PJSC “BANK SAINT PETERSBURG” Group

International Financial Reporting Standards Consolidated Financial Statements and Independent Auditors’ Report

31 December 2020

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Independent Auditors' Report

To the Shareholders and the Supervisory Board of PJSC "Bank Saint Petersburg"

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of PJSC "Bank Saint Petersburg" (the "Bank") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

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

Basis for Opinion

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

Key Audit Matters

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

Audited entity: PJSC "Bank Saint Petersburg".

Registration number in the Unified State Register of Legal Entities: No. 1027800000140.

Saint Petersburg, Russian Federation.

Independent auditor: JSC "KPMG", a company incorporated under the Laws of the Russian Federation, a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

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

Member of the Self-regulatory Organization of Auditors Association "Sodruzhestvo" (SRO AAS). Principal registration number of the entry in the Register of Auditors and Audit Organisations: No. 12006020351.

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

Please refer to Note 10 in the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
Loans to customers represent 57% of assets and are stated net of allowance for ECL that is estimated on a regular basis and is sensitive to assumptions used. The Group applies ECL valuation model, which requires management to apply professional judgement and to make assumptions related to timely identification of significant increase in credit risk and default events related to loans to customers, assessment of probability of default (PD) and loss given default (LGD), assessment of forward-looking information adjustment, expected cash flows forecast for Stage 3 loans. There is increased risk of material misstatement of ECL in the current year due to the increased judgement and estimation uncertainty as a result of COVID-19. Due to the significant volume of loans to customers, and the related estimation uncertainty related to ECL, this area is a key audit matter.	We engaged our own specialists in financial risk management to analyze the key aspects of the Group's methodology and policies related to ECL estimate for compliance with the requirements of IFRS 9. These specialists also tested validation and calculation of ECL models. We assessed the overall reasonableness of the economic forecasts by comparing the Group's forecasts to our own modelled forecasts. As part of this work we challenged the reasonableness of the Group's considerations of the economic uncertainty relating to COVID-19. To analyze adequacy of professional judgement and assumptions made by the management in relation to allowance for ECL estimate we performed the following procedures: • For loans to legal entities we assessed and tested the design and operating effectiveness of the controls over allocation of loans into Stages of credit risk. • For loans to legal entities, for which potential changes in ECL may have a significant impact on the consolidated financial statements, we tested whether Stages are correctly assigned by the Group by analyzing financial and non-financial information, as well as assumptions and professional judgements, applied by the Group. In addition, we assessed the reasonableness of the Group's treatment of COVID-19 payment holidays to customers from a significant increase in credit risk perspective. • For a sample of loans to legal entities, we tested the correctness of data inputs for PD, LGD and EAD calculation. • For a sample of Stage 3 loans to legal entities, where ECL are assessed individually we critically assessed assumptions used by the Group to forecast future cash flows, including

	estimated proceeds from realizable collateral and their expected disposal terms based on our understanding and publicly available market information. • For loans to individuals we tested the design and operating effectiveness of controls, including involvement of specialists in information risk management, over completeness and accuracy of data inputs into ECL calculation models, timely reflection of delinquency events and loan repayments in the underlying systems and allocation of loans into Stages. We agreed input data to supporting documents on a sample basis. We also assessed whether the consolidated financial statements disclosures appropriately reflect the Group's exposure to credit risk. In addition, we challenged whether the disclosure of the key judgments and assumptions made, including in respect of COVID-19, was sufficiently informative.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

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

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

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

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

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

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

Our findings from the procedures performed are reported below.

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

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

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

  - as at 31 December 2020, the Bank's internal audit function was subordinated to, and reported to, the Supervisory Board, and the risk management function was not subordinated to, and did not report to, divisions taking relevant risks in accordance with the regulations and recommendations issued by the Bank of Russia;
  - the Bank's internal documentation, effective on 31 December 2020, establishing the procedures and methodologies for identifying and managing the Group's significant credit, operational, market, interest rate, legal, liquidity and reputational risks, and for stress-testing, was approved by the authorised management bodies of the Bank in accordance with the regulations and recommendations issued by the Bank of Russia;
  - as at 31 December 2020, the Bank maintained a system for reporting on the Group's significant credit, operational, market, interest rate, legal, liquidity and reputational risks, and on the Group's capital;
  - the frequency and consistency of reports prepared by the Bank's risk management and internal audit functions during 2020, which cover the Group's credit, operational, market, interest rate, legal, liquidity and reputational risk management, was in compliance with the Bank's internal documentation. The reports included observations made by the Bank's risk management and internal audit functions as to their assessment of the effectiveness of the Group's procedures and methodologies, and recommendations for improvement;
  - as at 31 December 2020, the Supervisory Board and Executive Management of the Bank had responsibility for monitoring the Group's compliance with the risk limits and capital adequacy ratios established in the Bank's internal documentation. In order to monitor the effectiveness of the Group's risk management procedures and their consistent application during 2020, the Supervisory Board and Executive

Management of the Bank periodically discussed the reports prepared by the risk management and internal audit functions, and considered the proposed corrective actions.

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

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

Kouznetsov A. A.

JSC "KPMG"
Moscow, Russia
9 March 2021

(in thousands of Russian roubles)	Note	2020	2019
ASSETS			
Cash and cash equivalents	6	60 270 968	42 556 257
Mandatory reserve deposits with the Central Bank of the Russian Federation		4 588 389	3 885 964
Trading securities, including securities pledged under sale and repurchase agreements	7	6 976 670	44 211 961
Reverse sale and repurchase agreements	8	104 272 021	95 407 102
Derivative financial assets	32	5 048 126	5 350 855
Due from banks	9	22 459 643	28 022 486
Loans and advances to customers			
- loans and advances to legal entities	10	309 647 068	269 108 456
- loans and advances to individuals	10	109 817 863	98 961 198
Investment securities, including securities pledged under sale and repurchase agreements	11	75 090 863	54 499 668
Investment property	12	4 411 548	7 028 502
Property and equipment, intangible assets and right-of-use assets	13	14 442 831	14 798 047
Other assets	14	12 376 529	7 675 954
Long-term assets held-for-sale	15	824 608	2 144 829
TOTAL ASSETS		**730 227 127**	**673 651 279**
LIABILITIES			
Due to banks	16	141 091 424	158 566 775
Customer accounts			
- customer accounts of legal entities	17	194 893 052	161 375 925
- customer accounts of individuals	17	276 028 699	248 967 423
Financial liabilities at fair value	8	1 706 974	311 829
Derivative financial liabilities	32	7 410 602	7 394 070
Bonds issued	18	2 712 400	4 802 775
Promissory notes and deposit certificates issued	19	8 150 022	7 231 233
Other liabilities	20	9 540 966	5 630 981
TOTAL LIABILITIES		**641 534 139**	**594 281 011**
EQUITY			
Share capital	21	3 695 154	3 781 734
Share premium	21	23 850 975	24 513 878
Treasury shares	21	(641 996)	(1 301 987)
Revaluation reserve for property and equipment		3 259 421	3 239 536
Revaluation reserve for investment securities		722 010	689 613
Foreign currency translation reserve		22 508	(8 989)
Retained earnings		57 784 916	48 456 483
TOTAL EQUITY ATTRIBUTABLE TO: SHAREHOLDERS OF THE BANK		**88 692 988**	**79 370 268**
TOTAL EQUITY		**88 692 988**	**79 370 268**
TOTAL LIABILITIES AND EQUITY		**730 227 127**	**673 651 279**

Approved for issue and signed on behalf of the Management Board on 9 March 2021.

A.V.Saveliev
Chairman of the Management Board

N.G. Tomilina
Chief Accountant

ПУБЛИЧНОЕ АКЦИОНЕРНОЕ ОБЩЕСТВО "БАНК "САНКТ-ПЕТЕРБУРГ" (ПАО "Банк "Санкт-Петербург") * ИНН 7831000027 * БАНК САНКТ-ПЕТЕРБУРГ

(in thousands of Russian roubles)	Note	2020	2019
Interest income calculated using the effective interest rate	22	41 837 685	44 998 156
Other interest income	22	1 591 790	3 495 398
Interest expense	22	(16 664 044)	(23 444 594)
Contributions to the deposit insurance system	22	(1 242 075)	(1 767 491)
Net interest income		**25 523 356**	**23 281 469**
Allowance for expected credit losses on debt financial assets	30	(8 851 473)	(7 655 279)
Net interest income after allowance for expected credit losses on debt financial instruments		**16 671 883**	**15 626 190**
Net losses from trading securities		(313 508)	(961 683)
Net gains from investment securities		29 043	154 956
Net gains from trading in foreign currencies, foreign exchange revaluation and from transactions with derivatives	23	2 802 165	1 040 433
Fee and commission income	24	9 943 743	8 977 887
Fee and commission expense	24	(2 404 411)	(2 158 961)
Allowance recovery/(allowance) for credit related commitments and non-financial liabilities	14,20	34 717	(172 126)
Net (loss)/gain on revaluation of loans at fair value through profit or loss		(141 217)	103 856
Loss from investment property derecognition		349 045	(49 539)
Net loss from initial recognition of financial assets at fair value		-	(335 332)
Allowance/(Recovery of allowance) for impairment of property and equipment, of long-term assets held-for-sale and investment property	12,15	(890 769)	55 286
Net gains on disposal of subsidiary	35	335 629	-
Net gains from derecognition of financial instruments at amortized value		809 697	-
Other net operating income		1 488 948	1 522 751
Administrative and other operating expenses:			
- staff costs	25	(7 576 474)	(6 453 931)
- costs related to property and equipment	25	(2 344 711)	(2 535 065)
- other administrative and operating expenses		(5 284 076)	(5 096 787)
Profit before tax		**13 509 704**	**9 717 935**
Income tax expense	26	(2 682 776)	(1 812 044)
Profit for the year		**10 826 928**	**7 905 891**

(in thousands of Russian roubles)	Note	2020	2019
Other comprehensive income (loss)			
Items of comprehensive income that are or will be reclassified subsequently to profit or loss			
Revaluation result and allowance for expected credit losses from investment securities measured at fair value through other comprehensive income transferred to profit or loss upon disposal		(16 852)	(147 064)
Net result from revaluation of investment securities measured at fair value through other comprehensive income		58 045	558 303
Deferred income tax recognised in equity related to components of other comprehensive (loss) income		(8 796)	(96 123)
Exchange differences on translation		31 497	(11 036)
Items of comprehensive income that are not or will not be reclassified to profit or loss			
Result of disposal of equity securities measured at fair value through other comprehensive income (for reference)		-	70 578
Result from revaluation of property and equipment		24 858	-
Deferred income tax recognised in equity related to components of other comprehensive (loss) income		(4 973)	-
Other comprehensive income for the year after tax		**83 779**	**374 658**
Total comprehensive income for the year		**10 910 707**	**8 280 549**
Basic and diluted earnings per share (in Russian roubles per share)	27	**22.76**	**16.28**

A.V.Saveliev
Chairman of the Management Board

N.G. Tomilina
Chief Accountant

(in thousands of Russian roubles)	**Note**	**Share capital**	**Share premium**	**Treasury shares**	**Revaluation reserve for property and equipment**	**Revaluation reserve for investment securities**	**Foreign currency translation reserve**	**Retained earnings**	**Total equity attributable to the shareholders of the Bank**	**Non-controlling interest**	**Total equity**
Balance as at 1 January 2019		**3 781 734**	**24 513 878**	**(659 991)**	**3 651 455**	**374 497**	**2 047**	**42 203 490**	**73 867 110**	**1 086 545**	**74 953 655**
Other comprehensive income (loss) recognised directly in equity		-	-	-	(411 919)	315 116	(11 036)	482 497	374 658	-	374 658
Profit for the year		-	-	-	-	-	-	7 905 891	7 905 891	-	7 905 891
Total comprehensive income for 2019		**-**	**-**	**-**	**(411 919)**	**315 116**	**(11 036)**	**8 388 388**	**8 280 549**	**-**	**8 280 549**
Treasury shares of the Bank	21	-	-	(641 996)	-	-	**-**	-	**(641 996)**	-	**(641 996)**
Dividends declared											
- ordinary shares	27	-	-		-	-	-	(1 808 826)	(1 808 826)	-	**(1 808 826)**
- preference shares	27	-	-	-	-	-	-	(2 211)	(2 211)		**(2 211)**
Redistribution of minority interest due to share repurchase from shareholders		-	-	-	-	-	-	(324 358)	**(324 358)**	(1 086 545)	**(1 410 903)**
Balance as at 31 December 2019		**3 781 734**	**24 513 878**	**(1 301 987)**	**3 239 536**	**689 613**	**(8 989)**	**48 456 483**	**79 370 268**	**-**	**79 370 268**

(in thousands of Russian roubles)	Note	Share capital	Share premium	Treasury shares	Revaluation reserve for property and equipment	Revaluation reserve for investment securities	Foreign currency translation reserve	Retained earnings	Total equity
Balance at 1 January 2020		**3 781 734**	**24 513 878**	**(1 301 987)**	**3 239 536**	**689 613**	**(8 989)**	**48 456 483**	**79 370 268**
Other comprehensive income (loss) recognised directly in equity		-	-	-	19 885	32 397	31 497	-	83 779
Profit for the year		-	-	-	-	-	-	10 826 928	10 826 928
Total comprehensive income for 2020		**-**	**-**	**-**	19 885	**32 397**	**31 497**	**10 826 928**	**10 910 707**
Dividends declared									
- ordinary shares	28	-	-	-	-	-	-	(1 583 565)	(1 583 565)
- preference shares	28	-	-	-	-	-	-	(4 422)	(4 422)
Redemption of treasury shares	21	(86 580)	(662 903)	659 991				89 492	
Balance as at 31 December 2020		**3 695 154**	**23 850 975**	**(641 996)**	**3 259 421**	**722 010**	**22 508**	**57 784 916**	**88 692 988**

A.V.Saveliev
Chairman of the Management Board

N.G. Tomilina
Chief Accountant

(in thousands of Russian roubles)	Note	2020	2019
Cash flows from operating activities			
Interest received on loans and correspondent accounts		36 187 828	38 363 840
Interest received on securities		4 846 171	7 063 821
Interest received on reverse sale and repurchase agreements		2 422 396	3 280 372
Interest paid on due to banks		(4 695 429)	(7 517 408)
Interest paid on customer accounts		(11 657 066)	(14 432 675)
Contributions to the deposit insurance system		(1 333 877)	(1 767 491)
Interest paid on other debt securities issued		(327 637)	(315 781)
Net losses from securities trading		(326 073)	(1 092 901)
Net gains (losses) from trading in foreign currencies and from transactions with derivatives		(9 231 185)	11 810 600
Fees and commissions received		9 913 786	8 940 783
Fees and commissions paid		(1 810 069)	(1 612 048)
Other operating income		1 147 231	1 790 472
Expenses on loyalty programs		(573 429)	(518 261)
Staff costs		(7 650 480)	(6 359 229)
Property and equipment costs		(819 088)	(1 120 914)
Administrative and other operating expenses		(5 457 238)	(5 540 439)
Income tax paid		(1 744 321)	(2 879 791)
Cash flows received from operating activities before changes in operating assets and liabilities		**8 891 520**	**28 092 950**
Changes in operating assets and liabilities			
Net (increase) in mandatory reserve deposits with the Central Bank of the Russian Federation		(702 425)	(180 541)
Net decrease in trading securities including pledged under repurchase agreement		37 549 981	36 263 152
Net decrease (increase) under reverse sale and repurchase agreements		3 412 142	(13 307 162)
Net decrease in due from banks		6 424 408	4 372 751
Net (increase) in loans and advances to customers		(41 628 271)	(45 005 341)
Net (increase) in other assets		(2 835 129)	(952 470)
Net increase (decrease) in due to banks		(27 127 254)	15 083 043
Net increase in customer accounts		42 058 922	13 769 895
Net increase (decrease) in financial liabilities at fair value		1 388 896	(11 804 543)
Net increase (decrease) in other debt securities issued		153 170	(248 909)
Net increase(decrease) in other liabilities		1 210 759	(1 341 245)
Net cash received from operating activities		**28 796 719**	**24 741 580**
Cash flows from investing activities			
Acquisition of property and equipment and intangible assets	13	(864 005)	(790 762)
Proceeds from disposal of property and equipment and intangible assets		7 870	252 640
Proceeds from disposal of investment securities, including pledged under repurchase agreement		21 664	134 022
Acquisition of investment securities, including pledged under repurchase agreement		(19 843 528)	(51 184 311)
Sale of investment securities, including pledged under repurchase agreement		1 109 494	29 834 280
Repayment of investment securities		3 520 648	21 315 632
Proceeds from sale of investment property		2 355 316	295 000
Sale (acquisition) of long-term assets held-for-sale		1 645 520	(1 684 665)
Proceeds from sale of a subsidiary	35	980 602	-
Dividends received		4 062	4 224
Net cash used in investing activities		**(11 062 357)**	**(1 823 940)**

(in thousands of Russian roubles)	Note	2020	2019
Cash flows from financing activities			
Treasury shares	21	-	(641 996)
Repayment of other borrowed funds		-	(1 466 000)
Purchase and redemption of bonds issued		(2 090 375)	(9 585 317)
Interest paid on bonds issued		(362 635)	(910 337)
Interest paid on other borrowed funds		-	(94 400)
Dividends paid	28	(1 583 406)	(1 808 017)
Payment of lease commitments		(521 636)	(348 243)
Net cash used in financing activities		**(4 558 052)**	**(14 854 310)**
Effect of exchange rate changes on cash and cash equivalents		**4 538 401**	**(2 696 292)**
Net increase in cash and cash equivalents		**17 714 711**	**5 367 038**
Cash and cash equivalents at the beginning of the year		42 556 257	37 189 219
Cash and cash equivalents at the end of the year	6	**60 270 968**	**42 556 257**

A.V.Saveliev
Chairman of the Management Board

N.G. Tomilina
Chief Accountant

1 Background

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards for the year ended December 31, 2020 for PJSC “Bank Saint Petersburg” (the “Bank”) and its subsidiaries, together referred to as the “Group” or “PJSC “Bank Saint Petersburg” Group””. The list of subsidiaries is disclosed in Note 34.

The Bank was formed in 1990 as an open joint stock company under the Laws of the Russian Federation as a result of the corporatisation of the former Leningrad regional office of Zhilsotsbank. In 2014 the Bank was reorganised from Open Joint-Stock Company “Bank “Saint Petersburg” to Public Joint-Stock Company “Bank “Saint Petersburg” following the resolution of the extraordinary Shareholders’ Meeting.

As at 31 December 2020 management of the Bank controls 51.82% of the Bank’s ordinary shares (31 December 2019: 50.58%), of which: 25.56% of the Bank's ordinary shares are controlled by Mr. A.V. Savelyev (31 December 2019: 24.95%), 26.26% are controlled by management of the Bank, including 26.16% of the Bank’s ordinary shares owned by “Vernye Druzya“ Management Company”, LLC (31 December 2019: 25.63% were controlled by management of the Bank, including 25.53% of the ordinary shares of the Bank owned by “Vernye Druzya“ Management Company”, LLC). NOROYIA ASSETS LIMITED, ZERILOD HOLDINGS LIMITED and CARISTAS LIMITED companies own 26.58% of the share capital of LLC "Vernye Druzya" Management Company” each (31 December 2019: NOROYIA ASSETS LIMITED, ZERILOD HOLDINGS LIMITED and CARISTAS LIMITED owned 26.58% of the share capital of LLC "Vernye Druzya” Management Company” each).

Mrs. O.A. Savelyeva owns indirectly 19.95% in “Vernye Druzya” Management Company” LLC and has a perpetual option to purchase a 100% interest in NOROYIA ASSETS LIMITED, ZERILOD HOLDINGS LIMITED, CARISTAS LIMITED companies (31 December 2019: Mrs. O.A. Savelyeva owned indirectly 19.95% in LLC “Vernye Druzya” Management Company” LLC and had a perpetual option to purchase a 100% interest in NOROYIA ASSETS LIMITED, ZERILOD HOLDINGS LIMITED, CARISTAS LIMITED companies). The ultimate owners of NOROYIA ASSETS LIMITED, ZERILOD HOLDINGS LIMITED are the following representatives of the Bank’s Management: K.B. Mironova, P.V. Filimonenok, the ultimate owner of CARISTAS LIMITED is V.G. Reutov (31 December 2019: the ultimate owners of NOROYIA ASSETS LIMITED, ZERILOD HOLDINGS LIMITED were the following representatives of the Bank’s Management: K.B. Mironova, P.V. Filimonenok, the ultimate owner of CARISTAS LIMITED was V.G. Reutov).

The remaining ordinary shares of the Bank are owned as follows: 4.46% of the ordinary shares are owned by East Capital Group (31 December 2019: 4.61%), 4.95% of the ordinary shares are owned by the EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT (EBRD) (31 December 2019: 4.83%).

Own ordinary shares acquired by the Bank by decisions of the Supervisory Board in accordance with Art. 72 of the Federal Law "On Joint-Stock Companies" comprise 2.46% of the total ordinary shares (31 December 2019: 4.80%). The shares purchased by the Bank do not provide the right to vote and are not taken into account when counting votes.

The remaining 36.31% of the ordinary shares are widely held (31 December 2019: 35.18%).

Principal activity. The Bank’s principal business activity is commercial banking operations within the Russian Federation. The Bank has been operating under a general banking license issued by the Central Bank of the Russian Federation (the “CBRF”) since 1997. The Bank takes part in the state deposit insurance system introduced by Federal Law No.177-FZ dated 23 December 2003 “On Retail Deposit Insurance in the Russian Federation”. The state deposit insurance system guarantees payment in the amount of 100% of total deposits placed with the bank, but limited to RUB 1 400 000, in the event the bank’s license is revoked or the CBRF imposes a moratorium on payments.

As at 31 December 2020 the Bank had 5 branches within the Russian Federation: 3 branches in the North-West region of Russia, 1 branch in Moscow, 1 branch in Novosibirsk, 53 additional and operational offices and 2 representative offices in Rostov-on-Don and Krasnodar (2019: 5 branches within the Russian Federation: 3 branches in the North-West region of Russia, 1 branch in Moscow, 1 branch in Novosibirsk and 55 additional offices).

1 Background (continued)

Registered address and place of business. The Bank's registered address and place of business is: 64A Malookhtinskiy prospekt, Saint-Petersburg, Russia 195112.

Presentation currency of these consolidated financial statements. These consolidated financial statements are presented in thousands of Russian roubles (RUB thousand).

2 Operating Environment of the Group

The beginning of the year was positive for the Russian economy: a stable rouble exchange rate, high oil prices and high demand for risky assets supported the Russian market. Domestic demand in the economy was growing amid positive dynamics in real wages and increased budget expenditures. But spread of COVID-19 and introduction of quarantine measures around the world led to the global economy slowdown, decline in external demand, including energy supplies (after partial restriction and then complete closing of air traffic in a number of countries). At the same time, the collapse of OPEC+ deal in March and increase in oil production aggravated the situation on the oil market. By the end of March the Brent oil price fell to USD 22.7 per barrel and Russian Urals fell to USD 15.1 per barrel.

Introduction of non-working days in the Russian Federation in March to slow down the spread of COVID-19 and prolongation of restrictive measures until the middle of May had a significant negative impact on economic growth, production activity and more on the service sector. However, a set of urgent anti-crisis economic measures of the Government of the Russian Federation supported the economy: at the end of 2020 the decline was not as strong as in some developed countries. According to Rosstat by the end of 2020 the industry was gradually recovering. In the fourth quarter, the industrial production index fell by only 2.5% after falling by 6.7% in the second quarter and amounted to only 2.9%. The processing sector showed growth, including chemicals (+ 7.2%) and food industry (+ 3.5%). Retail turnover decreased by only 4.1% in 2020. Overall, the GDP of the Russian Federation fell by 3.1% in 2020.

Inflation in the Russian Federation continued to slow down at the beginning of the year, reaching the minimum of 2.3% YoY in February, but increased uncertainty and demand for basic necessities, the increase in export prices for certain goods led to an acceleration of inflation, with inflation reaching 4.9% at the end of 2020.

In 2020, the Central Bank continued the cycle of monetary policy easing, reducing the key rate to 4.25%. So did central banks of other countries: in March, the US Federal Reserve System sharply reduced the rate from 1.5-1.75% to 0-0.25% and launched a new quantitative easing program, the European Central Bank expanded the asset buyback program, and most central banks in developing countries reduced their rates.

Global financial markets were under pressure of COVID-19 news background and growing risks to the global economy for most part of the year. At the same time, the Russian market was relatively stable until the collapse of oil quotes in March. The Rouble responded to the fall in oil prices with a sharp weakening: in March the rate reached RUB 80.9 for 1 USD, but already in June 2020 it was below RUB 69 for 1 USD.

The USA elections results at the end of 2020 were perceived by the world markets as a positive fact, and the effect of negative epidemiological statistics was temporarily compensated by reports of the near start of mass vaccination. Therefore, by the end of 2020, against the background of general positive and the growing demand for risky assets, the rouble and other currencies were strengthening from early November to the middle of December and reached 74.4 RUB for 1 USD at the end of the year.

The anti-crisis operations of the CBRF and the Ministry of Finance of Russia during 2020, as well as the OPEC deal renewal, made it possible to stabilise the situation on the currency market and now continue to maintain the RUB rate. In the fourth quarter, the CBRF completed its own operations on the currency market, and from the beginning of 2021 the sale of currency will be performed only under the budgetary rule in favour of the Ministry of Finance. The Central Bank's own operations on currency sales led to the rouble liquidity outflow from the banking system, which was one of the reasons for the decrease in the structural liquidity surplus. The liquidity outflow was also significantly affected by the increase in demand for cash from individuals and companies, which began against the background of the pandemic even before the introduction of additional non-working days in March 2020. This trend maintained throughout the year. The third factor affecting the outflow of rouble liquidity was the operations of the Ministry of Finance on the placement of federal loan bonds, which exceeded budget expenses. As a result, the structural liquidity surplus of RUB 2.6 trillion was replaced by a minimum deficit of RUB 0.19 trillion by the end of 2020.

2 Operating Environment of the Group (continued)

The index of the Moscow Exchange after the fall in March not only reversed its position by the end of December, but also exceeded the January maximum, and at the end of the year the index rose by 8%. The debt market of the Russian Federation followed the key rate, but the decline in non-residents’ demand constrained quotations at the end of the year, however, the federal loan bonds yields decreased by 30-90 bps compared to the end of 2019 depending on maturity.

The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Russian Federation.

In general, the current economic environment the Group operates in is characterised by significant growth of risks of different nature and general uncertainty bounding the strategic horizon for market participants and aggregated risk appetite.

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

Management of the Group believes that it makes all the necessary efforts to support the economic stability of the Group in the current environment.

3 Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies

The information presented below reflects the Basis for the Preparation of Consolidated Financial Statements and Significant Accounting Policies.

Basis of presentation. These consolidated financial statements are prepared in accordance with International Financial Reporting Standards (the “IFRS”) based on the historical cost accounting rules, followed by fair value accounting of certain loans, buildings, trading securities, investment securities measured at fair value through other comprehensive income, financial liabilities recorded at fair value and derivative financial instruments. The principles of accounting policies applied in the preparation of these consolidated financial statements are set out below. These principles have been consistently applied to all periods presented in the consolidated financial statements. Professional judgments in applying accounting policies are set out in Note 4.

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

The Group measures goodwill at the acquisition date as the fair value of the consideration transferred (including the fair value of any previously-held equity interest in the acquiree if the business combination is achieved in stages) and the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

If the amount is negative (“negative goodwill”) it is recognised in profit or loss after the management has assessed whether all acquired assets and all assumed liabilities and contingencies are identified and analysed correctness of their estimate.

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

Intercompany transactions, balances and unrealised gains arising from intercompany transactions are eliminated.

3 Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

Unrealised losses are also eliminated unless the cost cannot be recovered. The Bank and its subsidiaries use uniform accounting policies consistent with the Group's policies.

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

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

When calculating the effective interest rate for financial instruments that are not credit-impaired assets the Group assesses future cash flows taking into account all contractual terms of this financial instrument but without considering expected credit losses. For credit-impaired financial assets the effective interest rate adjusted for credit risk is calculated using the amount of expected future cash flows including expected credit losses.

The effective interest rate calculation includes transaction costs as well as fees and charges paid or received that form an integral part of the effective interest rate. Transaction costs include additional expenses directly attributable to the acquisition or issue of the financial asset or liability.

Amortised cost and gross carrying amount. Amortised cost of a financial asset or liability is the value of the financial asset or liability at initial recognition less any principal repayments, plus or minus accumulated depreciation of the difference between the initial amount and payable amount at maturity calculated using the effective interest rate method and, with regard to financial assets, adjusted for estimated expected credit loss allowance.

Gross carrying amount of a financial asset measured at amortised cost is the amortised cost of the financial asset before adjustment for the amount of expected credit loss allowance.

***Interest income and expenses calculation*.** When calculating interest income and expenses the effective interest rate is applied to the amount of the asset gross carrying amount (when the asset is not credit-impaired) or amortised cost of the liability. The effective interest rate is revised as a result of periodic revaluation of cash flows on instruments with a floating interest rate to reflect changes in market interest rates.

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

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

For information on when financial assets are credit-impaired, see Credit-Impaired Financial Assets.

