**

As at 31 December 2019, the Other assets included the security deposit for the lease of the Bank's office premises. From 1 January 2020, this asset is accounted for in loans to customers as other placed funds.

(in thousands of Russian Rubles, unless otherwise indicated)

11. Other assets (continued)

Information on the movement of the Allowance for expected credit losses for other financial assets for 2020 and 2019 is presented in the tables below.

	Other financial assets.			
2020	**Outstanding settlements**	**Recognized penalties and fines for late payment of bank claims**	**Other receivables**	**Total**
Allowance for ECL as at the beginning of the reporting period	**1**	**19 047**	**4 633**	**23 681**
Charge /(recovery) of the allowance during the reporting period	-	(2 241)	8 511	6 270
Assets written off during the reporting period as uncollectible	-	-	(4 419)	(4 419)
Allowance for ECL as at the end of the reporting period	**1**	**16 806**	**8 725**	**25 532**

	Other financial assets.			
2019	**Outstanding settlements**	**Recognized penalties and fines for late payment of bank claims**	**Other receivables**	**Total**
Allowance for ECL as at the beginning of the reporting period	**-**	**-**	**-**	**-**
Charge /(recovery) of the allowance during the reporting period	1	19 047	4 633	23 681
Allowance for ECL as at the end of the reporting period	**1**	**19 047**	**4 633**	**23 681**

(in thousands of Russian Rubles, unless otherwise indicated)

12. Non-current assets held for sale

In accordance with the adopted accounting policy, the Bank accounts for the assets received as compensation for loans receivable as non-current assets held for sale. Long-term assets held for sale were recorded at fair value determined in the amount of the borrower's (debtor's) terminated obligations under the agreement for the provision (placement) of funds.

In the reporting period, the following changes took place with these assets:

31 December 2018	**485 148**
Impairment	(191 201)
31 December 2019	**293 947**
Property received	39 000
Property sold	(37 519)
Impairment	(206 339)
31 December 2020	**89 089**

In the reporting period, the Bank received land plots in the amount of RUB 39 000 thousand as compensation for outstanding loans.

In the first half of 2020, the Bank sold the objects, the fair value of which was RUB 37 519 thousand, for RUB 55 000 thousand. Gain from disposal amounted to RUB 17 482 thousand in a net estimate (refer to Note 21).

As at 31 December 2020, the Bank entered into sale agreements for all long-term assets on the Bank's balance sheet in the amount of RUB 99 000 thousand.

At the time of signing these statements, the contracts are fully executed. The net result from the disposal of the assets amounted to a profit of RUB 9 911 thousand.

13. Due to banks

	31 December 2020	**31 December 2019**
Term deposits from other banks	910 178	605 200
Total due to banks	**910 178**	**605 200**

As at 31 December 2020 and 31 December 2019, the funds received under fixed – term contracts with the Bank of the Russian Federation, a subsidiary of a non-resident bank (Japan), were included in the amounts due from other banks. The expiration date of the contracts is April - December 2021, rates from 6.93% to 7.25%.

(in thousands of Russian Rubles, unless otherwise indicated)

14. Due to customers

	31 December 2020	31 December 2019
Legal entities (including IE)		
- current/settlement accounts	1 972 434	1 613 655
- term deposits	764 152	2 783 381
Individuals		
- current/demand accounts	590 147	328 245
- term deposits	4 066 352	4 098 881
Total customer accounts	**7 393 085**	**8 824 162**

As at 31 December 2020, the Bank had 12 customers with balances exceeding 1% of equity in the amount of RUB 1 824 908 thousand, which is about 25% of the total customer accounts.

As at 31 December 2019, the Bank had 15 customers with balances exceeding 1% of equity in the amount of RUB 3 911 950 thousand, which is about 44% of the total customer accounts.

The table below provides information on customer accounts by sector of the economy:

	31 December 2020		31 December 2019	
	Amount	%	Amount	%
Individuals	4 656 499	62.99%	4 427 126	50.17%
Wholesale and retail trade. Repair of motor vehicles and motorcycles	830 421	11.23%	1 094 597	12.40%
Professional, scientific and technical activities	534 935	7.24%	449 712	5.10%
IT and telecommunications	502 818	6.80%	234 758	2.66%
Manufacturing	244 119	3.30%	99 615	1.13%
Financial and insurance activities	202 347	2.74%	1 982 613	22.47%
Construction	192 623	2.61%	30 750	0.35%
Real estate activities	83 162	1.12%	151 653	1.72%
Other	61 435	0.83%	19 468	0.22%
Activities in the field of culture, sports, leisure and entertainment	35 568	0.48%	103 954	1.18%
Activities of hotels and catering establishments	14 022	0.19%	188 395	2.13%
Administrative activities and related additional services	12 589	0.17%	9 732	0.11%
Education	10 453	0.14%	2	0.00%
Mining	5 049	0.07%	15 058	0.17%
Transportation and storage	3 627	0.05%	8 501	0.10%
Activities in the field of health and social services	2 920	0.04%	7 967	0.09%
Agriculture, forestry, hunting, fishing and fish farming	295	0.00%	87	0.00%
Water supply. Wastewater disposal, waste collection and disposal, pollution elimination activities	174	0.00%	147	0.00%
Activities of extraterritorial organizations and bodies	29	0.00%	27	0.00%
Total customer accounts	**7 393 085**	**100.00%**	**8 824 162**	**100.00%**

(in thousands of Russian Rubles, unless otherwise indicated)

15. Other liabilities

Other liabilities are represented by the following financial and non-financial liabilities:

	31 December 2020	31 December 2019
Lease liability	155 081	204 504
Deferred commission income on guarantees	128 471	116 950
Settlements on other transactions	41 241	25 894
Salary and unused vacations payable	34 475	22 372
Provision for financial guarantees	32 561	53 786
Total other financial liabilities	**391 829**	**423 506**
Provisions for non-credit liabilities	102 849	-
Provisions for commitments on loans (unused credit lines, "overdrafts")	12 042	8 119
Taxes and duties payable, other than current income taxes	11 794	11 320
Deposit insurance liability	5 005	6 541
Income taxes	404	145
Other	1	1
Total other non-financial liabilities	**132 095**	**26 126**
Total other liabilities	**523 924**	**449 632**

As at 31 December 2020, the Bank received a pre-trial claim for the payment of funds under a bank guarantee. The Bank assessed the risk of incurring expenses on this claim as high and recognized a provision in the amount of RUB 102 849 thousand. At the beginning of the reporting period, as well as in the comparative period, the provision was not formed.

In these financial statements, the Bank has classified the liabilities on insurance of bank deposits as non-financial other liabilities, in order to record these liabilities as accurately as possible in accordance with IFRS. The statements for the comparative period have been adjusted.

Movements in the Allowance for expected credit losses on financial guarantees and loan commitments for 2020 and 2019 are presented in the tables below:

2020	Guarantees	Loan commitments	Total
Allowance for ECL as at the beginning of the reporting period	**53 786**	**8 119**	**61 905**
Charge /(recovery) of the allowance during the reporting period	(21 225)	3 923	(17 302)
Allowance for ECL as at the end of the reporting period	**32 561**	**12 042**	**44 603**

(in thousands of Russian Rubles, unless otherwise indicated)

15. Other liabilities (continued)

2019	Guarantees	Loan commitments	Total
Allowance for ECL as at the beginning of the reporting period	**10 524**	**3 314**	**13 838**
Charge / (recovery) of the allowance during the reporting period	43 262	4 805	48 067
Allowance for ECL as at the end of the reporting period	**53 786**	**8 119**	**61 905**

The components of net payables under lease as at 31 December 2020 and 2019 comprise:

Period	31 December 2020	31 December 2019
Year 1	68 183	64 324
Year 2	72 274	68 183
Year 3	31 142	72 274
Year 4	-	31 142
Total minimum lease payments	**171 599**	**235 923**
Less deferred finance expenses	(16 518)	(31 419)
Net payables under lease	**155 081**	**204 504**
By types:		
Long-term	97 245	155 081
Short-term	57 836	49 423

The Bank does not face a significant liquidity risk with regard to its lease liabilities. A more detailed analysis of rental payment liquidity is presented in Note 28.

16. Equity

As discussed in Note 1 as at 31 December 2020 SBI Holdings, Inc. is the only participant of the Bank with 100% participation.

The share capital of the Bank consists of the notional value of the share of its participant and is presented in Russian rubles. The actual value of the participant's share of the Bank corresponds to the value of the Bank's equity. The Bank's equity as at 31 December 2020 and 31 December 2019 is RUB 7 052 247 thousand and RUB 4 273 501 thousand respectively.

The sole Participant of the Bank made a decision to provide financial assistance to the Bank in the amount of RUB 4 000 000 thousand. Cash was credited to the Bank's correspondent account in September 2020 and is recorded in these financial statements as Other reserves within the Bank's equity.

Reserve funds represent a fund/(deficit) for the revaluation of financial assets at FVTOCI and include accumulated income and expenses arising from the revaluation of financial assets at FVTOCI recognized in other comprehensive income, less amounts reclassified to profit or loss on disposal as well as credit impairment fund for such assets.

(in thousands of Russian Rubles, unless otherwise indicated)

16. Equity (continued)

The change in reserve funds is presented below.

	2020	2019
At the beginning of the period	20 420	(5 264)
Net gain/(loss) resulting from revaluation	(9 541)	28 043
Reclassified to profit or loss	4 874	(2 626)
Reclassification to profit or loss on impairment	831	267
At the end of the period	**16 584**	**20 420**

17. Net interest income

	2020	2019
Interest income on financial assets measured at amortized cost		
Interest income on loans to customers	1 207 300	617 831
Interest income on balances due from credit organizations	41 688	49 340
Interest income on the balances in the CBR	10 796	94 237
Interest income on due from correspondent accounts	56	112
Total	**1 259 840**	**761 520**
Interest income of financial assets measured at fair value through other comprehensive income		
Interest income on bonds:		
- interest income from other residents' bonds	43 021	33 731
- interest income from other non-residents' bonds	5 179	6 034
- interest income from bonds of credit institutions	2 404	7 261
- interest income from bonds of the Russian Federation	1 775	2 411
Total	**52 379**	**49 437**
Total interest income	**1 312 219**	**810 957**
Interest expenses on financial Liabilities measured at amortized cost		
Interest expenses on funds attracted to term deposits of individuals	(265 739)	(130 713)
Interest expenses on balances due from credit organizations	(58 239)	(6 415)
Interest expense on customer accounts	(24 172)	(15 019)
Interest expenses on lease liabilities	(14 901)	(18 523)
Interest expense on funds attracted to current/settlement accounts	(16 955)	(7 045)
Interest expenses on subordinated loan	-	(57 520)
Total interest expense	**(380 006)**	**(235 235)**
Net interest income (net interest expenses)	**932 213**	**575 722**

(in thousands of Russian Rubles, unless otherwise indicated)

18. Fee and commission income and expenses

	2020	2019
Fee and commission income from bank guarantees and sureties issuance operations	193 329	99 573
Fee and commission income from settlement and teller services	19 869	12 541
Fee and commission income from carrying out the functions of the currency control	11 711	7 506
Fee and commission income from money transfers	9 545	8 836
Fee and commission income from opening and maintenance of bank accounts	8 042	4 180
Fee and commission income from other operations	1 359	2 001
Fee and commission income from operations with currency values	80	56
Total fee and commission income	**243 935**	**134 693**
Fee and commission expenses on intermediary services under broker and similar agreements to individual entrepreneurs	(57 644)	(55 313)
Fee and commission expenses on services on cash transfers including services of payment and settlement systems	(27 972)	(25 603)
Commission expense on guarantees and sureties received	(2 908)	-
Other administrative expenses	(1 709)	(1 469)
Fee and commission expenses on opening and maintenance of bank accounts	(1 109)	(1 023)
Fee and commission expenses on operations with currency values	(985)	(1 995)
Fee and commission expenses of professional securities market participants related to the purchase and sale of securities, except for consulting and information services	-	(124)
Total fee and commission expenses	**(92 327)**	**(85 527)**
Net fee and commission income/(expense)	**151 608**	**49 166**

19. Net gain/(loss) on financial instruments operations

	2020	2019
Net income/(loss) on financial liabilities measured at amortized cost	5 135	1 248
Net income/(loss) in financial assets at fair value through profit or loss	4 458	(1 093)
Net income/(loss) on financial assets at fair value through other comprehensive income	1 710	2 907
Net income/(loss) on financial liabilities measured at amortized cost, placed at rates below/(above) market ones	1 381	1760
Net income/(loss) on loans and accounts receivable	272	251
Total gains less losses/(losses less gains) from financial instrument transactions	**12 956**	**5 073**

(in thousands of Russian Rubles, unless otherwise indicated)

20. Recovery of other provisions/ (other provisions)

	2020	2019
Change in ECL on obligations under financial guarantee contracts	21 225	(43 262)
Change in ECL on loan commitments	(3 923)	(4 805)
Change in provision for impairment losses on other financial assets	(6 270)	(23 681)
Change in provisions for non-credit commitments	(102 849)	-
Total change in other provisions	**(91 817)**	**(71 748)**

For the details on changes in the provisions for non-credit related commitments, see Note 15.

21. Other net income/(expenses)

	2020	2019
Income from operations with long-term assets held for sale in total, including:	17 482	-
- income from disposal (sale)	17 482	-
Income from other banking operations and transactions	3 401	965
Receipts for damages, including insurance compensation from insurers	2 180	71
Income from adjustments to employee benefit and insurance premium liabilities	2 168	2 962
Income from writing off liabilities and unclaimed accounts payable	89	727
Income classified as other income including onetime non-recurring income	67	84
Other income	-	46
Total other operating income	**25 387**	**4 855**

22. Operating expenses

	2020	2019
Staff costs	605 571	532 291
Telecommunication and information systems services	183 576	158 087
Taxes and duties on payroll	137 547	119 509
Total expenses from transactions with property, plant and equipment, incl.:	***88 106***	***80 829***
- depreciation and amortization of right-of-use assets	56 081	55 928
- depreciation and amortization of property, plant and equipment	14 283	6 687
- repairs and maintenance expenses	17 742	18 214
Rentals on leased property and equipment and other property	41 510	44 988
Consulting and legal services, including Call Center services	37 981	20 306
Total expenses from transactions with intangible assets, incl.:	***33 547***	***20 448***
- amortization of intangible assets	33 547	20 448
Advertising	25 695	77 554
Insurance	20 452	15 262
Expenses on writing off the cost of inventories	19 065	18 523
Other organization and management expenses	16 593	23 598
Audit services	14 978	15 441
Taxes and duties charged to expenses according to the legislation of the Russian Federation	14 393	28 145
Payments for the right to use intellectual property items	12 921	21 157
Security expenses	6 077	6 102
Recruitment expenses	3 646	4 701
Total operating expenses	**1 261 658**	**1 186 941**

(in thousands of Russian Rubles, unless otherwise indicated)

23. Income tax

The Bank provides for income taxes based on the tax accounts maintained and prepared in accordance with the tax regulations of the RF.

Some expense items that are not recognized for tax purposes, as well as non-deductible income items result in permanent tax differences.

Deferred taxes reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as at 31 December 2020 and 2019 relate mostly to different methods/timing of income and expense recognition as well as to temporary differences generated by tax – book bases' differences for certain assets.

The tax rate used for the reconciliations below is the corporate tax rate of 20% payable by corporate entities in the RF on taxable profits (as defined) under tax law in that jurisdiction.

Deferred tax assets/liabilities as at 31 December 2020 and 2019 comprise:

	2020	2019
Temporary deductible/(taxable) differences attributable to:		
Loans to customers	815 018	573 827
Allowance for expected credit losses and other impairment	31 101	194 041
Investment assets	(41 645)	402
Impairment of non-current assets held for sale	363 284	498 941
Property and equipment, IA, lease	3 354	(2 830)
Due to customers	(360)	(1 400)
Other assets and liabilities	43 267	13 458
Tax losses carried forward	3 517 147	2 423 725
Net temporary deductible/(taxable) differences	4 731 166	3 700 164
Net deferred tax assets/(liabilities)	946 233	740 033
Unrecognized deferred tax asset	(946 233)	(740 033)
Net deferred tax assets/(liabilities) that are recognized in the statements	-	-

The effective tax rate reconciliation is as follows for the years ended 31 December 2020 and 2019:

	2020	2019
Loss before tax	(1 215 066)	(1 157 935)
Theoretical tax at the statutory tax rate (20%)	(243 013)	(231 587)
Change in unrecognized deferred tax asset	206 200	225 783
Effect of tax rate different from the rate of 20%	(784)	(444)
Tax effect of non-deductible expenses/(non-taxable income)	39 949	7 581
Total	**2 352**	**1 333**
Attributable income tax expense		
Current income tax expense/(benefit)	2 352	1 333
Deferred income tax expense/(benefit)	-	-
Income tax expense/(benefit)	**2 352**	**1 333**

(in thousands of Russian Rubles, unless otherwise indicated)

24. Changes in liabilities arising from financing activities

The tables below detail changes in the Bank's liabilities arising from financing activities, including both cash and non-cash changes.

Statement of cash flow line item	31 December 2019	31 December 2020	Non-cash adjustments: Exclusion of accrued interest expenses	Movement of cash flows from financing activities
Repayment of lease liabilities (Note 15)	204 504	155 081	(14 901)	(64 324)
Total	**204 504**	**155 081**	**(14 901)**	**(64 324)**

			Non-cash adjustments			
Statement of cash flow line item	**31 December 2018**	**31 December 2019**	**Increase of share capital due to a subordinated loan**	**Exclusion of accrued interest expenses**	**Exclusion of accumulated depreciation**	**Cash flows from financing activities**
Change in subordinated loan	1 065 921	-	1 037 600	28 321	-	-
Repayment of lease liabilities (Note 15)	-	204 504	-	(18 523)	(246 664)	(60,683)
Total	**1 065 921**	**204 504**	**1 037 600**	**9 798**	**(246 664)**	**(60 683)**

25. Commitments and contingencies

In the normal course of business, the Bank becomes a party to financial instruments with off-balance sheet risk in order to meet the needs of its customers. These instruments, involving varying degrees of credit risk, are not reflected in the statement of financial position.

The Bank applies the same credit policy to off-balance sheet commitments as it does to the balance sheet financial instruments.

Provision for losses on contingent liabilities totaled RUB 44 603 thousand and RUB 61 905 thousand as at 31 December 2020 and 2019, respectively.

(in thousands of Russian Rubles, unless otherwise indicated)

25. Commitments and contingencies (continued)

As at 31 December 2020 and 2019 contingent liabilities comprise:

	31 December 2020	31 December 2019
Guarantees issued and similar commitments	8 103 005	5 326 472
Commitments on loans and unused credit lines	3 855 379	1 632 645
Letters of credit and other transaction related contingent obligations	39 000	-
Total loan commitments and contingencies	**11 997 384**	**6 959 117**
Less Allowance for expected credit losses	(44 603)	(61 905)
Total	**11 952 781**	**6 897 212**

Extension of loans to customers within credit line limits is approved by the Bank on a case-by-case basis and depends on borrowers' financial performance, debt service and other conditions. As at 31 December 2020 and 2019, commitments under unused credit lines were RUB 3 855 379 thousand and RUB 1 632 645 thousand, respectively.

Litigation. From time to time and in the normal course of business, claims against the Bank are received from customers and counterparties. Management is of the opinion that in major cases no material losses will be incurred and, accordingly, no provision has been made in these financial statements. However, as at 31 December 2020, the Bank formed a reserve for potential claims, the fulfillment probability of which is high. The amount of the pre-trial claim as at the date of its receipt amounted to RUB 102 849 thousand. The Bank formed a reserve in full amount of claims (see Note 15).

Taxation. Russian business legislation continues to change rapidly. Management's interpretation of such legislation as applied to the activity of the Bank may be challenged by the relevant regional and federal authorities. Recent events suggest that the tax authorities are taking a more assertive position in their interpretation of the legislation and assessments As a result, the tax assessment approaches that have not been challenged in the past, might be challenged during further tax audits. As a rule, the tax audits may cover three years preceding the reporting year. Under certain circumstances reviews may cover longer periods. Based on their interpretation of the tax legislation, management of the Bank believes that all of the applicable taxes have been assessed. However, tax authorities may take a different position on the interpretation of the effective tax legislation, which may have a significant impact on financial statements.

In 2019, the Tax Code of the Russian Federation and certain laws were amended to provide for, among other things, an increase in the base VAT rate to 20%. The 20% rate applies to sales of goods, work and services and property rights effective 1 January 2019. Since VAT is not charged on banking operations, there is no significant impact on the Bank's statements.

(in thousands of Russian Rubles, unless otherwise indicated)

26. Fair value of financial instruments

IFRS defines fair value as 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.

Fair value of the Bank's financial assets and financial liabilities measured at fair value on a recurring basis. Some of the Bank's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/financial liabilities	Fair value as at 31 December 2020	Fair value as at 31 December 2019	Hierarchy of fair value	Valuation technique(-s) and key inputs
Financial assets (see Note 9)	718 499	675 525	Level 1	Quoted bid prices in an active market
Derivative financial assets (see Note 11)	-	1 098	Level 2	Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.
Other derivative financial assets (see Note 11)	12	14	Level 2	Future cash flows are estimated based on exchange rates (observable at the reporting date) and contract rates, discounted at a rate that reflects the credit risk of various counterparties.

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required). Except as detailed in the following table, the Bank's management consider that the carrying amounts of financial assets and financial liabilities recognized in the financial statements approximate their fair values.

	31 December 2020		31 December 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Loans to customers	9 787 556	10 007 338	9 120 776	9 588 380
Due to banks	910 178	927 253	605 200	632 104
Customer accounts	7 393 085	7 420 595	8 824 162	8 621 952

(in thousands of Russian Rubles, unless otherwise indicated)

26. Fair value of financial instruments (continued)

The fair values of the financial assets and financial liabilities included in the level 2 and level 3 categories below have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

	31 December 2020			
	Level 1	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	2 411 986	-	-	2 411 986
Mandatory cash balance with the Central Bank of the RF	55 699	-	-	55 699
Due from financial institutions	-	-	2 190 954	2 190 954
Loans to customers	-	-	10 007 338	10 007 338
Other financial assets.	-	-	10 790	10 790
Due to banks	-	-	927 253	927 253
Customer accounts	-	-	7 420 595	7 420 595
Other financial liabilities	-	-	391 829	391 829

	31 December 2019			
	Level 1	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	2 852 024	-	-	2 852 024
Mandatory cash balance with the Central Bank of the RF	50 670	-	-	50 670
Due from financial institutions	-	-	525 282	525 282
Loans to customers	-	-	9 588 380	9 588 380
Other financial assets.	-	-	34 347	34 347
Due to banks	-	-	632 104	632 104
Customer accounts	-	-	8 621 952	8 621 952
Other financial liabilities	-	-	430 047	430 047

27. Capital risk management

The Bank manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The adequacy of the Bank's capital is monitored using, among other measures, the ratios established by the Basel Capital Accord 1988 and the ratios established by the CBR in supervising the Bank.

During the reporting year, the Bank had complied in full with all its externally imposed capital requirements.

As at 31 December 2020, the Bank's equity included the equity of the sole participant, other reserves, reserve funds and retained earnings. Components of equity are disclosed in the Statement of Changes in Equity and Note 16. As at 31 December 2019, the Bank's equity included the equity of the sole participant, reserve funds and retained earnings (see Note 16).

The Bank's overall capital risk management policy has remained unchanged from 2019.

(in thousands of Russian Rubles, unless otherwise indicated)

27. Capital risk management (continued)

The table below presents the composition of the Bank's equity (capital) calculated in accordance with Regulation of the Bank of Russia No. 646-P dated 04.07.2018 "On the methodology for determining of equity (capital) of credit organizations ("Basel III")" as at 31 December 2020 and 31 December 2019.

	For the period ended 31 December 2020	For the period ended 31 December 2019
Base capital	6 254 531	3 919 049
Tier 1 capital	6 254 531	3 919 049
At the reporting date	**6 254 531**	**3 919 049**
Risk-weighted assets	**23 379 000**	**19 808 532**

Base and core capital consist of funds contributed to share capital and retained loss.

Capital adequacy ratio (capital) is calculated in accordance with the Bank of Russia Instruction No. 199-I dated 21.11.2019 "On Banks' Required Ratios" and as at 31 December 2020 and 31 December 2019 is presented as follows:

	For the period ended 31 December 2020	For the period ended 31 December 2019
Capital adequacy ratio (capital) (N1.0) (minimum 8%)	26.7528	19.7847
Common equity adequacy ratio N1.1 (minimum 4.5%)	26.7528	19.7847
Core equity adequacy ratio N1.2 (minimum 6%)	26.7528	19.7847

28. Risk management policies

The risk management system is a part of the Bank's overall corporate governance system and is aimed at ensuring the Bank's sustainable development in implementing the Bank's Development Strategy approved by the Board of Directors.

In developing its risk management strategy, the Bank follows an approach that ensures long-term going concern. The Bank's financial stability is ensured by timely execution and confirmation of the materiality of previously identified risks, as well as by qualitative risk and capital management to cover them.

The Bank identifies risks inherent to the operations, including potential risks, and identifies significant risks. At the same time, the Bank proceeds from the principle of proportionality (compliance of the organization with the level of internal capital adequacy assessment procedures (hereinafter - ICAAP) and risk management with the scale of the Bank's business) and the principle of cyclicality (depending on market conditions and the phase of the economic cycle in which the Bank is located).

Risk identification and assessment is performed at least once a year. At significant change of external and internal environment of the Bank influencing the risk portfolio, unplanned identification and assessment of risk materiality is performed. The results of identification shall be documented and communicated to the Bank's Board of Directors.

28. Risk management policies (continued)

The Bank recognizes risks as significant if the Central Bank of the Russian Federation sets standards for credit institutions in relation to these risks, and if they are taken into account when calculating the required regulatory capital of the Bank.

Credit risk, market risk, operational risk, interest rate risk and liquidity risk are automatically recognized as significant.

The Bank may recognize other risks as significant on the basis of comparing the maximum losses from the risk with the capital calculated according to the regulatory requirements or on the basis of an expert requirement.

In order to plan the risk level, the Bank sets target risk levels, which are subdivided into indicators under standard conditions and stressful operating conditions. Planning of the Bank's risks exposure level is carried out as part of the annual business planning process.

The Bank manages the aggregate risk level, which includes calculation of indicators characterizing the consolidated aggregate risk level on the basis of risk assessments, taking into account the interconnectedness of risks with each other, assessment of the risk level deviation from the values established by internal documents, assessment of the degree of compliance of the risk level with the approved risk appetite, decision-making on setting (changing) limits or other decisions aimed at optimizing the risk level.

Assessment (control) of the volume of risks significant for the Bank and the aggregate level of risks is performed at least once per quarter.

The Bank has established a Risk Management Service - Risk Management Department, which is independent of subdivisions involved in accepting risks.