Presentation of information. Interest income and expenses presented in the consolidated statement of profit or loss and other comprehensive income include:

- interest income and expenses on financial assets and financial liabilities measured at amortised cost calculated using the effective interest method;
- interest income on debt instruments measured at fair value through other comprehensive income (FVOCI) calculated using the effective interest basis;
- interest income on non-derivative debt financial instruments measured at fair value through profit or loss (FVTPL) is presented separately as "Other interest income";
- interest expense on financial liabilities measured at amortised cost;

3 Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

- interest expenses on non-derivative debt financial liabilities measured at fair value through profit or loss.

Classification of financial instruments. Upon initial recognition, financial assets are classified as measured either at amortised cost or at fair value through other comprehensive income or at fair value through profit or loss.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL based on the Group's assessment:

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

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

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

On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

- interest income calculated using the effective interest rate method;
- expected credit losses (ECL) and their reversal; and
- foreign exchange gains and losses.

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

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

Gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognised in profit or loss. Dividends are recognised in profit or loss unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognised in other comprehensive income. Cumulative gains and losses recognised in other comprehensive income are transferred to retained earnings on disposal of an investment.

All other financial assets are classified as measured at FVTPL.

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

3 Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected);
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group’s stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

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

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

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group’s claim to cash flows from specified assets (e.g. non-recourse asset arrangements);
- features that modify consideration for the time value of money (e.g. periodic reset of interest rates);

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

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

Financial liabilities are not reclassified subsequent to their initial recognition.

Modification of financial assets and financial liabilities. If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different (referred to as ‘substantial modification’), then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus related transaction costs. Changes in cash flows on existing financial assets are not considered as modification, if they result from existing contractual terms, e.g. changes in interest rates initiated by the Group due to changes in the CBRF key rate, if the loan contract entitles the Group to do so.

3 Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

The Group performs a quantitative and qualitative evaluation of whether the modification is substantial, i.e. whether the cash flows of the original financial asset and the modified or replaced financial asset are substantially different.

The following types of modifications are recognised by the Bank as significant based on qualitative assessment:

- change of the counterparty;
- change in the currency of the financial asset;
- change of the interest rate type;
- change in the lending regime;
- change in the contract terms affecting passing the SPPI test.

The Group assesses whether the modification is substantial based on quantitative and qualitative factors in the following order: qualitative factors, quantitative factors, combined effect of qualitative and quantitative factors. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In making this evaluation the Group analogises to the guidance in IFRS 9 on the derecognition of financial assets.

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

For fixed-rate loans where the borrower has an option to prepay the loan at face value without significant penalty, the Group treats the modification of an interest rate to a current market rate using the guidance on floating-rate financial instruments. This means that the effective interest rate is adjusted prospectively.

Financial liabilities. The Group derecognises a financial liability when its conditions change in such a way that the cash flows of the modified liability change significantly. In this case, a new financial liability with modified terms is recognised at fair value. The difference between the carrying amount of the previous financial liability and the value of the new financial liability with modified terms is recognised in profit or loss. The consideration paid includes transferred non-financial assets, if any, and liabilities incurred, including a new modified financial liability.

The Group conducts a quantitative and qualitative assessment of the significance of modifying the conditions, analysing the qualitative factors, quantitative factors and the cumulative effect of qualitative and quantitative factors. The Group concludes that the modification of the conditions is significant, based on the following qualitative factors:

- change in the currency of the financial liability;
- changing the type of collateral or other means of improving the quality of the obligation;
- add conversion condition;
- change in the subordination of a financial liability.

For the purpose of quantification, conditions are considered to be significantly different if the present value of cash flows in accordance with new conditions, including payments of commissions minus received commissions, discounted at the original effective interest rate, differs by at least 10% of the discounted present value remaining cash flows from the original financial liability.

3 Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

If a modification of a financial liability does not result in derecognition, the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting difference is recognised as a gain or loss on the modification in profit or loss.

For financial liabilities with a floating interest rate, the initial effective interest rate used in calculating the profit or loss from the modification is adjusted to reflect the current market conditions at the time of the modification. Costs incurred or fees paid as a result of modifications are recognised as adjustments to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by recalculating the effective interest rate of the instrument.

Impairment. The Group recognises an allowance for expected credit losses (ECL) on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- financial guarantee contracts issued; and
- loan commitments issued.

No impairment loss is recognised on equity investments.

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

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition (Note 4).

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

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments that are subject to a 12-month expected credit loss are classified as Stage 1 financial instruments.

The expected credit losses for the entire term are defined as the expected credit losses as a result of all possible events of default on the financial instrument throughout the entire expected period of validity. Financial instruments that are not acquired or created credit-impaired assets for which a lifetime ECL is recognised, relate to the financial instruments of Stage 2 (if the credit risk of a financial instrument has increased significantly since its initial recognition, but financial instrument is not credit-impaired) and Stage 3 (in case the financial instrument is credit-impaired).

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

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

3 Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

The calculation of expected credit losses is performed on an individual basis (for legal entities) or collective basis (for individuals). In order to calculate ECL the Group assesses the probability of default, exposure at default and loss given default. In case of an individual calculation, the assessment of the probability of default, exposure at default and loss given default is performed individually at each financial instrument level. In case of a collective calculation, the assessment of the probability of default and loss given default is similar for all financial instruments classified as the same class and at the same impairment stage, the assessment of exposure at default is performed at the financial instrument level.

Credit-impaired financial assets. At each reporting date, the Group assesses whether financial assets measured at amortised cost and debt financial assets measured at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events have a negative impact on the expected future cash flows from the financial asset.

Evidence that a financial asset is credit-impaired includes factors stated in Note 4.

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

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

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

Presentation of an allowance for expected credit losses in the consolidated statement of financial position

Estimated allowance amounts for expected credit losses are presented in the consolidated statement of financial position as follows:

- financial assets measured at amortised cost: as a decrease in the gross book value of these assets;
- loan commitments and financial guarantee agreements: generally, as a reserve;
- if the financial instrument contains both a claimed and unclaimed component and the Group cannot determine the expected credit losses on the loan commitment made separately from the expected credit losses on the already claimed part (loan issued): the Group represents the aggregate estimated loss allowance for both components. The cumulative amount is presented as a decrease in the gross book value of the claimed part (loan disbursed). Any excess of the value of the allowance for losses over the gross book value of the loan issued is presented as an allowance; and
- debt instruments measured at fair value through other comprehensive income: the allowance for losses is not recognised in the consolidated statement of financial position because the carrying amount of these assets is their fair value. However, the amount of the allowance for losses is disclosed and recognised as part of the fair value change allowance.

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

3 Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

Foreign currency translation. The functional currency of the Group is the currency of the primary economic environment in which the Group operates. The functional currency of the Bank and the majority of its subsidiaries and the presentation currency of the Group’s consolidated financial statements is the national currency of the Russian Federation, i.e. Russian Rouble.

Monetary assets and liabilities in foreign currency are translated into Russian Roubles at the official CBRF exchange rate at the respective reporting date. Foreign exchange gains and losses on monetary assets and liabilities translated at the CBRF official exchange rate as at the end of the year are included in the profit or loss for the year (as foreign exchange translation gains less losses). Non-monetary items are translated to the functional currency at the rate effective as at the date of the transaction. Effects of exchange rate differences on the fair value of equity securities are recorded as part of the fair value translation gain or loss.

As at 31 December 2020 the official rates of exchange used for translating foreign currency balances were USD 1 = RUB 73.8757 and EURO 1 = RUB 90.6824 (2019: USD 1 = RUB 61.9057 and EURO 1 = RUB 69.3406).

Cash and cash equivalents. Cash and cash equivalents are items which can be converted into cash within a day and are subject to insignificant change in value. All short-term interbank placements, including overnight deposits, are included in cash and cash equivalents, all other interbank placements are recognised in due from banks. Amounts that relate to funds that are of a restricted nature are excluded from cash and cash equivalents. Cash and cash equivalents are carried at amortised cost.

Mandatory cash balances with the CBRF. Mandatory reserve deposits with the CBRF are carried at amortised cost and represent non-interest bearing deposits in the CBRF that are not available to finance day to day operations and hence are not considered as part of cash and cash equivalents for the purposes of the consolidated statement of cash flows.

Trading securities. Trading securities are securities acquired for generating a profit from short-term fluctuations in price or trader's margin, or securities included in a portfolio in which a pattern of short-term trading exists. The Group classifies securities as trading securities if it has a goal to manage the asset by sale and the securities correspond to the business model “other”. The reclassification of trading securities is carried out exclusively in cases of a change in the business model for managing this financial asset.

Trading securities are carried at FVTPL. Interest earned on trading securities is presented as other interest income in profit or loss for the year. Dividends are included in other operating income when the Group’s right to receive the dividend payment is established and provided the dividend is likely to be received. All other elements of the changes in the fair value and gains or losses on derecognition are recorded in profit or loss for the year as gains less losses from trading securities in the period in which they arise.

Due from banks. Amounts due from banks are recorded when the Group advances money to counterparty on fixed or determinable dates, at the same time the Group has no intention to carry out trade operations with the purpose of acquiring or rising accounts receivable which are not related to derivative financial instruments and have no quotation at the open market.

After initial recognition, due from banks are recognised at amortised cost if the business model for managing this financial asset meets the criteria of the asset retention business model for obtaining contractual cash flows and the SPPI test criteria. Due from banks can be recorded at fair value through profit or loss if the business model for managing this financial asset meets the criteria of the asset retention business model of asset retention for obtaining contractual cash flows and sales, but SPPI test criteria are not met.

Due from banks measured at amortised cost are initially measured at fair value plus additional direct transaction costs and subsequently at amortised cost using the effective interest method.

Loans and advances to customers. Loans and advances to customers caption in the consolidated statement of financial position includes:

3 Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

- loans and advances to customers measured at amortised cost, they are initially measured at fair value plus incremental direct transactional costs and subsequently at their amortised cost using the effective interest method;

- loans and advances to customers mandatorily measured at FVTPL due to the non-conformance with SPPI test criteria, with changes recognised immediately in profit or loss.

Investment securities. Investment securities caption in the consolidated statement of financial position includes:

- debt investment securities measured at amortised cost, which are initially measured at fair value plus additional direct transaction costs and subsequently at amortised cost using the effective interest method;

- debt investment securities measured at fair value through other comprehensive income; and

- equity investment securities classified at the Group's discretion as at fair value through other comprehensive income.

The Group includes investment securities that the Group intends to hold for an indefinite period of time and which may be sold depending on the requirements for maintaining liquidity or as a result of changes in interest rates, exchange rates or stock prices into the category of investment securities measured at fair value through other comprehensive income if at the time of the acquisition they correspond to the business model of holding the asset to obtain contractual cash flows and sales and SPPI test criteria.

Changes in the fair value of debt investment securities measured at fair value through other comprehensive income are recognised directly in equity until the investment is derecognised, and the cumulative gain or loss is transferred from other comprehensive income to profit or loss for the year.

Dividends on equity securities at fair value through other comprehensive income are recognised in profit or loss when the Group’s right to receive payment is established and it is probable that the dividends will be collected.

The Group includes investment securities that the Group intends to hold during contractual terms in order to obtain contractual cash flows into the category of investment securities measured at amortised cost if they meet the criteria of the business model of asset retention for obtaining contractual cash flows and SPPI tests criteria. Investment securities measured at amortised cost are initially measured at fair value plus additional direct transaction costs and subsequently at amortised cost using the effective interest method.

Allowances for expected losses related to investment securities are recognised in profit or loss.

***Advances*.** Advances are recognised if the Group makes a prepayment under a contract for services that are not yet provided and are recorded at amortised cost.

Sale and repurchase agreements. Sale and repurchase agreements (“repo agreements”), which in fact provide a lender’s return to the counterparty, are treated as secured financing transactions. Securities sold under such sale and repurchase agreements are not derecognised. In such cases they are classified within “Trading securities, including securities pledged under sale and repurchase agreements” and “Investment securities, including securities pledged under sale and repurchase agreements”. The respective liabilities are recognised within “Due to banks” or “Customer accounts” line items depending on the counterparty.

Securities purchased under agreements to resell (“reverse repo agreements”), which provide the Group with a creditor’s return, are recorded as “Reverse sale and repurchase agreements”. The difference between the sale and repurchase price is treated as interest income and accrued over the life of the reverse repo agreements using the effective interest method.

If the assets purchased under a sale and repurchase agreement are sold to third parties, the obligation to return the securities is recorded as a financial liability at fair value in the consolidated statement of financial position.

3 Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

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

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

When the Group has transferred financial assets to another entity but has retained substantially all the risks and rewards relating to the transferred assets, the transferred assets are recognised in the Group’s consolidated statement of financial position.

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

Promissory notes purchased. Promissory notes purchased are included in due from banks or loans and advances to customers, based on their economic substance and are recorded and subsequently remeasured and accounted in accordance with the accounting policies for these categories of assets.

Property and equipment. Property and equipment are stated at cost adjusted to the equivalent of purchasing power of the Russian Rouble at December 31, 2002 for assets acquired prior to January 1, 2003, or revalued amounts, as described below, less accumulated depreciation and impairment, where required.

Buildings and facilities of the Group are subject to revaluation on a regular basis. The frequency of revaluation depends upon the movements in the fair values of the buildings being revalued. Any increase in the carrying value as a result of revaluation is recognised in other comprehensive income and in revaluation reserve in equity. Any decrease in value accounted against previous increases of the same asset is recognised in other comprehensive income and reduces the revaluation reserve previously recognised in equity. All other decreases in value are recognised in profit or loss for the year. The revaluation reserve for property and equipment included in equity is transferred directly to retained earnings when the surplus is realised, i.e. either on the retirement or disposal of the asset.

Construction in progress is carried at cost less impairment where required. Upon completion, assets are transferred to property and equipment and recognised at their carrying amount at the moment of transfer. Construction in progress is not depreciated until the asset is available for use.

All other items of property and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

Costs of minor repairs and maintenance are recognised when incurred. Costs of replacing major parts or components of property and equipment are capitalised and the replaced part is retired.

If there are indicators of impairment, the management evaluates the recoverable amount, which is the greater of the asset’s fair value less costs to sell and value in use. The decrease in carrying amount is charged to profit or loss to the extent it exceeds the previous revaluation surplus in equity. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset’s value in use or fair value less costs to sell.

Gain or loss on disposal is the difference between the amount of revenue and the carrying value and is recognised in profit or loss for the year.

Depreciation. Land is not depreciated. Depreciation on other items of property and equipment is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives:

Buildings: 50 years;

3 Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

Office and computer equipment: 5 years;

Leasehold improvements: over the term of the underlying lease.

Starting from 2021, the Group intends to change the useful lives of property and equipment by expanding the time intervals, which will make it possible to more accurately account for technical characteristics of property and equipment. The change will be applied prospectively as a change in estimates according to IAS 8. The Group does not expect this change to have a material effect on the financial statements.

The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Group expects to use the asset to the end of its physical life. The assets’ residual values and useful lives are reviewed, and adjusted, if appropriate, at each reporting date.

Intangible assets. All intangible assets of the Group have definite useful lives and primarily include capitalised computer software.

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Capitalised computer software is amortised on a straight-line basis over expected useful lives of 3 to 4 years. All other costs associated with computer software, e.g. its maintenance, are recognised when incurred.

Investment property. Investment property is property not occupied by the Group and held either to earn rental income or for capital appreciation or for both.

Investment property is stated at acquisition cost less accumulated amortisation and impairment (if necessary). In case of indications of impairment of investment property the Group evaluates its recoverable amount, which is calculated as the higher of its value in use and fair value less disposal costs. A decrease in carrying value of investment property to its recoverable amount is recognised in profit or loss. Impairment loss recognised in previous years is recovered if there was a change in estimates used to evaluate the recoverable amount of the asset.

Subsequent expenditure is capitalised only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost can be measured reliably. All other repair and maintenance costs are recognised as expenses as incurred. If the owner occupies the investment property, it is transferred to the category “Property and Equipment”.

Right of use assets and lease liabilities.

The Group assesses whether a contract is or contains a lease based on the new definition of a lease in accordance with IFRS 16.

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date.

The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group’s incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

3 Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

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

The Group does not recognise right-of-use assets and lease liabilities for some leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Right-of-use assets and lease liabilities are disclosed in lines “Premises, equipment, intangible assets and assets in the form of right of use” and “Other liabilities” in the relevant consolidated statement of financial position of the Group.

The Group leases a number of properties classified as investment property. The Group has classified these leases as operating leases.

Transition to IFRS 16 Leases. The Group initially applied IFRS 16 Leases from the effective date of 1 January 2019.

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

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

In transition to IFRS 16, the Group recognised additional right-of-use assets and additional lease liabilities, without recognising the effect on retained earnings.

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its borrowing rate at 1 January 2019. The weighted average rate applied was 8.25% - 8.75% for contracts stipulating payment in Russian roubles and 2.25% for contracts with payment in foreign currency.

The total amount of right-of-use assets and lease liabilities as at 1 January 2019 was RUB 776,855 thousand.

Long-term assets held for sale. Long-term assets and disposal groups (which may include both long-term and short-term assets) are presented in the consolidated statement of financial position as long-term assets held for sale if their carrying amount will be recovered principally through a sale transaction within twelve months after the reporting date. These assets are classified as held for sale when all of the following conditions are met: (a) assets are available for immediate sale in their present condition; (b) the Group’s management approved and initiated an active programme to find a buyer; (c) the assets are actively marketed for a sale at a reasonable price; (d) the sale is expected within one year and (e) it is unlikely that significant changes to the plan to sell will be made or that the plan will be withdrawn.

Long-term assets and disposal groups held-for-sale are measured at the lower of carrying amount and fair value less costs to sell. Held-for-sale property and equipment (included in the disposal group) are not depreciated or amortised.

3 Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

Liabilities directly associated with the disposal groups that will be transferred in the disposal transaction are presented separately in the consolidated statement of financial position.

Due to banks. Amounts due to banks are recorded when cash or other assets are advanced to the Group by counterparty banks. Non-derivative financial liabilities are carried at amortised cost.

Customer accounts. Customer accounts are non-derivative financial liabilities to individuals, state or corporate customers and are carried at amortised cost.

Debt securities issued. Debt securities issued include bonds, promissory notes and certificates of deposit issued by the Group. Debt securities are stated at amortised cost. If the Group purchases its own debt securities in issue, they are removed from the consolidated statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in other income.

Other borrowed funds. Other borrowed funds include liabilities to credit and legal entities and financial institutions attracted for target financing and are carried at amortised cost.

Derivative financial instruments. Derivative financial instruments are carried at their fair value.

All derivative instruments are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of derivative instruments are recognised as gains less losses in accordance with the nature of transaction in profit or loss. The Group does not apply hedge accounting.

Income taxes. Tax expenses are provided for in the consolidated financial statements in accordance with the effective Russian legislation using tax rates and legislative regulations enacted or substantively enacted by the reporting date. The income tax charge comprises current tax charge and deferred tax and is recognised in profit or loss for the year except if it is recognised as other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, as other comprehensive income or directly in equity.

Current income tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits or losses for the current and previous periods. Taxable profits or losses are based on estimates if the consolidated financial statements are approved prior to filing relevant tax returns. Taxes other than on income are recorded within administrative and other operating expenses.

Deferred income tax is calculated on the basis of balance sheet liability method for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax assets and liabilities are measured at tax rates enacted or substantively enacted at the reporting date which are expected to apply in the period when the temporary differences or deferred tax losses will be realised. Deferred tax assets and liabilities are netted only within the individual companies of the Group. Deferred tax assets for deductible temporary differences are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

Uncertain tax positions. Uncertain tax positions are reassessed by management at every reporting date. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the reporting date and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management’s best estimate of the expenditure required to settle the obligations at the reporting date.

3 Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

Provisions for liabilities and future expenses. Provisions for liabilities and future expenses are non-financial liabilities of uncertain timing or amount. Related provisions are provided for in the consolidated financial statements where the Group has liabilities (legal or constructive) as a result of a past event, it is highly probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Accounts payable. Payables are recognised when the counterparty performed its obligations under the transaction and are carried at amortised cost.

Credit and non-credit related commitments. The Group enters into credit related commitments, including commitments to provide loans, letters of credit and financial guarantees.

Financial guarantees and letters of credit represent irrevocable commitments to make payments in the event that a customer cannot meet its obligations to third parties and carry the same credit risk as loans. Financial guarantees and letters of credit are initially recognised at their fair value, which is normally evidenced by the amount of fees received. Documentary letters of credit, which are written obligations of the Group to make payments on behalf of clients within a specified amount when certain conditions are met, are secured by appropriate supplies of goods or cash deposits and, accordingly, have a lower risk level than direct lending.

Loan commitments include the unused portion of the loan amounts. With respect to loan commitments, the Group is potentially exposed to credit risk, but the likely amount of loss is less than the total amount of unused commitments, since most loan commitments depend on clients ’compliance with certain credit requirements. The Group controls the term remaining until the repayment of credit commitments, since usually more long-term liabilities have a higher level of credit risk than short-term liabilities.

Liabilities of non-credit nature mainly include performance guarantees - these are contracts that provide for payment by the Group ofcompensation to the contract party, if the other party does not fulfil the obligation specified in the contract. Such contracts do not transfer credit risk. Guarantee contract represents the probability of insured accident (that is failure to fulfil the liabilities stipulated by the contract by the other party under the contract). Performance guarantees are initially recognised at fair value, confirmed, as a rule, by the amount of the consideration received. This amount is amortised on a straight-line basis over the life of the contract. At the end of each reporting period, the performance guarantee contracts are measured at the higher of (i) the unamortised balance of the amount at initial recognition and (ii) the best estimate of expenditure required to settle the contract at the end of each reporting period, discounted to present value. Where the Bank has the contractual right to revert to its customer for recovering amounts paid to settle the performance guarantee contracts, such amounts will be recognised as loans and receivables within other assets upon transfer of the loss compensation to the guarantee’s beneficiary. In cases where the amount of consideration is received on a periodic basis, the remuneration received is recognised in revenue on a straight-line basis over the life of the contract.

The Group does not have issued commitments to provide loans at fair value through profit or loss. The Group recognises an allowance for losses on other loan commitments.

Share premium. When shares are issued, the excess of contributions received, net of transaction costs, over the nominal value of the shares issued is recorded as share premium in equity.

Preference shares. Preference shares that are not mandatorily redeemable and with discretionary dividends, are classified as equity.

Treasury shares. When shares are repurchased from shareholders, treasury shares reduce equity by the amount paid (purchase price), including additional repurchase costs. Shares repurchased at the purchase price (cost of sale) are shown separately as an equity component until sale or redemption.

3 Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

Dividends. Dividends in relation to own equity instruments are recorded in equity in the period in which they are declared. Dividends declared after the reporting date and before the consolidated financial statements are approved for issue are disclosed in the *Subsequent events* note. The statutory accounting reports are the basis for payment of dividends and other profit distribution.

Income and expense recognition except interest income and expense. A contract with a customer that results in a recognised financial instrument in the consolidated financial statements of the Group may be partially within the scope of IFRS 9 and partially within the scope of IFRS 15. In this case, the Group first applies IFRS 9, to separate and evaluate the part of the contract that falls within the scope of IFRS 9, and then applies IFRS 15 to the remainder of this contract.

All other fees, commissions and other income and expense items are generally recorded on an accrual basis by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Fiduciary assets. Assets held by the Group in its own name, but as requested by and at the expense of third parties, are not reported in the consolidated statement of financial position. The analysis of such balances and transactions is presented in Note 32. Commissions received from fiduciary activities are shown in fee and commission income.

Offsetting. Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group has a legal right to offset the recognised amounts if this right is not due to a future event and is legally enforceable both in the ordinary course of business and in the event of default, insolvency or bankruptcy of the Group or any of its counterparties.

Accounting for the effects of hyperinflation. The Russian Federation previously experienced relatively high levels of inflation and was considered to be hyperinflationary as defined by IAS 29 *Financial Reporting in Hyperinflationary Economies* (IAS 29). IAS 29 requires that the financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit effective at the reporting date.

The characteristics of the economic environment of the Russian Federation indicate that hyperinflation ceased from January 1, 2003. Restatement procedures of IAS 29 are therefore only applied to assets acquired or revalued and liabilities incurred or assumed prior to that date. For these balances, the amounts expressed in the measuring unit effective as at December 31, 2002 are the basis for the carrying amounts in these consolidated financial statements. The restatement was calculated using the conversion factors derived from the Russian Federation Consumer Price Index, published by the Russian Statistics Agency, and from indices obtained from other sources for years prior to 1992.

Staff costs and related contributions. Wages, salaries, contributions to insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by employees.

***Segment reporting*.** Segment reporting is prepared based on the internal management reports regularly reviewed by the chief operating decision maker of the Group. Segments with a majority of revenue, financial result or assets equal to at least ten percent of those from all the segments are reported separately. See description of changes in Note 29.

4 Significant Accounting Estimates and Judgments in Applying Accounting Policies

The Group makes estimates and assumptions that affect the amounts of assets and liabilities recognised in the consolidated financial statements. Estimates and judgments are continually reassessed and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes professional judgments and estimates in the process of applying the accounting policies.

Judgments that have the most significant effect on the amounts recognised in the consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Expected credit losses. Amounts of allowance for expected credit losses are presented in the consolidated statement of financial position in the following way:

- *financial assets measured at amortised cost:* as a decrease of the gross carrying amount of such assets;
- *loan commitments and financial guarantee agreements*: generally, as a provision;
- *debt instruments measured at FVOCI*: an expected credit loss allowance is not recognised in the consolidated statement of financial position since the carrying amount of such assets is their fair value. However, the amount of the expected credit loss allowance is disclosed and recognised in the revaluation reserve for changes in fair value.

The key inputs into the measurement of ECLs are the term structures of the following variables:

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

These parameters will be derived from internally developed statistical models.

Expected credit losses for positions subject to credit risk related to Stage 1 are calculated by multiplying the PD by losses if default takes place within 12 months after the measurement date. The amount of losses is calculated as the averaged value of LGD by EAD for 12 months.

PD estimates are made based on statistical models for various categories of counterparties. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors.

The Group estimates LGD parameters based on the history of recovery rates with regard to impaired financial assets. The LGD models consider the structure of the financial instruments, types of counterparties and collateral.

With regard to financial assets originating during transactions in financial markets international rating agencies’ statistics is used to assess PD and LGD.

EAD represents the expected exposure in the event of a default. The Group will derive the EAD from the current exposure as at the reporting date considering expected changes to the current amount allowed under the contract and, if applicable, expected early repayments. The EAD of a financial asset is its gross carrying amount at the time of default.

For lending commitments, where the contract provides for the Group to cancel the undrawn loan commitment and the Group reasonably believes that this right limits exposure to credit losses, EAD is assumed to be zero. If the contract does not provide for such a possibility, or this right does not fully limit exposure to credit losses, EAD represents expected amounts that can be claimed under the contract, evaluation of which is carried out on the basis of historical observations and forecasts. For financial guarantee contracts, the EAD value is the amount payable at the time the financial guarantee is executed.

The Group assumes that probability of default forecasts and amounts of loss given default can differ from historical figures. Due to this the Group adjusts historical PD and LGD figures.

The Group includes forward-looking information both in the assessment for a significant increase in credit risk since the initial recognition of the financial instrument, and in the assessment of expected credit losses. The forecast is based on external information, first of all, on economic data and forecasts published by the CBRF.

4 Significant Accounting Estimates and Judgments in Applying Accounting Policies (continued)

The Group makes every effort to consider at least two economic scenarios in its calculations: basic scenario and pessimistic scenario. An exception is possible only if the CBRF scenario forecast for the economy of the Russian Federation is not publicly available.

The Group identified a list of key factors affecting the assessment of credit risk and credit losses for each portfolio of financial instruments and, using historical data analysis, assessed the relationship between macroeconomic variables, credit risk and credit losses.

As a key factor, the forecast of GDP is defined. The projected ratios between the key indicator and default events, and the levels of losses for various portfolios of financial assets were developed based on the analysis of historical data for the last 7 years.

The Group allocates each legal entity to a credit risk rating. Credit risk ratings are defined using qualitative and quantitative factors that are indicative of the risk of default. These factors may vary depending on the nature of the exposure and type of borrower.

Credit risk ratings are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates – e.g. the difference in the risk of default between credit risk ratings 1 and 2 is smaller than the difference between credit risk rating 2 and 3.

A credit risk rating for each legal entity is allocated at initial recognition. Exposures will be subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk rating as compared to that assigned on initial recognition. For financial assets of individuals and small loans to SMEs the risk estimate is revised only if information about overdue amounts appears or when the customer requests renegotiation of loan agreements.

The monitoring usually includes the analysis of the following data.

Factors influencing the credit risk rating of a financial instrument and accounted for when determining a significant increase of credit risk with regard to legal entities	Factors accounted for when determining a significant increase of credit risk with regard to corporate and individual clients
• Data obtained as a result of a regular analysis of information about borrowers – for example, financial statements, management information, budgets, forecasts and plans. Examples of indicators that are given particular attention are: sectoral affiliation of the borrower, debt burden, profitability, liquidity ratios, the business model of the borrower, compliance with restrictive contractual conditions (“covenants”), management quality	• Information about payments, including information about the status of overdue amounts
• Data of credit rating agencies, publications in press, information about changes of external credit ratings	• Requests for the renegotiation of loan agreements and satisfaction of such requests
• Actual and expected significant changes in political, regulatory and technological environment of the borrower or its business	• Current and expected changes of financial, economic conditions and business environment

The Group assigns internal credit ratings to corporate borrowers based on the accumulated statistics of defaults. The Group concludes that the credit risk related to a financial instrument has increased significantly since its initial recognition if, based on modelling methods used by the Group, it has been determined that the PD figure for the remaining life increased more than 3 times since initial recognition for clients with the highest ratings and more than 2 times for clients with good, medium and low ratings. When assessing for a significant increase of credit risk remaining lifetime expected credit losses are adjusted for the change of repayment term.