The Risk Management Department:

- Develops and implements, practices and improves the risk management system in accordance with the requirements of the Bank's internal documents and the requirements and recommendations of the Bank of Russia;
- Organizes the process of identification and assessment of significant risks;
- Generates the ICAAP reporting;
- Generates the statements for the Bank's governing bodies that manage risks to the extent necessary for decision-making;
- Generates proposals on the values of risk aptitude limits and risk targets;
- Performs stress testing;
- Consolidates risk information and presents it to authorized units for disclosure purposes.

A member of the Management Board, which oversees the work of the Bank Risk Management Department, coordinates and controls the work of all subdivisions (employees) involved in risk management, as well as special working bodies (committees) responsible for risk management.

28. Risk management policies (continued)

The organizational structure of participants in the Bank's risk and capital management system is as follows:

- A member (general meeting of participants) of the Bank;
- Board of Directors;
- Management Board;
- The Chairman of the Management Board (Sole Executive Body of the Company);
- The Committees (Large and Small Credit Committees, Assets and Liabilities Management Committee; Risk Management Committee under the Bank's Board of Directors)
- The Risk Management Department
- Internal Audit Function;
- Internal control unit.

Credit risk management. Credit risk – the risk arising from the probability of non-fulfillment of contractual obligations by the borrower or counterparty to the Bank.

The Bank's credit policy is based on the Bank's development Strategy for 2020-2023 and defines the main directions of the Bank's development (strategy and tactics) in the field of banking operations and products that carry credit risk.

The Bank's credit policy is considered an integral element of the Bank's business model and development Strategy in the course of its current activity.

The main principles of the Credit policy include:

- The compliance of the credit risk management system with the regulations of the Central Bank of Russia and other regulatory bodies;
- Presence of necessary internal regulatory documents on credit risk management approved by the Bank's management bodies and communicated to all responsible employees of the Bank;
- Maintaining an effective risk management system, which involves the formation of a single methodological space for the Bank's divisions, as well as ensuring the implementation and coordination of functions in terms of a single approach to the identification, measurement, management and monitoring of credit risks;
- Regular receipt by the Bank's management bodies, including the Board of Directors, of information on the Bank's credit risk status;
- Regular review of the credit risk management system and timely updating of credit risk management documents in order to comply with current regulatory requirements, the current market situation and the Bank's organizational structure;
- The existence of operational structural units of the Bank responsible for assuming credit risk and operating within the existing restrictions, internal instructions of the Bank and legal requirements, and controlling structural units of the Bank responsible for monitoring and control of credit risk and independent from operational structural units of the Bank;
- Integration of the credit risk management system into the Bank's overall risk management system;

28. Risk management policies (continued)

- Existence of an information system for collecting and analyzing information on the state of credit risk, ensuring the provision of accurate and timely data on the state of claims and liabilities;
- Lending to borrowers on the terms of repayment, urgency and payment, as well as in compliance with the target nature and security;
- Adequacy of the credit risk assessment and management system in terms of the volume and complexity of transactions carried out by the Bank that carry credit risk;
- Performing transactions that carry credit risk based on the analysis of a specific loan request, investment transaction and/or within the previously established credit limit based on a written decision of the authorized collective bodies or authorized Bank officials in accordance with the nature and scope of their delegated authority to accept credit risk;
- Avoiding conflicts of interest when making a credit decision, as well as when registering and recording transactions with credit risk is ensured by a clear division of the Bank's divisions into initiating, expert, supporting and accounting divisions;
- Continuous monitoring of the credit transaction and the borrower until the moment of settlement of the client's obligation;
- Ensuring continuous monitoring of the loan portfolio as a whole;
- Determining the cost terms of transactions in such a way that they compensate for the cost of resources involved, the degree of credit risk accepted, the costs of the Bank's business, and ensure the profitability of the Bank's operations;
- Ensuring growth of commission income on operations with credit risk;
- Ensuring a balanced structure of the loan portfolio by credit products and individual categories of borrowers;
- Using the system of credit limits for customer loan transactions, including industry, regional and country limits;
- Providing comprehensive customer service, with credit products as a key element. When making credit decisions by the Bank, one of the criteria for determining the client's priority is the use of products and services other than credit, or the presence of large balances on current accounts in the Bank, as well as evaluating the effectiveness of interaction with the client for the Bank;
- Maximum satisfaction of clients' needs in credit resources while maintaining an acceptable level of credit risks;
- Maintaining the consistently high quality of credit services provided to the Bank's clients, ensuring the competitiveness of the Bank's credit products, including their cost conditions;
- Continuity in the implementation of the Credit policy;
- Ensuring a system of measures to counteract money laundering from crime and terrorism financing in credit transactions;
- Effective internal control system of the Bank's credit activity.

The credit risk management system is an integral part of the Bank's risk management strategy and consists of the following main components:

- Identification of credit risk;
- Analysis and assessment of credit risk for specific credit products/transactions/counterparty;
- Decision-making system for providing credit products/making credit transactions/setting limits on counterparties;

28. Risk management policies (continued)

- Limiting credit products (portfolio), including setting credit limits on the borrower/group of related borrowers, within individual credit products;
- Limiting and delegating authority to make decisions on providing credit products/making credit transactions/setting limits on counterparties;
- Charge of provision for loans, receivables on loans and other debt equivalent to it;
- Setting and monitoring of target/threshold requirements of credit portfolio;
- Securing credit products;
- Preliminary and subsequent control of granting, monitoring and support of credit products;
- Dealing with problem assets.

The Bank's credit policy is based on the following general approaches to credit risk assessment and management:

- The Bank's credit policy is approved and periodically reviewed by The Bank's Board of Directors on the recommendation of The Bank's Management Board;
- Responsibility for the implementation of the Credit policy approved by the Bank's Board of Directors is assigned to The Bank's Management Board and Credit Committees, as well as to the heads of relevant structural divisions of the Bank;
- Credit risk is identified and managed for all products and operations that contain credit risk;
- When making decisions on granting loans, the compliance of the credit transaction/participants of the transaction with the criteria established by the Bank's internal documents is checked;
- Credit limits are set for the borrower/group of related borrowers, taking into account the risks of both balance sheet and contingent liabilities that carry credit risk;
- The process of making decisions on granting new loans, as well as changing the terms and prolongation of existing loans is formalized in the Bank's internal documents;
- The granting of loans should be considered regardless of whether the borrower is related to the Bank. All loans provided to Bank-related borrowers should be subject to particularly careful monitoring and other possible measures to control and reduce the risks of such transactions;
- The system of ongoing monitoring and control of the credit risk of the loan portfolio is used;
- The state of loans is monitored, including determining the adequacy of the reserves formed for them;
- The use of internal ratings system/internal and /or external models for predicting the level of default on credit transactions of individuals is considered to be used in order to manage credit risk;
- An information system and analysis technology is being created, maintained and developed to manage credit risks, both for balance sheet and contingent liabilities that carry credit risk;
- When considering the provision of products that carry credit risk, potential changes in economic conditions as well as market conditions in which the borrower/target segment operates are taken into account;
- The Bank's risk management department conducts an independent current estimate of the Bank's credit risk management processes. The results of such analysis are brought directly to the attention of the Bank's Management Board and the relevant authorized bodies of the Bank;

28. Risk management policies (continued)

- The internal audit function periodically reviews the effectiveness of the credit risk assessment methodology, credit risk management procedures established by the Bank's internal documents, and the completeness of the application of these documents;
- The organization of the Bank's credit work and the amount of risks taken comply with prudential standards, regulations and internal limits. Internal control and credit work practices are maintained and improved in order to timely inform the management of the appropriate level (the Bank's Management Board, other Authorized bodies and units of the Bank) about exceptions/violations of the Credit policy, credit procedure and limits in order to take the necessary measures;
- There is a system for preventing and correcting the situation at the early stages of credit quality deterioration; managing problematic and doubtful debts; and correcting other problematic situations related to Credit risks.

The Bank uses the following risk minimization methods:

1. *The system of limits* includes:
   - limits that restrict the amount of credit risks accepted. These limits include limits on making decisions on transactions that carry credit risk, etc.;
   - limits of concentration of credit risks;
   - limits that restrict the level of risk for a specific customer (a group of related customers). These limits include individual limits, limits on specific transactions, and others
2. *Collateral policy*. For the purposes of the credit policy, the types of collateral are: collateral, guarantee, guarantees issued in favor of the Bank. The advantage is given to ensuring high liquidity, as well as ensuring the first and second quality categories in accordance with the requirements for the formation of provisions for potential losses on loan and equivalent debt.

In accordance with the requirements of the Regulation of the Bank of Russia dated 28.06.2017 N 590-P "On the order of formation of provision for possible loans losses, loan and equivalent debts by credit institutions" and the Regulation of the Bank of Russia dated 23.10.2017 N 611-P "On the order of formation of provisions for possible loans losses by credit institutions" during credit transactions, the Bank performs formation of provision for possible loans losses, loan and equivalent debts and reserves for possible losses. These provisions are used for calculation of mandatory norms according to the Instruction of the Bank of Russia dated 29.11.2019 N 199-I "On mandatory norms and buffers to capital adequacy ratio of banks with general license" (not for these financial statements).

Based on the internal Regulation on the assessment of reserves in accordance with IFRS 9 SBI Bank LLC makes provisions for expected credit losses on the following financial instruments measured at amortized cost or fair value through other comprehensive income:

- Loans, credit lines, overdrafts to legal entities, amounts paid to the beneficiary under bank guarantees, but not collected from the principal, other funds placed with legal entities;
- Bank guarantees for legal entities;
- Loans, credit lines, credit cards, overdrafts to individuals;
- Debt securities at fair value through other comprehensive income;
- Interbank transactions (deposits placed with counterparty banks, loans to banks in the interbank market (including banknote and conversion transactions), repos, balances on correspondent accounts and other interbank transactions);
- Financial accounts receivable and other financial assets.

28. Risk management policies (continued)

The Bank calculates and adjusts the provision for the expected credit losses at least quarterly on the last calendar day of the quarter, unless the credit risk increases significantly. The Bank may provide for a monthly frequency. The calculation and adjustment of the value of the provision for interbank transactions can be carried out on a daily basis. Expected credit losses can be calculated on an individual or collective basis.

Significant increase in credit risk. To assess the amount of the Allowance for expected credit losses on a financial instrument, the procedure for assigning a stage (First, Second or Third stage) to the financial instrument is performed. The stage of a financial instrument is determined based on the indicators of significant increase/decrease in the level of credit risk and indicators of credit impairment.

Qualitative indicators for financial instruments and loans to legal entities and individuals that may indicate a significant increase in credit risk include, among others:

- Deterioration in the operating results of the borrower or other obligee to the Bank: actual or forecast changes in the operating results of the borrower or other obligee to the Bank or its controlling shareholder(-s) (participant(-s)), experienced or expected significant financial difficulties that may have a significant impact on the ability of the borrower or other obligee to meet its obligations, and may lead to an actual or expected decrease in future cash flows required to repay the loan or implement the project, as a result, there may be an actual or expected insufficiency of cash flow available for debt servicing;
- Other signs of deterioration of the operating environment of the borrower or other obligee to the Bank: actual or expected occurrence of adverse changes in the business, regulatory, economic or technological environment of the borrower or other obligee to the Bank (for example, a decrease in demand for products/services of the borrower or other obligee to the Bank due to technological changes, an increase in unemployment, a decrease in purchasing power).

The assessment of expected credit losses of individuals on a collective basis takes into account the impact of forecast macroeconomic changes on both internal and external data. At the same time, the risk factor used for the assessment can be recognized by the Bank as resistant to macroeconomic changes.

As part of accounting for forecast macroeconomic changes in the assessment of expected credit losses, historical data are examined for dependence on macroeconomic factors. The main external source of historical and forecast macroeconomic information was “The Economist: Intelligence Unit”, which presents monthly and annual historical and forecast values of key factors of the Russian economy and reflects the average position of the market in relation to the forecast of macroeconomic development of the Russian Federation.

The Bank can use historical data from the Federal state statistics service as external macroeconomic information for accounting for macroeconomic parameters, as well as other sources available to the Bank.

For a portfolio of securities and interbank operations, ratings of rating agencies used to assess the probability of default take into account macroeconomic indicators over a 3-5-year horizon. The Bank does not make additional adjustments to the probability of default based on macroeconomic forecasts.

(in thousands of Russian Rubles, unless otherwise indicated)

28. Risk management policies (continued)

Internal ratings of credit risk. The Bank determines the probability of default of a client based on the internal rating of the counterparty. Assignment of an internal credit rating to corporate clients is made by means of determining a total score obtained as a result of a complex quantitative and qualitative assessment of a corporate client being rated. The internal credit rating of the counterparty can be adjusted to take into account the support of the group, which may include the Corporate Client, where necessary.

The quantitative assessment of the corporate client's creditworthiness is made based on the analysis of the counterparty's financial position. Depending on the industry of the counterparty, the Bank may consider various financial indicators that best record the financial position of the counterparty in the relevant industry, according to international rating agencies.

Based on the Bank's total corporate score, the Bank determines its internal credit rating, which is translated into the scale of Moody's international rating agency (hereinafter – Moody's). The Bank assigns the probability of a Corporate Client's default based on Moody's statistics. The table below reflects the Bank's financial assets according to the internal credit rating.

	Investment rating	Speculative rating	Default rating	Not rated	Total
31 December 2020					
Cash and cash equivalents	1 747 299	565 091	-	99 596	**2 411 986**
Mandatory cash balance with the Central Bank of the RF	55 699	-	-	-	**55 699**
Due from financial institutions	2 146 822	44 132	-	-	**2 190 954**
Loans to customers	6 955 755	1 491 639	-	1 340 162	**9 787 556**
Investment assets	214 070	504 429	-	-	**718 499**
Other financial assets	8 236	2 096	-	458	**10 790**
31 December 2019					
Cash and cash equivalents	2 298 781	501 346	-	51 897	**2 852 024**
Mandatory cash balance with the Central Bank of the RF	50 670	-	-	-	**50 670**
Due from financial institutions	525 173	-	-	109	**525 282**
Loans to customers	5 663 515	1 735 610	97	1 721 554	**9 120 776**
Investment assets	97 212	578 313	-	-	**675 525**
Other financial assets	-	-	-	34 347	**34 347**

The Bank believes that the credit risk of a financial asset has significantly increased since the date of initial recognition for loans to Corporate clients and loans to individuals, including the delay in payments for more than 30 calendar days at the reporting date. Revision (validation) of the Regulation on the Assessment of Provisions in accordance with IFRS 9 of SBI Bank LLC is carried out on a periodic basis (but not less than once a year).

Use of forward looking information. The Bank takes into account the influence of macroeconomic factors for the portfolio of debt securities and for the portfolio of interbank transactions by using external credit ratings in the model for assessing the reserve for expected credit losses, which already include the influence of the macroeconomic environment. Additional adjustments for the forecast of macroeconomic factors are not required.

28. Risk management policies (continued)

Measurement of ECL. The key inputs used for measuring ECL are:

- Probability of default (PD);
- Loss given default (LGD);
- Exposure at default (EAD).

PD is an estimate of the likelihood of default over a given time horizon. It is estimated as at a point in time.

For loans issued to Corporate clients:

- For financial assets classified as Stage One, the number of months is recognized as equal to the life of the financial asset, but not more than 12 months;
- For financial assets classified as Stage Two, the number of months is recognized as equal to the number of months before the end of the financial asset's life;
- The term of the remaining loan is not used in calculating the probability of default in Stage Three, since the probability of default for such loans is 100%.

The accumulated default probability (PD) - the probability that the loan in question will default at some point during the analyzed period, is calculated for the subportfolio of loans to individuals.

The PD parameter depends on time (i.e. it has a certain structure by terms) and applies to all non-default credits (i.e. to stage 1 and stage 2 instruments). To model the probability of default, the Bank uses historical information on loan migration.

When calculating expected credit losses on an individual basis for individuals, the probability of default is determined for 12 months or the entire life of the financial instrument depending on the stage. In order to comply with IFRS 9 requirements, the PD value is adjusted by the Bank to take into account macroeconomic factors.

LGD is an estimate of the loss arising on default.

For corporate clients – share of irrecoverable losses in case of default on the i-th period of the financial instrument. When calculating LGD, the fair value of collateral is taken into account, calculated in accordance with the Bank's internal regulations governing the process of assessing collateral for Corporate clients.

For the sub-portfolio of loans to individuals, the loss given default (LGD) is determined - the share of the loan amount that will be lost in case of default. As part of the LGD valuation, reimbursement is simulated by discounting at the original effective interest rate. The LGD estimate is based on historical data on total recoveries for defaulted loans. In particular, it considers the amount of monthly cash flows on defaulted loans of a certain sub-portfolio for each analyzed period, discounted to the date of default using the original effective rate on defaulted loans for this sub-portfolio.

28. Risk management policies (continued)

The basic assumption in the assessment of the Bank's LGD is that after the debt goes into default, there is no possibility of returning to non-default status. All repayments after that date are treated in the repayment format and deduct the LGD estimate. This assumption was chosen mainly due to the limited amount of available statistics. In the future, with the accumulation of statistical information, the assumption can be revised.

For securities and interbank LGD transactions – the share of irrecoverable losses in case of default for the term of the financial instrument.

EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities.

EAD for loans to corporate customers, interbank loans, loans to individuals - is defined as gross carrying amount of the financial instrument. For calculation of provision for off-balance sheet commitments (including contingent liabilities - bank guarantees, credit lines) this value is adjusted by the credit conversion ratio.

When calculating expected credit losses on a collective basis for individuals, the amount at risk is estimated separately for each loan by summing the balance sheet amount at risk, consisting of the amount of loan principal and interest at the reporting date, and the off-balance sheet amount at risk, which describes the amount of cash by which the amount of loan principal can be increased before the event of default.

EAD for debt securities for is estimated as the equivalent of the gross book value of debt securities for each year and is calculated as the sum of nominal amount and coupon payments for period t, discounted at the effective interest rate calculated in accordance with the letter of the Bank of Russia No. 59-T dated 27.04.2010.

For loans to individuals, the calculation of expected credit losses can be made on an individual and collective basis, provided that individual loans are combined into sub-portfolios based on the characteristics of uniformity and comparability of credit risk characteristics at the reporting date for calculating expected credit losses, as well as on the historical period used for statistical modeling.

Expected credit losses – the weighted average of credit losses with the respective risks of a default occurring as the weights. As a result, the measurement of the loss allowance should be the same regardless of whether it is measured on an individual basis or a collective basis (although measurement on a collective basis is more practical for large portfolios of items). In relation to the assessment of whether there has been a significant increase in credit risk it can be necessary to perform the assessment on a collective basis as noted below.

Groupings based on shared risks characteristics. As at the reporting date, the Bank's retail loan portfolio was divided into two sub-portfolios: "Credit Cards" and "Consumer Loans".

Sub-portfolio "Credit Cards" includes products: "Settlement bank card with a grace period" and "Settlement bank card with overdraft".

(in thousands of Russian Rubles, unless otherwise indicated)

28. Risk management policies (continued)

Sub-portfolio “Consumer Loans” includes products: “REF “One for All” (Refinancing)”, “CONSUMER LOAN CORPORATE (Consumer Loan)”, “Loans to individuals”, “Trust Loan” and “Grace Period Credit Card for Employees”. The amount of historical statistical data for these products is significantly lower than for the “Credit Cards” sub-portfolio, and therefore the Bank uses a simplified approach to assessing expected credit losses on consumer loans until the statistical data for this sub-portfolio is accumulated.

For bank guarantees referred by the Bank to the portfolios of contingent liabilities, an expert assessment is made in accordance with the Bank’s internal documents determining the formation of reserves for this product (Methodology for assessing the financial position of the Principal when providing bank guarantees for the product “Express guarantees (state order)” in SBI Bank LLC”, Methodology for the formation of provisions for the portfolios of contingent liabilities of the Principals when providing the product “Express guarantees (State order)” in SBI Bank LLC) until the accumulation of sufficient own statistics regarding the behavior of the portfolio of bank guarantees.

For loans to legal entities combined into portfolios of homogeneous loans, the expert assessment is carried out in accordance with the Regulation on the procedure for the formation of reserves for possible losses on loans, on loan and equivalent debts of legal entities and individual entrepreneurs in SBI Bank LLC until the accumulation of sufficient own statistics on the behavior of portfolios of homogeneous loans.

Below there is an analysis of outstanding loans by groups of assessment of expected credit losses (on an individual and collective basis).

	31 December 2020			Allowance for impairment in relation to the loans less allowance for impairment
	Gross value before allowance for impairment	**Allowance for impairment**	**Carrying amount**	
Loans to customers individually determined to be impaired, total:	*11 457 336*	*(2 355 981)*	*9 101 355*	*20.56%*
including:				
- loans to legal entities and IE	10 272 357	(1 825 561)	8 446 796	17.77%
- loans to individuals	1 184 979	(530 420)	654 559	44.76%
Loans to customers collectively determined to be impaired, total:	*1 361 781*	*(675 580)*	*686 201*	*49.61%*
including:				
- loans to legal entities and IE	604	(6)	598	0.99%
- loans to individuals	1 361 177	(675 574)	685 603	49.63%
Total	**12 819 117**	**(3 031 561)**	**9 787 556**	23.65%
including:				
- loans to legal entities and IE	10 272 961	(1 825 567)	**8 447 394**	17.77%
- loans to individuals	2 546 156	(1 205 994)	**1 340 162**	47.37%

(in thousands of Russian Rubles, unless otherwise indicated)

28. Risk management policies (continued)

	31 December 2019			Allowance for impairment in relation to the loans less provision for impairment
	Gross value before allowance for impairment	**Allowance for impairment**	**Carrying amount**	
Loans to customers individually determined to be impaired, total:	9 653 691	(2 069 941)	7 583 750	21.44%
including:				
- loans to legal entities and IE	9 267 928	(1 868 706)	7 399 222	20.16%
- loans to individuals	385 763	(201 235)	184 528	52.17%
Loans to customers collectively determined to be impaired, total:	1 870 644	(333 618)	1 537 026	17.83%
including:				
- loans to individuals	1 870 644	(333 618)	1 537 026	17.83%
Total	**11 524 335**	**(2 403 559)**	**9 120 776**	**20.86%**
including:				
- loans to legal entities and IE	**9 267 928**	**(1 868 706)**	**7 399 222**	**20.16%**
- loans to individuals	**2 256 407**	**(534 853)**	**1 721 554**	**23.70%**

As at 31 December 2020 and 31 December 2019 loans in the amount of RUB 1 684 971 thousand and RUB 1 054 304 thousand accordingly, loans individually recognized as impaired were secured by real estate pledge, cash placed in the Bank’s deposit accounts, the collateral value of which amounted to RUB 2 459 265 thousand and RUB 2 257 810 thousand respectively.

The analysis of the Bank’s credit risk for each class of financial assets, taking into account the impact of collateral accepted to reduce the provision, is presented in the tables below. For investment assets, the expected credit loss allowance is recognized directly in equity and does not reduce the carrying amount. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

(in thousands of Russian Rubles, unless otherwise indicated)

28. Risk management policies (continued)

	31 December 2020			
Name of the class of financial instrument carrying credit risk	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Cash and cash equivalents				
Gross value	2 412 097	-	-	2 412 097
Loss provision	(111)	-	-	(111)
Carrying amount	2 411 986	-	-	2 411 986
Due from financial institutions:				
Gross value	2 191 640	-	-	2 191 640
Loss provision	(686)	-	-	(686)
Carrying amount	2 190 954	-	-	2 190 954
Loans to customers:				
Gross value	9 592 931	508 593	2 717 593	12 819 117
Loss provision	(246 698)	(93 148)	(2 691 715)	(3 031 561)
Carrying amount	9 346 233	415 445	25 878	9 787 556
Investment assets:				
Gross value	718 499	-	-	718 499
Loss provision	(3 743)	-	-	(3 743)
Carrying amount	718 499	-	-	718 499
Other financial assets:				
Gross value	10 439	102	25 781	36 322
Loss provision	(9)	(52)	(25 471)	(25 532)
Carrying amount	10 430	50	310	10 790
Guarantees issued and similar commitments of future periods:				
Gross value	8 097 224	5 464	317	8 103 005
Loss provision	(32 244)	-	(317)	(32 561)
Commitments on loans and unused credit lines:				
Gross value	3 700 833	153 250	1 296	3 855 379
Loss provision	(9 419)	(1 372)	(1 251)	(12 042)
Letters of credit and other contingent commitments related to settlement operations:				
Gross value	39 000	-	-	39 000
Loss provision	-	-	-	-

(in thousands of Russian Rubles, unless otherwise indicated)

28. Risk management policies (continued)

When modeling ECL for loans of legal entities at different stages, incl. at the second stage, the Bank accounts for collateral, discounting this collateral in accordance with the internal methodology. Due to the fact that in 2020 the Bank received collateral for loans of the second stage, which was taken into account when calculating the ECL reserve, the effective provisioning rate for loans of the second stage in 2020 decreased compared to 2019.

	31 December 2019			
Name of the class of financial instrument	**Stage 1**	**Stage 2**	**Stage 3**	
carrying credit risk	**12-month ECL**	**Lifetime ECL**	**Lifetime ECL**	**Total**
Cash and cash equivalents				
Gross value	2 852 211	-	-	2 852 211
Loss provision	(187)	-	-	(187)
Carrying amount	2 852 024	-	-	2 852 024
Due from financial institutions:				
Gross value	525 354	-	-	525 354
Loss provision	(72)	-	-	(72)
Carrying amount	525 282	-	-	525 282
Loans to customers:				
Gross value	9 350 571	117 612	2 056 152	11 524 335
Loss provision	(245 474)	(102 123)	(2 055 962)	(2 403 559)
Carrying amount	9 105 097	15 489	190	9 120 776
Investment assets:				
Gross value	675 525	-	-	675 525
Loss provision	(2 912)	-	-	(2 912)
Carrying amount	675 525	-	-	675 525
Other financial assets:				
Gross value	34 285	103	23 640	58 028
Loss provision	(11)	(48)	(23 622)	(23 681)
Carrying amount	34 274	55	18	34 347
Guarantees issued and similar commitments of future periods:				
Gross value	5 325 170	493	809	5 326 472
Loss provision	(52 731)	(246)	(809)	(53 786)
Commitments on loans and unused credit lines:				
Gross value	1 631 883	171	591	1 632 645
Loss provision	(7 377)	(152)	(590)	(8 119)

(in thousands of Russian Rubles, unless otherwise indicated)

28. Risk management policies (continued)

The table below presents the analysis of significant changes in the gross carrying amount of financial assets during the period that led to changes in the amount of the loss provision and changes in the Allowance for expected credit losses in 2020 and 2019 within asset classes:

	2020	
Cash and cash equivalents	**Stage 1**	**Total**
Movements in gross value for 2020		
Gross value as at the beginning of the period	**2 852 211**	**2 852 211**
New financial assets originated or purchased	1 895 122	1 895 122
Financial assets that have been derecognized	(2 335 236)	(2 335 236)
Total gross value at the end of the period	**2 412 097**	**2 412 097**
Changes of ECL for 2020		
ECL	**187**	**187**
Increase/(Decrease) due to change in credit risk	(20)	(20)
New financial assets originated or purchased	94	94
Financial assets that have been derecognized	(150)	(150)
Total ECL as at the end of the period	**111**	**111**