Grades of credit risk. To assess expected credit losses the Group classifies financial instruments into one of the following stages depending on the change of the credit quality of a financial asset since its initial recognition:

- Stage 1. Financial instruments with no significant increase of credit risk after their initial recognition. The amount of impairment is determined as the amount of expected credit losses over 12 months;
- Stage 2. Financial instruments with significant increase of credit risk after their initial recognition but with no impairment indicators. The amount of impairment is determined as the amount of expected credit losses over the lifetime of the instrument.

4 Significant Accounting Estimates and Judgments in Applying Accounting Policies (continued)

- Stage 3. Impaired financial instruments. For impaired financial instruments of legal entities expected credit losses are measured on an individual basis based on expected cash flows from debts collection. For large loans, the Bank considers different scenarios of the outcome of work with impaired financial instruments that differ in the term, cost of sale of pledged property, and also in the circumstances of sale (voluntary sale or sale during bankruptcy procedures). For impaired financial instruments of individual clients expected credit losses are measured based on historical losses given default for the respective terms of delinquency.

Analysis for indicators of a significant increase of credit risk and impairment of loans and credit related commitments is performed at each reporting date:

- if indicators of a significant increase in credit risk are identified with no indicators of impairment, loans and credit related commitments classified into Stage 1 are transferred into Stage 2;
- if indicators of impairment are identified, loans and credit related commitments classified into Stage 1 or Stage 2 are transferred into Stage 3;
- if indicators of impairment disappear, loans and credit related commitments are transferred from Stage 3 into Stage 2. The period during which loans and credit related commitments are classified as Stage 2 (recovery period) if there are no indicators of impairment that existed in the past is 90 days. After the end of the recovery period and when there are no indicators of significant increase in the credit risk, the loans are transferred to Stage 1;
- if indicators of a significant increase in credit risk disappear, loans and credit related commitments are transferred from Stage 2 into Stage 1;
- in exceptional cases, when indicators of impairment disappear and there are no indicators of a significant increase in credit risk, loans and credit related commitments can be transferred from Stage 3 into Stage 1.

For the loans that were impaired at initial recognition the expected credit loss allowance is measured based on expected credit losses over the lifetime of the loan.

Significant increase in credit risk. Occurrence of at least one of the following events is an indicator of a significant increase in credit risk:

- delinquency by 31 to 90 days;
- significant decrease of the external or internal rating of a corporate borrower since the initial recognition of a financial instrument;
- prolongation of the term for principal amount or provision of the grace period for interest payments performed due to financial distress of the client;
- for individual borrowers – in the absence of a current default, availability of repaid debt overdue for 90 days or more within the last 90 days (recovery period);
- delinquency by 6 to 30 days for interbank loans.

Occurrence of at least one of the following events is an indicator of impairment (default):

- delinquency by 90 or more days;
- bankruptcy or liquidation of the borrower;
- decrease of the interest rate to a level significantly lower compared to the market one due to financial distress of the client;
- other indicators of financial difficulties of the borrower and an actual threat of non-fulfilment or improper fulfilment by the borrower of its obligations towards the Bank;
- delinquency by 30 or more days for interbank loans.

Default. The fact of recognition of a financial asset as impaired.

4 Significant Accounting Estimates and Judgments in Applying Accounting Policies (continued)

The most significant judgements in terms of impact on the Group's financial performance for 2020 are the following:

- adjustment of the probability of default of corporate and individual loans due to the economic decline caused by the COVID-19 pandemic (macro adjustment),
- assessment of the impact of repayment holidays provided by the Group to corporate borrowers and individuals in accordance with Federal Law No. 106-FZ dated 3 April 2020 and credit deferrals under the Group’s own loan restructuring programs for borrowers having temporary financial difficulties if the loans did not meet the requirements of Federal Law No. 106-FZ.

Macro adjustment

To assess the expected probability of defaults, the Group uses a model that links the expected GDP growth rate to the average default of the credit portfolio and is based on historical data. The Group uses the actual GDP growth rate and the macroeconomic forecast of the CBRF for three years as inputs for the model. The probability of default is adjusted as the macroeconomic forecast is updated. The most up-to-date forecast available at the reporting date is used to assess the expected probability of default.

Macro adjustment resulted in increased probability of default compared to 31 December 2019:

- on corporate loans - by 71%;
- on individual loans - by 42 - 50%.

If the economic situation evolves according to the macroeconomic forecast and economic growth is observed in 2021, the expected probability of default on corporate and individual loans will be decreasing in 2021.

Assessment of the impact of repayment holidays and credit deferrals provided by the Group

Restrictions on certain types of business in connection with the COVID-19 pandemic caused increase in requests for repayment holidays and credit deferrals from both corporate borrowers and individuals in quarters 2-3 of 2020.

Most of repayment holidays and credit deferrals did not exceed 180 days, so as at 31 December 2020 the majority of repayment holidays and credit deferrals ended. The Group adjusts expected credit losses on loans with repayment holidays and credit deferrals during the entire period of repayment holidays and credit deferrals, and within 90 days after their end. If, after this period, the loan is back on the repayment schedule, the repayment holidays and credit deferrals stop affecting the assessment of expected credit losses. Preliminary estimates indicate that more than 90% of customers who were granted repayment holidays and credit deferrals have overcome temporary financial difficulties and have returned to the repayment schedule. According to the Group, loans with repayment holidays and deferrals that were not delinquent at the time of granting repayment holidays or credit deferral have a higher risk than loans with no delinquency, which constitute the main amount of Stage 1 loans, but a lower risk than loans with a delay of 30 to 90 days, which constitute the main amount of Stage 2 loans.

The Group assesses the probability of default on loans with provided repayment holidays and credit deferrals based on historical data on the percentage of customers defaulting after providing deferral on principal and interest payments.

On loans with repayment holidays and credit deferrals, the expected losses increased:

- on corporate loans - 3.7 times;
- on individual loans - 1.6-3.5 times.

4 Significant Accounting Estimates and Judgments in Applying Accounting Policies (continued)

The corporate loans with provided repayment holidays and credit deferrals and a part of individual loans with provided repayment holidays and credit deferrals, which were not delinquent at the date of providing holidays, were transferred to Stage 2. When deciding to transfer individual loans to Stage 2, the Group considered parameters of the borrower and the loan.

Revaluation of buildings. The fair values of buildings are determined by using valuation methods and are based on their market value. Market values of buildings are estimated by an independent appraiser, who holds a recognised and relevant professional qualification and who has recent experience in valuation of buildings of similar location and category. The market value is assessed using sales comparison approach, i.e. comparison with other buildings that were sold or are offered for sale. Direct capitalisation or cost methods were used for unique objects. To the extent that the assessed fair value of buildings differs by 10%, their carrying amount will change by RUB 978 120 thousand (before deferred tax) as at 31 December 2020 (2019: RUB 1 220 377 thousand).

Changes in the presentation of comparative data

In order to present the results of exchange rate impact in accordance with the requirements of IAS 21 *The Effects of Changes in Foreign Exchange Rates* more accurately, in the comparative data of the consolidated statement of comprehensive income for the year ended 31 December 2019 the Group recognised income in the amount of RUB 919 373 thousand previously included in the "allowance for expected credit losses on debt financial assets" as part of "net gains from foreign exchange transactions, foreign currency revaluation and transactions with derivatives".

The Group recalculated deferred tax for prior periods. The effect in the amount of RUB 700 000 thousand was included in the "Other liabilities" in the line deferred tax liability and in "Retained earnings" in the consolidated statement of financial position as at 31 December 2019.

In order to present the main factors of change in credit quality which had a significant impact on the allowance for expected credit losses for reporting and comparative periods more accurately, “Changes attributable to loans with gross carrying amount, including repayment and change in credit quality” line item is divided into two line items: “Changes attributable to loans with carrying amount” and “Decrease in gross carrying amount of loans following the repayment”.

In order to better reflect the results of operations in financial markets, the Group changed the presentation of segment reporting results in accordance with the information provided to the authority responsible for making operational decisions on business segments. The changes are described in Note 29.

In order to present fee and commission income more accurately, the Group reclassified gains from trust management of property carried out by the subsidiaries in the amount of RUB 62 238 thousand for 2019 to fee and commission income from other operating income.

5 Adoption of New or Revised Standards and Interpretations

The revised standards listed below have become mandatory for application by the Group since 1 January 2020, however, they have not had a significant effect on the Group:

- Interest Rate Benchmark Reform - amendments to IFRS 9, IFRS 7 (issued on 26 September 2019 and effective for annual periods beginning on or after 1 January 2020);
- Definition of Material - amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020);
- Definition of a Business - amendments to IFRS 3 (issued on 22 October 2018 and effective for annual periods beginning on or after 1 January 2020).

The revised standards listed below have become mandatory for application by the Group since 1 June 2020:

- Covid-19-Related Rent Concessions - amendments to IFRS 16 (issued on 28 May 2020 and effective for annual periods beginning on or after 1 June 2020).

The Group did not apply the permitted rent concession.

A number of new standards and interpretations that are mandatory for annual periods beginning on or after 1 January 2021 are published and have not been early adopted by the Group.

The following other new accounting provisions are not expected to have a significant effect on the Group:

- Amendments to IAS 1: Classification of Liabilities as Current or Non-current (issued on 15 July 2020 and effective for annual periods beginning on or after 1 January 2023);
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (issued on 11 September 2014 and effective for annual periods beginning on or after the date to be determined by the IASB);
- Interest Rate Benchmark Reform – the second phase amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (issued on 27 August 2020 and effective for annual periods beginning or after 1 January 2021).

The Group is currently assessing the impact of these standards on its consolidated financial statements.

6 Cash and Cash Equivalents

(in thousands of Russian roubles)	2020	2019
Cash on hand	10 588 567	8 890 425
Cash balances with the CBRF (other than mandatory reserve deposits)	30 675 187	17 362 596
Correspondent accounts and overnight placements with banks of		
- the Russian Federation	580 043	850 532
- other countries	6 917 572	1 775 564
Settlement accounts with trading systems	11 509 599	13 677 140
Total cash and cash equivalents	**60 270 968**	**42 556 257**

Correspondent accounts and overnight placements with banks of the Russian Federation and settlement accounts with trading systems are mainly represented by balances with Russian stock exchanges and clearing houses.

As at 31 December 2020 and 31 December 2019, cash and cash equivalents did not include credit-impaired assets.

As at 31 December 2020 the Group has 1 counterparty with aggregated balances greater than 10% of the Group's equity except the CBRF (2019: 1 counterparty). The total aggregate amount of this counterparty's balances is RUB 10 156 962 thousand as at 31 December 2020 (2019: RUB 12 402 753 thousand).

Currency, maturity and interest rate analyses of cash and cash equivalents are disclosed in Note 30.

7 Trading Securities including those Pledged under Repurchase Agreements

(in thousands of Russian roubles)	2020	2019
Debt trading securities		
Federal loan bonds	1 311 563	-
Corporate bonds	600 486	70 748
Municipal bond	95 522	-
Coupon bonds of the Bank of Russia	-	32 271 940
Corporate Eurobonds	-	322 914
Total debt trading securities	**2 007 571**	**32 665 602**
Equity securities	564 266	558 516
Total trading securities	**2 571 837**	**33 224 118**
Debt trading securities pledged under repurchase agreements		
Corporate bonds	4 404 833	10 211 730
Corporate Eurobonds	-	415 672
Federal loan bonds	-	360 441
Total debt trading securities pledged under repurchase agreements	**4 404 833**	**10 987 843**
Total trading securities pledged under repurchase agreements	**4 404 833**	**10 987 843**
Total trading securities including those pledged under repurchase Agreements	**6 976 670**	**44 211 961**

7 Trading Securities including those Pledged under Repurchase Agreements (continued)

As at 31 December 2020 debt trading securities, including those pledged under repurchase agreements, are measured at fair value, which also reflects the credit risk associated with these securities (2019: at fair value).

The Group's debt securities are divided by the level of credit risk on the basis of averaging the values of credit ratings of issuers (in their absence - the credit ratings of debt securities issues), assigned by the international rating agencies Moody's, S&P and Fitch, in the absence of ratings from international rating agencies for Russian issuers ratings from ACRA are used:

Group A - securities of issuers with an average credit rating not lower than "BBB-".

Group B - securities of issuers with an average credit rating between "BB-" and "BB+".

Group C - securities of issuers with an average credit rating between "B-" and "B+".

Group D - non-default securities of issuers with an average credit rating lower than "B-" or not rated.

The following table provides an analysis of debt trading securities and debt trading securities pledged under repurchase agreements by credit quality as at 31 December 2020:

(in thousands of Russian roubles)	**Corporate bonds**	**Federal loan bonds**	**Municipal bonds**	**Total**
Debt trading securities				
Neither overdue, nor impaired				
Group A	216 182	1 311 563	95 522	**1 623 267**
Group B	184 510	-	-	**184 510**
Group C	199 794	-	-	**199 794**
Total debt trading securities	**600 486**	**1 311 563**	**95 522**	**2 007 571**
Debt trading securities pledged under repurchase agreements				
Neither overdue, nor impaired				
Group A	2 317 506	-	-	**2 317 506**
Group B	2 087 327	-	-	**2 087 327**
Total debt trading securities pledged under repurchase agreements	**4 404 833**	-	**-**	**4 404 833**
Total debt trading securities, including those pledged under repurchase agreements	**5 005 319**	**1 311 563**	**95 522**	**6 412 404**

7 Trading Securities including those Pledged under Repurchase Agreements (continued)

The following table provides an analysis of debt trading securities and debt trading securities pledged under repurchase agreements by credit quality as at 31 December 2019:

(in thousands of Russian roubles)	**Coupon bonds of the Bank of Russia**	**Corporate bonds**	**Corporate Eurobonds**	**Federal loan bonds**	**Total**
Debt trading securities					
Neither overdue, nor impaired					
Group A	32 271 940	5	-	-	32 271 945
Group B	-	61	322 914	-	322 975
Group D	-	70 682	-	-	70 682
Total debt trading securities	**32 271 940**	**70 748**	**322 914**	**-**	**32 665 602**
Debt trading securities pledged under repurchase agreements					
Neither overdue, nor impaired					
Group A	-	6 532 802	-	360 441	6 893 243
Group B	-	3 678 928	415 672	-	4 094 600
Total debt trading securities pledged under repurchase agreements	**-**	**10 211 730**	**415 672**	**360 441**	**10 987 843**
Total debt trading securities, including those pledged under repurchase agreements	**32 271 940**	**10 282 478**	**738 586**	**360 441**	**43 653 445**

The Bank is licensed by the Federal Financial Markets Service of the Russian Federation to carry out operations with securities.

Securities provided or sold under sale agreements with an obligation to repurchase are transferred to a third party as collateral for the funds raised. These financial assets may be re-pledged or sold by counterparties in the absence of a case of non-fulfilment by the Group of its obligations, but the counterparty undertakes to return the securities upon expiration of the contract. The Group determined that it retains virtually all the risks and rewards of ownership of these securities, and thus does not derecognise them.

These transactions are conducted under conditions that are common and customary for standard lending, borrowing and lending of securities, as well as in accordance with the requirements set by the exchanges, where the Group acts as an intermediary.

Analysis of trading securities, including those pledged under repurchase agreements, by currency structure, maturity and analysis of interest rates are presented in Note 30.

8 Reverse Sale and Repurchase Agreements

(in thousands of Russian roubles)	2020	2019
Reverse sale and repurchase agreements with banks	84 588 242	80 775 607
Reverse sale and repurchase agreements with customers	19 683 779	14 631 495
Total reverse sale and repurchase agreements	**104 272 021**	**95 407 102**

As at 31 December 2020 reverse sale and repurchase agreements were agreements concluded with customers and banks which were secured with federal loan bonds, corporate Eurobonds, corporate bonds (2019: federal bonds, corporate Eurobonds, corporate bonds).

As at 31 December 2020 the Group had active reverse sale and repurchase agreements with an organization performing the functions of a central counterparty in the financial market in the amount of RUB 67 690 307 thousand (2019: RUB 52 613 849 thousand).

As at 31 December 2020 the Group had 1 counterparty with aggregate balances under reverse sale and repurchase agreements exceeding 10% of equity of the Group (2019: 1 counterparty). As at 31 December 2020 the aggregate amount under reverse sale and repurchase agreements with this counterparty was RUB 14 298 299 thousand (2019: RUB 16 798 823 thousand).

As at 31 December 2020 the fair value of securities pledged under reverse sale and repurchase agreements was RUB 111 769 774 thousand (31 December 2019: RUB 103 493 766 thousand), of which pledged under sale and repurchase agreements are securities with a fair value of RUB 49 017 932 thousand (31 December 2019: RUB 78 574 129 thousand), as at 31 December 2020 the Group sold securities with the fair value of RUB 1 706 974 thousand (31 December 2019: the Group sold securities with the fair value of RUB 311 829 thousand). In all cases, the amount of collateral for individual transactions is equal to or exceeds the amount of debt under the transaction.

As at 31 December 2020 and 31 December 2019, the debt under reverse sale and repurchase agreements is divided by credit quality depending on the credit rating of the counterparty assigned by the rating agencies Moody's, S&P and Fitch (in their absence ratings issued by ACRA are used for Russian financial institutions):

Group A - financial institutions with an average credit rating not lower than "BBB-".

Group B - financial institutions with an average credit rating between "BB-" and "BB+".

Group C - financial institutions with an average credit rating between "B-" and "B+".

Group D - non-default financial institutions with an average credit rating lower than "B-" or not rated.

8 Reverse Sale and Repurchase Agreements (continued)

As at 31 December 2020 and 31 December 2019, reverse sale and repurchase agreements are not overdue, have no indicators of impairment and have been classified into Stage 1 (12-month expected credit losses).

During 2020, there were no transfers between the stages of impairment.

The table below represents the analysis of reverse sale and repurchase agreements by credit quality and the corresponding allowances for expected credit losses as at 31 December 2020:

(in thousands of Russian roubles)	12-month ECLs	Lifetime expected credit losses - non-impaired assets	Lifetime expected credit losses - impaired assets	Purchased or originated credit-impaired assets	**Total**
Group A	80 072 044	-	-	-	80 072 044
Group B	7 313 524	-	-	-	7 313 524
Group D	16 886 453	-	-	-	16 886 453
Total gross carrying amount of reverse sale and repurchase agreements	**104 272 021**	**-**	**-**	**-**	**104 272 021**
Allowance for expected credit losses	**-**	**-**	**-**	**-**	**-**
Total reverse sale and repurchase agreements	**104 272 021**	**-**	**-**	**-**	**104 272 021**

The table below represents the analysis of reverse sale and repurchase agreements by credit quality and the corresponding allowances for expected credit losses as at 31 December 2019:

(in thousands of Russian roubles)	12-month ECLs	Lifetime expected credit losses - non-impaired assets	Lifetime expected credit losses - impaired assets	Purchased or originated credit-impaired assets	**Total**
Group A	75 831 341	-	-	-	**75 831 341**
Group B	5 228 582	-	-	-	**5 228 582**
Group D	14 347 179	-	-	-	**14 347 179**
Total gross carrying amount of reverse sale and repurchase agreements	**95 407 102**	**-**	**-**	**-**	**95 407 102**
Allowance for expected credit losses	**-**	**-**	**-**	**-**	**-**
Total reverse sale and repurchase agreements	**95 407 102**	**-**	**-**	**-**	**95 407 102**

The analysis of reverse sale and repurchase agreements by currency structure, maturity and the analysis of interest rates are presented in Note 30.

9 Due from Banks

(in thousands of Russian roubles)	2020	2019
Term placements with banks	22 475 385	28 025 742
Allowance for expected credit losses	(15 742)	(3 256)
Total due from banks	**22 459 643**	**28 022 486**

As at 31 December 2020 the Group had 1 counterparty with aggregate loan balances exceeding 10% of equity of the Group (2019: 1 counterparty). As at 31 December 2020 the aggregate amount of loans issued to this counterparty was RUB 11 101 481 thousand (2019: RUB 15 291 630 thousand).

During 2020 and 2019, there were no transfers between the stages of impairment of due from banks.

Below is the analysis of changes in allowance for expected credit losses during 2020:

(in thousands of Russian roubles)	12-month ECLs	Lifetime expected credit losses - non-impaired assets	Lifetime expected credit losses - impaired assets	Purchased or originated credit-impaired assets	Total
Allowance for expected credit losses as at 1 January	**3 256**	**-**	**-**	**-**	**3 256**
New assets received or acquired	19 386	-	-	-	19 386
Recovery of the allowance due to the repayment of loans	(6 900)	-	-	-	(6 900)
Total allowance for expected credit losses as at 31 December	**15 742**	**-**	**-**	**-**	**15 742**

Below is the analysis of changes in the allowance for expected credit losses during 2019:

(in thousands of Russian roubles)	12-month ECLs	Lifetime expected credit losses - non-impaired assets	Lifetime expected credit losses - impaired assets	Purchased or originated credit-impaired assets	Total
Allowance for expected credit losses as at 1 January	**54 933**	**-**	**-**	**-**	**54 933**
New assets received or acquired	38 783	-	-	-	**38 783**
Recovery of the allowance due to the repayment of loans	(90 460)	-	-	-	**(90 460)**
Total allowance for expected credit losses as at 31 December	**3 256**	**-**	**-**	**-**	**3 256**

As at 31 December 2020 and 31 December 2019, term deposits are divided by credit quality depending on the credit rating of the credit institution assigned by Moody's, S&P and Fitch rating agencies (in their absence for Russian credit institutions the ratings from ACRA are used):

Group A - credit institutions with an average credit rating not lower than "BBB-".

Group B - credit institutions with an average credit rating between "BB-" and "BB+.

Group C - credit institutions with an average credit rating between "B-" and "B+".

Group D - non-default credit institutions with an average rating lower than "B-" or without ratings.

9 Due from Banks (continued)

The table below contains the analysis by credit quality of amounts due from banks measured at amortised cost and the related allowances for expected credit losses as at 31 December 2020:

(in thousands of Russian roubles)	12-month ECLs	Lifetime expected credit losses - non-impaired assets	Lifetime expected credit losses - impaired assets	Purchased or originated credit-impaired assets	**Total**
Group A	15 868 026	-	-	-	15 868 026
Group B	6 607 359	-	-	-	6 607 359
Total gross carrying value of due from banks	**22 475 385**	**-**	**-**	**-**	**22 475 385**
Expected credit losses allowance	**(15 742)**	**-**	**-**	**-**	**(15 742)**
Total due from banks	**22 459 643**	**-**	**-**	**-**	**22 459 643**

The table below contains the analysis by credit quality of amounts due from banks measured at amortised cost and the related allowances for expected credit losses as at 31 December 2019:

(in thousands of Russian roubles)	12-month ECLs	Lifetime expected credit losses - non-impaired assets	Lifetime expected credit losses - impaired assets	Purchased or originated credit-impaired assets	**Total**
Group A	23 406 304	-	-	-	**23 406 304**
Group B	4 619 438	-	-	-	**4 619 438**
Total gross carrying value of due from banks	**28 025 742**	**-**	**-**	**-**	**28 025 742**
Expected credit losses allowance	**(3 256)**	**-**	**-**	**-**	**(3 256)**
Total due from banks	**28 022 486**	**-**	**-**	**-**	**28 022 486**

Lending to banks is carried out on the basis of a system of limits. The method of determining the limits is presented in Note 29. The existing portfolio of interbank loans is a tool primarily for the short-term placement of temporarily free funds, except for one transaction concluded in December 2020 for a 5-year term.

Due from banks are not secured. Due from banks are not past due or impaired.

Analysis of due from banks by currency structure, maturity and analysis of interest rates are presented in Note 30.

10 Loans and Advances to Customers

(in thousands of Russian roubles)	**2020**	**2019**
Loans measured at amortised cost		
Loans to legal entities		
- loans to finance working capital	216 093 638	182 215 956
- investment loans	98 246 854	79 935 005
- loans to entities financed by the government	24 519 610	29 408 637
Loans to individuals		
- mortgage loans	78 280 320	67 014 562
- car loans	5 416 060	5 310 244
- consumer loans to VIP clients	4 362 328	3 806 736
- other consumer loans	27 224 785	26 823 910
Allowance for expected credit losses	(39 807 650)	(33 376 585)
Loans measured at fair value		
Loans to legal entities	5 128 986	6 931 189
Total loans and advances to customers	**419 464 931**	**368 069 654**

Below is the analysis of changes in allowance for expected credit losses on loans and advances to customers during 2020:

(in thousands of Russian roubles)	12-month ECLs	Lifetime expected credit losses - non-impaired assets	Lifetime expected credit losses - impaired assets	Purchased or originated credit-impaired assets	**Total**
Allowance for expected credit losses as at 1 January	**3 362 342**	**4 995 479**	**23 579 778**	**1 438 986**	**33 376 585**
Transfer to 12-month expected credit losses	116 697	(79 904)	(36 793)	-	**-**
Transfer to lifetime expected credit losses - non-impaired assets	(200 708)	273 392	(72 684)	-	**-**
Transfer to lifetime expected credit losses - impaired assets	(163 567)	(2 571 419)	2 734 986	-	**-**
New assets received or acquired	4 438 542	-	-	-	**4 438 542**
Net charge for creation (recovery) of allowance for expected credit losses	(281 045)	1 293 398	6 408 253	-	**7 420 606**
Recovery of the allowance due to the repayment of loans	(1 089 668)	(912 536)	(913 570)	(114 360)	**(3 030 134)**
Unwinding of discount in respect of ECL present value	-	-	1 345 838	-	**1 345 838**
Amounts written-off as non-recoverable during the period	-	-	(5 104 803)	-	**(5 104 803)**
Loans and advances to customers sold during the period as non-recoverable	-	-	(1 128 805)	-	**(1 128 805)**
Effect of foreign currency revaluation	158 158	136 883	2 194 780	-	**2 489 821**
Total allowance for expected credit losses as at 31 December	**6 340 751**	**3 135 293**	**29 006 980**	**1 324 626**	**39 807 650**

10 Loans and Advances to Customers (continued)

Below is the analysis of changes in allowance for expected credit losses on loans and advances to customers during 2019:

(in thousands of Russian roubles)	12-month ECLs	Lifetime expected credit losses - non-impaired assets	Lifetime expected credit losses - impaired assets	Purchased or originated credit-impaired assets	Total
Allowance for expected credit losses as at 1 January	**4 733 948**	**3 711 739**	**27 459 601**	**594 992**	**36 500 280**
Transfer to 12-month expected credit losses	22 532	(12 120)	(10 412)	-	-
Transfer to lifetime expected credit losses - non-impaired assets	(555 153)	663 293	(108 140)	-	-
Transfer to lifetime expected credit losses - impaired assets	(14 830)	(945 756)	960 586	-	-
New assets received or acquired	3 159 823	-	-	-	**3 159 823**
Net charge for creation (recovery) of allowance for expected credit losses	(2 162 404)	2 319 507	7 280 945	843 994	**8 282 042**
Recovery of the allowance due to the repayment of loans	(1 732 624)	(462 660)	(1 490 381)	-	**(3 685 665)**
Unwinding of discount in respect of ECL present value	-	-	1 057 630	-	**1 057 630**
Amounts written-off as non-recoverable during the period	-	-	(10 708 152)	-	**(10 708 152)**
Loans and advances to customers sold during the period as non-recoverable	-	-	(310 000)	-	**(310 000)**
Effect of foreign currency revaluation	(88 950)	(278 524)	(551 899)	-	**(919 373)**
Total allowance for expected credit losses as at 31 December	**3 362 342**	**4 995 479**	**23 579 778**	**1 438 986**	**33 376 585**

Below is the analysis of changes in allowance for expected credit losses on loans to finance working capital during 2020:

(in thousands of Russian roubles)	12-month ECLs	Lifetime expected credit losses - non-impaired assets	Lifetime expected credit losses - impaired assets	Purchased or originated credit-impaired assets	Total
Allowance for expected credit losses on loans to finance working capital as at 1 January	**1 720 756**	**2 084 298**	**10 122 712**	**114 360**	**14 042 126**
Transfer to 12-month expected credit losses	16 471	(16 471)	-	-	**-**
Transfer to lifetime expected credit losses – non-impaired assets	(98 105)	98 105	-	-	**-**
Transfer to lifetime expected credit losses –- impaired assets	(17 412)	(998 385)	1 015 797	-	**-**
New assets received or acquired	3 060 470	-	-	-	**3 060 470**
Net charge for creation (recovery) of allowance for expected credit losses	(504 642)	706 228	3 627 013	-	**3 828 599**
Recovery of the allowance due to the repayment of loans	(746 212)	(879 769)	(254 351)	(114 360)	**(1 994 692)**
Unwinding of discount in respect of ECL present value	-	-	634 975	-	**634 975**
Amounts written-off as non-recoverable during the period	-	-	(3 215 018)	-	**(3 215 018)**
Loans and advances to customers sold during the period as non-recoverable	-	-	(688 835)	-	**(688 835)**
Effect of foreign currency revaluation	86 928	24 505	673 057	-	**784 490**
Total allowance for expected credit losses on loans to finance working capital as at 31 December	**3 518 254**	**1 018 511**	**11 915 350**	**-**	**16 452 115**

10 Loans and Advances to Customers (continued)

Below is the analysis of changes in allowance for expected credit losses on loans to finance working capital during 2019:

(in thousands of Russian roubles)	12-month ECLs	Lifetime expected credit losses - non-impaired assets	Lifetime expected credit losses - impaired assets	Purchased or originated credit-impaired assets	**Total**
Allowance for expected credit losses on loans to finance working capital as at 1 January	**2 170 524**	**952 036**	**16 606 543**	**102 141**	**19 831 244**
Transfer to 12-month expected credit losses	-	-	-	-	-
Transfer to lifetime expected credit losses - non-impaired assets	(472 290)	478 287	(5 997)	-	-
Transfer to lifetime expected credit losses - impaired assets	(8 126)	(140 915)	149 041	-	-
New assets received or acquired	2 270 782	-	-	-	**2 270 782**
Net charge for creation (recovery) of allowance for expected credit losses	(1 466 763)	1 287 926	1 210 865	12 219	**1 044 247**
Recovery of the allowance due to the repayment of loans	(754 291)	(400 339)	(284 545)	-	**(1 439 175)**
Unwinding of discount in respect of ECL present value	-	-	753 343	-	**753 343**
Amounts written-off as non-recoverable during the period	-	-	(8 054 343)	-	**(8 054 343)**
Loans and advances to customers sold during the period as non-recoverable	-	-	(6 910)	-	**(6 910)**
Effect of foreign currency revaluation	(19 080)	(92 697)	(245 285)	-	**(357 062)**
Total allowance for expected credit losses on loans to finance working capital as at 31 December	**1 720 756**	**2 084 298**	**10 122 712**	**114 360**	**14 042 126**

Below is the analysis of changes in allowance for expected credit losses on investment loans during 2020:

(in thousands of Russian roubles)	12-month ECLs	Lifetime expected credit losses - non-impaired assets	Lifetime expected credit losses - impaired assets	Purchased or originated credit impaired assets	**Total**
Allowance for expected credit losses on investment loans as at 1 January	**744 855**	**2 435 652**	**10 733 211**	**1 324 626**	**15 238 344**
Transfer to 12-month expected credit losses	-	-	-	-	**-**
Transfer to lifetime expected credit losses - non-impaired assets	(49 897)	49 897	-	-	**-**
Transfer to lifetime expected credit losses - impaired assets	(123 146)	(1 393 150)	1 516 296	-	**-**
New assets received or acquired	488 969	-	-	-	**488 969**
Net charge for creation (recovery) of allowance for expected credit losses	64 966	114 860	1 227 370	-	**1 407 196**
Recovery of the allowance due to the repayment of loans	(146 002)	(3 609)	(476 025)	-	**(625 636)**
Unwinding of discount in respect of ECL present value	-	-	535 122	-	**535 122**
Amounts written-off as non-recoverable during the period	-	-	(950 336)	-	**(950 336)**
Loans and advances to customers sold during the period as non-recoverable	-	-	(11 964)	-	**(11 964)**
Effect of foreign currency revaluation	61 943	75 997	1 519 408	-	**1 657 348**
Total allowance for expected credit losses on investment loans as at 31 December	**1 041 688**	**1 279 647**	**14 093 082**	**1 324 626**	**17 739 043**

10 Loans and Advances to Customers (continued)

Below is the analysis of changes in allowance for expected credit losses on investment loans during 2019:

(in thousands of Russian roubles)	12-month ECLs	Lifetime expected credit losses - non-impaired assets	Lifetime expected credit losses - impaired assets	Purchased or originated credit impaired assets	Total
Allowance for expected credit losses on investment loans as at 1 January	**2 149 527**	**2 623 150**	**6 648 154**	**492 851**	**11 913 682**
Transfer to 12-month expected credit losses	-	-	-	-	**-**
Transfer to lifetime expected credit losses - non-impaired assets	(77 250)	77 250	-	-	**-**
Transfer to lifetime expected credit losses - impaired assets	-	(724 970)	724 970	-	**-**
New assets received or acquired	212 871	-	-	-	**212 871**
Net charge for creation (recovery) of allowance for expected credit losses	(589 308)	696 968	5 206 680	831 775	**6 146 115**
Recovery of the allowance due to the repayment of loans	(887 812)	(51 329)	(204 422)	-	**(1 143 563)**
Unwinding of discount in respect of ECL present value	-	-	220 999	-	**220 999**
Amounts written-off as non-recoverable during the period	-	-	(1 506 911)	-	**(1 506 911)**
Loans and advances to customers sold during the period as non-recoverable	-	-	(55 633)	-	**(55 633)**
Effect of foreign currency revaluation	(63 173)	(185 417)	(300 626)	-	**(549 216)**
Total allowance for expected credit losses on investment loans as at 31 December	**744 855**	**2 435 652**	**10 733 211**	**1 324 626**	**15 238 344**

Below is the analysis of changes in allowance for expected credit losses on loans to entities financed by the government during 2020:

(in thousands of Russian roubles)	12-month ECLs	Lifetime expected credit losses - non-impaired assets	Lifetime expected credit losses - impaired assets	Purchased or originated credit impaired assets	Total
Allowance for expected credit losses on loans to entities financed by the government as at 1 January	**78 233**	**-**	**23 628**	**-**	**101 861**
Transfer to 12-month expected credit losses	10 679	-	(10 679)	-	**-**
Transfer to lifetime expected credit losses - non-impaired assets	(4 848)	4 848	-	-	**-**
Transfer to lifetime expected credit losses - impaired assets	-	-	-	-	**-**
New assets received or acquired	28 125	-	-	-	**28 125**
Net charge for creation (recovery) of allowance for expected credit losses	59 143	2 185	(11 619)	-	**49 709**
Recovery of the allowance due to the repayment of loans	(28 230)	-	(780)	-	**(29 010)**
Unwinding of discount in respect of ECL present value	-	-	-	-	**-**
Amounts written-off as non-recoverable during the period	-	-	-	-	**-**
Loans and advances to customers sold during the period as non-recoverable	-	-	-	-	**-**
Effect of foreign currency revaluation	177	-	-	-	**177**
Total allowance for expected credit losses on loans to entities financed by the government as at 31 December	**143 279**	**7 033**	**550**	**-**	**150 862**

10 Loans and Advances to Customers (continued)

Below is the analysis of changes in allowance for expected credit losses on loans to entities financed by the government during 2019:

(in thousands of Russian roubles)	12-month ECLs	Lifetime expected credit losses - non-impaired assets	Lifetime expected credit losses - impaired assets	Purchased or originated credit impaired assets	Total
Allowance for expected credit losses on loans to entities financed by the government as at 1 January	**49 804**	**-**	**991 377**	**-**	**1 041 181**
Transfer to 12-month expected credit losses	-	-	-	-	**-**
Transfer to lifetime expected credit losses - non-impaired assets	-	-	-	-	**-**
Transfer to lifetime expected credit losses - impaired assets	-	-	-	-	**-**
New assets received or acquired	51 544	-	-	-	**51 544**
Net charge for creation (recovery) of allowance for expected credit losses	(10 059)	-	(51 124)	-	**(61 183)**
Recovery of the allowance due to the repayment of loans	(13 056)	-	(846 011)	-	**(859 067)**
Unwinding of discount in respect of ECL present value	-	-	352	-	**352**
Amounts written-off as non-recoverable during the period	-	-	(70 966)	-	**(70 966)**
Loans and advances to customers sold during the period as non-recoverable	-	-	-	-	**-**
Effect of foreign currency revaluation	-		-		**-**
Total allowance for expected credit losses on loans to entities financed by the government as at 31 December	**78 233**	**-**	**23 628**	**-**	**101 861**

Below is the analysis of changes in allowance for expected credit losses on mortgage loans during 2020:

(in thousands of Russian roubles)	12-month ECLs	Lifetime expected credit losses - non-impaired assets	Lifetime expected credit losses - impaired assets	Purchased or originated credit impaired assets	Total
Allowance for expected credit losses on mortgage loans as at 1 January	**136 529**	**219 467**	**508 689**	**-**	**864 685**
Transfer to 12-month expected credit losses	57 023	(36 583)	(20 440)	-	**-**
Transfer to lifetime expected credit losses - non-impaired assets	(3 601)	58 217	(54 616)	-	**-**
Transfer to lifetime expected credit losses - impaired assets	(1 731)	(61 652)	63 383	-	**-**
New assets received or acquired	187 191	-	-	-	**187 191**
Net charge for creation (recovery) of allowance for expected credit losses	103 822	70 203	275 915	-	**449 940**
Recovery of the allowance due to the repayment of loans	(29 623)	(19 703)	(77 589)	-	**(126 915)**
Unwinding of discount in respect of ECL present value	-	-	33 738	-	**33 738**
Amounts written-off as non-recoverable during the period	-	-	(104 949)	-	**(104 949)**
Loans and advances to customers sold during the period as non-recoverable	-	-	-	-	**-**
Effect of foreign currency revaluation	76	792	1 828	-	**2 696**
Total allowance for expected credit losses on mortgage loans as at 31 December	**449 686**	**230 741**	**625 959**	**-**	**1 306 386**

10 Loans and Advances to Customers (continued)

Below is the analysis of changes in allowance for expected credit losses on mortgage loans during 2019:

(in thousands of Russian roubles)	12-month ECLs	Lifetime expected credit losses - non-impaired assets	Lifetime expected credit losses - impaired assets	Purchased or originated credit impaired assets	Total
Allowance for expected credit losses on mortgage loans as at 1 January	**78 043**	**56 137**	**449 277**	**-**	**583 457**
Transfer to 12-month expected credit losses	15 419	(7 915)	(7 504)	-	**-**
Transfer to lifetime expected credit losses - non-impaired assets	(1 404)	42 253	(40 849)	-	**-**
Transfer to lifetime expected credit losses - impaired assets	(703)	(26 825)	27 528	-	**-**
New assets received or acquired	74 750	-	-	-	**74 750**
Net charge for creation (recovery) of allowance for expected credit losses	(19 534)	163 237	171 224	-	**314 927**
Recovery of the allowance due to the repayment of loans	(10 013)	(7 010)	(78 975)	-	**(95 998)**
Unwinding of discount in respect of ECL present value	-	-	7 756	-	**7 756**
Amounts written-off as non-recoverable during the period	-	-	(8 649)	-	**(8 649)**
Loans and advances to customers sold during the period as non-recoverable	-	-	(6 943)	-	**(6 943)**
Effect of foreign currency revaluation	(29)	(410)	(4 176)	-	**(4 615)**
Total allowance for expected credit losses on mortgage loans as at 31 December	**136 529**	**219 467**	**508 689**	**-**	**864 685**

Below is the analysis of changes in allowance for expected credit losses on car loans during 2020:

(in thousands of Russian roubles)	12-month ECLs	Lifetime expected credit losses - non-impaired assets	Lifetime expected credit losses - impaired assets	Purchased or originated credit impaired assets	Total
Allowance for expected credit losses on car loans as at 1 January	**32 313**	**12 693**	**103 232**	**-**	**148 238**
Transfer to 12-month expected credit losses	2 139	(1 742)	(397)	-	**-**
Transfer to lifetime expected credit losses - non-impaired assets	(867)	4 172	(3 305)	-	**-**
Transfer to lifetime expected credit losses - impaired assets	(1 393)	(8 227)	9 620	-	**-**
New assets received or acquired	45 198	-	-	-	**45 198**
Net charge for creation (recovery) of allowance for expected credit losses	(6 772)	15 749	105 452	-	**114 429**
Recovery of the allowance due to the repayment of loans	(7 051)	(401)	(7 704)	-	**(15 156)**
Unwinding of discount in respect of ECL present value	-	-	14 296	-	**14 296**
Amounts written-off as non-recoverable during the period	-	-	(10 405)	-	**(10 405)**
Loans and advances to customers sold during the period as non-recoverable	-	-	-	-	**-**
Effect of foreign currency revaluation	-	-	120	-	**120**
Total allowance for expected credit losses on car loans as at 31 December	**63 567**	**22 244**	**210 909**	**-**	**296 720**

10 Loans and Advances to Customers (continued)

Below is the analysis of changes in allowance for expected credit losses on car loans during 2019:

(in thousands of Russian roubles)	12-month ECLs	Lifetime expected credit losses - non-impaired assets	Lifetime expected credit losses - impaired assets	Purchased or originated credit impaired assets	Total
Allowance for expected credit losses on car loans as at 1 January	**13 820**	**5 976**	**60 367**	**-**	**80 163**
Transfer to 12-month expected credit losses	2	(2)	-	-	**-**
Transfer to lifetime expected credit losses - non-impaired assets	(204)	1 888	(1 684)	-	**-**
Transfer to lifetime expected credit losses - impaired assets	(326)	(4 886)	5 212	-	**-**
New assets received or acquired	39 000	-	-	-	**39 000**
Net charge for creation (recovery) of allowance for expected credit losses	(16 985)	9 813	49 029	-	**41 857**
Recovery of the allowance due to the repayment of loans	(2 994)	(96)	(4 047)	-	**(7 137)**
Unwinding of discount in respect of ECL present value	-	-	4 772	-	**4 772**
Amounts written-off as non-recoverable during the period	-	-	(10 328)	-	**(10 328)**
Loans and advances to customers sold during the period as non-recoverable	-	-	-	-	**-**
Effect of foreign currency revaluation	-	-	(89)	-	**(89)**
Total allowance for expected credit losses on car loans as at 31 December	**32 313**	**12 693**	**103 232**	**-**	**148 238**

Below is the analysis of changes in allowance for expected credit losses on consumer loans to VIP clients during 2020:

(in thousands of Russian roubles)	12-month ECLs	Lifetime expected credit losses - non-impaired assets	Lifetime expected credit losses - impaired assets	Purchased or originated credit impaired assets	Total
Allowance for expected credit losses on consumer loans to VIP clients as at 1 January	**144 275**	**28 764**	**778 319**	**-**	**951 358**
Transfer to 12-month expected credit losses	-	-	-	-	**-**
Transfer to lifetime expected credit losses - non-impaired assets	(26 688)	26 688	-	-	**-**
Transfer to lifetime expected credit losses - impaired assets	-	(28 764)	28 764	-	**-**
New assets received or acquired	23 013	-	-	-	**23 013**
Net charge for creation (recovery) of allowance for expected credit losses	(65 946)	216 840	43 917	-	**194 811**
Recovery of the allowance due to the repayment of loans	(30 922)	-	(45 372)	-	**(76 294)**
Unwinding of discount in respect of ECL present value	-	-	25 182	-	**25 182**
Amounts written-off as non-recoverable during the period	-	-	(238 126)	-	**(238 126)**
Loans and advances to customers sold during the period as non-recoverable	-	-	-	-	**-**
Effect of foreign currency revaluation	9 034	35 584	-	-	**44 618**
Total allowance for expected credit losses on consumer loans to VIP clients as at 31 December	**52 766**	**279 112**	**592 684**	**-**	**924 562**

10 Loans and Advances to Customers (continued)

Below is the analysis of changes in allowance for expected credit losses on consumer loans to VIP clients during 2019:

(in thousands of Russian roubles)	12-month ECLs	Lifetime expected credit losses - non-impaired assets	Lifetime expected credit losses - impaired assets	Purchased or originated credit impaired assets	Total
Allowance for expected credit losses on consumer loans to VIP clients as at 1 January	**82 385**	**-**	**1 569 623**	**-**	**1 652 008**
Transfer to 12-month expected credit losses	-	-	-	-	**-**
Transfer to lifetime expected credit losses - non-impaired assets	-	53 700	(53 700)	-	**-**
Transfer to lifetime expected credit losses - impaired assets	(815)	-	815	-	**-**
New assets received or acquired	44 950	-	-	-	**44 950**
Net charge for creation (recovery) of allowance for expected credit losses	42 912	(24 936)	(38 373)	-	**(20 397)**
Recovery of the allowance due to the repayment of loans	(18 508)	-	(5 265)	-	**(23 773)**
Unwinding of discount in respect of ECL present value	-	-	10 012	-	**10 012**
Amounts written-off as non-recoverable during the period	-	-	(692 035)	-	**(692 035)**
Loans and advances to customers sold during the period as non-recoverable	-	-	(11 782)	-	**(11 782)**
Effect of foreign currency revaluation	(6 649)	-	(976)	-	**(7 625)**
Total allowance for expected credit losses on consumer loans to VIP clients as at 31 December	**144 275**	**28 764**	**778 319**	**-**	**951 358**

Below is the analysis of changes in allowance for expected credit losses on consumer loans during 2020:

(in thousands of Russian roubles)	12-month ECLs	Lifetime expected credit losses - non-impaired assets	Lifetime expected credit losses - impaired assets	Purchased or originated credit impaired assets	Total
Allowance for expected credit losses on consumer loans as at 1 January	**505 381**	**214 605**	**1 309 987**	**-**	**2 029 973**
Transfer to 12-month expected credit losses	30 385	(25 108)	(5 277)	-	**-**
Transfer to lifetime expected credit losses - non-impaired assets	(16 702)	31 465	(14 763)	-	**-**
Transfer to lifetime expected credit losses - impaired assets	(19 885)	(81 241)	101 126	-	**-**
New assets received or acquired	605 576	-	-	-	**605 576**
Net charge for creation (recovery) of allowance for expected credit losses	68 384	167 333	1 140 205	-	**1 375 922**
Recovery of the allowance due to the repayment of loans	(101 628)	(9 054)	(51 749)	-	**(162 431)**
Unwinding of discount in respect of ECL present value	-	-	102 526	-	**102 526**
Amounts written-off as non-recoverable during the period	-	-	(585 970)	-	**(585 970)**
Loans and advances to customers sold during the period as non-recoverable	-	-	(428 006)	-	**(428 006)**
Effect of foreign currency revaluation	-	5	367	-	**372**
Total allowance for expected credit losses on consumer loans as at 31 December	**1 071 511**	**298 005**	**1 568 446**	**-**	**2 937 962**

10 Loans and Advances to Customers (continued)

Below is the analysis of changes in allowance for expected credit losses on consumer loans during 2019:

(in thousands of Russian roubles)	12-month ECLs	Lifetime expected credit losses - non-impaired assets	Lifetime expected credit losses - impaired assets	Purchased or originated credit impaired assets	Total
Allowance for expected credit losses on consumer loans as at 1 January	**189 845**	**74 440**	**1 134 260**	**-**	**1 398 545**
Transfer to 12-month expected credit losses	7 111	(4 203)	(2 908)	-	**-**
Transfer to lifetime expected credit losses - non-impaired assets	(4 005)	9 915	(5 910)	-	**-**
Transfer to lifetime expected credit losses - impaired assets	(4 860)	(48 160)	53 020	-	**-**
New assets received or acquired	465 926	-	-	-	**465 926**
Net charge for creation (recovery) of allowance for expected credit losses	(102 667)	186 499	732 644	-	**816 476**
Recovery of the allowance due to the repayment of loans	(45 950)	(3 886)	(67 116)	-	**(116 952)**
Unwinding of discount in respect of ECL present value	-	-	60 396	-	**60 396**
Amounts written-off as non-recoverable during the period	-	-	(364 920)	-	**(364 920)**
Loans and advances to customers sold during the period as non-recoverable	-	-	(228 732)	-	**(228 732)**
Effect of foreign currency revaluation	(19)	-	(747)	-	**(766)**
Total allowance for expected credit losses on consumer loans as at 31 December	**505 381**	**214 605**	**1 309 987**	**-**	**2 029 973**

Economic sector risk concentrations within the customer loan portfolio are as follows:

	2020		**2019**	
(in thousands of Russian roubles)	**Amount**	**%**	**Amount**	**%**
Individuals	115 283 493	25.1	102 955 452	25.6
Leasing and financial services	55 359 281	12.1	45 381 314	11.3
Real estate	54 154 074	11.8	36 863 609	9.2
Trade	47 183 535	10.3	53 852 537	13.4
Oil and gas extraction and transportation	43 623 674	9.5	10 625 487	2.6
Production and food industry	32 018 654	7.0	28 034 925	7.0
Construction	29 154 482	6.3	29 029 365	7.2
Heavy machinery and shipbuilding	26 174 323	5.7	28 599 294	7.1
Budget-financed entities	24 519 610	5.3	29 408 637	7.3
Transport	12 062 008	2.6	8 570 906	2.1
Sports and health and entertainment organisations	7 084 117	1.5	7 252 989	1.8
Telecommunications	2 968 304	0.6	5 030 982	1.3
Chemical industry	1 501 799	0.3	1 720 988	0.4
Energy	569 170	0.1	2 029 867	0.5
Other	7 616 057	1.8	12 089 887	3.2
Gross carrying amount of loans and advances to customers	**459 272 581**	**100.0**	**401 446 239**	**100.0**

As at 31 December 2020 the 20 largest groups of the Group’s borrowers have aggregated loan amount of RUB 178 047 513 thousand (2019: RUB 121 198 658 thousand), which is 38.8% (2019: 30.2%) of the loan portfolio before expected credit losses allowance.

As at 31 December 2020 in case of changing the amount of expected credit losses allowance by 1% the effect on profit before tax would be RUB 398 076 thousand (2019: RUB 333 766 thousand).

10 Loans and Advances to Customers (continued)

The table below presents an analysis of loans and advances to customers, measured at amortised cost, by credit quality and by corresponding allowance for expected credit losses as at 31 December 2020:

(in thousands of Russian roubles)	12-month ECLs	Lifetime expected credit losses - non-impaired assets	Lifetime expected credit losses - impaired assets	Purchased or originated credit impaired assets	Total
Loans and advances to legal entities:					
Minimal credit risk	150 081 933	988 684	-	-	151 070 617
Low credit risk	91 167 921	2 510 882	-	-	93 678 803
Medium credit risk	22 156 987	21 707 416	-	-	43 864 403
High credit risk	-	7 420 973	-	-	7 420 973
Defaulted loans	-	-	40 696 482	2 128 824	42 825 306
Total gross carrying amount of loans and advances to legal entities	**263 406 841**	**32 627 955**	**40 696 482**	**2 128 824**	**338 860 102**
Allowance for expected credit losses	**(4 703 221)**	**(2 305 191)**	**(26 008 982)**	**(1 324 626)**	**(34 342 020)**
Total loans and advances to legal entities	**258 703 620**	**30 322 764**	**14 687 500**	**804 198**	**304 518 082**
Loans and advances to individuals:					
Not past due	105 150 456	2 670 823	349 489	-	108 170 768
Overdue:					
- less than 30 days	1 014 691	494 269	25 960	-	1 534 920
- from 31 to 90 days	-	877 987	22 296	-	900 283
- more than 90 days	-	-	4 677 522	-	4 677 522
Total gross carrying value of loans and advances to individual customers	**106 165 147**	**4 043 079**	**5 075 267**	**-**	**115 283 493**
Allowance for expected credit losses	**(1 637 530)**	**(830 102)**	**(2 997 998)**	**-**	**(5 465 630)**
Total loans and advances to individual customers	**104 527 617**	**3 212 977**	**2 077 269**	**-**	**109 817 863**
Total loans and advances to customers at amortised cost	**363 231 237**	**33 535 741**	**16 764 769**	**804 198**	**414 335 945**

10 Loans and Advances to Customers (continued)

The table below presents an analysis of loans and advances to individual customers, measured at amortised cost, by credit quality and by corresponding allowance for expected credit losses as at 31 December 2020:

(in thousands of Russian roubles)	12-month ECLs	Lifetime expected credit losses - non-impaired assets	Lifetime expected credit losses - impaired assets	Purchased or originated credit impaired assets	**Total**
Mortgage loans					
Not past due	73 280 387	1 692 892	121 444	-	75 094 723
Overdue:					
- less than 30 days	573 965	318 215	14 098	-	906 278
- from 31 to 90 days	-	482 743	6 992	-	489 735
- more than 90 days	-	-	1 789 585	-	1 789 585
Total gross carrying value of mortgage loans to customers	**73 854 352**	**2 493 850**	**1 932 119**	**-**	**78 280 321**
Allowance for expected credit losses	**(449 686)**	**(230 741)**	**(625 959)**	**-**	**(1 306 386)**
Total mortgage loans to customers	**73 404 666**	**2 263 109**	**1 306 160**	**-**	**76 973 935**
Car loans					
Not past due	4 738 207	55 550	4 752	-	4 798 509
Overdue:					
- less than 30 days	80 085	26 010	5 187	-	111 282
- from 31 to 90 days	-	70 482	3 932	-	74 414
- more than 90 days	-	-	431 855	-	431 855
Total gross carrying value of car loans to customers	**4 818 292**	**152 042**	**445 726**	**-**	**5 416 060**
Allowance for expected credit losses	**(63 567)**	**(22 244)**	**(210 909)**	**-**	**(296 720)**
Total car loans and advances to customers	**4 754 725**	**129 798**	**234 817**	**-**	**5 119 340**
Consumer loans to VIP clients					
Not past due	3 112 463	486 462	184 518	-	3 783 443
Overdue:					
- less than 30 days	-	-	-	-	-
- from 31 to 90 days	-	-	-	-	-
- more than 90 days	-	-	578 885	-	578 885
Total gross carrying value of consumer loans to VIP clients	**3 112 463**	**486 462**	**763 403**	**-**	**4 362 328**
Allowance for expected credit losses	**(52 766)**	**(279 112)**	**(592 684)**	**-**	**(924 562)**
Total consumer loans and advances to VIP clients	**3 059 697**	**207 350**	**170 719**	**-**	**3 437 766**
Consumer loans					
Not past due	24 019 399	435 919	38 776	-	24 494 094
Overdue:					
- less than 30 days	360 641	150 044	6 675	-	517 360
- from 31 to 90 days	-	324 762	11 372	-	336 134
- more than 90 days	-	-	1 877 197	-	1 877 197
Total gross carrying value of consumer loans to customers	**24 380 040**	**910 725**	**1 934 020**	**-**	**27 224 785**
Allowance for expected credit losses	**(1 071 511)**	**(298 005)**	**(1 568 446)**	**-**	**(2 937 962)**
Total consumer loans to customers	**23 308 529**	**612 720**	**365 574**	**-**	**24 286 823**

10 Loans and Advances to Customers (continued)

The table below presents an analysis of loans and advances to customers, measured at amortised cost, by credit quality and by corresponding allowance for expected credit losses as at 31 December 2019:

(in thousands of Russian roubles)	12-month ECLs	Lifetime expected credit losses - non-impaired assets	Lifetime expected credit losses - impaired assets	Purchased or originated credit impaired assets	Total
Loans and advances to legal entities:					
Minimal credit risk	94 343 376	71 898	-	-	94 415 274
Low credit risk	95 287 061	2 541 675	-	-	97 828 736
Medium credit risk	33 755 973	21 805 688	-	-	55 561 661
High credit risk	-	10 687 518	-	-	10 687 518
Default loans	-	-	29 569 389	3 497 020	33 066 409
Total gross carrying amount of loans and advances to legal entities	**223 386 410**	**35 106 779**	**29 569 389**	**3 497 020**	**291 559 598**
Allowance for expected credit losses	**(2 543 844)**	**(4 519 950)**	**(20 879 551)**	**(1 438 986)**	**(29 382 331)**
Total loans and advances to legal entities	**220 842 566**	**30 586 829**	**8 689 838**	**2 058 034**	**262 177 267**
Loans and advances to individuals:					
Not past due	95 618 320	796 325	660 309	-	97 074 954
Overdue:					
- less than 30 days	1 460 925	419 959	27 161	-	1 908 045
- from 31 to 90 days	-	680 068	25 013	-	705 081
- more than 90 days	-	-	3 267 372	-	3 267 372
Total gross carrying amount of loans and advances to individuals	**97 079 245**	**1 896 352**	**3 979 855**	**-**	**102 955 452**
Allowance for expected credit losses	**(818 498)**	**(475 529)**	**(2 700 227)**	**-**	**(3 994 254)**
Total loans and advances to individuals	**96 260 747**	**1 420 823**	**1 279 628**	**-**	**98 961 198**
Total loans and advances to customers at amortised cost	**317 103 313**	**32 007 652**	**9 969 466**	**2 058 034**	**361 138 465**

10 Loans and Advances to Customers (continued)

The table below presents an analysis of loans and advances to individual customers, measured at amortised cost, by credit quality and by corresponding allowance for expected credit losses as at 31 December 2019:

(in thousands of Russian roubles)	12-month ECLs	Lifetime expected credit losses - non-impaired assets	Lifetime expected credit losses - impaired assets	Purchased or originated credit impaired assets	**Total**
Mortgage loans					
Not past due	63 544 891	593 597	128 491	-	64 266 979
Overdue:					
- less than 30 days	839 372	296 322	20 003	-	1 155 697
- from 31 to 90 days	-	377 709	12 436	-	390 145
- more than 90 days	-	-	1 201 741	-	1 201 741
Total gross carrying amount of mortgage loans to customers	**64 384 263**	**1 267 628**	**1 362 671**	**-**	**67 014 562**
Allowance for expected credit losses	**(136 529)**	**(219 467)**	**(508 689)**	**-**	**(864 685)**
Total mortgage loans to customers	**64 247 734**	**1 048 161**	**853 982**	**-**	**66 149 877**
Car loans					
Not past due	4 939 570	9 323	2 041	-	4 950 934
Overdue:					
- less than 30 days	101 644	21 953	1 419	-	125 016
- from 31 to 90 days	-	39 927	3 706	-	43 633
- more than 90 days	-	-	190 661	-	190 661
Total gross carrying amount of car loans to customers	**5 041 214**	**71 203**	**197 827**	**-**	**5 310 244**
Allowance for expected credit losses	**(32 313)**	**(12 693)**	**(103 232)**	**-**	**(148 238)**
Total car loans and advances to customers	**5 008 901**	**58 510**	**94 595**	**-**	**5 162 006**
Consumer loans to VIP clients					
Not past due	2 745 577	47 125	498 794	-	3 291 496
Overdue:					
- less than 30 days	-	-	-	-	-
- from 31 to 90 days	-	-	-	-	-
- more than 90 days	-	-	515 240	-	515 240
Total gross carrying amount of consumer loans to VIP clients	**2 745 577**	**47 125**	**1 014 034**	**-**	**3 806 736**
Allowance for expected credit losses	**(144 275)**	**(28 764)**	**(778 319)**	**-**	**(951 358)**
Total consumer loans and advances to VIP clients	**2 601 302**	**18 361**	**235 715**	**-**	**2 855 378**
Consumer loans					
Not past due	24 388 282	146 280	30 983	-	24 565 545
Overdue:					
- less than 30 days	519 909	101 684	5 739	-	627 332
- from 31 to 90 days	-	262 432	8 871	-	271 303
- more than 90 days	-	-	1 359 730	-	1 359 730
Total gross carrying amount of consumer loans to customers	**24 908 191**	**510 396**	**1 405 323**	**-**	**26 823 910**
Allowance for expected credit losses	**(505 381)**	**(214 605)**	**(1 309 987)**	**-**	**(2 029 973)**
Total consumer loans to customers	**24 402 810**	**295 791**	**95 336**	**-**	**24 793 937**

10 Loans and Advances to Customers (continued)

As at 31 December 2020 and 31 December 2019, loans and advances to customers are divided by credit quality into five categories of credit risk:

- Minimal credit risk - the probability of timely repayment of debt is high, a slight probability of a default.
- Low credit risk - the probability of timely repayment of debt is high, the low probability of default.
- Medium credit risk - the probability of timely repayment of debt is high, but there is a vulnerability in the presence of adverse commercial, financial and economic conditions.
- High credit risk - the possibility of timely repayment of debt depends on favourable commercial, financial and economic conditions.
- Default loans - assets with signs of credit impairment.