		2019	
Cash and cash equivalents	**Stage 1**	**Stage 2**	**Total**
Movements in gross value for 2019			
Gross value as at the beginning of the period	**3 000 222**	**67 291**	**3 067 513**
Transfers to Stage 1	67 291	(67 291)	-
New financial assets originated or purchased	2 513 149	-	2 513 149
Financial assets that have been derecognized	(2 728 451)	-	(2 728 451)
Total gross value at the end of the period	**2 852 211**	**-**	**2 852 211**
Changes of ECL for 2019			
ECL	**4**	**23**	**27**
Transfers to Stage 1	23	(23)	-
Increase/(Decrease) due to change in credit risk	11	-	11
Decrease due to change in asset amount	149	-	149
Total ECL as at the end of the period	**187**	**-**	**187**

(in thousands of Russian Rubles, unless otherwise indicated)

28. Risk management policies (continued)

Due from financial institutions	2020 Stage 1	Total
Movements in gross value for 2020		
Gross value as at the beginning of the period	**525 354**	**525 354**
New financial assets originated or purchased	3 067 661	3 067 661
Financial assets that have been derecognized	(1 401 375)	(1 401 375)
Total gross value at the end of the period	**2 191 640**	**2 191 640**
Changes of ECL for 2020		
ECL	**72**	**72**
Increase/(Decrease) due to change in credit risk	453	453
New financial assets originated or purchased	180	180
Financial assets that have been derecognized	(19)	(19)
Total ECL as at the end of the period	**686**	**686**

Due from financial institutions	2019 Stage 1	Total
Movements in gross value for 2019		
Gross value as at the beginning of the period	**1 457 545**	**1 457 545**
New financial assets originated or purchased	525 239	525 239
Financial assets that have been derecognized	(1 457 430)	(1 457 430)
Total gross value at the end of the period	**525 354**	**525 354**
Changes of ECL for 2019		
ECL	**272**	**272**
New financial assets originated or purchased	72	72
Financial assets that have been derecognized	(272)	(272)
Total ECL as at the end of the period	**72**	**72**

(in thousands of Russian Rubles, unless otherwise indicated)

28. Risk management policies (continued)

	2020			
Loans to customers	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Movements in gross value for 2020				
Gross value as at the beginning of the period	**9 350 571**	**117 612**	**2 056 152**	**11 524 335**
Transfers to Stage 1	44 398	(17 137)	(27 261)	-
Transfers to Stage 2	(1 253 355)	1 261 965	(8 610)	-
Transfers to Stage 3	(273 374)	(479 085)	752 459	-
New financial assets originated or purchased	5 676 983	4 728	19 895	5 701 606
Financial assets that have been derecognized	(3 952 292)	(379 490)	(22 907)	(4 354 689)
Write off	-	-	(52 135)	(52 135)
Total gross value at the end of the period	**9 592 931**	**508 593**	**2 717 593**	**12 819 117**
Changes of ECL for 2020				
ECL	**245 474**	**102 123**	**2 055 962**	**2 403 559**
Transfers to Stage 1	39 393	(13 419)	(25 974)	-
Transfers to Stage 2	(69 368)	77 324	(7 956)	-
Transfers to Stage 3	(37 956)	(378 485)	416 441	-
Increase/(Decrease) due to change in credit risk	137 450	306 038	287 311	730 799
New financial assets originated or purchased	77 891	7	19 881	97 779
Financial assets that have been derecognized	(21 727)	(440)	(1 815)	(23 982)
Write-off as a result of the sale of an asset	(124 459)	-	-	(124 459)
Write off	-	-	(52 135)	(52 135)
Total ECL as at the end of the period	**246 698**	**93 148**	**2 691 715**	**3 031 561**

	2019		
Cash and cash equivalents	**Stage 1**	**Stage 2**	**Total**
Movements in gross value for 2019			
Gross value as at the beginning of the period	**3 000 222**	**67 291**	**3 067 513**
Transfers to Stage 1	67 291	(67 291)	-
Financial assets originated or newly purchased	2 513 149	-	2 513 149
Financial assets that have been derecognized	(2 728 451)	-	(2 728 451)
Total gross value at the end of the period	**2 852 211**	**-**	**2 852 211**
Changes of ECL for 2019			
ECL	**4**	**23**	**27**
Transfers to Stage 1	23	(23)	-
Increase/(Decrease) due to change in credit risk	11	-	11
Decrease due to change in asset amount	149	-	149
Total ECL as at the end of the period	**187**	**-**	**187**

(in thousands of Russian Rubles, unless otherwise indicated)

28. Risk management policies (continued)

	2019			
Loans to customers	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Movements in gross value for 2019				
Gross value as at the beginning of the period	**1 251 643**	**2 324**	**2 038 068**	**3 292 035**
Transfers to Stage 1	2 183	(399)	(1 784)	-
Transfers to Stage 2	(908)	908	-	-
Transfers to Stage 3	(7 530)	(1 073)	8 603	-
New financial assets originated or purchased	8 256 071	116 703	39 713	8 412 487
Financial assets that have been derecognized	(150 888)	(851)	(2 615)	(154 354)
Write off	-	-	(25 833)	(25 833)
Total gross value at the end of the period	**9 350 571**	**117 612**	**2 056 152**	**11 524 335**
Changes of ECL for 2019				
ECL	**12 974**	**1 095**	**2 032 881**	**2 046 950**
Transfers to Stage 1	1 882	(288)	(1 594)	-
Transfers to Stage 2	(116)	116	-	-
Transfers to Stage 3	(919)	(774)	1 693	-
Increase/(Decrease) due to change in credit risk	(5 429)	793	10 998	6 362
New financial assets originated or purchased	238 320	101 214	39 709	379 243
Financial assets that have been derecognized	(1 238)	(33)	(1 892)	(3 163)
Write off	-	-	(25 833)	(25 833)
Total ECL as at the end of the period	**245 474**	**102 123**	**2 055 962**	**2 403 559**

(in thousands of Russian Rubles, unless otherwise indicated)

28. Risk management policies (continued)

	2020	
Investment assets	**Stage 1**	**Total**
Movements in gross value for 2020		
Gross value as at the beginning of the period	**675 525**	**675 525**
New financial assets originated or purchased	406 887	406 887
Financial assets that have been derecognized	(363 913)	(363 913)
Total gross value at the end of the period	**718 499**	**718 499**
Changes of ECL for 2020		
ECL	**2 912**	**2 912**
Increase/(Decrease) due to change in credit risk	3 229	3 229
New financial assets originated or purchased	1 879	1 879
Financial assets that have been derecognized	(4 277)	(4 277)
Total ECL as at the end of the period	**3 743**	**3 743**

	2019	
Investment assets	**Stage 1**	**Total**
Movements in gross value for 2019		
Gross value as at the beginning of the period	**575 054**	**575 054**
New financial assets originated or purchased	259 730	259 730
Financial assets that have been derecognized	(159 259)	(159 259)
Total gross value at the end of the period	**675 525**	**675 525**
Changes of ECL for 2019		
ECL	**2 645**	**2 645**
Increase/(Decrease) due to change in credit risk	(366)	(366)
New financial assets originated or purchased	868	868
Financial assets that have been derecognized	(235)	(235)
Total ECL as at the end of the period	**2 912**	**2 912**

(in thousands of Russian Rubles, unless otherwise indicated)

28. Risk management policies (continued)

	2020			
Credit related commitments	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Change in total credit related contingent liabilities for 2020				
Value as at the beginning of the period	**6 957 053**	**664**	**1 400**	**6 959 117**
Transfers to Stage 1	100 580	(100 463)	(117)	-
Transfers to Stage 2	(222 207)	222 207	-	-
Transfers to Stage 3	(1 386)	(182)	1 568	-
Created or newly acquired credit-related contingent liabilities	11 242 411	207 503	392	11 450 306
Credit-related contingent liabilities, which have been derecognized	(6 239 393)	(171 015)	(1 631)	(6 412 039)
Value as at the end of the period	**11 837 058**	**158 714**	**1 612**	**11 997 384**
Changes of ECL for 2020				
ECL	**60 108**	**398**	**1 399**	**61 905**
Transfers to Stage 1	814	(734)	(80)	-
Transfers to Stage 2	(1 177)	1 177	-	-
Transfers to Stage 3	(83)	(147)	230	-
Movement due to change in credit risk	7 198	930	1 108	9 236
Created or newly acquired credit-related contingent liabilities	46 827	102	3	46,932
Credit-related contingent liabilities, which have been derecognized	(72 024)	(354)	(1 092)	(73 470)
Total ECL as at the end of the period	**41 663**	**1 372**	**1 568**	**44 603**

(in thousands of Russian Rubles, unless otherwise indicated)

28. Risk management policies (continued)

	2019			
Credit related commitments	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Change in total credit related contingent liabilities for 2019				
Value as at the beginning of the period	**1 638 958**	**88**	**1 189**	**1 640 235**
Transfers to Stage 1	51	(50)	(1)	-
Transfers to Stage 2	(473)	473	-	-
Transfers to Stage 3	(1 361)	(11)	1 372	-
Created or newly acquired liabilities	6 132 344	432	10	6 132 786
Credit-related contingent liabilities, which have been derecognized	(812 466)	(268)	(1 170)	(813 904)
Value as at the end of the period	**6 957 053**	**664**	**1 400**	**6 959 117**
Changes of ECL for 2019				
ECL	**12 703**	**64**	**1 071**	**13 838**
Transfers to Stage 1	37	(36)	(1)	-
Transfers to Stage 2	(32)	32	-	-
Transfers to Stage 3	(50)	(8)	58	-
Movement due to change in credit risk	414	151	1 082	1 647
Created or newly acquired credit-related contingent liabilities	52 705	215	10	52 930
Credit-related contingent liabilities, which have been derecognized	(5 669)	(20)	(821)	(6 510)
Total ECL as at the end of the period	**60 108**	**398**	**1 399**	**61 905**

As discussed above in the significant increase in credit risk section, under the Bank's monitoring procedures a significant increase in credit risk is identified before the exposure has defaulted, and at the latest when the exposure becomes 30 days past due. This is the case mainly for loans and advances to customers and more specifically for retail lending exposures because for corporate lending and other exposures there is more borrower specific information available which is used to identify significant increase in credit risk. The table below provides an analysis of the gross carrying amount of loans and advances to customers by past due status.

(in thousands of Russian Rubles, unless otherwise indicated)

28. Risk management policies (continued)

The analysis of the credit quality of outstanding loans to legal entities as at 31 December 2020 and 31 December 2019 is presented in the tables below.

	31 December 2020			
Loans to legal entities and IE	**Gross value before provision for impairment**	**Allowance for impairment**	**Carrying amount**	**Provision for impairment to gross loans before deduction of the provision for impairment**
Individually impaired				
Not past due	8 459 619	(15 441)	8 444 178	0.18%
Past due:				
Up to 30 days	2 618	-	2 618	0.00%
Over 180 days	1 810 120	(1 810 120)	-	100.00%
Total individually impaired loans	**10 272 357**	**(1 825 561)**	**8 446 796**	**17.77%**
Collectively assessed				
Not past due	604	(6)	598	0.99%
Total collectively measured loans	**604**	**(6)**	**598**	**0.99%**
Total loans to legal entities	**10 272 961**	**(1 825 567)**	**8 447 394**	**17.77%**

	31 December 2019			
Loans to legal entities and IE	**Gross value before provision for impairment**	**Allowance for impairment**	**Carrying amount**	**Provision for impairment to gross loans before deduction of the provision for impairment**
Individually impaired				
Not past due	7 432 859	(33 734)	7 399 125	0.45%
Past due:				
Up to 30 days	-	-	-	0.00%
From 31 to 60 days	784	(704)	80	89.80%
From 61 to 90 days	19	(19)	-	100.00%
From 91 to 180 days	1 730 538	(1 730 521)	17	100.00%
Over 180 days	103 728	(103 728)	-	100.00%
Total individually impaired loans	**9 267 928**	**(1 868 706)**	**7 399 222**	**20.16%**
Total collectively measured loans	**-**	**-**	**-**	**0.00%**
Total loans to legal entities	**9 267 928**	**(1 868 706)**	**7 399 222**	**20.16%**

(in thousands of Russian Rubles, unless otherwise indicated)

28. Risk management policies (continued)

The analysis of the credit quality of outstanding loans to individuals as at 31 December 2020 and 31 December 2019 is presented in the tables below.