As at 31 December 2020 net carrying amount of credit-impaired loans to legal entities amounted to RUB 15 491 698 thousand (2019: RUB 10 747 872 thousand), and the value of collateral (mainly commercial real estate) available for these loans amounted to RUB 13 679 194 thousand (2019: RUB 6 224 958 thousand). For each loan, the value of the collateral is limited to the maximum nominal amount of the loan originated.

	2020		2019	
(in thousands of Russian roubles)	**Net carrying amount**	**Collateral (mostly commercial real estate)**	**Net carrying amount**	**Collateral (mostly commercial real estate)**
Loans to legal entities				
Loans to finance working capital	5 828 810	4 699 477	6 692 602	4 146 883
Investment loans	9 662 888	8 979 717	4 038 342	2 078 075
Loans to entities financed by the government	-	-	16 928	-
Total	**15 491 698**	**13 679 194**	**10 747 872**	**6 224 958**

As at 31 December 2020 loans to legal entities include non-collateralised loans amounting to RUB 1 812 504 thousand (2019: RUB 4 522 924 thousand).

10 Loans and Advances to Customers (continued)

The tables below provide information on credit-impaired loans to individuals, taking into account the relationship between the loan amount and the value of the collateral ("LTV"). The LTV ratio is calculated as the ratio of the gross carrying amount of the loan to the value of collateral. Valuation of the collateral excludes any costs associated with the receipt and sale of this collateral. For credit-impaired loans, the value of the collateral is determined based on the most recent estimates.

(in thousands of Russian roubles)	2020				
	Gross carrying amount	Mortgage loans	Car loans	Consumer loans to VIP clients	Other Consumer loans
Credit-impaired loans to individuals					
Loans to collateral (LTV)					
< 50%	808 089	526 361	24 576	245 871	11 281
51-70%	797 095	683 230	52 658	60 000	1 207
> 70%	3 470 084	722 528	368 492	457 532	1 921 532
Total	**5 075 268**	**1 932 119**	**445 726**	**763 403**	**1 934 020**

(in thousands of Russian roubles)	2019				
	Gross carrying amount	Mortgage loans	Car loans	Consumer loans to VIP clients	Other Consumer loans
Credit-impaired loans to individuals					
Loans to collateral (LTV)					
< 50%	694 224	389 310	17 000	277 195	10 719
51-70%	852 398	440 308	36 325	374 371	1 394
> 70%	2 433 233	533 053	144 502	362 468	1 393 210
Total	**3 979 855**	**1 362 671**	**197 827**	**1 014 034**	**1 405 323**

As at 31 December 2020 consumer loans to VIP clients with LTV > 70% in the amount of RUB 457 532 thousand (2019: RUB 362 468 thousand) consist of loans in the amount of RUB 66 848 thousand without collateral (2019: RUB 48 192 thousand).

As at 31 December 2020 other consumer loans with LTV > 70% in the amount of RUB 1 921 532 thousand (2019: RUB 1 393 210 thousand) consist of loans in the amount of RUB 1 909 704 thousand without collateral (2019: RUB 1 373 173 thousand).

As at 31 December 2020 total consumer loans with LTV > 70% are presented by net carrying amount of loans with LTV above 100% and loans without collateral in the amount of RUB 589 530 thousand (2019: RUB 225 857 thousand).

10 Loans and Advances to Customers (continued)

Below are the main factors for change in credit quality having significant impact on the allowance for expected credit losses during 2020:

	Effect: increase/(decrease) in the allowance for expected credit losses		
(in thousands of Russian roubles)	Stage 1	Stage 2	Stage 3
Loans to finance working capital:			
Increase in the gross carrying amount of loans issued during the year amounted to RUB 155 666 872 thousand	3 060 470	-	-
Changes attributable to loans with gross carrying amount of RUB 60 426 766 thousand	(516 760)	(186 018)	5 950 842
Decrease in the gross carrying amount of loans following the repayment amounted to RUB 103 305 771 thousand	(746 212)	(879 769)	(368 711)
Write-off of the loans amounted to RUB 3 215 018 thousand, following the recognition as non-recoverable	-	-	(3 215 018)
The portfolio of loans recognized as non-recoverable sold less earnings amounted to RUB 688 835 thousand	-	-	(688 835)
	-	-	
Investment loans:			
Increase in the gross carrying amount of loans issued during the year amounted to RUB 34 014 858 thousand	488 969	-	-
Changes attributable to loans with gross carrying amount of RUB 64 231 996 thousand	(46 134)	(1 152 396)	4 798 196
Decrease in the gross carrying amount of loans following the repayment amounted to RUB 11 739 714 thousand	(146 002)	(3 609)	(476 025)
Write-off of the loans amounted to RUB 950 336 thousand, following the recognition as non-recoverable	-	-	(950 336)
The portfolio of loans recognized as non-recoverable sold less earnings amounted to RUB 11 964 thousand	-	-	(11 964)
Mortgage loans:			
Increase in the gross carrying amount of loans issued during the year amounted to RUB 32 321 983 thousand	187 191	-	-
Changes attributable to loans with gross carrying amount of RUB 45 958 337 thousand	155 589	30 977	299 808
Decrease in the gross carrying amount of loans following the repayment amounted to RUB 14 443 331 thousand	(29 623)	(19 703)	(77 589)
Write-off of the loans amounted to RUB 104 948 thousand, following the recognition as non-recoverable	-	-	(104 949)
Consumer loans:			
Increase in the gross carrying amount of loans issued during the year amounted to RUB 10 950 513 thousand	605 576	-	-
Changes attributable to loans with gross carrying amount of RUB 16 274 272 thousand	62 182	92 454	1 324 184
Decrease in the gross carrying amount of loans following the repayment amounted to RUB 5 403 469 thousand	(101 628)	(9 054)	(51 749)
Write-off of the loans amounted to RUB 585 970 thousand, following the recognition as non-recoverable	-	-	(585 970)
The loan portfolio sold relating to the loans recognized as non-recoverable less proceeds amounted to RUB 428 006 thousand	-	-	(428 006)

10 Loans and Advances to Customers (continued)

Below are the main factors for change in credit quality which had significant impact on the allowance for expected credit losses during 2019:

	Effect: increase (decrease) in the allowance for expected credit losses		
(in thousands of Russian roubles)	Stage 1	Stage 2	Stage 3
Loans to finance working capital:			
Increase in the gross carrying amount of loans issued during the year amounted to RUB 116 416 801 thousand	2 270 782	-	-
Changes attributable to loans with gross carrying amount of RUB 65 799 155 thousand	(1 966 259)	1 532 601	1 736 567
Decrease in the gross carrying amount of loans following the repayment amounted to RUB 85 284 224 thousand	(754 291)	(400 339)	(284 544)
Write-off of the loans amounted to RUB 7 916 724 thousand, following the recognition as non-recoverable	-	-	(7 916 724)
The loan portfolio sold relating to the loans recognized as non-recoverable less proceeds amounted to RUB 6 910 thousand	-	-	(6 910)
Investment loans:			
Increase in the gross carrying amount of loans issued during the year amounted to RUB 15 183 550 thousand	212 871	-	-
Changes attributable to loans with carrying amount of RUB 64 751 455 thousand	(729 731)	(136 169)	6 683 798
Decrease in the gross carrying amount of loans following the repayment amounted to RUB 23 181 566 thousand	(887 812)	(51 329)	(204 422)
Write-off of the loans amounted to RUB 1 506 911 thousand, following the recognition as non-recoverable	-	-	(1 506 911)
The loan portfolio sold relating to the loans recognized as non-recoverable less proceeds amounted to RUB 55 633 thousand	-	-	(55 633)
Loans to entities financed by the government			
Increase in the gross carrying amount of loans issued during the year amounted to RUB 17 401 593 thousand	51 544	-	-
Changes attributable to loans with carrying amount of RUB 12 007 044 thousand	(10 059)		(50 772)
Decrease in the gross carrying amount of loans following the repayment amounted to RUB 9 318 105 thousand	(13 056)	-	(846 011)
Write-off of the loans amounted to RUB 70 966 thousand, following the recognition as non-recoverable	-	-	(70 966)
Consumer loans to VIP clients			
Increase in the gross carrying amount of loans issued during the year amounted to RUB 803 691 thousand	44 950	-	-
Changes attributable to loans with carrying amount 3 003 045 thousand roubles	35 448	28 764	(82 222)
Decrease in the gross carrying amount of loans following the repayment amounted to RUB 940 907 thousand	(18 508)	-	(5 265)
Write-off of the loans amounted to RUB 692 035 thousand, following the recognition as non-recoverable	-	-	(692 035)
The loan portfolio sold relating to the loans recognized as non-recoverable less proceeds amounted to RUB 11 782 thousand	-	-	(11 782)

As at 31 December 2020 the Group has mortgage loans in the amount of RUB 3 071 600 thousand (2019: RUB 5 080 587 thousand) and the additional loan support in the amount of RUB 1 027 065 thousand (2019: RUB 1 061 299 thousand), transferred to the mortgage agent "MA BSPB 2" LLC, a structured company founded for the financing purposes. As at 31 December 2020 these mortgage loans and the additional loan support are pledged as collateral for the mortgage secured bonds with the carrying amount of RUB 2 712 400 thousand issued by the mortgage agent (2019: RUB 4 802 775 thousand). Please, see Note 18.

As at 31 December 2020 and 31 December 2019 loans and advances to customers include loans at fair value held by the Group to maturity.

Analysis of loans and advances to customers by currency structure and maturity is presented in Note 30. Analysis of interest rates of loans and advances to customers is presented in Note 30. Information on the fair value of loans and advances to customers is presented in Note 33. Information on related party transactions is presented in Note 34.

11 Investment Securities, including Securities Pledged under Repurchase Agreements

(in thousands of Russian roubles)	2020	2019
Debt investment securities measured at fair value through other comprehensive income		
Corporate bonds	31 036	-
Municipal bonds	-	44 738
Debt investment securities measured at fair value through other comprehensive income, pledged under repurchase agreements		
Corporate bonds	5 905 989	5 532 402
Total debt investment securities measured at fair value through other comprehensive income	**5 937 025**	**5 577 140**
Equity securities	1 094 898	2 153 181
Total investment securities measured at fair value through other comprehensive income	**7 031 923**	**7 730 321**
Debt investment securities measured at amortised cost		
Corporate Eurobonds	1 237 683	-
Corporate bonds	87 510	-
Debt investment securities measured at amortised cost, pledged under repurchase agreements		
Corporate Eurobonds	41 768 352	23 989 334
Corporate bonds	25 054 524	22 856 384
Allowance for expected credit losses	(89 129)	(76 371)
Total debt investment securities measured at amortised cost	**68 058 940**	**46 769 347**
Total investment securities, including securities pledged under repurchase agreements	**75 090 863**	**54 499 668**

11 Investment Securities, including Securities Pledged under Repurchase Agreements (continued)

Debt investment securities, measured at fair value through other comprehensive income, are divided by credit risk level based on averaging the values of issuers' credit ratings (in their absence - the credit ratings of debt securities issues) assigned by international rating agencies Moody's, S&P and Fitch (in the absence of ratings from international rating agencies, for Russian issuers ratings from ACRA are used).

Below is an analysis of debt investment securities measured at fair value through other comprehensive income, including those pledged under repurchase agreements, by credit quality as at 31 December 2020:

(in thousands of Russian roubles)	12-month ECLs	Lifetime expected credit losses - non-impaired assets	Lifetime expected credit losses - impaired assets	**Total**
Debt investment securities measured at fair value through other comprehensive income				
Group A	19 902	-	-	**19 902**
Group B	11 134	-	-	**11 134**
Total debt investment securities measured at fair value through other comprehensive income	**31 036**	**-**	**-**	**31 036**
Debt investment securities measured at fair value through other comprehensive income, pledged under repurchase agreements				
Group A	4 399 436	-	-	4 399 436
Group B	1 506 553	-	-	1 506 553
Group C				
Total debt investment securities measured at fair value through other comprehensive income, pledged under repurchase agreements	**5 905 989**	**-**	**-**	**5 905 989**
Total debt investment securities, including securities pledged under repurchase agreements	**5 937 025**	**-**	**-**	**5 937 025**
Allowance for expected credit losses	**(4 812)**	**-**	**-**	**(4 812)**

For definition of groups refer to Note 7.

11 Investment Securities, including Securities Pledged under Repurchase Agreements (continued)

Below is an analysis of debt investment securities measured at fair value through other comprehensive income, including those pledged under repurchase agreements by credit quality as at 31 December 2019:

(in thousands of Russian roubles)	12-month ECLs	Lifetime expected credit losses - non-impaired assets	Lifetime expected credit losses - impaired assets	**Total**
Debt investment securities measured at fair value through other comprehensive income				
Group B	23 506	-	-	23 506
Group C	-	21 232	-	21 232
Total debt investment securities measured at fair value through other comprehensive income	**23 506**	**21 232**	**-**	**44 738**
Debt investment securities measured at fair value through other comprehensive income, pledged under repurchase agreements				
Group A	2 930 646	-	-	2 930 646
Group B	2 601 756	-	-	2 601 756
Total debt investment securities measured at fair value through other comprehensive income, pledged under repurchase agreements	**5 532 402**	**-**	**-**	**5 532 402**
Total debt investment securities, including securities pledged under repurchase agreements	**5 555 908**	**21 232**	**-**	**5 577 140**
Allowance for expected credit losses	**(7 257)**	**(340)**	**-**	**(7 597)**

11 Investment Securities, including Securities Pledged under Repurchase Agreements (continued)

Below is the analysis of changes in the allowance for expected credit losses of debt investment securities measured at fair value through other comprehensive income during 2020:

(in thousands of Russian roubles)	12-month ECLs	Lifetime expected credit losses - non-impaired assets	Lifetime expected credit losses - impaired assets	Purchased or originated credit-impaired assets	Total
Allowance for expected credit losses as at 1 January	**7 257**	**340**	**-**	**-**	**7 597**
New assets acquired or purchased	2 558	-	-	-	**2 558**
Net income from recovery of allowance for ECL	(2 803)	-	-	-	**(2 803)**
Recovery of the allowance due to sale and repayment of securities	(2 200)	(340)	-	-	**(2 540)**
Total allowance for expected credit losses at December 31	**4 812**	**-**	**-**	**-**	**4 812**

Below is the analysis of changes in the allowance for expected credit losses of debt investment securities measured at fair value through other comprehensive income during 2019:

(in thousands of Russian roubles)	12-month ECLs	Lifetime expected credit losses - non-impaired assets	Lifetime expected credit losses - impaired assets	Purchased or originated credit-impaired assets	Total
Allowance for expected credit losses as at 1 January	**69 991**	**6 984**	**-**	**-**	**76 975**
Transfer to lifetime ECLs - non-impaired assets	(615)	615	-	-	**-**
Net income from recovery of allowance for ECL	(11 369)	(275)	-	-	**(11 644)**
Recovery of the allowance due to sale and repayment of securities	(50 750)	(6 984)	-	-	**(57 734)**
Total allowance for expected credit losses at December 31	**7 257**	**340**	**-**	**-**	**7 597**

11 Investment Securities, including Securities Pledged under Repurchase Agreements (continued)

Below is an analysis of debt investment securities measured at amortised cost, including pledged under sale and repurchase agreements, by credit quality as of 31 December 2020:

(in thousands of Russian roubles)	12-month ECLs	Lifetime expected credit losses - non-impaired assets	Lifetime expected credit losses - impaired assets	Total
Debt investment securities measured at amortised cost				
Group A	354 934	-	-	**354 934**
Group B	970 259	-	-	**970 259**
Total debt investment securities, measured at amortised cost	**1 325 193**	**-**	**-**	**1 325 193**
Debt investment securities measured at amortised cost pledged under sale and repurchase agreements				
Group A	51 034 230	-	-	**51 034 230**
Group B	15 788 646	-	-	**15 788 646**
Total debt investment securities measured at amortised cost, including securities pledged under sale and repurchase agreement	**66 822 876**	**-**	**-**	**66 822 876**
Allowance for expected credit losses	(**89 129)**	**-**	**-**	(**89 129)**
Total debt investment securities measured at amortised cost, including securities pledged under sale and repurchase agreements	**68 058 940**	**-**	**-**	**68 058 940**

Below is an analysis of changes in the allowance for expected credit losses of debt investment securities, measured at amortised cost during 2020:

(in thousands of Russian roubles)	12-month ECLs	Lifetime expected credit losses - non-impaired assets	Lifetime expected credit losses - impaired assets	Purchased or originated credit-impaired assets	Total
Allowance for expected credit losses at January 1	**76 371**	**-**	**-**	**-**	**76 371**
New assets acquired or Purchased	22 438	-	-	-	22 438
Net income from recovery of allowance for ECL	(8 279)	-	-	-	(8 279)
Recovery of the allowance due to repayment of securities	(1 401)	-	-	-	(1 401)
Total allowance for expected credit losses at December 31	**89 129**	**-**	**-**	**-**	**89 129**

11 Investment Securities, including Securities Pledged under Repurchase Agreements (continued)

Below is an analysis of debt investment securities measured at amortised cost, including pledged under sale and repurchase agreements, by credit quality as of 31 December 2019:

(in thousands of Russian roubles)	12-month ECLs	Lifetime expected credit losses - non-impaired assets	Lifetime expected credit losses - impaired assets	Total
Debt investment securities measured at amortised cost pledged under sale and repurchase agreements				
Group A	33 893 153	-	-	33 893 153
Group B	12 952 565	-	-	12 952 565
Total debt investment securities, measured at amortised cost, pledged under sale and repurchase agreements	**46 845 718**	**-**	**-**	**46 845 718**
Allowance for expected credit losses	**(76 371)**	**-**	**-**	**(76 371)**
Total debt investment securities measured at amortised cost, including securities pledged under sale and repurchase agreements	**46 769 347**	**-**	**-**	**46 769 347**

Below is an analysis of changes in the allowance for expected credit losses of debt investment securities, measured at amortised cost during 2019:

(in thousands of Russian roubles)	12-month ECLs	Lifetime expected credit losses - non-impaired assets	Lifetime expected credit losses - impaired assets	Purchased or originated credit-impaired assets	**Total**
Allowance for expected credit losses at January 1	**56 237**	**-**	**-**	**-**	**56 237**
New assets acquired or Purchased	46 256	-	-	-	**46 256**
Net income from recovery of allowance for ECL	(16 724)	-	-	-	**(16 724)**
Recovery of the allowance due to repayment of securities	(9 398)	-	-	-	**(9 398)**
Total allowance for expected credit losses at December 31	**76 371**	**-**	**-**	**-**	**76 371**

11 Investment Securities, including Securities Pledged under Repurchase Agreements (continued)

The table below presents a reconciliation of significant changes in the gross carrying amount of debt securities measured at fair value through other comprehensive income, including those pledged under sale and repurchase agreements as at 31 December 2020:

(in thousands of Russian roubles)	12-month ECLs	Lifetime expected credit losses - non-impaired assets	Lifetime expected credit losses - impaired assets	Purchased or originated credit-impaired assets	Purchased or originated credit-impaired assets
Balance as at 1 January	**5 555 908**	**21 232**			**5 577 140**
New assets acquired or purchased	2 844 898	-	-	-	2 844 898
Sale and repayment of securities	(2 247 866)	(21 232)	-	-	(2 269 098)
Other changes	(215 915)	-	-	-	(215 915)
Total balance of gross carrying amount of debt securities measured at fair value through other comprehensive income at 31 December	**5 937 025**	**-**	**-**	**-**	**5 937 025**

The table below presents a reconciliation of significant changes in the gross carrying amount of debt securities measured at fair value through other comprehensive income, including those pledged under sale and repurchase agreements as at 31 December 2019:

(in thousands of Russian roubles)	12-month ECLs	Lifetime expected credit losses - non-impaired assets	Lifetime expected credit losses - impaired assets	Purchased or originated credit-impaired assets	**Total**
Balance as at 1 January	**28 785 160**	**198 108**	**-**	**-**	**28 983 268**
Transfer to lifetime ECLs - non-impaired assets	(46 826)	46 826	-	-	-
Sale and repayment of securities	(23 199 085)	(198 107)	-	-	(23 397 192)
Other changes	16 659	(25 595)	-	-	(8 936)
Total balance of gross carrying amount of debt securities measured at fair value through other comprehensive income at 31 December	**5 555 908**	**21 232**	**-**	**-**	**5 577 140**

11 Investment Securities, including Securities Pledged under Repurchase Agreements (continued)

The table below presents a reconciliation of significant changes in the gross carrying amount of debt securities measured at amortised cost, including those pledged under sale and repurchase agreements as at 31 December 2020:

(in thousands of Russian roubles)	12-month ECLs	Lifetime expected credit losses - non-impaired assets	Lifetime expected credit losses - impaired assets	Purchased or originated credit-impaired assets	Total
Balance as at January 1	**46 845 718**	**-**	**-**	**-**	**46 845 718**
New originated or acquired financial assets	16 998 630	-	-	-	**16 998 630**
Disposal of securities	(2 173 204)				**(2 173 204)**
Other changes	6 476 925	-	-	-	**6 476 925**
Total balance of gross carrying amount of debt securities measured at amortised cost at December 31	**68 148 069**	**-**	**-**	**-**	**68 148 069**

The table below presents a reconciliation of significant changes in the gross carrying amount of debt securities measured at amortised cost, including those pledged under sale and repurchase agreements as at 31 December 2019:

(in thousands of Russian roubles)	12-month ECLs	Lifetime expected credit losses - non-impaired assets	Lifetime expected credit losses - impaired assets	Purchased or originated credit-impaired assets	Total
Balance as at January 1	**26 972 859**	**-**	**-**	**-**	**26 972 859**
New originated or acquired financial assets	27 231 110	-	-	-	23 231 110
Disposal of securities	(7 358 251)	-	-	-	(7 358 251)
Total balance of gross carrying amount of debt securities measured at amortised cost at December 31	**46 845 718**	**-**	**-**	**-**	**46 845 718**

Analysis of investment securities by currency structure, maturity and interest rate analysis is presented in Note 30.

12 Investment Property

(in thousands of Russian roubles)	2020	2019
Land	4 573 431	5 436 148
Premises	2 053 518	2 983 988
Impairment loss	(2 143 055)	(1 288 244)
Accumulated depreciation	(72 346)	(103 390)
Total investment property	**4 411 548**	**7 028 502**

Investment property includes land plots and buildings.

Below is information about changes in investment property:

(in thousands of Russian roubles)	2020	2019
Carrying amount before accumulated depreciation as at January 1	**7 131 892**	**7 414 775**
Transfers and acquisitions	270 733	144 760
Disposals	(2 063 920)	(489 857)
(Loss) recovery from impairment	(854 811)	62 214
Carrying amount before accumulated depreciation as at December 31	**4 483 894**	**7 131 892**

The fair value of investment property was determined as at 31 December 2020 by an independent firm of professional appraisers. The basis of valuation for most of items was the comparative sales method, for one investee object – the income approach.

The fair value was assessed using the sales comparison approach, i.e. comparison with other premises that were sold or are offered for sale.

The fair value of investment property as at 31 December 2020 and 31 December 2019 does not differ significantly from its carrying amount, except for 1 land plot for which impairment indicators were identified in 2020 and an appropriate allowance was created.

The fair value estimate of investment property is classified to Level 3 of hierarchy.

13 Premises and Equipment, Intangible Assets and Right-of-Use Assets

(in thousands of Russian roubles)	Note	Premises	Office and computer equipment	Construction in progress	Intangible assets	Total
Cost as at January 1, 2019		12 344 700	5 447 717	55 301	696 885	18 544 603
Accumulated depreciation		(304 327)	(3 639 336)	-	(388 598)	(4 332 261)
Accumulated impairment		(29 487)	-	-	-	(29 487)
Net book value as at January 1, 2019		**12 010 886**	**1 808 381**	**55 301**	**308 287**	**14 182 855**
Additions		43 738	563 629	110 845	72 550	790 762
Transfers between categories		24 861	45 961	(71 215)	393	-
Disposals		(197 050)	(22 062)	-	-	(219 112)
Depreciation charges	24	(291 647)	(665 505)	-	(109 117)	(1 066 269)
Net book value as at 31 December 2019		**11 590 788**	**1 730 404**	**94 931**	**272 113**	**13 688 236**
Cost as at 31 December 2019		12 207 054	5 745 893	94 931	751 161	18 799 039
Accumulated depreciation		(586 779)	(4 015 489)	-	(479 048)	(5 081 316)
Accumulated impairment		(29 487)	-	-	-	(29 487)
Net book value as at 31 December 2019		**11 590 788**	**1 730 404**	**94 931**	**272 113**	**13 688 236**
Additions		11 172	531 775	110 888	210 679	864 514
Transfers between categories		15 364	12 734	(90 656)	62 558	-
Disposals		(448 360)	(130 946)	(945)	(13 281)	(593 532)
Depreciation charges	24	(283 651)	(671 813)	-	(123 249)	(1 078 713)
Revaluation		24 858	-	-	-	24 858
Impairment		(17 395)	-	-	-	(17 395)
Net book value as at 31 December 2020		**10 892 776**	**1 472 154**	**114 218**	**408 820**	**12 887 968**
Cost as at 31 December 2020		10 978 018	5 800 223	114 218	1 011 116	17 903 575
Accumulated depreciation		(38 359)	(4 328 069)	-	(602 297)	(4 968 725)
Accumulated impairment		(46 883)				(46 883)
Net book value as at 31 December 2020		**10 892 776**	**1 472 154**	**114 218**	**408 819**	**12 887 967**

Construction in progress in 2020 is mainly a re-equipment of the premises of branches and outlets.

The fair value of premises was determined as at 31 December 2020 by an independent firm of professional appraisers. The basis of valuation for most of items was the comparative sales method, for two items – the cost approach, for one item – the income approach.

The income approach used the following parameters:

- forecast period from 1 January 2021 to 31 December 2026, post-forecast period from 1 January 2027;
- discount rate of 13.8%;
- the growth rate of cash flows in the post-forecast period in accordance with the long-term inflation rate of 3.8%.

13 Premises and Equipment, Intangible Assets and Right-of-Use Assets (continued)

As at 31 December 2019 the Group performed an impairment test of premises, no impairment indicators were identified. Fair value does not differ significantly from the carrying amount.

As at 31 December 2020 the carrying amount includes the revaluation of premises of the Group in the total amount of RUB 4 074 276 thousand (2019: RUB 4 049 418 thousand), for which a deferred tax liability of RUB 814 855 thousand (2019: RUB 809 882 thousand) was recognised. The estimate of the fair value of premises relates to the Level 3 hierarchy.

If the Group's premises were accounted at the acquisition cost less accumulated depreciation, their carrying amount as at 31 December 2020 would be RUB 6 583 304 thousand (2019: RUB 7 309 436 thousand).

Right-of-use assets mainly represent premises of branches and outlets. The table below represents the movements in the right-of-use assets in 2020 and 2019:

(in thousands of Russian roubles)	2020	2019
Rights of use of premises and equipment as at 1 January	**1 109 811**	**776 855**
Additions of rights of use of premises and equipment for the reporting period	347 516	183 240
Changes in cash flows	-	5 607
Prolongation of lease term	606 174	529 268
Accumulated depreciation	(433 706)	(385 159)
Disposal	(74 931)	-
Rights of use of premises and equipment as at 31 December	**1 554 864**	**1 109 811**

14 Other Assets

(in thousands of Russian roubles)	Note	2020	2019
Variation margin on transactions with derivatives		3 728 303	-
Plastic cards receivables		2 216 947	2 515 267
Settlements on commissions with clients		259 264	332 464
Overdue guarantee receivables		228 171	490 778
Settlements of real estate sales		-	22 660
Settlements of securities transactions		-	1 951
Allowance for expected credit losses		(214 984)	(487 011)
Total financial assets		**6 217 701**	**2 876 109**
Receivables and advances		3 026 558	2 137 608
Settlements on income tax		1 666 019	1 083 716
Deferred tax asset	26	260 904	241 561
Deferred expenses		38 559	5 047
Prepaid taxes other than income tax		22 135	46 861
Rent receivables		6 016	88 348
Investments in associates		-	134 347
Other		1 138 637	1 062 357
Total non-financial assets		**6 158 828**	**4 799 845**
Total other assets		**12 376 529**	**7 675 954**

In 2019 variation margin on transactions with derivatives was recorded in the Consolidated Statement of Financial Position of the Group within "Loans and advances to customers" line item and amounted to RUB 1 306 078 thousand as of 31 December 2019 and within "Due from banks" line item and amounted to RUB 352 838 thousand as of 31 December 2019.

14 Other Assets (continued)

There are no individually impaired and overdue assets among financial assets of the Group, except for overdue guarantee receivables.

Accounts receivable and advance payments include payments made by the Group in respect of software and hardware, as well as prepayment of repairs to existing fixed assets.

Below is the analysis of change in the allowance for expected credit losses for other financial assets during 2020:

(in thousands of Russian roubles)	12-month ECLs	Lifetime expected credit losses - non-impaired assets	Lifetime expected credit losses - impaired assets	Acquired or originated credit-impaired assets	**Total**
Allowance for expected credit losses at January 1	**-**	**-**	**487 011**	**-**	**487 011**
New assets acquired or purchased	-	-	15 683	-	15 683
Net gain from recovery of the allowance for expected credit losses	-	-	(30 518)	-	(30 518)
Recovery of the allowance due to the repayment of guarantees	--	-	(225 572)	-	(225 572)
Amounts written-off as non-recoverable during the period		-	(31 620)	-	(31 620)
Total allowance for expected credit losses at December 31	**-**	**-**	**214 984**	**-**	**214 984**

Below is the analysis of change in the allowance for expected credit losses for other financial assets during 2019:

(in thousands of Russian roubles)	12-month ECLs	Lifetime expected credit losses - non-impaired assets	Lifetime expected credit losses - impaired assets	Acquired or originated credit-impaired assets	**Total**
Allowance for expected credit losses at January 1	**-**	**-**	**418 269**	**-**	**418 269**
New assets acquired or purchased	-	-	42 498	-	**42 498**
Net expense from creation of the allowance for expected credit losses	-	-	184 161	-	**184 161**
Amounts written-off as non-recoverable during the period	-	-	**(157 917)**	-	**(157 917)**
Total allowance at December 31	**-**	**-**	**487 011**	**-**	**487 011**

Analysis of other assets by currency structure and maturity is presented in Note 30.

15 Long-term Assets Held-for-Sale

(in thousands of Russian roubles)	**2020**	**2019**
Land	543 755	1 787 066
Property	501 308	559 655
Allowance for impairment	(220 455)	(201 892)
Total long-term assets held-for-sale	**824 608**	**2 144 829**

15 Long-term Assets Held-for-Sale (continued)

Long-term assets held-for-sale, are mainly represented by objects owned by the Bank by obtaining control over collateral for loans and advances to customers. The Group's policy is to sell these assets as soon as possible.

Analysis of long-term assets held-for-sale by currency structure is presented in Note 30.

16 Due to Banks

(in thousands of Russian roubles)	2020	2019
Securities sale and repurchase agreements	118 537 537	133 696 477
Term placements of banks	22 113 296	24 384 542
Correspondent accounts of banks	440 591	485 756
Total due to banks	**141 091 424**	**158 566 775**

As at 31 December 2020 the Group had securities sale and repurchase agreements with an organization acting as a central counterparty in the financial market in the amount of RUB 114 469 830 thousand (2019: RUB 129 340 672 thousand).

As at 31 December 2020 the Group did not have any counterparty, the aggregate balances on deposits of which exceeded 10% of the Group's equity (2019: no counterparties).

As at 31 December 2020 due to banks included agreements for the sale and repurchase of securities and for the return of collateral under securities loan agreements concluded with credit institutions in the amount of RUB 118 537 537 thousand (2019: RUB 133 696 477 thousand).

Securities transferred as collateral under these sale and repurchase agreements and lent are represented by securities:

from own portfolio with a fair value of RUB 77 133 698 thousand (2019: RUB 63 213 223 thousand);

received by the Group under contracts for the purchase and reverse sale of securities (without initial recognition), the fair value of which is RUB 49 017 932 thousand (2019: RUB 78 574 129 thousand);

The Group received a subordinated loan from the State Corporation "Deposit Insurance Agency", under which the federal loan bonds with the fair value as of 31 December 2020 of RUB 15 704 412 thousand (2019: RUB 16 131 625 thousand) were transferred to the Group. As of 31 December 2020, these securities were not pledged under sale and repurchase agreements with credit organisations (2019: no securities were pledged under sale and repurchase agreements with credit organisations).

Analysis of due to banks by currency structure, maturity and analysis of interest rates is presented in Note 30.

17 Customer Accounts

(in thousands of Russian roubles)	2020	2019
State and public organisations		
- Current/settlement accounts	854	32 009
		-
Other legal entities		
- Current/settlement accounts	97 030 951	72 545 082
- Term deposits	97 861 247	88 798 834
- Securities sale and repurchase agreements		-
Individuals		
- Current accounts/demand deposits	104 696 301	74 207 009
- Term deposits	171 332 398	174 760 414
Total customer accounts	**470 921 751**	**410 343 348**

State and public organisations do not include commercial enterprises owned by the state.

As at 31 December 2020 and 31 December 2019, the Group had no counterparties (groups of clients), the total balances on accounts and deposits of which exceeded 10% of the Group’s equity.

Economic sector concentrations within customer accounts are as follows:

	2020		2019	
(in thousands of Russian roubles)	Amount	%	Amount	%
Individuals	276 028 699	58.6	248 967 423	60.7
Construction	43 615 551	9.3	40 240 155	9.8
Trade	37 063 964	7.9	25 192 458	6.1
Real estate	25 080 754	5.3	21 991 084	5.4
Manufacturing	22 881 478	4.9	17 929 568	4.4
Financial services	21 711 867	4.6	15 421 132	3.8
Art, science and education	19 955 435	4.2	18 384 841	4.5
Transport	8 093 956	1.7	7 649 126	1.9
Communications	2 479 993	0.5	2 816 966	0.7
Medical institutions	1 126 810	0.2	889 880	0.2
Public utilities	705 615	0.1	1 295 133	0.3
Energy	348 337	0.1	580 938	0.1
Other	11 829 292	2.6	8 984 644	2.1
Total customer accounts	**470 921 751**	**100.0**	**410 343 348**	**100.0**

17 Customer Accounts (continued)

As at 31 December 2020 customer accounts include deposits which represent a security for irrevocable guarantees obligations in the amount of RUB 7 876 028 thousand (2019: RUB 3 294 853 thousand), as well as coverage on letters of credit in the amount of RUB 3 866 919 thousand (2019: RUB 3 085 484 thousand) are recognised in customer accounts.

The analysis of customer accounts by currency structure and maturity is presented in Note 30. The analysis of the interest rates of customer accounts is presented in Note 30.

Information on the fair value of customer accounts is presented in Note 33. Information on related party transactions is presented in Note 34.

18 Bonds Issued

(in thousands of Russian roubles)	**2020**	**2019**
Mortgage secured bonds issued by mortgage agents	2 712 400	4 802 775
Total bonds issued	**2 712 400**	**4 802 775**

In December 2018 mortgage agent “MA BSPB 2” LLC issued mortgage secured bonds with the total nominal value of RUB 7 547 025 thousand. Bonds are secured by collateral, which includes mortgage loans. The coupon rate of the bonds is 9.35% and final contractual maturity is 2045. The Analytical Credit Rating Agency (ACRA) assigned the rating AAA (ru.sf). As of 31 December 2020, there are no bonds purchased by the Bank.

The final maturity date of the mortgage secured bonds can differ from contractual in case of early repayment of mortgages pledged as security.

Currency and maturity analyses of bonds issued are disclosed in note in Note 30.

18 Bonds Issued (continued)

Reconciliation of movements of liabilities and cash flows from financing activities

		Equity				
(in thousands of Russian roubles)	**Bonds issued**	**Share capital**	**Share premium**	**Treasury shares**	**Retained earnings**	**Total**
Balance as at 1 January 2020	**4 802 775**	**3 781 734**	**24 513 878**	**(1 301 987)**	**49 156 483**	**80 952 883**
Changes from financing cash flows						
Repayment	(2 090 375)	-	-	-	-	(2 090 375)
Interest paid	(362 635)	-	-	-	-	(362 635)
Dividends paid	-	-	-	-	(1 583 406)	(1 583 406)
Total changes from financing cash flows	**(2 453 010)**	**-**	**-**	**-**	**(1 583 406)**	**(4 036 416)**
Effect of changes in foreign currency rates	-	-	-	-	-	-
Interest expenses	362 635	-	-	-	-	**362 635**
Profit for the year	-	-	-	-	10 826 928	**10 826 928**
Redemption of treasury shares purchased from the shareholders	-	(86 580)	(662 903)	659 991	89 492	**-**
Difference between dividends declared and paid	-	-	-	-	(4 581)	**(4 581)**
Balance as at 31 December 2020	**2 712 400**	**3 695 154**	**23 850 975**	**(641 996)**	**58 484 916**	**88 101 449**

19 Promissory Notes and Deposit Certificates Issued

(in thousands of Russian roubles)	**2020**	**2019**
Promissory notes	8 150 020	7 231 231
Deposit certificates	2	2
Total promissory notes and deposit certificates issued	**8 150 022**	**7 231 233**

Analysis of issued promissory notes and deposit certificates by structure of currencies and maturities is presented in Note 30. Analysis of the interest rates of issued promissory notes and deposit certificates is presented in Note 30.

20 Other Liabilities

(in thousands of Russian roubles)	Note	2020	2019
Lease liability		1 497 801	1 008 394
Variation margin on transactions with derivatives		769 624	-
Plastic cards payables		468 357	230 551
Guarantees and import letters of credit		466 291	276 114
Insurance premium liability		330 257	443 959
Accounts payable		126 510	122 818
Dividends payable	28	13 060	9 077
Other		288 033	279 207
Total financial liabilities		**3 959 933**	**2 370 120**
Deferred tax liability	26	2 816 134	700 000
Amounts payable to employees		561 670	451 507
Income tax payable		533 889	1 096 154
Taxes payable other than income tax		405 836	238 383
Allowance for credit related commitments		268 467	111 658
Allowance for non-financial liabilities		133 107	133 107
Deferred liabilities		102 405	115 130
Allowance for non-credit related commitments		48 881	-
Other		710 644	414 922
Total non-financial liabilities		**5 581 033**	**3 260 861**
Total other liabilities		**9 540 966**	**5 630 981**

Below are movements in lease liabilities for 2020 and 2019:

(in thousands of Russian roubles)	2020	2019
Lease liability as at 1 January	**1 008 394**	**776 855**
Lease liabilities under new agreements for the reporting period	276 001	182 270
Interest expense made during the reporting period	71 698	69 115
Change in payment flows	-	5 607
Prolongation of lease terms	606 174	471 429
Loss / (Gains) from foreign exchange revaluation of agreements	107 123	(54 860)
Principal lease payments	(521 636)	(442 022)
Disposals	(49 953)	-
Total lease liabilities as at 31 December	**1 497 801**	**1 008 394**

20 Other Liabilities (continued)

Below is an analysis of changes in the allowance for expected credit losses for credit related commitments during 2020 and 2019:

(in thousands of Russian roubles)	2020	2019
Allowance for expected credit losses as at 1 January	**111 658**	**60 967**
Creation of allowance for credit related commitments during the year	156 809	50 691
Allowance for expected credit losses as at 31 December	**268 467**	**111 658**

Below is an analysis of changes in the allowance for impairment of non-credit related commitments during 2020 and 2019:

(in thousands of Russian roubles)	2020	2019
Allowance for impairment as at 1 January	**-**	**8 548**
Creation/(recovery) of the allowance for non-credit related commitments during the year	48 881	(8 548)
Allowance for impairment as at 31 December	**48 881**	**-**

Below is an analysis of changes in the allowance for impairment for non-financial liabilities during 2020 and 2019:

(in thousands of Russian roubles)	2020	2019
Allowance as at 1 January	**133 107**	**229 783**
(Recovery) of allowance for non-financial liabilities during the year	-	(96 676)
Allowance at 31 December	**133 107**	**133 107**

In 2019 variation margin on transactions with derivatives was recorded in the Consolidated Statement of Financial Position of the Group within “Due to banks” line item and amounted to RUB 579 388 thousand as of 31 December 2019. Analysis of other liabilities by currency structure and maturity is presented in Note 30.

21 Share Capital

(in thousands of Russian roubles)	Number of outstanding ordinary shares (thousand units)	Number of outstanding preference shares (thousand units)	Ordinary shares	Preference shares	Share premium	Treasury shares	Retained earnings	Total
As at 1 January 2019	**487 554**	**20 100**	**3 604 283**	**177 451**	**24 513 878**	**(659 991)**	**-**	**27 635 621**
Shares buy-back	(12 000)	-	-	-	-	(641 996)	-	(641 996)
As at 31 December 2019	**475 554**	**20 100**	**3 604 283**	**177 451**	**24 513 878**	**(1 301 987)**	**-**	**26 993 625**
Redemption of treasury shares	-	-	(86 580)	-	(662 903)	659 991	89 492	-
As at 31 December 2020	**475 554**	**20 100**	**3 517 703**	**177 451**	**23 850 975**	**(641 996)**	**89 492**	**26 904 133**

As at 31 December 2020 the nominal registered amount of issued share capital of the Bank prior to restatement of capital contributions made before 1 January 2003 to the purchasing power equivalent of the Russian Rouble at 31 December 2002, is RUB 507 654 thousand (2019: RUB 519 654 thousand). As at 31 December 2020 all of the outstanding shares of the Bank are authorised, issued and fully paid in.

As at 31 December 2020 all ordinary shares have the nominal value of RUB 1 (one) per share (2019: RUB 1 per share). Each share carries one vote.

On 27 May 2020, the General Shareholders' Meeting decided to reduce share capital by repaying 12 000 thousand shares acquired by the Bank in October 2018 at a price of RUB 55.00. On 8 June 2020, the Bank's own ordinary shares held in the treasury account in the register of shareholders in the amount of 12 000 thousand were redeemed.

As at 31 December 2020 the Bank has one type of preference shares with the nominal value of RUB 1 (one) in the amount of 20 100 000 shares.

Preference shares grant the right to take part in the General Meeting of Shareholders with the right to vote on all issues of its competence, starting with the meeting, following the annual General Meeting of Shareholders, where notwithstanding the reasons, no decision on dividends payment was made or a decision on partial payment of dividends was made. If shareholders do not declare dividends on preference shares, the holders of preference shares are entitled to voting rights similar to ordinary shareholders until the dividends are paid. Preference shares are not cumulative.

Share premium represents the excess of contributions received over the nominal value of shares issued.

Since 30 December 2020 preference shares have been included in the Third level section of the list of the issuer's issuable securities admitted to trading in PJSC "Moscow Exchange".

22 Interest Income and Expense

(in thousands of Russian roubles)	2020	2019
Interest income calculated using the effective interest method		
Loans and advances to customers		
- loans and advances to legal entities	23 215 838	23 763 036
- loans and advances to individuals	11 810 585	12 164 836
Debt investment securities measured through other comprehensive income	492 949	1 450 988
Reverse sale and repurchase agreements	2 207 884	3 267 828
Debt investment securities measured at amortised cost	3 324 115	2 425 486
Due from banks	786 314	1 925 982
Other interest income		
Trading securities measured through profit or loss	969 270	3 218 636
Loans and advances to customers measured at fair value through profit or loss	622 520	276 762
Total interest income	**43 429 475**	**48 493 554**
Interest expenses		
Term deposits of individuals	7 540 906	9 669 318
Due to banks	4 740 624	7 458 779
Term deposits of legal entities	3 530 732	4 977 077
Bonds issued	363 635	773 142
Other debt securities issued	296 980	288 217
Current/settlement accounts	192 167	183 380
Other borrowed funds	-	94 681
Total interest expense	**16 664 044**	**23 444 594**
Contributions to the deposit insurance system	**1 242 075**	**1 767 491**
Net interest income	**25 523 356**	**23 281 469**

Information on related party transactions is disclosed in Note 34.

23 Net Income from Transactions with Foreign Currency, from Foreign Currency Revaluation and from Transactions with Derivatives

(in thousands of Russian roubles)	2020	2019
Net result from trading in foreign currencies	1 069 188	10 753 188
Gains (losses) from revaluation of foreign currency balances	12 352 611	(4 789 053)
(Expenses less income) from derivative financial instruments	(10 619 634)	(4 923 702)
Net Income from Transactions with Foreign Currency, from Foreign Currency Revaluation and from Transactions with Derivatives	**2 802 165**	**1 040 433**

24 Fee and Commission Income and Expense

(in thousands of Russian roubles)	2020	2019
Fee and commission income		
Plastic cards settlements	3 562 976	3 456 062
Settlement transactions	3 706 658	3 216 904
Guarantees and letters of credit issued	1 526 031	1 024 510
Agency services for insurance contracts	418 957	584 451
Cash transactions	217 799	244 765
Cash collection	113 827	176 212
Trust management of property	105 979	62 238
Custody operations	58 158	57 588
Foreign exchange transactions	261	2 471
Other	233 097	152 686
including revenues under Agreements, which are within the scope of IFRS 15:		
- recognised over time	*1 607 706*	*1 110 128*
- when the service is provided	*8 037 004*	*7 686 904*
Total fee and commission income under IFRS 15:	*9 644 710*	*8 797 032*
Total fee and commission income	**9 943 743**	**8 977 887**
Fee and commission expenses		
Plastic cards settlements	1 213 750	1 046 886
Loyalty programs	594 342	546 913
Securities	206 384	215 713
Settlement transactions	180 802	179 417
Foreign exchange transactions	145 936	123 695
Guarantees and letters of credit	23 033	10 615
Banknote transactions	20 273	8 488
Other	19 891	27 234
Total fee and commission expense	**2 404 411**	**2 158 961**
Net fee and commission income	**7 539 332**	**6 818 926**

24 Fee and Commission Income and Expense (continued)

Depending on the type of the service commission income when not an integral part of the effective interest rate on a financial asset or liability is recognised on the basis of contractual remuneration either at a point of time or over time according to the pattern the Bank fulfils a performance obligation under the contract depending on the point when the Bank hands over control of the service to a customer:

- commission fee for settlement transactions, plastic cards and cheques transactions and cash transfers is charged for the execution of payment order in accordance with tariffs depending on the type of the transaction and recognised as income at the moment of the transaction execution;
- commission fee on cash collection is paid in accordance with tariffs and is recognised as at the moment of the transaction execution;
- fees for operating maintenance, asset management, custody and other management and consulting services are charged monthly based on fixed rates depending on the type of transaction and is recognised over time as the Bank provides the corresponding service;
- fees for agency services (for conducting or participating in negotiations on a transaction on behalf of the third party) are recognised at the moment the transaction is performed by the third party;

Information on related party transactions is disclosed in Note 34.

25 Administrative and Other Operating Expenses

(in thousands of Russian roubles)	**Note**	**2020**	**2019**
Staff costs		7 576 474	6 453 931
Software costs		1 987 558	1 461 322
Depreciation and amortisation of premises, equipment, intangible assets and right-of-use assets	13	1 512 419	1 451 428
Other costs related to premises and equipment		832 292	1 083 637
Postal, cable and telecommunication expenses		610 625	597 953
Professional services		552 859	542 614
Security expenses		265 308	282 160
Information and consulting services		163 706	240 053
Rent expenses		175 553	195 523
Transportation costs		183 334	206 352
Taxes other than income tax		299 031	153 457
Advertising and marketing services		90 849	146 424
Charity expenses		118 299	83 343
Other administrative expenses		836 954	1 187 586
Total administrative and other operating expenses		**15 205 261**	**14 085 783**

26 Income Tax

Income tax expense comprises the following:

(in thousands of Russian roubles)	2020	2019
Current income tax expense	599 754	2 838 266
Deferred tax	2 083 022	(1 026 222)
Income tax expense for the year	**2 682 776**	**1 812 044**

The current income tax rate applicable to the majority of the Group's profits is 20% (2019: 20%). Below is a comparison of theoretical tax expenses with actual tax expenses:

(in thousands of Russian roubles)	2020	2019
Profit before tax	**13 509 704**	**9 717 935**
Expected tax charge at statutory rate	2 701 941	1 943 587
Non-deductible expenses	90 955	40 927
Income from government securities taxed at different rates	(110 120)	(172 470)
		-
Income tax expense for the year	**2 682 776**	**1 812 044**

Differences between IFRS and the tax legislation of the Russian Federation result in temporary differences between the carrying amount of assets and liabilities for the purposes of the consolidated financial statements under IFRS and for the purpose of calculating income tax. The tax implications of changes in these temporary differences are detailed below and are recorded at the rate of 20% (2019: 20%) with the exception of income on government securities taxed at the rate of 15% (2019: 15%).

26 Income Tax (continued)

(in thousands of Russian roubles)	December 31, 2019	Recognised in profit or loss	Recognised in equity	December 31, 2020
Tax effect of temporary differences				
Allowance for expected credit losses	(2 073 121)	(940 302)	-	(3 013 423)
Accrued income/expense	929 839	(463 257)	-	466 582
Valuation of bonds issued at amortised cost	-		-	
Valuation of other borrowed funds at amortised Cost	1 338	(1 338)	-	
Valuation of investment securities at amortised Cost	43 789	(938 287)		(894 498)
Valuation of trading and other securities at fair value	262 454	(416 838)	(8 796)	(163 180)
Premises and equipment	(1 006 712)	(40 452)	(4 973)	(1 052 137)
Other	1 383 974	717 452		2 101 426
Recognised deferred tax liability	**(458 439)**	**(2 083 022)**	**(13 769)**	**(2 555 230)**

(in thousands of Russian roubles)	December 31, 2018	Recognised in profit or loss	Recognised in equity	December 31, 2019
Tax effect of temporary differences				
Allowance for expected credit losses	(3 084 991)	1 011 870	-	(2 073 121)
Accrued income/expense	2 076 612	(1 146 773)	-	929 839
Valuation of bonds issued at amortised cost	(87 768)	87 768	-	-
Valuation of other borrowed funds at amortised cost	(54 987)	56 325	-	1 338
Valuation of investment securities at amortised cost	-	43 789	-	43 789
Valuation of trading and other securities at fair value	(231 021)	589 598	(96 123)	262 454
Premises and equipment	(1 153 416)	146 704	-	(1 006 712)
Other	1 147 033	236 941	-	1 383 974
Recognised deferred tax liability	**(1 388 538)**	**1 026 222**	**(96 123)**	**(458 439)**

27 Earnings per Share

Basic earnings per share are calculated by dividing the net profit attributable to shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year, net of own shares repurchased from shareholders.

As at 31 December 2020 the Bank does not have preference shares that potentially dilute earnings per share. Thus, diluted earnings per share are equal to basic earnings per share.

Basic earnings per share are calculated as follows:

(in thousands of Russian roubles)	2020	2019
Profit attributable to the Bank's shareholders	10 826 928	7 905 891
Less dividends on preference shares	(4 422)	(2 211)
Profit attributable to ordinary shareholders of the Bank	**10 822 506**	**7 903 680**
Weighted average number of ordinary shares in issue (thousands)	475 554	485 296
Basic earnings per share (expressed in RUB per share)	**22.76**	**16.28**

28 Dividends

	2020		2019	
(in thousands of Russian roubles)	Ordinary	Preference	Ordinary	Preference
Dividends payable as at January 1	**9 077**	**-**	**6 057**	**-**
Dividends declared during the year	1 583 565	4 422	1 808 826	2 211
Dividends paid during the year	(1 579 367)	(4 039)	(1 805 806)	(2 211)
Write-off of unclaimed dividends	(598)	-		
Dividends payable as at December 31	**12 677**	**383**	**9 077**	**-**
Dividends per share declared during the year (RUB per share)				
• At the end of 2019/2018	**-**	**0.11**	**3.71**	**0.11**
• At the end of 9 months 2020	**3.33**	**0.11**	**-**	**-**

All dividends were declared and paid in Russian roubles.

Due to the high uncertainty associated with the spread of COVID-19, its impact on the economic environment, and the need to have additional equity reserves under these circumstances, the General Shareholders' Meeting decided on 27 May 2020 not to pay dividends on ordinary shares for 2019. However, on 30 November 2020 the Extraordinary General Shareholders' Meeting decided to pay dividends for 9 months 2020 against retained earnings.

29 Segment Analysis

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the chief operating decision maker and for which discrete financial information is available. The Management Board of the Bank performs the responsibilities of the chief operating decision maker.

Description of products and services that constitute sources of revenues of the reporting segments

The Group is organised on a basis of three main business segments:

- Corporate banking – settlement and current accounts, deposits, credit lines, loans and other credit facilities, foreign currency transactions with commercial and state entities.

- Operations on financial markets – financial instruments trading, loans and deposits on the interbank market, dealing in foreign exchange and derivative financial instruments.

- Retail banking – retail and private banking services, customer current accounts, deposits, retail investment products, custody services, credit and debit plastic cards, consumer loans, mortgage and other loans to individuals and VIP clients.

Since 2020, the following changes have been made to the segment reporting:

- transfer income and transfer expenses under the items "Property and equipment", "Equity", "Trade receivables/payables", "Tax claims", "Subordinated loans” were separated from the segment "Operations on financial markets" as “unallocated”,

- income on currency exchange transactions with customers, previously fully reflected in the segment "Operations on financial markets", is now partially reflected in this segment (50%), and the remaining part (50%) of the conversion spread is distributed among the business segments with whose clients the corresponding transactions were made, i.e., to the segments “Corporate banking” and “Retail banking” in proportion to the conversion spread from currency transactions,

- rental income is not offset with G&A expenses and is presented as "Other operating income/expenses" in the section "Net operating income (revenue)",

- depreciation costs were allocated not in proportion to the payroll, but according to the general allocation rules, namely, the cascade method,

- G&A expenses of the Assets and Liabilities Department of the Treasury, which regulates transfer relations between all segments, were separated from the segment "Operations on financial markets" (as "unallocated").

Comparative data of the same period in 2019 were restated in accordance with the provided changes.

Transactions between the business segments are performed on normal commercial terms and conditions. Funds are ordinarily reallocated between segments, resulting in funding cost transfers disclosed in operating income/expense for the segment, i.e. the balance of transfer incomes and expenses from reallocated financial resources between internal segments. Interest charged for these funds is based on market interest rates. There are no other material items of income or expense between the business segments. Segment assets and liabilities comprise operating assets and liabilities, being the majority of assets and liabilities of the Group, but excluding some premises, equipment and intangible assets, long-term assets held-for-sale, investment property, other assets and liabilities and balances on taxation settlements.

The factors used by management to determine the reporting segments

The Group’s segments are strategic business units that offer different products and services for different clients. They are managed separately because they require different technology and marketing strategies and level of service.

29 Segment Analysis (continued)

Evaluation of profit or loss and assets of operating segments

The Management Board of the Bank analyses financial information prepared in accordance with the requirements of Russian accounting standards. This financial information differs in some aspects from the information prepared in accordance with IFRS:

(i) resources are usually redistributed among segments using internal interest rates set by the Treasury department. These interest rates are calculated based on the basic market interest rates, contractual maturity dates and observable actual maturity dates of customer accounts balances;

(ii) income tax is not distributed to segments;

(iii) allowance for loans is recognised based on Russian legislation with adjustments of estimated allowance according to information available at the end of the reporting period, and not on the basis of the model of "expected credit losses" specified in IFRS 9;

(iv) fee and commission income on lending operations is recognised immediately and not in the future periods using the effective interest rate method;

(v) information on consolidated companies is not included.

The Management Board of the Bank evaluates the business segment results based on the amount of profit before income tax.

Information on profit or loss, assets and liabilities of reporting segments

Segment information for the Group's main reporting business segments for the years ended 31 December 2020 and 31 December 2019 is set out below (in accordance with the management information).