	31 December 2020			
Loans to individuals	**Gross value before provision for impairment**	**Allowance for impairment**	**Carrying amount**	**Provision for impairment to gross loans before deduction of the provision for impairment**
Individually impaired				
Not past due	665 803	(93 395)	572 408	14.03%
Past due:				
Up to 30 days	44 759	(8 040)	36 719	17.96%
From 31 to 60 days	29 140	(5 236)	23 904	17.97%
From 61 to 90 days	47 459	(36 620)	10 839	77.16%
From 91 to 180 days	28 199	(25 757)	2 442	91.34%
Over 180 days	369 619	(361 372)	8 247	97.77%
Total individually impaired loans	**1 184 979**	**(530 420)**	**654 559**	**44.76%**
Collectively assessed				
Not past due	747 297	(133 991)	613 306	17.93%
Past due:				
Up to 30 days	41 416	(12 961)	28 455	31.29%
From 31 to 60 days	21 143	(3 792)	17 351	17.94%
From 61 to 90 days	28 263	(23 596)	4 667	83.49%
From 91 to 180 days	37 982	(33 870)	4 112	89.17%
Over 180 days	485 076	(467 364)	17 712	96.35%
Total collectively measured loans	**1 361 177**	**(675 574)**	**685 603**	**49.63%**
Total loans to individuals	**2 546 156**	**(1 205 994)**	**1 340 162**	**47.37%**

(in thousands of Russian Rubles, unless otherwise indicated)

28. Risk management policies (continued)

	31 December 2019			
Loans to individuals	**Gross value before provision for impairment**	**Allowance for impairment**	**Carrying amount**	**Provision for impairment to gross loans before deduction of the provision for impairment**
Individually impaired				
Not past due	186 954	(2 776)	184 178	1.48%
Past due:				
From 61 to 90 days	7	(7)	-	100.00%
From 91 to 180 days	145 523	(145 480)	43	99.97%
Over 180 days	53 279	(52 972)	307	99.42%
Total individually impaired loans	**385 763**	**(201 235)**	**184 528**	**52.17%**
Collectively assessed				
Not past due	1 623 960	(190 908)	1 433 052	11.76%
Past due:				
Up to 30 days	108 734	(19 638)	89 096	18.06%
From 31 to 60 days	60 307	(51 828)	8 479	85.94%
From 61 to 90 days	45 225	(38 883)	6 342	85.98%
From 91 to 180 days	28 742	(28 692)	50	99.83%
Over 180 days	3 676	(3 669)	7	99.81%
Total collectively measured loans	**1 870 644**	**(333 618)**	**1 537 026**	**17.83%**
Total loans to legal entities	**2 256 407**	**(534 853)**	**1 721 554**	**23.70%**

(in thousands of Russian Rubles, unless otherwise indicated)

28. Risk management policies (continued)

Below there is an analysis of the Bank's concentration of credit risk by sectors.

	31 December 2020		31 December 2019	
	Amount	**%**	**Amount**	**%**
Wholesale and retail trade. Repair of motor vehicles and motorcycles	2 853 238	22.26%	2 831 096	24.57%
Individuals	2 546 156	19.86%	2 256 407	19.58%
Financial and insurance activities	2 429 392	18.95%	2 252 483	19.55%
Manufacturing	1 005 466	7.84%	1 310 650	11.37%
Professional, scientific and technical activities	1 002 022	7.82%	708 994	6.15%
Real estate activities	864 781	6.75%	833 013	7.23%
IT and telecommunications	632 023	4.93%	424 641	3.68%
Activities in the field of health and social services	317 060	2.47%	296 005	2.57%
Activities in the field of culture, sports, leisure and entertainment	295 000	2.30%	295 000	2.56%
Construction	283 310	2.21%	60 496	0.52%
Activities of hotels and catering establishments	290 438	2.27%	150 048	1.30%
Transportation and storage	166 707	1.30%	51 869	0.45%
Water supply. Wastewater disposal, waste collection and disposal, pollution elimination activities	99 297	0.77%	-	0.00%
Agriculture, forestry, hunting, fishing and fish farming	29 136	0.23%	29 136	0.25%
Administrative activities and related additional services	5 091	0.04%	24 497	0.21%
Total loans before Allowance for expected credit losses	**12 819 117**	**100.00%**	**11 524 335**	**100.00%**
Allowance for expected credit losses	**(3 031 561)**		**(2 403 559)**	
Total loans to customers	**9 787 556**		**9 120 776**	

Collateral

The main types of collateral obtained by the Bank are as follows:

- For securities lending and reverse repurchase transactions, cash or securities;
- For lending – pledge of real estate, pledge of deposits, pledge of property and equipment, pledge of claims, pledge of goods in circulation, pledge of securities, sureties;
- For lending to individuals – and mortgage of real estate, mortgage of property and equipment, sureties.

However, only two types of collateral were used by the Bank to reduce Allowance for expected credit losses: real estate and deposits received. The amount of such collateral as at 31 December 2020 amounted to RUB 2 459 265 thousand, and as at 31 December 2019 amounted to RUB 2 257 810 thousand.

(in thousands of Russian Rubles, unless otherwise indicated)

28. Risk management policies (continued)

The gross value of loans on which collateral is accepted to reduce expected credit losses as at 31 December 2020 amounted to RUB 1 684 971 thousand, the value of expected credit losses amounted to RUB 4 454 thousand. As at 31 December 2020 the collateral received allowed the Bank to reduce provisions for such individually impaired loans by RUB 273 550 thousand.

The gross value of loans on which collateral is accepted to reduce expected credit losses as at 31 December 2019 amounted to RUB 1 054 304 thousand, the value of expected credit losses amounted to RUB 4 423 thousand. As at 31 December 2019 the collateral received allowed the Bank to reduce provisions for such individually impaired loans by RUB 55 958 thousand.

As discussed in Note 12, during the reporting period the Bank received non-financial assets by taking possession of collateral held as collateral for loans to customers and held at the end of the year. The value of the collateral received was RUB 39 000 thousand.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for ECL.

The table below shows the maximum credit risk exposure for the statement of financial position items.

	Maximum credit risk exposure	**Collateralized assets**	**Net credit risk exposure**
31 December 2020			
Cash and cash equivalents (less cash on hand)	2 312 390	-	2 312 390
Mandatory cash balance with the Central Bank of the RF	55 699	-	55 699
Due from financial institutions	2 190 954	(2 162 770)	28 184
Loans to customers	9 787 556	(8 203 147)	1 584 409
Investment assets	714 756	-	714 756
Other financial assets.	10 790	-	10 790
Guarantees	8 070 444	-	8 070 444
Loan commitments	3 843 337	-	3 843 337
Letters of credit	39 000	(39 000)	-
31 December 2019			
Cash and cash equivalents (less cash on hand)	2 800 166	-	2 800 166
Mandatory cash balance with the Central Bank of the RF	50 670	-	50 670
Due from financial institutions	525 282	(500 970)	24 312
Loans to customers	9 120 776	(7 567 660)	1 553 116
Investment assets	675 525	-	675 525
Other financial assets.	34 347	-	34 347
Guarantees	5 272 686	-	5 272 686
Loan commitments	1 624 526	-	1 624 526

(in thousands of Russian Rubles, unless otherwise indicated)

28. Risk management policies (continued)

Renegotiated loans and advances. In 2020, the main reason for the revision of loan conditions was COVID-19. The revision of the terms was related to the deferral of the repayment of the principal and/or interest on the loan.

Below there is the carrying amount of financial assets the terms of which have been renegotiated, as well as their level in a specific portfolio and total amount outstanding.

	Total, in RUB thousand	**incl. restructured, in RUB thousand**	**share, %**
Loans to legal entities:			
Gross value	10 272 961	1 102 585	10.73%
Loss provision	(1 825 567)	(10 377)	0.57%
Carrying amount	8 447 394	1 092 208	12.93%
Loans to individuals			
Gross value	2 546 156	573 818	22.54%
Loss provision	(1 205 994)	(165 015)	13.68%
Carrying amount	1 340 162	408 803	30.50%
Total for the loan portfolio:			
Gross value	12 819 117	1 676 403	13.08%
Loss provision	(3 031 561)	(175 392)	5.79%
Carrying amount	**9 787 556**	**1 501 011**	**15.34%**

The gross value of loans to legal entities with revised terms amounted to about 11% of the loan portfolio of legal entities or about 9% of the total loan portfolio of the Bank. The gross value of loans to individuals with revised terms amounted to about 23% of the loan portfolio of individuals or about 4% of the total loan portfolio of the Bank. On the whole, the Bank’s loans with renegotiated terms amount to just over 15%.

The Bank analyzed the materiality of the modifications to the modified loans. The difference between the values of the present value of the original cash flows and revised cash flows did not exceed 10%. The Bank believes that the revised terms do not materially differ from the original ones and do not result in derecognition.

In 2019, loans with renegotiated terms were insignificant for the whole loan portfolio. Information on them is not disclosed due to insignificance.

Geographical concentration. The Risk Management Department of the Bank exercises control over the risk in the legislation and regulatory arena and assesses its influence on the Bank’s activity. This approach allows the Bank to minimize potential losses from potential changes in the investment climate fluctuations in the Russian Federation.

(in thousands of Russian Rubles, unless otherwise indicated)

28. Risk management policies (continued)

The geographical concentration of assets and liabilities is based on the counterparty's country of origin and is set out below:

2020	**RF**	**OECD countries**	**Other countries**	**Total**
FINANCIAL ASSETS				
Cash and cash equivalents	2 330 066	81 920	-	**2 411 986**
Mandatory cash balance with the Central Bank of the RF	55 699	-	-	**55 699**
Due from financial institutions	2 148 842	42 112	-	**2 190 954**
Loans to customers	9 787 556	-	-	**9 787 556**
Investment assets	523 780	194 719	-	**718 499**
Other financial assets.	10 790	-	-	**10 790**
TOTAL ASSETS	**14 856 733**	**318 751**	**-**	**15 175 484**
FINANCIAL LIABILITIES				
Deposits by banks	910 178	-	-	**910 178**
Customer accounts	7 183 971	187 951	21 163	**7 393 085**
Other financial liabilities	391 829	-	-	**391 829**
TOTAL LIABILITIES	**8 485 978**	**187 951**	**21 163**	**8 695 092**

2019	**RF**	**OECD countries**	**Other countries**	**Total**
FINANCIAL ASSETS				
Cash and cash equivalents	1 918 882	933 142	-	**2 852 024**
Mandatory cash balance with the Central Bank of the RF	50 670	-	-	**50 670**
Due from financial institutions	501 070	24 212	-	**525 282**
Loans to customers	9 120 776	-	-	**9 120 776**
Investment assets	524 324	151 201	-	**675 525**
Other financial assets.	34 347	-	-	**34 347**
TOTAL ASSETS	**12 150 069**	**1 108 555**	**-**	**13 258 624**
FINANCIAL LIABILITIES				
Deposits by banks	605 200	-	-	**605 200**
Customer accounts	6 917 123	1 880 597	26 442	**8 824 162**
Other financial liabilities	423 506	-	-	**423 506**
TOTAL LIABILITIES	**7 945 829**	**1 880 597**	**26 442**	**9 852 868**

(in thousands of Russian Rubles, unless otherwise indicated)

28. Risk management policies (continued)

Liquidity risk

Liquidity risk management. Liquidity risk is determined as the risk that the Bank will encounter difficulty in meeting obligations associated with financial liabilities. The Bank is exposed to a risk of daily calls on its cash resources with respect to overnight deposits, current accounts, maturing deposits, loan draw-downs, guarantees, as well as with respect to cash-settled guarantee payments. The Bank does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The liquidity management process is supervised by the Management Board of the Bank.

The Bank tries to maintain a stable financing base consisting primarily of deposits by legal entities/individuals, as well as invest in diversified liquid asset portfolios in order to be able to quickly and easily address unexpected liquidity requirements.

Management of the Bank's liquidity requires analyzing the level of liquid assets required for settlement of liabilities as they mature; ensuring access to diverse sources of funding; ready plans of actions in case of any funding issues; and control over compliance of balance sheet liquidity ratios with statutory requirements. The Bank calculates liquidity ratios on a daily basis in accordance with the requirements of the CBR.

In the table below, the terms to maturity correspond to the contractual terms. However, individuals are entitled to terminate the deposit agreement ahead of schedule according to effective laws.

31 December 2020	Up to 1 month	1 month to 3 months	3 month to 12 months	From 1 to 3 years	Over 3 years	Maturity undefined	Total
Cash and cash equivalents	2 411 986	-	-	-	-	-	**2 411 986**
Mandatory cash balance with the Central Bank of the RF	-	-	-	-	-	55 699	**55 699**
Due from financial institutions	2 148 842	-	-	-	-	42 112	**2 190 954**
Loans to customers	508 403	245 878	2 520 904	3 842 233	2 660 528	9 610	**9 787 556**
Investment assets	-	-	116 767	153 523	448 209	-	**718 499**
Other financial assets.	10 332	458	-	-	-	-	**10 790**
Total financial assets	**5 079 563**	**246 336**	**2 637 671**	**3 995 756**	**3 108 737**	**107 421**	**15 175 484**
Due to banks	-	-	(910 178)	-	-	-	**(910 178)**
Customer accounts	(3 192 617)	(476 841)	(3 082 780)	(640 847)	-	-	**(7 393 085)**
Other financial liabilities	(39 088)	(49 381)	(122 877)	(180 483)	-	-	**(391 829)**
Total financial liabilities	**(3 231 705)**	**(526 222)**	**(4 115 835)**	**(821 330)**	**-**	**-**	**(8 695 092)**
Net liquidity gap	**1 847 858**	**(279 886)**	**(1,478,164)**	**3 174 426**	**3 108 737**	**107 421**	**6 480 392**
Total liquidity gap	**1 847 858**	**1 567 972**	**89 808**	**3 264 234**	**6 372 971**	**6 480 392**	

(in thousands of Russian Rubles, unless otherwise indicated)

28. Risk management policies (continued)

31 December 2019	Up to 1 month	1 month to 3 months	3 month to 12 months	From 1 to 3 years	Over 3 years	Maturity undefined	Total
Cash and cash equivalents	2 852 024	-	-	-	-	-	**2 852 024**
Mandatory cash balance with the Central Bank of the RF	-	-	-	-	-	50 670	**50 670**
Due from financial institutions	501 070	-	-	-	-	24 212	**525 282**
Loans to customers	577	2 752	1 734 492	4 505 050	2 877 876	29	**9 120 776**
Investment assets	-	-	139 104	97 212	439 209	-	**675 525**
Other financial assets	8 937	260	-	-	25 150	-	**34 347**
	3 362 608	**3 012**	**1 873 596**	**4 602 262**	**3 342 235**	**74 911**	**13 258 624**
Due to banks	-	-	-	(605 200)	-	-	**(605 200)**
Customer accounts	(3 223 906)	(1 921 400)	(2 804 069)	(874 787)	-	-	**(8 824 162)**
Other financial liabilities	(33 945)	(43 710)	(88 036)	(227 309)	(30 506)	-	**(423 506)**
Total financial liabilities	**(3 257 851)**	**(1 965 110)**	**(2 892 105)**	**(1 707 296)**	**(30 506)**	**-**	**(9 852 868)**
Net liquidity gap	**104 757**	**(1 962 098)**	**(1 018 509)**	**2 894 966**	**3 311 729**	**74 911**	**3 405 756**
Total liquidity gap	**104 757**	**(1 857 341)**	**(2 875 850)**	**19 116**	**3 330 845**	**3 405 756**	

Based on the distribution of financial assets/(liabilities) by contractual maturity as at 31 December 2020, the Bank has a positive accumulated liquidity gap (surplus). In case of additional outflows, the Bank has additional sources of liquidity in the form of interbank lending limits available for use, including long-term credit lines guaranteed by a participant of the Bank.