(in thousands of Russian roubles)	**Corporate banking**	**Retail banking**	**Operations on financial markets**	**Unallocated**	**Total**
2020					
Interest income	22 964 125	11 098 118	7 773 560	10 450	41 846 253
Interest expense	(3 916 331)	(8 790 224)	(4 610 780)	(145 945)	(17 463 280)
Internal funding charge	(8 994 874)	4 928 121	(3 076 659)	7 143 412	-
Net interest income	**10 052 920**	**7 236 015**	**86 121**	**7 007 917**	**24 382 973**
Net fee and commission income	5 707 752	2 100 730	89 581	-	7 898 063
Net trading income	2 546 977	466 051	2 056 052	-	5 069 080
Other net operating (expenses) income	847 961	11 081	(1 305)	56 253	913 990
Net operating income (revenue)	**19 155 610**	**9 813 877**	**2 230 449**	**7 064 170**	**38 264 106**
General and administrative expenses	(5 063 688)	(5 299 980)	(776 600)	(2 659 115)	(13 799 383)
Expenses for creation of allowance for expected credit losses	(8 034 694)	(2 973 809)	(23 834)	-	(11 032 337)
Profit (loss) before tax	**6 057 228**	**1 540 088**	**1 430 015**	**4 405 055**	**13 432 386**
Income tax expense	(1 211 445)	(308 018)	(286 003)	(682 353)	(2 487 819)
Profit (loss) of segment	**4 845 783**	**1 232 070**	**1 144 012**	**3 722 702**	**10 944 567**
As at 31 December 2020					
Segment assets before allowance	**375 641 642**	**115 615 418**	**268 593 905**	**18 675 183**	**778 526 148**
Other segment items for 2020					
Depreciation and amortisation charges	(221 021)	(291 424)	(40 656)	(147 402)	(700 503)

29 Segment Analysis (continued)

(in thousands of Russian roubles)	Corporate banking	Retail banking	Operations on financial markets	Unallocated	Total
2019					
Interest income	22 932 363	10 381 167	12 462 079	-	45 775 609
Interest expense	(4 754 911)	(11 446 708)	(7 746 595)	(458 381)	(24 406 594)
Internal funding charge	(9 340 133)	8 521 202	(6 286 020)	7 104 952	-
Net interest income	**8 837 318**	**7 455 661**	**(1 570 535)**	**6 646 571**	**21 369 015**
Net fee and commission income	4 569 463	2 606 323	(105 588)	(4 802)	7 065 396
Net trading income	(279 075)	456 622	(928 254)	-	(750 707)
Other net operating (expenses) income	(88 689)	41 739	54 347	74 171	81 568
Net operating income (revenue)	**13 039 017**	**10 560 346**	**(2 550 030)**	**6 715 940**	**27 765 273**
General and administrative expenses	(3 710 098)	(4 353 182)	(581 178)	(3 981 825)	(12 626 284)
Expenses for creation of allowance for expected credit losses	(6 334 778)	(1 997 783)	(247 787)	-	(8 580 348)
Profit (loss) before tax	2 994 141	4 209 381	(3 378 995)	2 734 114	6 558 641
Income tax expense	(598 828)	(841 876)	675 799	(43 294)	(808 199)
Profit (loss) of segment	**2 395 313**	**3 367 505**	**(2 703 196)**	**2 690 820**	**5 750 442**
As at 31 December 2019					
Segment assets before allowance	**314 967 158**	**100 464 265**	**275 285 015**	**17 707 507**	**708 423 944**
Other segment items for 2019					
Depreciation and amortisation charges	(173 278)	(307 170)	(35 896)	(172 212)	(688 835)

29 Segment Analysis (continued)

A reconciliation of assets according to management information with IFRS consolidated financial statements results as at 31 December 2020 and 31 December 2019 is set out below:

(in thousands of Russian roubles)	2020	2019
Total reporting segment assets before allowance	**778 526 148**	**708 423 944**
Adjustment of financial assets at amortised cost	(40 557 329)	(35 590 414)
Adjustments of income/expense accruals	(4 588 714)	(4 409 432)
Premises, equipment, intangible assets and right-of-use assets depreciation and fair value adjustments	(1 689 737)	33 050
Fair value and amortised cost adjustments	1 144 032	(288 528)
Income tax adjustments	260 727	241 405
Adjustment of assets additionally recognised in management information	468 357	230 552
Other adjustments	(649 507)	777 758
Consolidation	4 629 997	6 609 591
Elimination of intragroup assets	(7 316 847)	(2 376 647)
Total assets under IFRS	**730 227 127**	**673 651 279**

A reconciliation of profit before tax according to management reporting with IFRS for the year ended 31 December 2020 and the year ended 31 December 2019:

(in thousands of Russian roubles)	2020	2019
Total reporting segment profit before tax	**13 432 387**	**6 558 641**
Adjustment of allowances	166 316	1 273 459
Adjustments of income/expense accruals	(537 457)	866 728
Premises, equipment and intangible assets depreciation and fair value adjustment	(23 734)	23 232
Fair value and amortised cost adjustments	897 419	388 552
Consolidation	(371 385)	635 045
Other adjustments	(53 842)	(27 722)
Total profit before tax under IFRS	**13 509 704**	**9 717 935**

Geographical information. The major part of the Group’s activity is concentrated in the North-West region of the Russian Federation. Activity is also carried out in Moscow, Novosibirsk.

There are no external customers (groups of related customers) with individual income from operations exceeding 10% of total income from operations with such customers.

30 Risk Management, Corporate Governance and Internal Control

Corporate governance and internal control

Corporate governance system of the Group is based on full compliance with requirements of statutory legislation and the CBRF and protection of the shareholders’ interests and considers world best practices to the largest possible extent. The Group fully complies with the legislation requirements concerning shareholders’ rights observance.

The supreme managing body of the Bank is the General Shareholders’ Meeting that makes strategic decisions on the Bank’s operations in accordance with Federal Law No. 208-FZ dated December 26, 1995 *On Joint Stock Companies* and the Charter.

Functions of the counting commission of the General Shareholders’ Meeting are performed by the Independent Registrar – JSC “Independent Registrar Company - R.O.S.T.» (before February 5, 2020 - JSC “Independent Registrar Company”).

General activities of the Bank are managed by the Supervisory Board, except for areas that are in competence of the General Shareholders’ Meeting. The Supervisory Board is elected by the General Shareholders’ Meeting. The Supervisory Board sets the key strategic directions of the Bank’s activity and supervises the performance of the executive management bodies.

On May 27, 2020, the annual General Shareholders’ Meeting of PJSC “Bank “Saint-Petersburg” was held where the composition of the Supervisory Board was determined. Also, on May 28, 2020 the Supervisory Board meeting was held, according to the resolutions of which, four Committees of the Supervisory Board were created in line with the tasks and objectives of PJSC “Bank “Saint Petersburg”.

On 28 July 2020, at the Supervisory Board meeting, a decision was taken to form the Committee of the Supervisory Board of the Bank on digitalization.

As at 31 December 2020 the composition of the Bank’s Supervisory Board is as follows:

- Elena Viktorovna Ivannikova – Chairperson of the Supervisory Board, member of the Supervisory Board since 2005;
- Vladislav Stanislavovich Guz – Deputy Chairman of the Supervisory Board, member of the Bank’s Supervisory Board since June 2014, Chairman of the Strategy Committee since May 2019;
- Alexander Vasilyevich Savelyev – Chairman of the Management Board, elected to the Supervisory Board in 2001;
- Andrey Pavlovich Bychkov – member of the Bank’s Supervisory Board since April 2010, Chairman of the Audit Committee since May 2016;
- Alexey Andreevich Germanovich – member of the Bank’s Supervisory Board since June 2014, a senior independent Director since May 2019;
- Andrey Mikhaylovich Zvyozdochkin – member of the Bank’s Supervisory Board since May 2017;
- Pavel Anatolievich Kiryukhantsev, member of the Supervisory Board of the Bank since May 2018, elected Chairman of the Human Resources and Remuneration Committee since May 2019;
- Yuriy Genrikhovich Levin – member of the Bank’s Supervisory Board since May 2020, the Chairman of the Digitalization Committee;
- Sergei Petrovich Nazarov – member of the Bank’s Supervisory Board since May 2020, the Chairman of the Risk Management Committee.

As of 31 December 2020, Members of the Supervisory Board: Pavel Anatolievich Kiryukhantsev, Andrey Mikhaylovich Zvyozdochkin, Andrey Pavlovich Bychkov, Yuriy Genrikhovich Levin and Alexey Andreevich Germanovich are recognised as independent directors.

The Supervisory Board includes Committees established for the purpose of review and analysis of matters in competence of the Supervisory Board, preparation of recommendations on these matters for the Supervisory Board and execution of other functions vested to these Committees.

30 Risk Management, Corporate Governance and Internal Control (continued)

The primary objective of the Strategy Committee is to assist the Supervisory Board of the Bank in determining the Bank's long-term and mid-term strategy and priority business areas and to review major innovation and investment programs and projects of the Bank.

The primary objective of the Risk Management Committee is to assist the Supervisory Board of the Bank in determining priority areas for the Bank's banking risk management efforts and to support appropriate risk management function within the Group.

The primary objective of the Digitalization Committee is to assist the Supervisory Board of the Bank in digitalizing the Bank's products, services and internal processes.

The primary objectives of the Human Resources and Remuneration Committee are the support of the efficient HR policy of the Bank, recruitment of qualified experts to management positions and creation of necessary incentives for their successful work, preparation of recommendations for the Supervisory Board on applicants for the key management positions and development of principles and criteria for remuneration rates for the key management (personnel) of the Bank.

The primary objective of the Audit Committee is to assist the Supervisory Board in efficient assessment of and control over the Bank's business and to control the completeness, accuracy and fairness of the consolidated financial statements and the process of their preparation and presentation, and the performance of internal control and internal audit functions.

The Corporate Secretary is responsible for compliance with the requirements of current legislation, the Charter and other internal policies of the Bank concerning shareholders' rights and protection of their interests during preparation and implementation of corporate action by the Bank. The Corporate Secretary's Office also supports communications between the Bank and its shareholders, holding of General Shareholders' Meetings and performance of the Supervisory Board and its Committees.

Operating activities of the Bank are managed by the sole executive body – the Chairman of the Management Board and the collective executive body – the Management Board of the Bank.

As at 31 December 2020 the composition of the Bank's Management Board is as follows:

- Alexander Vasilyevich Savelyev is the Chairman of the Bank's Management Board.
- Pavel Vladimirovich Filimonenok is the first Deputy Chairman of the Management Board, Chief Executive Officer, a member of the Management Board since December 2003;
- Konstantin Yurievich Balandin is a Deputy Chairman of the Management Board, a member of the Management Board since January 2008;
- Vyacheslav Yakovlevich Ermolin is a Deputy Chairman of the Management Board, a member of the Management Board since December 2017;
- Kirill Sergeevich Kuznetsov is a Deputy Chairman of the Management Board, a member of the Management Board since December 25, 2019;
- Kristina Borisovna Mironova is the first Deputy Chairperson of the Management Board, a member of the Management Board since August 2013;
- Vladimir Pavlovich Skatin is a Deputy Chairman of the Management Board, a member of the Management Board since June 2008;
- Alexei Alexandrovich Teploukhov is a Deputy Chairman of the Management Board, a member of the Management Board since September 2020.

Internal control

The Internal Audit Function is a structural unit of the Bank in charge of internal audit and an internal control body of the Bank. The Function operates under direct supervision of the Bank's Supervisory Board. The Function reports directly to the Bank's Supervisory Board. The Internal Audit Function employees report to the Chairman of the Bank's Management Board in terms of remuneration and labour discipline matters.

30 Risk Management, Corporate Governance and Internal Control (continued)

The Function at least twice a year prepares reports on its performance to the Supervisory Board and the Management Board of the Bank, and monthly reports to the Audit Committee of the Supervisory Board of the Bank. The Function operates on an ongoing basis in accordance with the regularity principle, principles of independence, neutrality, professional competence and unhindered performance of its functions, conducting a regular independent assessment of the risk management and internal control systems (monitoring of the Bank’s internal control system) reliability and effectiveness, as well as the Bank’s corporate governance practice assessment.

The Function conducts internal reviews in the Bank’s divisions and in the Bank’s branch network. Any structural unit of the Bank or the Bank’s branch network and any employee can be subject to review.

The Internal Control Department is a structural division of the Bank that performs compliance functions and is an independent internal control body of the Bank. The Service is independent in its activity from other structural divisions of the Bank and operates under direct control of the Chairman of the Management Board of the Bank and reports to the Chairman of the Management Board of the Bank.

The Service has been created to assist to the Chairman of the Management Board of the Bank and the Management Board of the Bank in building the system of compliance control in the Bank, effective management of the compliance risk which arises in the course of the Bank’s activity (in creation of mechanisms of detection, identification, analysis, estimation, minimization, monitoring and control of compliance risk).

The Internal Control Department is comprised of:

The Controller of the professional participant of the securities market who is an officer of the Bank performing internal monitoring of compliance of the Bank's activities as a professional participant of the securities market with the requirements of the legislation of the Russian Federation on the securities market, including regulatory acts of the Bank of Russia, regulatory acts of the federal executive body for the securities market, legislation of the Russian Federation on protection of rights and lawful interests of investors in the securities market, legislation of the Russian Federation on advertising, internal documents of the Bank related to its activities in the securities market. The Controller is independent in its activities from other structural units of the Bank. The Controller's activities are supervised by the Bank's Supervisory Board. The Controller of the professional participant of the securities market submits quarterly reports on internal control results to the Chairman of the Management Board and the Supervisory Board of the Bank;

The responsible officer who performs internal monitoring of compliance with the requirements of the Russian Federation legislation on countermeasures against unlawful insider information use and market abuse. The responsible officer is independent in its activities from other structural subdivisions of the Bank, acts under direct control of the Chairman of the Management Board of the Bank and reports to the Chairman of the Management Board of the Bank.

The Financial Monitoring Department under the supervision of the responsible employee on preventing money laundering of proceeds of crime, terrorism and mass destruction weapons proliferation financing, is a structural division of the Bank and reports to the First Deputy Chairman of the Management Board - Chief Executive Officer in accordance with the order on allocation of functional duties and rights on the management of the Bank. The objectives of the Financial Monitoring Department are organization of development and implementation of Internal Control Regulations, fulfilment of the legislative requirements with regard to the identification, documentation of information and its submission to authorised bodies, documents and information storage, as well as personnel training.

Risk Management

- credit risk (including counterparty and concentration risk),
- market risk (including equity, interest rate of trade book, currency and commodity risks),
- interest risk of bank portfolio;

30 Risk Management, Corporate Governance and Internal Control (continued)

- liquidity risk (including concentration risk),
- operational risk (including legal risk);
- as well as other types of risks (compliance risk, strategic risk, reputational risk).

For each significant type of risk, a corresponding management system was created to provide adequate risk assessment, including measures for its mitigation. The Group compares the amount of accepted risks with the size of its equity to guarantee its sufficiency at the level required by the CBRF, needed for performance of its obligations, including covenants, and for efficient use of equity.

Group’s risk management system promotes financial stability, improvement of the Bank’s activities efficiency, securing adequate protection of shareholders, customers, creditors, providing continuity of operations, upholding the reputation.

Group’s risk management system includes creation and implementation of risk management policies and procedures to be further updated depending on changes in the macroeconomic situation, current conditions of the banking system in the Russian Federation, and regulatory changes. The Group has developed a system of reporting on significant risks and equity (capital). As at 31 December 2020 the Group’s internal documentation establishing the procedures and methodologies for identification, managing and stress-testing of the Group’s significant risks, was approved by the authorised management bodies of the Bank in accordance with the regulations and recommendations issued by the CBRF.

Key bodies performing the Group’s financial risk management functions are the Supervisory Board, the Bank’s Management Board, the Bank’s Asset and Liability Management Committee, the Bank’s Large Credit Committee, the Bad Debt and Investment Project Committee, the Technical Policy Committee, the Project Management Centre.

The Budget Committee and the Products and Processes Committee were dissolved in 2020.

The Supervisory Board is responsible for consideration of risk at the strategic level. The Supervisory Board approves the Capital and Risk Management Policy, the compliance with which is supervised by consideration and approvals of the quarterly Group’s risk management reports, both consolidated and by types of risk. The Supervisory Board makes decisions on significant transactions, on transactions in respect of which there is an interest, on transactions with related parties exceeding limits established under the Group’s Credit Policy and on transactions, the amount of which equals to or exceeds 15% of the Bank’s equity.

The Management Board of the Bank is responsible for overall organisation of the Bank’s risk management system. The Management Board of the Bank is responsible for the control over timely and adequate identification of risks and their exposure, for development of policies and procedures necessary to limit risk exposures. The Management Board coordinates different department actions in case of threat or actual liquidity crisis, approves internal documents of the Bank in respect of risk management and risk management reports.

The Asset and Liability Management Committee is responsible for day-to-day financial risk management (except for credit risk).

The Asset and Liability Management Committee makes decisions on structural management of the balance sheet of the Group and the related liquidity risks, and on determining and changing market risk limits including interest rate risk. The Asset and Liability Management Committee coordinates the main principles and procedures of financial risk management (except for credit risk) and has the right to make decisions on financial risk management in case of emergency.

The Technical Policy Committee of the Bank reviews management of operational risks, associated with information technologies and the IT infrastructure of the Bank.

30 Risk Management, Corporate Governance and Internal Control (continued)

The competence of the Project Management Center (PMC) is to manage the Group's resources within the approved budget, to approve cost estimates and long-term investment estimates, to approve adjustments to the estimates within the authorities, to monitor project implementation, and to regularly assess the performance of individual businesses/products.

The Management Board, the Large Credit Committee, the Bad Debt and Investment Project Committee are responsible for making decisions on management of credit risks. The Management Board approves the Credit Policy and makes decisions on credit risk-related transactions exceeding the limits stipulated in the Credit Policy for the Large Credit Committee. The Large Credit Committee makes decisions on credit transactions within the limits stipulated by the Management Board and in excess of the limits stipulated by the Management Board for the Bank’s officials as well as approves terms and conditions of standard programs of lending. The Bank’s Management Board sets limits for the Bank’s officials in making credit decisions. The officials make joint decisions, each decision being considered by representatives of the Corporate Business Unit and Risk Unit. It is deemed that a credit decision is made if it is approved by both representatives. The Bad Debt Committee makes decisions on credit and other operations within work with bad debts.

Decision making on loans to individuals and legal entities, granted on standard terms, is in competence of the Bank’s officials within individual powers stipulated by the Bank’s Management Board. The level of competence is defined based on deviations from the standard terms and the risk of these deviations.

The Banking Risks Department is responsible for implementation of the effective risk management system, and compliance with the acceptable level of total market, interest rate, operational, liquidity and reputational and credit risks in respect of financial institutes, counterparties and issuers. The Banking Risks Department monitors the risk management system in respect of the above mentioned risks, initiates the development of methods of assessment of current risk levels of the Bank, management procedures for these risks, compliance by the Bank’s departments with existing procedures and limits restricting the level of these risks. The Banking Risks Department is not subordinated to, and does not report to, divisions carrying the relevant risks.

The Banking Risks Department performs stress-tests based on scenario analysis for the purpose of timely identification of significant risks applicable to the Group that may significantly affect the financial sustainability of the Group. Steps to ensure financial stability of the Group are taken when required based on the results of stress-tests.

Current management of credit risks of the Group is mostly performed by its specialised subdivision, the Credit Risk Department, exercising operating control over credit risk levels. Bad assets management is carried out by a separate business subdivision – the Bad Debt Department.

Management is responsible for identifying and assessing risks, designing measures for prevention of risks and monitoring their effectiveness. Management constantly monitors the effectiveness of internal controls over risk management and introduces changes to existing controls if necessary.

In compliance with the Group’s internal documentation the Banking Risks Department and Internal Audit Function of the Bank on a periodical basis prepare reports, which cover the Group’s significant risks management. The reports include observations as to the assessment of the effectiveness of the Group’s procedures and methodologies, and recommendations for improvement.

Management believes that risk management system complies with the CBRF requirements and is appropriate for the scale, nature and complexity of operations.

Credit risk. The Group is exposed to credit risk which is the risk of financial loss if a borrower or counterparty fails to meet its contractual obligations.

The Group considers credit risk to include all financial assets recognised in the consolidated statement of financial position, except for assets deposited with the CBRF.

30 Risk Management, Corporate Governance and Internal Control (continued)

The approach of the Group to credit risk management is defined in the Credit Policy. The Credit Policy is aimed at formulation of the main principles of credit transactions of the Group and credit risk acceptance, providing for implementation of the Group’s strategy goals and objectives concerning the structure, volume and quality of the loan portfolio.

Risk management tools

To maintain credit risks at an appropriate level the Group uses the following risk management tools.

For certain borrowers:

- assessment of the borrowers’ financial positions at all loan process stages, starting from loan application;
- assessment of credit risk and formation of allowance for expected credit losses in the amount of possible losses from the transaction;
- structuring of credit transactions in compliance with the requirements of the Group;
- evaluation of the market value of collateral for a loan, control over availability and safety of collateral, and evaluation of financial position and creditworthiness of guarantors;
- request for credit reports from credit history bureau (“CHB”) and information in other external services, providing information on the client’s behaviour and taking this information into consideration when analysing the loan application and deciding whether to conclude the credit transaction;
- scoring evaluation of loan applications of individuals based on statistical models of risk assessment;
- determination of the internal credit rating of the borrower for legal entities based on statistical models of risk assessment;
- for credit transactions with financial institutions – assessment of financial position and credit risk of the counterparty during setting of limits for the counterparty;
- when setting limits on transactions with securities which bear credit risk – assessment of financial position and credit risk of the issuer;
- control over compliance with the requirements of the Credit Policy for setting the authorities on decision making in respect of credit operations, and control over the reflection of terms of credit transactions in the loan and other agreements, as approved by the authorised collective body or officials;
- control over timely performance of the borrowers’ obligations to the Group related to credit transactions;
- insurance of collateral.

For the loan portfolio in general:

- setting authorities for collective bodies and officials;
- setting and control over the limits of credit risk.

30 Risk Management, Corporate Governance and Internal Control (continued)

Reporting forms

Group’s management controls credit risks and the loan portfolio quality based on regular (daily, weekly and monthly) reports.

Limits set by the Group for credit risk management purposes:

The Group sets individual limits in respect of borrowers and groups of related borrowers. When setting a limit the Group takes into account all information available. When setting an individual limit, the Group performs comprehensive analysis of the financial statements, cash flows, available credit history of each borrower or a group of related borrowers, the needs of each borrower or the group of related borrowers for credit resources, as well as availability of loan repayment sources. The Group also takes into account the property pledged as collateral for the loan.

The Bank’s Credit Policy is applicable both to recognised and unrecognised financial instruments. The Credit Policy establishes unified procedures of transaction approvals, risk mitigating limits and monitoring procedures. The borrower is entitled to use any products offered by the Bank supporting the use of unrecognised Bank’s commitments for lending (guarantees, unsecured letters of credit, credit facilities, etc.) within established limits.

The Bank uses the system of limits restricting the maximum debt of counterparty banks and financial companies, corporate counterparties when conducting transactions in the financial lending market and performing purchase and sale of financial assets, including foreign exchange transactions, associated with counterparty credit risk. The respective limits are set for each counterparty of the Bank on the basis of a creditworthiness analysis.

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

The maximum exposure to credit risk of financial assets is as follows:

(in thousands of Russian roubles)	**2020**	**2019**
Assets		
Cash and cash equivalents	19 007 214	16 303 236
Trading securities, including those pledged under repurchase agreements	6 412 404	43 653 445
Reverse sale and repurchase agreements	104 272 021	95 407 102
Due from banks	22 459 643	28 022 486
Loans and advances to customers	419 464 931	368 069 654
Investment securities, including those pledged under repurchase agreements	73 995 965	52 346 487
Other financial assets	6 217 701	2 876 109
Total maximum exposure	**651 829 879**	**606 678 519**

For the analysis of collateral held against loans and advances to customers and concentration of credit risk refer to Note 10.

The maximum exposure to credit risk from credit related commitments at the reporting date is presented in Note 32.

The following table shows the reconciliation between:

- the amounts presented in the reconciliation of the allowance for expected credit losses at the beginning and at the end of the period by classes of financial instruments presented in Notes 9, 10 and 11; and
- item “allowance for expected credit losses on debt financial assets” of the consolidated statement of comprehensive income.

30 Risk Management, Corporate Governance and Internal Control (continued)

(in thousands of Russian roubles)	Due from banks	Loans and advances to customers	Debt investment securities measured at fair value through other comprehensive income	Debt investment securities measured at amortised cost	**Total**
New assets acquired or Purchased	19 386	4 438 542	2558	22 438	4 482 924
Net expense from charge for (income from recovery of) allowance for expected credit losses	-	7 420 606	(2 803)	(8 279)	7 409 524
Recovery of an allowance as a result of repayment of loans / securities	(6 900)	(3 030 134)	(2 540)	(1 401)	(3 040 975)
Total creation (recovery) of allowance for expected credit losses as of 31 December	**12 486**	**8 829 014**	**(2 785)**	**12 758**	**8 851 473**

Country risk. Country risk of the Group is almost fully determined by the country risk of the Russian Federation. The exposure to geographical risk of other countries is limited since substantially all assets and liabilities of the Group are concentrated in the Russian Federation.

Foreign economic activity involves correspondent accounts opened in foreign banks, transactions on international exchanges via foreign brokers, transactions on the money market and servicing export-import transactions of own clients.

Country risks are minimised by means of cooperation with the most reliable banks of developed countries. Lately, the amount of transactions with the biggest Asian financial organisations has been increased to diversify access to the markets.

Saint Petersburg is the largest centre of the North-Western part of the Russian Federation with a diversified economy. This is why the Bank’s historic business concentration on providing services to individuals and legal entities in Saint Petersburg is an advantage for the Group.

Market risks: The Group is exposed to market risk arising from open positions in currency, interest rate and equity instruments that are exposed to general and specific market movements. These are defined as follows:

- currency risk - risk of losses due to exchange rate fluctuations;
- interest rate risk - risk of losses due to fluctuations of market interest rates;
- commodity risk – risk of losses due to fluctuations of commodity market instruments prices;
- other price (equity) risk - risk of losses due to movements in quotations of the equity instrument.

The Banking Risks Department is responsible for developing methods of appraisal of the current level of market risks (including interest rate risk, bank book risk), management procedures for these risks, and for identification and analysis of the current risk level.

The Treasury Department is responsible for development of procedures of operational management of interest rate risk.

Market risk management is defined as a method of limitation of possible losses from open positions which can be incurred by the Group within a set period of time due to movements in exchange rates, securities quotations, prices of goods and interest rates by way of establishing a system of limits on sensitivity to risk factors of the stock, commodity, currency and money markets, as well as stop-loss limits (maximum loss limits, in case of violation of which the position is closed), limits on possible change of present value of instruments and VaR limits (limits on maximum VaR).

30 Risk Management, Corporate Governance and Internal Control (continued)

VaR is a technique that estimates the potential losses that could occur on risk positions as a result of movements in market rates, prices and interest rates over a specified time horizon and to a given level of confidence. The VaR model used by the Bank is based upon a 99 percent confidence level and assumes a 1-day holding period depending on the type of positions. The VAR model used is mainly based on historical simulation. The model derives plausible future scenarios based on historical market rate time series, taking into account inter-relationships between different markets and assets.

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

- the use of historical data as a basis for determining future events may not encompass all possible scenarios, particularly those that are of an extreme nature;
- a 1-day holding period assumes that all positions can be liquidated or hedged within that period;
- the use of a 99% confidence level does not take into account losses that may occur beyond this level. There is a one percent probability that the loss could exceed the VaR estimate;
- since VaR is only calculated on the end-of-day balances, it does not necessarily reflect exposures that may arise on positions during the trading day;
- the VaR measure is dependent upon the position and the volatility of market prices. The VaR of an unchanged position reduces if market volatility declines and vice versa.

When evaluating the market risk, the Group relies not only on VaR calculation, but also introduces other additional limits mentioned above (sensitivity limits and stop-loss limits).

VaR limits are set by divisions assuming market risk.

The VaR estimates by divisions as at 31 December 2020 and 31 December 2019 are as follows:

(in millions of Russian roubles)

Division	2020	2019
Algorithmic Trading Management	153	70
Money and Currency Market Management	142	374
RUB-denominated Bond Desk	45	119
Eurobond Desk	15	23
Customer Service Management	1	4
Aggregated VaR	289	361

The VaR estimates stated above are calculated for the trading portfolio of securities and portfolio of investment securities measured at fair value through profit/loss or other comprehensive income, for the open currency position of the Bank and for the portfolio of derivative instruments (including commodities instruments).

Proposals to set market risk limits used by the Bank (hereinafter, VaR-limits) are prepared by the Banking Risks Department. Limits are set via decision of the Bank’s Management Board, Large Credit Committee, Assets and Liabilities Management Committee in accordance with their authorities. The compliance with market risk limits is monitored by the Operating Department (back-office) and Banking Risks Department on a daily basis.

Currency risk. Currency risk is the risk of changes in income or carrying value of the Group’s financial instruments due to exchange rate fluctuations.

The Department of Financial Markets Operations currently manages the open currency position within the limits set by the Asset and Liability Management Committee.

For currency risk management purposes the Group also uses the system of mandatory limits established by the CBRF, including limits on open positions in a foreign currency (up to 10% of the capital calculated in accordance with the CBRF regulations) and the limit on the total open position in all foreign currencies (up to 20% of the capital calculated in accordance with the CBRF regulations).