The following tables detail the Bank’s remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Bank can be required to pay. The tables include both interest and principal cash flows. The contractual maturity is based on the earliest date on which the Bank may be required to pay. The amount under credit related liabilities and financial guarantee contracts is the maximum amount that can be used in accordance with the credit related liabilities or under a financial guarantee contract.

31 December 2020	Up to 1 month	1 month to 3 months	3 month to 12 months	From 1 to 3 years	Over 3 years	Total
Deposits by banks	-	-	952 550	-	-	**952 550**
Customer accounts	3 313 885	470 497	3 152 269	682 197	-	**7 618 848**
Other financial liabilities	39 958	51 342	130 394	186 655	-	**408 349**
Total financial liabilities by contractual maturity dates	**3 353 843**	**521 839**	**4 235 213**	**868 852**	**-**	**8 979 747**
Credit-related contingent liabilities	**1 550 580**	**1 774 293**	**3 416 076**	**5 256 341**	**94**	**11 997 384**
31 December 2019						
Deposits by banks	-	-	41 804	646 919	-	**688 723**
Customer accounts	3 230 087	1 930 738	2 930 462	970 618	-	**9 061 905**
Other financial liabilities	33 944	43 710	88 036	227 310	30 506	**423 506**
Total financial liabilities by contractual maturity dates	**3 264 031**	**1 974 448**	**3 060 302**	**1 844 847**	**30 506**	**10 174 134**
Credit-related contingent liabilities	**1 286 075**	**541 224**	**1 551 720**	**3 447 709**	**132 389**	**6 959 117**

28. Risk management policies (continued)

The amounts disclosed in the table above for financial guarantee contracts are presented by contractual maturity. Customers can make a claim under the guarantee at any time before the expiration date. Based on the historical data, the Bank believes that this probability is unlikely. In the event of a claim by the counterparty, the maximum amount payable under financial guarantee contracts is RUB 8 103 005 thousand and RUB 5 326 472 thousand as at 31 December 2020 and 2019 respectively.

Financing facilities

Market risk. Market risk is the risk that the Bank's earnings or capital or its ability to meet business objectives will be adversely affected by changes in the level of volatility of market rates or prices. Market risk covers interest rate risk, currency risk, commodity prices and equity prices that the Bank is exposed to. There have been no changes as to the way the Bank measures these risks or the risks it is exposed to or the manner in which these risks are managed.

Interest rate risk. According to the nature of its activities, the Bank is exposed to interest rate risk by forming a trading portfolio of debt securities sensitive to changes in market interest rates, as well as due to the following sources of interest rate risk arising from the Bank's interest rate position:

- Maturity gap of assets, liabilities and liabilities on fixed interest rate instruments;
- Maturity gap of assets, liabilities, off-balance claims and liabilities on instruments with the floating interest rate (interest rate re-pricing risk);
- Gap in the degree of change in interest rates on attracted and placed resources.

In order to manage interest rate risk, the Bank has established a system of interest rate risk management based on the following key principles for risk management:

- Daily and continuous interest rate risk management;
- The compliance of the interest rate risk management system with the regulations of the Bank of Russia and other regulatory bodies;
- Presence of necessary internal regulatory documents on interest rate risk management approved by the Bank's management bodies and communicated to all employees of the Bank;
- Regular receipt by the Bank's management bodies, including the Board of Directors, of information on the Bank's interest rate risk status;
- Regular review of the interest rate risk management system and timely updating of interest rate risk management documents in order to comply with current regulatory requirements, the current market situation and the Bank's organizational structure;
- Presence of a system of limits and restrictions binding on all responsible structural units and employees of the Bank;
- The existence of operational structural units of the Bank responsible for interest rate risk management and operating within the existing restrictions, internal instructions of the Bank and legal requirements, and controlling structural units of the Bank responsible for monitoring and control of interest rate risk and independent from operational structural units of the Bank;
- Integration of the interest rate risk management system into the Bank's overall risk management system.

28. Risk management policies (continued)

The Assets and Liabilities Management Committee manages interest rate and market risks by managing the Bank's interest rate position, determining interest rate policy, structure of the Bank's assets and liabilities by maturity and instruments, approving rates for attracting and placing resources from individuals and legal entities, and transfer rates.

The Bank Risk Management Department prepares proposals on setting and changing limits and restrictions necessary for interest rate risk management, monitors compliance with limits and signal values, prepares internal reports on interest rate risk management, and performs stress testing of interest rate risk.

The Treasury Department monitors the Bank's current performance results, manages the structure of the trading portfolio, including the securities portfolio, estimates and forecasts compliance with the established limits and restrictions.

The Bank's management monitors its interest rate margin and consequently does not consider itself exposed to significant interest rate risk or consequential cash flow risk.

The Bank manages fair value interest rate risk through periodic estimation of potential losses that could arise from adverse changes in market conditions.

The interest rate sensitivity analysis has been performed for financial instruments, that are sensitive to the interest rate changes. The analysis has been carried out as at the reporting date. The tables below show financial instruments that are exposed to interest rate risk, indicating the rates in effect at the time of the analysis, by type of currency.

(in thousands of Russian Rubles, unless otherwise indicated)

28. Risk management policies (continued)

2020	RUB	USD	EUR	Other
Financial assets				
Cash and cash equivalents	from 3.25% to 4.40%	-	-	-
Due from financial institutions	from 4.35% to 5.01%	0.25%	-	-
Loans to customers	from 10% to 36.5%	-	-	3.76%
Investment assets	from 6.7% to 13.1%	-	from 3.37% to 5.15%	-
Financial liabilities				
Deposits by banks	from 6.93% to 7.25%	-	-	-
Due to customers				
- current/settlement accounts	from 0.01% to 4.05%	0.01%	0.01%	0.01%
- term deposits	from 2.50% to 7.77%	from 0.44% to 1.50%	-	from 0.05% to 0.08%
Other financial liabilities	8.50%	-	-	-

2019	RUB	USD	EUR	Other
Cash and cash equivalents	from 5.50% to 6.00%	-	-	-
Due from financial institutions	from 6.56% to 6.75%	-	-	-
Loans to customers	from 11.00% to 35.30%	5.25%	5.50%	3.74%
Investment assets	from 7.50% to 13.10%	-	from 3.37% to 5.15%	-
Financial liabilities				
Deposits by banks	from 6.93% to 7.00%	-	-	-
Due to customers	from 0.01% to 8.11%	from 0.01% to 2%	from 0.01% to 0.06%	from 0.01% to 0.04%
- current/settlement accounts	from 0.01% to 7.50%	from 0.01% to 1.00%	0.01%	0.01%
- term deposits	from 3.00% to 8.11%	from 1.00% to 2.00%	0.05% to 0.06%	0.01% to 0.04%
Other financial liabilities	8.50%	-	-	-

A 200 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents the Bank management's assessment of the reasonably possible change in interest rates. The assessment of the change in net interest income/(expense) is carried out as at the middle of each time interval for a period of up to a year, taking into account the time coefficient, which is calculated as the ratio of the number of days remaining from the middle of the time interval to the end of the year to the number of days in a year (an accepted assumption about a horizon of one year – 360 days).

(in thousands of Russian Rubles, unless otherwise indicated)

28. Risk management policies (continued)

31 December 2020	Up to 1 month	1 month to 3 months	3 month to 12 months	From 1 to 3 years	Over 3 years	Maturity undefined	Total
FINANCIAL ASSETS							
Cash and cash equivalents	1 895 024	-	-	-	-	-	**1 895 024**
Due from financial institutions	2 146 779	-	-	-	-	-	**2 146 779**
Loans to customers	508 271	245 871	2 520 507	3 816 073	2 648 544	-	**9 739 266**
Investment assets	-	-	116 767	153 523	448 209	-	**718 499**
Total financial assets subject to interest rate risk	**4 550 074**	**245 871**	**2 637 274**	**3 969 596**	**3 096 753**	**-**	**14 499 568**
Cash and cash equivalents	516 962	-	-	-	-	-	**516 962**
Mandatory cash balance with the Central Bank of the RF	-	-	-	-	-	55 699	**55 699**
Due from financial institutions	2 063	-	-	-	-	42 112	**44 175**
Loans to customers	132	7	397	26 160	11 984	9 610	**48 290**
Other financial assets.	10 332	458	-	-	-	-	**10 790**
Total financial assets not subject to interest rate risk	**529 489**	**465**	**397**	**26 160**	**11 984**	**107 421**	**675 916**
FINANCIAL LIABILITIES							
Deposits by banks	-	-	(910 178)	-	-	-	**(910 178)**
Customer accounts	(1 952 267)	(476 841)	(3 082 780)	(640 847)	-	-	**(6 152 735)**
Other financial liabilities	(4 674)	(9 125)	(44 036)	(97 245)	-	-	**(155 080)**
Total financial liabilities subject to interest rate risk	**(1 956 941)**	**(485 966)**	**(4 036 994)**	**(738 092)**	**-**	**-**	**(7 217 993)**
Customer accounts	(1 240 350)	-	-	-	-	-	**(1 240 350)**
Other financial liabilities	(34 414)	(40 256)	(78 841)	(83 238)	-	-	**(236 749)**
Total financial liabilities not subject to interest rate risk	**(1 274 764)**	**(40 256)**	**(78 841)**	**(83 238)**	**-**	**-**	**(1 477 099)**
Difference between financial assets and liabilities exposed to interest rate risk	**2 593 133**	**(240 095)**	**(1 399 720)**	**3 231 504**	**3 096 753**	**-**	**7 281 575**
Difference between financial assets and liabilities subject to interest rate risk on cumulative basis	**2 593 133**	**2 353 038**	**953 318**	**4 184 822**	**7 281 575**	**7 281 575**	**-**
Change in net interest income/(expenses) +200 basis points	**497 017**	**(40 016)**	**(174 965)**				
Change in net interest income/(expenses) -200 basis points	**(497 017)**	**40 016**	**174 965**				
Difference between financial assets and liabilities not exposed to interest rate risk	**(745 275)**	**(39 791)**	**(78 444)**	**(57 078)**	**11 984**	**107 421**	**(801 183)**
Difference between financial assets and liabilities not subject to interest rate risk on cumulative basis	**(745 275)**	**(785 066)**	**(863 510)**	**(920 588)**	**(908 604)**	**(801 183)**	
Liquidity gap	**1 847 858**	**(279 886)**	**(1 478 164)**	**3 174 426**	**3 108 737**	**107 421**	**6 480 392**
Cumulative liquidity gap	**1 847 858**	**1 567 972**	**89 808**	**3 264 234**	**6 372 971**	**6 480 392**	

(in thousands of Russian Rubles, unless otherwise indicated)

28. Risk management policies (continued)

31 December 2019	Up to 1 month	1 month to 3 months	3 month to 12 months	From 1 to 3 years	Over 3 years	Maturity undefined	Total
FINANCIAL ASSETS							
Cash and cash equivalents	1 649 851	-	-	-	-	-	**1 649 851**
Due from financial institutions	500 955	-	-	-	-	-	**500 955**
Loans to customers	3	2 752	1 734 492	4 505 050	2 877 876	29	**9 120 202**
Investment assets	-	-	139 104	97 212	439 209	-	**675 525**
Total financial assets subject to interest rate risk	**2 150 809**	**2 752**	**1 873 596**	**4 602 262**	**3 317 085**	**29**	**11 946 533**
Cash and cash equivalents	1 202 173	-	-	-	-	-	**1 202 173**
Mandatory cash balance with the Central Bank of the RF	-	-	-	-	-	50 670	**50 670**
Due from financial institutions	115	-	-	-	-	24 212	**24 327**
Loans to customers	574	-	-	-	-	-	**574**
Other financial assets.	8 937	260	-	-	25 150	-	**34 347**
Total financial assets not subject to interest rate risk	**1 211 799**	**260**	**-**	**-**	**25 150**	**74 882**	**1 312 091**
FINANCIAL LIABILITIES							
Deposits by banks	-	-	-	(605 200)	-	-	**(605 200)**
Customer accounts	(1 995 223)	(1 921 400)	(2 804 069)	(874 787)	-	-	**(7 595 479)**
Other financial liabilities	(4 130)	(1 202)	(37 551)	(124 574)	(30 506)	-	**(197 963)**
Total financial liabilities subject to interest rate risk	**(1 999 353)**	**(1 922 602)**	**(2 841 620)**	**(1 604 561)**	**(30 506)**	**-**	**(8 398 642)**
Customer accounts	(1 228 683)	-	-	-	-	-	**(1 228 683)**
Other financial liabilities	(29 815)	(42 508)	(50 485)	(102 735)	-	-	**(225 543)**
Total financial liabilities not subject to interest rate risk	**(1 258 498)**	**(42 508)**	**(50 485)**	**(102 735)**	**-**	**-**	**(1 454 226)**
Difference between financial assets and liabilities exposed to interest rate risk	**151 456**	**(1 919 850)**	**(968 024)**	**2 997 701**	**3 286 579**	**29**	**3 547 891**
Difference between financial assets and liabilities subject to interest rate risk on cumulative basis	**151 456**	**(1 768 394)**	**(2 736 418)**	**261 283**	**3 547 862**	**3 547 891**	
Change in net interest income/(expenses) +200 basis points	**2 903**	**(31 998)**	**(12 100)**				
Change in net interest income/(expenses) -200 basis points	**(2 903)**	**31 998**	**12 100**				
Difference between financial assets and liabilities not exposed to interest rate risk	**(46 699)**	**(42 248)**	**(50 485)**	**(102 735)**	**25 150**	**74 882**	**(142 135)**
Difference between financial assets and liabilities not subject to interest rate risk on cumulative basis	**(46 699)**	**(88 947)**	**(139 432)**	**(242 167)**	**(217 017)**	**(142 135)**	
Liquidity gap	**104 757**	**(1 962 098)**	**(1 018 509)**	**2 894 966**	**3 311 729**	**74 911**	**3 405 756**
Cumulative liquidity gap	**104 757**	**(1 857 341)**	**(2 875 850)**	**19 116**	**3 330 845**	**3 405 756**	

(in thousands of Russian Rubles, unless otherwise indicated)

28. Risk management policies (continued)

If the Bank's interest rates had changed by 200 basis points while keeping all other variables at the same level, then profit for 2020 and 2019 would have been decreased/increased by RUB 282 036 thousand and RUB 41 195 thousand respectively. This is mainly due to the Bank's exposure to the risk of fluctuations in interest rates on borrowed funds.

The Bank's sensitivity to fluctuations in interest rates in the reporting year increased mainly due to the growing gap between balance sheet assets and off-balance sheet assets and balance sheet liabilities and off-balance sheet liabilities.

Currency risk. Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Bank is exposed to the effects of fluctuation in the prevailing foreign currency exchange rates on its financial position and cash flows.

The Bank's exposure to currency risk is as follows:

	RUB	**USD** USD 1 = RUB 73,8757	**Euro** EUR 1 = RUB 90,6824	**Other currency and precious metals**	**Total**
31 December 2020					
Financial assets					
Cash and cash equivalents	2 210 110	62 627	28 768	110 481	**2 411 986**
Mandatory cash balance with the Central Bank of the RF	55 699	-	-	-	**55 699**
Due from financial institutions	2 000 966	147 876	42 112	-	**2 190 954**
Loans to customers	9 719 984	-	-	67 572	**9 787 556**
Investment assets	523 780	-	194 719	-	**718 499**
Other financial assets	10 764	26	-	-	**10 790**
Total financial assets	**14 521 303**	**210 529**	**265 599**	**178 053**	**15 175 484**
Financial liabilities					
Due to banks	(910 178)	-	-	-	**(910 178)**
Due to customers	(6 730 584)	(396 554)	(98 664)	(167 283)	**(7 393 085)**
Other financial liabilities	(391 688)	(141)	-	-	**(391 829)**
Total financial liabilities	**(8 032 450)**	**(396 695)**	**(98 664)**	**(167 283)**	**(8 695 092)**
Net currency balance sheet position	**6 488 853**	**(186 166)**	**166 935**	**10 770**	**6 480 392**
Foreign exchange spot transactions	**-**	**181 377**	**(181 365)**	**-**	**12**
Net currency position	**6 488 853**	**(4 789)**	**(14 430)**	**10 770**	**6 480 404**

(in thousands of Russian Rubles, unless otherwise indicated)

28. Risk management policies (continued)

	RUB	USD USD 1 = RUB 61.9057	EUR EUR 1= RUB 69.3406	Other currency	Total
31 December 2019					
Financial assets					
Cash and cash equivalents	1 866 737	25 326	45 171	914 790	**2 852 024**
Mandatory cash balance with the Central Bank of the RF	50 670	-	-	-	**50 670**
Due from financial institutions	501 064	6	24 212	-	**525 282**
Loans to customers	8 805 458	216 150	42 371	56 797	**9 120 776**
Investment assets	524 324	-	151 201	-	**675 525**
Other financial assets.	34 347	-	-	-	**34 347**
Total financial assets	**11 782 600**	**241 482**	**262 955**	**971 587**	**13 258 624**
Financial liabilities					
Deposits by banks	(605 200)	-	-	-	**(605 200)**
Customer accounts	(6 513 303)	(191 924)	(285 446)	(1 833 489)	**(8 824 162)**
Other financial liabilities	(423 506)	-	-	-	**(423 506)**
Total financial liabilities	**(7 542 009)**	**(191 924)**	**(285 446)**	**(1 833 489)**	**(9 852 868)**
Net currency balance sheet position	**4 240 591**	**49 558**	**(22 491)**	**(861 902)**	**3 405 756**
Foreign exchange spot transactions	**(826 904)**	**(43 334)**	**20 802**	**850 548**	**1 112**
Net currency position	**3 413 687**	**6 224**	**(1 689)**	**(11 354)**	**3 406 868**

Currency risk sensitivity. The following table details the Bank's sensitivity to a 30-percent (2019: by 30%) increase or decrease in the RUB against the relevant foreign currencies. The sensitivity analysis addresses only balances related to monetary items denominated in foreign currency and adjusts their translation at the reporting date for a 30% change in foreign currency rates (2019: by 30%).

The positive amount indicated below reflects an increase in profit and other capital items with a 30% appreciation of the ruble against the corresponding currency (2019: 30%). For a 30% weakening of the RUB against the relevant currency (2019: 30%), there would be a comparable impact on the profit and other equity, and the balances below would be negative.

	As at 31 December 2020		***As at 31 December 2019***	
	Impact on			
	Profit or loss	**Equity**	**Profit or loss**	**Equity**
US Dollar strengthening by 30% (2019: 30%)	(1 437)	(1 149)	1 867	1 494
US Dollar weakening by 30% (2019: 30%)	1 437	1 149	(1 867)	(1 494)
Euro strengthening by 30% (2019: 30%)	(4 329)	(3 463)	(507)	(405)
Euro weakening by 30% (2019: 30%)	4 329	3 463	507	405
Other currency strengthening by 30% (2019: 30%)	3 231	2 585	(3 406)	(2 725)
Other currency weakening by 30% (2019: 30%)	(3 231)	(2 585)	3 406	2 725

28. Risk management policies (continued)

This risk mainly relates to cash balances on the Bank's cash office and in correspondent accounts, as well as balances of the Bank's customers on current and/or settlement accounts and deposits.

The sensitivity analyses do not take into consideration that the Bank's assets and liabilities are actively managed. Additionally, the financial position of the Bank may vary at the time that any actual market movement occurs. For example, the Bank's financial risk management strategy aims to manage the exposure to market fluctuations. As investment markets move past various trigger levels, management actions could include selling investments, changing investment portfolio allocation and taking other protective action. Consequently, the actual impact of a change in the assumptions may not have any impact on the liabilities, whereas assets are held at market value in the statement of financial position. In these circumstances, the different measurement bases for liabilities and assets may lead to volatility in stockholder equity.

Other limitations in the above sensitivity analyses include the use of hypothetical market movements to demonstrate potential risk that only represent the Bank's view of possible near-term market changes that cannot be predicted with any certainty. Another limitation relates to the assumption that all interest rates move in an identical fashion. It should also be noted that these sensitivities are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results.

***Price risk – own products*.** The Bank is exposed to price risk due to the impact of general and specific market fluctuations on its products.

The Bank manages price risk through periodic estimation of potential losses that could arise from adverse changes in market conditions and establishing and maintaining appropriate stop-loss limits and margin and collateral requirements. With respect to undrawn loan commitments the Bank is potentially exposed to a loss of an amount equal to the total amount of such commitments. However, the likely amount of a loss is less than that, since most commitments are contingent upon certain conditions set out in the loan agreements.

Operational risk. Operational risk is the risk of direct and indirect losses as a result of imperfection or erroneous internal processes of the Bank, actions of personnel and other persons, failures and deficiencies of information, technology and other systems, as well as as a result of external events. When controls fail to perform, operational risks can cause damage to the Bank's reputation, have legal or regulatory implications, or lead to financial loss. The Bank cannot expect to eliminate all operational risks, but it endeavors to manage these risks through a control framework and by monitoring and responding to potential risks. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff education and assessment processes.

(in thousands of Russian Rubles, unless otherwise indicated)

29. Related party transactions

In accordance with IAS 24 *Related Party Disclosures*, related parties are the parties one of which has control or significant influence over the operating and financial decisions of the other party. In considering related party relationships, attention is directed to the substance of the relationship, and not merely the legal form.

Related parties may enter into transactions that unrelated parties might not. Transactions between related parties may be on different terms, conditions and amounts than the transactions between unrelated parties. In accordance with the Bank's policy, terms and conditions for arm's-length transactions are applicable to all the related party transactions.

Details of transactions between the Bank and related parties are disclosed below:

	31 December 2020		31 December 2019	
Financial statement line item	**Related party transactions**	**Total category as per the financial statements caption**	**Related party transactions**	**Total category as per the financial statements caption**
Loans to customers	460 934	12 819 117	10 226	11 524 335
- key management personnel	1 659		10 226	
- entities under common control	455 836		-	
- other related parties	3 439		-	
Provision for impairment of loans	(3 253)	(3 031 561)	(1 150)	(2 403 559)
- key management personnel	(298)		(1 150)	
- entities under common control	(2 337)		-	
- other related parties	(618)		-	
Customer accounts	150 269	7 393 085	1 859 946	8 824 162
- key management personnel	31 584		24 480	
- shareholders	96 391		1 835 448	
- entities under common control	436		18	
- other related parties	21 858		-	
Unused credit lines	47 602	3 855 379	568	1 632 645
- key management personnel	300		568	
- entities under common control	47 000		-	
- other related parties	302		-	

As at 31 December 2020 and 31 December 2019, the only participant issued a guarantee to counterparty banks in order to assist the Bank in attracting interbank loans. This guarantee allows the Bank to attract medium-term and long-term funding from banks in the amount of USD 20 million or an equivalent in another currency (as at 31 December 2019 - USD 20 million or an equivalent in another currency).

(in thousands of Russian Rubles, unless otherwise indicated)

29. Related party transactions (continued)

Included in the statement of profit or loss for 2020 and 2019 there are the following amounts, which arose due to transactions with related parties.

	31 December 2020		31 December 2019	
Financial statement line item	**Related party transactions**	**Total category as per the financial statements caption**	**Related-party transactions**	**Total category as per the financial statements caption**
Interest income	4 518	1 312 219	1 055	810 957
- key management personnel	505		1 055	
- entities under common control	3 489		-	
- other related parties	524		-	
Interest expense	(785)	(380 006)	(58 300)	(235 235)
- key management personnel	(421)		(702)	
- shareholders	(177)		(57 591)	
- entities under common control	(37)		(7)	
- other related parties	(150)		-	
Fee and commission income	2 126	243 935	594	134 693
- key management personnel	25		20	
- shareholders	18		18	
- entities under common control	2 037		556	
- other related parties	46		-	
Fee and commission expense	(2 908)	(92 327)	-	(85 527)
- shareholders	(2 908)		-	
Net gain/(loss) on trading of foreign currency	22 406	(17 892)	7 954	58 711
- key management personnel	107		65	
- shareholders	22 262		7 889	
- other related parties	37		-	
Operating expense	(91 738)	(1 261 658)	(98 154)	(1 186 941)
- key management personnel	(91 698)		(83 601)	
- shareholders	-		(905)	
- entities under common control	-		(13 648)	
- other related parties	(40)		-	

Remuneration to key management personnel (excluding social security contributions) for 2020 amounted to RUB 84 420 thousand, for 2019 - RUB 80 939 thousand. Short-term liabilities for unused vacations to key management personnel of the Bank in 2020 amounted to RUB 6 686 thousand, for 2019 - RUB 2 566 thousand.

(in thousands of Russian Rubles, unless otherwise indicated)

30. Subsequent events

All information received by the Bank after the reporting date on the conditions existing at the reporting date is reflected in these financial statements in these reports taking into account this new information.

As at the date of approval of the financial statements, the debt of one of the Bank's borrowers in the amount of RUB 120 000 thousand is overdue. As at 1 January 2021, the debt was classified into Stage 1, the ECL allowance for this borrower was 0.07%. As at 31 March 2021, the Bank transferred the debt into Stage 3 and created a 100% ECL allowance in the amount of RUB 120 000 thousand.

At the current stage of bad debt collection work with this borrower of this borrower, the Bank's management does not possess the information that allows to identify the reasons of default.

The Bank's management considered all the facts related to debt service of the borrower, its financial position, turnover on bank accounts, etc. and concluded that these facts indicate that the Bank has no grounds to classify the loan as defaulted as at the end of 2020.

There are no other non-adjusting subsequent events that are material for users of these financial statements, except for those specified in Note 3, 12.

Approved for issue and signed on 28 April 2021.
On behalf of the Management Board of the Bank:

Karyakin Andrei Dmitrievich	Sytenko Vadim Gennadievich
Chairman of the Management Board	Chief Accountant

Общество с ограниченной ответственностью Эс-Би-Ай Банк ОГРН 1037739028678 SBI Bank Strategic Business Innovator МОСКВА