30 Risk Management, Corporate Governance and Internal Control (continued)

The Group follows a conservative currency risk management policy and opens currency positions primarily in the currencies most frequently used in the Russian Federation (US Dollars and EUR).

The Group takes into account changes in foreign currency volatility levels by preparing and submitting for approval of the Asset and Liability Management Committee proposals concerning changes in internal limits of currency risks.

The table below summarises the exposure to foreign currency exchange rate risk of the Group as at 31 December 2020. The Group does not use this currency risk analysis for management purposes.

(in thousands of Russian roubles)	**RUB**	**USD**	**EUR**	**Other**	**Total**
Assets					
Cash and cash equivalents	37 908 682	6 817 097	14 552 096	993 093	60 270 968
Mandatory reserve deposits with the Central Bank of the Russian Federation	4 588 389	-	-	-	4 588 389
Trading securities, including securities pledged under sale and repurchase agreements	6 412 533	530 630	-	33 507	6 976 670
Reverse sale and repurchase agreements	53 401 355	29 800 357	21 070 309	-	104 272 021
Derivative financial assets	5 048 126	-	-	-	5 048 126
Due from banks	11 372 959	11 086 684	-	-	22 459 643
Loans and advances to customers	-	-	-	-	-
- loans and advances to legal entities	228 294 872	18 948 433	62 365 046	38 717	309 647 068
- loans and advances to individuals	108 074 213	144 237	1 599 413	-	109 817 863
Investment securities, including securities pledged under sale and repurchase agreements	30 904 964	26 740 096	16 715 152	730 651	75 090 863
Investment property	4 411 548	-	-	-	4 411 548
Property, equipment, intangible assets and right-of-use assets	14 442 831	-	-	-	14 442 831
Other assets	8 446 056	3 056 870	872 749	854	12 376 529
Long-term assets held-for-sale	824 608	-	-	-	824 608
Total assets	**514 131 136**	**97 124 404**	**117 174 765**	**1 796 822**	**730 227 127**
Liabilities					
Due to banks	103 567 987	37 488 885	34 552	-	141 091 424
Customer accounts					
- accounts of legal entities	157 198 645	19 316 704	17 878 829	498 874	194 893 052
- accounts of individuals	204 387 754	55 150 813	15 968 700	521 432	276 028 699
Financial liabilities at fair value	1 629 839	77 135	-	-	1 706 974
Derivative financial liabilities	7 410 602	-	-	-	7 410 602
Bonds issued	2 712 400	-	-	-	2 712 400
Promissory notes and deposit certificates issued	3 055 356	5 065 567	29 099	-	8 150 022
Other liabilities	8 235 121	26 605	1 279 240	-	9 540 966
Total liabilities	**488 197 704**	**117 125 709**	**35 190 420**	**1 020 306**	**641 534 139**
Less fair value of currency derivatives	2 378 783				2 378 783
Net recognised position, excluding currency derivative financial instruments	**28 312 215**	**(20 001 305)**	**81 984 345**	**776 516**	**91 071 771**
Currency derivatives	**66 976 835**	**15 267 139**	**(83 715 745)**	**(907 012)**	**(2 378 783)**
Net position, including currency derivative financial instruments	**95 289 050**	**(4 734 166)**	**(1 731 400)**	**(130 496)**	**88 692 988**

30 Risk Management, Corporate Governance and Internal Control (continued)

The table below summarises the exposure to foreign currency exchange rate risk of the Group as at 31 December 2019. The Group does not use this currency risk analysis for management purposes.

(in thousands of Russian roubles)	RUB	USD	EUR	Other	Total
Assets					
Cash and cash equivalents	24 341 056	2 380 243	14 962 690	872 268	42 556 257
Mandatory reserve deposits with the Central Bank of the Russian Federation	3 885 964	-	-	-	3 885 964
Trading securities, including securities pledged under sale and repurchase agreements	43 330 531	850 172	-	31 258	44 211 961
Reverse sale and repurchase agreements	27 921 128	48 727 911	18 758 063	-	95 407 102
Derivative financial assets	5 350 855	-	-	-	5 350 855
Due from banks	26 832 923	615 958	573 605	-	28 022 486
Loans and advances to customers					
- loans and advances to legal entities	202 578 690	34 709 737	31 820 029	-	269 108 456
- loans and advances to individuals	97 546 439	151 350	1 263 409	-	98 961 198
Investment securities, including securities pledged under sale and repurchase agreements	28 347 308	18 827 099	6 797 722	527 539	54 499 668
Investment property	7 028 502	-	-	-	7 028 502
Property, equipment, intangible assets and right-of-use assets	14 371 978	-	426 069	-	14 798 047
Other assets	7 186 398	258 226	230 077	1 253	7 675 954
Long-term assets held-for-sale	2 144 829	-	-	-	2 144 829
Total assets	**490 866 601**	**106 520 696**	**74 831 664**	**1 432 318**	**673 651 279**
Liabilities					
Due to banks	90 372 317	67 560 756	633 702	-	158 566 775
Customer accounts					
- accounts of legal entities	139 520 679	13 603 070	7 914 685	337 491	161 375 925
- accounts of individuals	180 446 176	53 320 853	14 870 617	329 777	248 967 423
Financial liabilities at fair value	311 829	-	-	-	311 829
Derivative financial liabilities	7 394 070	-	-	-	7 394 070
Bonds issued	4 802 775	-	-	-	4 802 775
Promissory notes and deposit certificates issued	3 501 034	3 348 559	381 640	-	7 231 233
Other liabilities	5 225 481	11 007	394 493	-	5 630 981
Total liabilities	**431 574 361**	**137 844 245**	**24 195 137**	**667 268**	**594 281 011**
Less fair value of currency derivatives	2 024 336	-	-	-	2 024 336
Net recognised position, excluding currency derivative financial instruments	**61 316 576**	**(31 323 549)**	**50 636 527**	**765 050**	**81 394 604**
Currency derivatives	**10 776 253**	**38 638 890**	**(50 667 566)**	**(771 913)**	**(2 024 336)**
Net position, including currency derivative financial instruments	**72 092 829**	**7 315 341**	**(31 039)**	**(6 863)**	**79 370 268**

30 Risk Management, Corporate Governance and Internal Control (continued)

The table below summarises the foreign currency exchange rate risk for monetary financial instruments of the Group as at 31 December 2020:

(in thousands of Russian roubles)	Monetary financial assets	Monetary financial liabilities	Derivative financial instruments	Net currency position
Russian roubles	510 232 112	481 448 406	66 976 835	95 760 541
USD	99 185 141	117 132 421	15 267 139	(2 680 141)
EUR	118 556 967	35 954 279	(83 715 745)	(1 113 057)
Other	1 763 319	1 020 306	(907 012)	(163 999)
Total	**729 737 539**	**635 555 412**	**(2 378 783)**	**91 803 344**

The table below summarises the foreign currency exchange rate risk for monetary financial instruments of the Group as at 31 December 2019:

(in thousands of Russian roubles)	Monetary financial assets	Monetary financial liabilities	Derivative financial instruments	Net currency position
Russian roubles	455 901 994	419 856 100	10 776 253	46 822 147
USD	105 262 210	137 839 421	38 638 890	6 061 679
EUR	74 387 836	23 810 938	(50 667 566)	(90 668)
Other	1 399 811	667 268	(771 913)	(39 370)
Total	**636 951 851**	**582 173 727**	**(2 024 336)**	**52 753 788**

The Group's derivatives position represents the fair value at the reporting date of the respective currency that the Group agreed to buy (positive amount) or sell (negative amount). The net total represents the fair value of the currency derivative financial instruments.

An analysis of potential changes (sensitivity) of profit after tax and equity to changes in the foreign currency exchange rates (based on the positions of monetary financial instruments operating as of 31 December 2020 and 31 December 2019, and the simplified scenario of reducing or increasing the US dollar and euro in relation to the Russian rouble by 10%) can be represented as follows (despite the fact that all other variable characteristics remain unchanged):

(in thousands of Russian roubles)	At 31 December 2020	At 31 December 2019
10% appreciation of USD against RUB	(214 411)	484 934
10% depreciation of USD against RUB	214 411	(484 934)
10% appreciation of EUR against RUB	(89 045)	(7 253)
10% depreciation of EUR against RUB	89 045	7 253

Movements in other currency exchange rates will have no material effect on the profit or loss of the Group. Movements of currency exchange rates by 10% are for indicative purposes only, the real movements of currency exchange rates may differ.

30 Risk Management, Corporate Governance and Internal Control (continued)

Interest rate risk, including interest rate risk of bank portfolio. The Group is exposed to fluctuations in market interest rates which can affect its financial position and cash flows. As a result of such changes interest margins and accordingly profit of the Group may decrease.

The table below summarises the effective interest rates by currency for major financial instruments. The analysis is prepared based on effective rates as at 31 December 2020 and 31 December 2019 used for amortisation of the respective assets/liabilities.

	2020				2019			
% p.a.	**RUB**	**USD**	**EUR**	**Other**	**RUB**	**USD**	**EUR**	**Other**
Assets								
Debt trading securities, including securities pledged under sale and repurchase agreements	5.19	0.00	-	6.32	4.04	-	-	
Reverse sale and repurchase agreements	4.76	1.06	0.18	6.62	2.17	0.77	-	
Due from banks	4.47	3.90	-	6.25	0.35	0.0	-	
Loans and advances to customers	8.51	4.40	3.75	9.57	4.25	3.62	-	
Investment securities, including securities pledged under sale and repurchase agreements								
- measured at FVOCI	3.24	-	-	6.2	-	-	-	
- measured at amortised cost	5.44	1.35	1.00	6.68	2.82	1.21	0.49	
Liabilities								
Due to banks	4.35	0.44	0.00	6.30	1.63	0.00	-	
Customer accounts								
- current and settlement accounts	0.34	0.00	0.00	0.46	0.0	0.0	0.0	
- term deposits								
- individuals	4.41	2.03	0.38	5.93	2.71	0.53	-	
- legal entities	3.28	0.79	0.34	5.24	0.91	0.54	0.0	
Bonds issued	9.35	-	-	9.35	-	-	-	
Promissory notes and deposit certificates issued	6.16	0.75	0.00	7.20	2.74	0.20	0.00	

The sign "-" in the table above means that the Group does not have the respective assets or liabilities in the corresponding currency.

Interest rate risk management represents management of assets and liabilities of the Group to maximise profit from possible fluctuations in interest rates under conditions of compliance with stated limits.

Group's interest rate risk management is performed centrally on continuing basis by the Management Board of the Bank, the Asset and Liability Management Committee, the Banking Risks Department. The Treasury Department, the Financial Markets Operations Department are responsible for the current management of interest gaps.

The Group uses the following interest rate risk management tools:

- approval of structure of limits and restrictions for interest rate risk;
- approval of the asset and liability structure;
- management of interest rates and their limits for different instruments;
- implementation and facilitation of new banking products;
- approval of methods (procedures) for interest rate risk evaluation;
- financial instrument transactions;

30 Risk Management, Corporate Governance and Internal Control (continued)

To evaluate interest rate risk, management of the Group uses a report on interest rate risk, which includes interest rate risk indicators and a GAP report (with a breakdown by main currencies for each calculated item). To evaluate interest rate risk in currency, calculations are additionally detailed by interest rate components: risk-free curve of interest rates in currency and premium for country risk of the Russian Federation.

The main criterion for interest rate risk evaluation is the change in the present value of the Bank's claims and liabilities in the most unfavourable scenario of interest rate changes (capital at interest rate risk). Capital at interest rate risk is calculated separately by currencies, by “currency-term”, by risk factors and aggregated for each calculated item. In order to limit interest rate risk, the Group has set information limits on capital at interest rate risk.

The indicator of annual net interest income change is used as an additional evaluation criterion in the most unfavorable interest rate change scenario.

To assess the structure of the Bank's sensitivity to interest rate risk, GAP reports additionally detailed by main balance sheet items are used.

An analysis of sensitivity of profit or loss and equity to changes in the interest rate components based on a simplified scenario of a 1% parallel fall or rise in all yield curves and positions of interest-bearing assets and liabilities existing as at 31 December 2020 and 31 December 2019, is as follows.

(in thousands of Russian roubles)	**2020**	**2019**
RUB		
1% parallel fall	(742 090)	(1 424 419)
1% parallel rise	136 560	890 628
USD risk-free interest rate		
1% parallel fall	207 314	343 956
1% parallel rise	(282 845)	(401 133)
USD margin for geographical risk of the Russian Federation		
1% parallel fall	157 850	373 233
1% parallel rise	(230 528)	(427 356)
EUR risk-free interest rate		
1% parallel fall	283 456	(550 099)
1% parallel rise	(274 642)	484 659
EUR margin for geographical risk of the Russian Federation		
1% parallel fall	333 593	(295 666)
1% parallel rise	(324 778)	230 258
All currencies and components of interest rate		
1% parallel fall	(250 984)	(1 488 707)
1% parallel rise	(419 837)	833 842

Apart from above measures the Group calculates the potential effect of interest rate GAPs per annum that is a change in the present value of claims and liabilities of the Bank for the next year in case of change in the interest rates in accordance with expectations (the forecasted yield curve).

Commodity risk. The Group is exposed to open position risk with regard to commodity instruments due to movements in their quotations on commodity market.

The limits for items with breakdown by underlying assets are set based on liquidity and volatility of commodity market instruments evaluation.

Other price (equity) risk. The Group is exposed to open position risk with regard to equity instruments due to movements in their quotations on equity market.

The limits for particular issuers are set based on analysis of the credit quality of the security issuer and evaluation of liquidity and volatility of financial instruments.

30 Risk Management, Corporate Governance and Internal Control (continued)

If the risk becomes material the mitigation arrangements are determined by the Management Board of the Bank.

Liquidity risk. Liquidity risk arises when the maturities of assets and liabilities do not match. The Group is exposed to daily calls on its available cash resources from customer accounts, overnight deposits, current accounts, term deposits, loan draw downs, guarantees and other calls on cash settled derivative financial instruments. The Group does not maintain cash resources to meet all of these needs as experience shows that a required amount of cash to meet these obligations can be forecasted with a sufficient certainty.

The purpose of liquidity management is to create and maintain the structure of assets and liabilities of the Group by categories and maturities which will enable the Group to ensure timely payments of its obligations and meeting demands of the Group's customers. The Group forms liquidity reserves sufficient to provide normal operation of the Bank during a certain period in case of unforeseen outflow of resources caused by macroeconomic events or events directly connected with the Bank. In accordance with the results of analysis of the macroeconomic conditions or the state of the banking market, as well as the general trends in the Group's activity, management may demand higher amounts of liquidity, if required.

The Group seeks to maintain a diversified and stable structure of funding sources. The Group invests the funds in diversified portfolios of liquid assets in order to be able to respond quickly and smoothly to unforeseen liquidity requirements. In spite of a substantial portion of customer accounts being on demand, diversification of these deposits by number and type of depositors, and past experience indicate that these customer accounts provide a long-term and stable source of funding.

The basis for managing short-term liquidity (less than three months) is making liquidity provisions sufficient not only for current standard activities but also to provide the Bank with the funds during a period of possible unplanned funds withdrawal caused by macroeconomic events or events directly associated with the Bank.

Liquidity management is regulated by the Risks and Capital Management Policy approved by the Bank's Supervisory Board. Additional liquidity evaluation and management limitations are set in the internal regulations developed for the purpose of the Policy development:

- Managing the volume and structure of the liquid assets portfolio. Management maintains a portfolio of liquid assets (including trading securities) that can be used for prompt and loss-free funding;

- In certain cases, management may impose restrictions on some transactions to regulate the structure of assets and liabilities of the Group. The limits are set when the economic instruments are insufficient in terms of extent and length of impact.

The Bank performs current liquidity management (for the period of up to seven days) on a daily basis. It is implemented based on statistical and chronological analysis of the balances of customer current accounts, forecasted customer deposits, movement of funds on accounts and analysis of the information on obligations and requirements of the Bank under term contracts in short-term periods. This analytical data serves as a basis for management of the Bank's monetary position.

Short-term (for the period of up to three months) liquidity monitoring ensures creation of an asset portfolio which may cover all needs of the current liquidity management within the planning time horizon as well as provide the Bank with the funds in case of possible client funds withdrawal. The parameters of possible funds withdrawal are set and reviewed periodically by the Asset and Liability Management Committee and the Management Board.

30 Risk Management, Corporate Governance and Internal Control (continued)

Long-term (over three months) liquidity monitoring is based on analysis of the Group’s liquidity gaps. The Group evaluates the liquidity gap through comparison of assets and liabilities by their terms. When allocating assets and liabilities to different term categories the Group takes into account both the contractual term and expected maturity and the statistical data on sustainability, and for securities it uses estimated disposal period of the portfolio without significant effect on the market price. The Group regards equity as a long-term funding source and, therefore, accounts for it by the longest remaining maturity period. Results of assets and liabilities allocation by maturity and liquidity index calculation are performed in general report for all currencies and reports for each currency with total amount of assets or liabilities exceeding 5% of total balance. The Bank’s regulations state minimum value of liquidity indices.

When performing its operating activity the Bank also focuses on compliance with the requirements of the CBRF on maintaining sufficient liquidity ratios (instant liquidity ratio - N2, current liquidity ratio - N3, long-term liquidity ratio - N4).

According to the daily calculations, as at 31 December 2020 and 31 December 2019 the Bank complied with the liquidity ratios established by the CBRF.

30 Risk Management, Corporate Governance and Internal Control (continued)

Below is the IFRS liquidity position of the Group at 31 December 2020. The Group does not use the presented analysis by contractual maturity for liquidity management purposes. The following table shows assets and liabilities of the Group by their remaining contractual maturity, with the exception of financial instruments measured at fair value through profit or loss for the period and investment securities measured at fair value through other comprehensive income, which are shown in the category "Demand and less than 1 month" and overdue loans and advances to customers, which are shown in the category "From 1 to 5 years".

(in thousands of Russian roubles)	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years or no maturity	Total
Assets						
Cash and cash equivalents	60 225 652	45 316	-	-	-	60 270 968
Mandatory reserve deposits with the Central Bank of the Russian Federation	2 686 993	926 990	580 440	393 882	84	4 588 389
Trading securities, including securities pledged under sale and repurchase agreements	6 976 670	-	-	-	-	6 976 670
Reverse and sale repurchase agreements	50 390 856	53 881 165	-	-	-	104 272 021
Derivative financial assets	794 771	1 042 978	1 612 750	890 050	707 577	5 048 126
Due from banks	9 065 841	2 307 117	-	11 086 685	-	22 459 643
Loans and advances to customers						
- loans and advances to legal entities	20 594 299	104 201 927	25 600 283	138 250 580	20 999 979	309 647 068
- loans and advances to individuals	124 384	1 342 536	1 148 298	26 178 383	81 024 262	109 817 863
Investment securities, including securities pledged under sale and repurchase agreements	7 314 801	10 770 116	6 883 947	43 648 614	6 473 385	75 090 863
Investment property	-	-	-	-	4 411 548	4 411 548
Property and equipment, intangible assets and right-of-use assets	-	-	848	386 580	14 055 403	14 442 831
Other assets	7 749 943	669 899	1 748 184	1 195 557	1 012 946	12 376 529
Long-term assets held-for-sale	-	-	824 608	-	-	824 608
Total assets	**165 924 210**	**175 188 044**	**38 399 358**	**222 030 331**	**128 685 184**	**730 227 127**
Liabilities						
Due to banks	106 744 871	33 787 722	261 819	297 012	-	141 091 424
Customer accounts						
- accounts of legal entities	151 030 874	31 307 514	7 338 229	5 215 060	1 375	194 893 052
- accounts of individuals	124 744 230	63 832 553	52 234 289	35 210 330	7 297	276 028 699
Financial liabilities at fair value	1 706 974	-	-	-	-	1 706 974
Derivative financial liabilities	1 077 210	1 258 057	883 215	1 245 635	2 946 485	7 410 602
Bonds issued	-	-	-	-	2 712 400	2 712 400
Promissory notes and deposit certificates issued	696 250	2 170 371	3 071 805	1 514 743	696 853	8 150 022
Other liabilities	1 854 659	2 477 869	274 411	909 648	4 024 379	9 540 966
Total liabilities	**387 855 068**	**134 834 086**	**64 063 768**	**44 392 428**	**10 388 789**	**641 534 139**
Net liquidity gap	**(221 930 858)**	**40 353 958**	**(25 664 410)**	**177 637 903**	**118 296 395**	**88 692 988**
Cumulative liquidity gap as at 31 December 2020	**(221 930 858)**	**(181 576 900)**	**(207 241 310)**	**(29 603 407)**	**88 692 988**	

30 Risk Management, Corporate Governance and Internal Control (continued)

Below is the IFRS liquidity position of the Group at 31 December 2019:

(in thousands of Russian roubles)	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**From 1 to 5 years**	**More than 5 years or no maturity**	**Total**
Assets						
Cash and cash equivalents	42 556 257	-	-	-	-	42 556 257
Mandatory reserve deposits with the Central Bank of the Russian Federation	2 312 356	823 351	432 355	317 889	13	3 885 964
Trading securities, including securities pledged under sale and repurchase agreements	44 211 961	-	-	-	-	44 211 961
Reverse and sale repurchase agreements	47 731 581	38 330 878	9 344 643	-	-	95 407 102
Derivative financial assets	1 422 390	3 165 521	493 669	269 275	-	5 350 855
Due from banks	11 635 835	16 386 651	-	-	-	28 022 486
Loans and advances to customers						
- loans and advances to legal entities	13 857 823	91 323 739	39 779 084	100 348 929	23 798 881	269 108 456
- loans and advances to individuals	248 959	480 311	1 504 281	26 748 418	69 979 229	98 961 198
Investment securities, including securities pledged under sale and repurchase agreements	7 730 321	-	1 267 235	38 446 223	7 055 889	54 499 668
Investment property	-	-	-	-	7 028 502	7 028 502
Property, equipment, intangible assets and right-of-use assets	-	-	933	514 150	14 282 964	14 798 047
Other assets	1 029 914	3 991 195	700 786	1 405 077	548 982	7 675 954
Long-term assets held-for-sale	-	-	2 144 829	-	-	2 144 829
Total assets	**172 737 397**	**154 501 646**	**55 667 815**	**168 049 961**	**122 694 460**	**673 651 279**
Liabilities						
Due to banks	156 784 103	506 021	581 695	694 956	-	158 566 775
Customer accounts						
- accounts of legal entities	125 394 351	27 202 725	7 116 628	1 661 142	1 079	161 375 925
- accounts of individuals	118 781 807	59 740 057	38 538 416	31 906 798	345	248 967 423
Financial liabilities at fair value	311 829	-	-	-	-	311 829
Derivative financial liabilities	913 829	1 813 761	1 719 537	1 398 543	1 548 400	7 394 070
Bonds issued	-	-	-	-	4 802 775	4 802 775
Promissory notes and deposit certificates issued	1 068 239	1 594 614	3 513 201	396 748	658 431	7 231 233
Other liabilities	906 783	2 265 883	222 644	995 269	1 240 402	5 630 981
Total liabilities	**404 160 941**	**93 123 061**	**51 692 121**	**37 053 456**	**8 251 432**	**594 281 011**
Net liquidity gap	**(231 423 544)**	**61 378 585**	**3 975 694**	**130 996 505**	**114 443 028**	**79 370 268**
Cumulative liquidity gap as at 31 December 2020	**(231 423 544)**	**(170 044 959)**	**(166 069 265)**	**(35 072 760)**	**79 370 268**	

Group’s management believes that available undrawn credit lines of RUB 124 157 000 thousand (2019: RUB 136 136 000 thousand) in total and assessment of stability of customer accounts in unstable environment will fully cover the Group’s liquidity gap in the tables above.

30 Risk Management, Corporate Governance and Internal Control (continued)

Due to the COVID-19 pandemic crisis, the banking system of the Russian Federation and the Group observed an overflow of term client funds to demand accounts. This additional increase in demand balances according to the Group's methodology is unsustainable as it is not supported by a corresponding increase in the money supply. The stable portion of the demand resource has remained unchanged.

In accordance with Russian legislation, individuals can withdraw their term deposits at any time, forfeiting in most of the cases the accrued interest. These deposits are classified in accordance with their contract maturity dates. The amounts of such deposits by contractual maturity as at 31 December 2020 and 31 December 2019 are as follows:

(in thousands of Russian Roubles)	**2020**	**2019**
Demand and less than 1 month	20 425 434	44 739 995
From 1 to 6 months	63 711 509	59 734 941
From 6 to 12 months	51 977 828	38 378 335
From 1 to 5 years	35 210 330	31 906 798
More than 5 years	7 297	345
Total term deposits of individuals	**171 332 398**	**174 760 414**

The main differences between liquidity tables compiled on the data of IFRS consolidated financial statements by contractual maturity and presented above and the tables prepared by the Group for management analysis purposes are as follows:

1. The total assets differ because the allowance for expected credit losses for loans and advances to customers recorded by the Group is presented on the liabilities side for management purposes, whereas for purposes of IFRS consolidated financial statements loans and advances to customers are reduced by the allowance;

2. The Bank applies internal methods to determine the maturity of deposits on demand since these deposits are considered to be a long-term source of funding. Therefore, current accounts of legal entities and individuals have longer maturity periods in calculating liquidity for management purposes;

3. The Bank also applies internal methods to account for the trading securities portfolio that take into account market conditions and actual opportunities to sell and use assets as collateral.

The tables below show distribution of financial liabilities as at 31 December 2020 and 31 December 2019 by remaining contractual maturity. The amounts in the tables reflect contractual undiscounted cash flows and differ from the amounts in the consolidated statement of financial position which are based on discounted cash flows. The Bank does not use the presented analysis of undiscounted cash flows in its liquidity management.

30 Risk Management, Corporate Governance and Internal Control (continued)

As at 31 December 2020:

(in thousands of Russian roubles)	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years	Total
Liabilities						
Non-derivative financial liabilities						
Due to banks	106 863 738	33 944 614	269 312	300 732	-	141 378 396
Customer accounts	275 827 766	95 357 181	59 743 523	40 657 505	9 360	471 595 335
Financial liabilities at fair value	1 706 974	-	-	-	-	1 706 974
Bonds issued	-	619 414	503 047	2 019 069	-	3 141 530
Promissory notes and deposit certificates issued	696 627	2 189 456	3 090 153	1 608 371	1 503 209	9 087 816
Other financial liabilities	2 462 132	-	-	-	-	2 462 132
Derivative financial instruments						
- inflow	(394 608 406)	-	-	-	-	(394 608 406)
- outflow	397 081 681	-	-	-	-	397 081 681
Total future undiscounted cash flows	**390 030 512**	**132 110 665**	**63 606 035**	**44 585 677**	**1 512 569**	**631 845 458**

As at 31 December 2019:

(in thousands of Russian roubles)	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years	Total
Liabilities						
Non-derivative financial liabilities						
Due to banks	157 281 080	528 645	599 333	715 786	-	159 124 844
Customer accounts	244 184 802	88 331 225	47 496 094	36 611 871	1 953	416 625 945
Financial liabilities at fair value	311 829					311 829
Bonds issued	-	779 222	752 122	4 324 288	-	5 855 632
Promissory notes and deposit certificates issued	1 068 693	1 596 656	3 523 735	398 411	1 525 688	8 113 183
Other financial liabilities	917 767	-	-	-	-	917 767
Derivative financial instruments						
- inflow	(323 099 640)	-	-	-	-	(323 099 640)
- outflow	324 918 075	-	-	-	-	324 918 075
Total future undiscounted cash flows	**405 582 606**	**91 235 748**	**52 371 284**	**42 050 356**	**1 527 641**	**592 767 635**

Credit related commitments are disclosed in Note 32.

30 Risk Management, Corporate Governance and Internal Control (continued)

Operational risk

Operational risk management consists in its minimization through undertaking comprehensive measures and actions to prevent events and conditions which may originate the risk.

The Bank uses two main approaches to operational risk management (hereinafter – OR):

- The top-down approach involves "top-down" consideration of OR in terms of the consequences to which OR leads or may lead. This approach involves collecting statistics on implementation of OR events in a given format, summarizing and analysing it;

- The bottom-up approach involves “bottom-up” consideration of OR, i.e. from the point of view of divisions, banking products and processes. This approach focuses on identification of risk factors during the examination of new (and changing) products and processes.

The process of managing the Bank's OR involves:

- Identification of OR;

- Collection and registration of information on internal OR events and losses in the OR event database;

- Assessment of OR;

- Selection and application of a method of responding to OR based on the assessment results;

- OR monitoring.

The Group considers legal risk to be a component of operational risk.

In order to minimise legal risk, the following measures are implemented:

- providing the maximum number of the Group's employees with access to electronic legal databases;

- providing consultations on the application of legislative and regulatory acts of the Russian Federation by the relevant specialists;

- establishing procedures for development, agreement, approval and introduction of amendments to the forms of standard contracts;

- agreement of non-standard contracts, adoption of decisions on preparation and use of non-standard contracts;

- legal review of compliance of internal documents and contracts concluded by the Group with the effective legislation and other regulatory and legal acts;

- analysis of indicators characterising legal risks;

- other measures aimed at minimising legal risk.

To prevent or liquidate in a timely manner the consequences of a potential interruption of the daily activity of the Group or its divisions in case of non-standard and emergency situations, internal documents have been developed that define a system of actions aimed to ensure the Group's business continuity and/or recovery in the event of such non-standard and emergency situations. To implement these actions, the Bank’s reserve platforms with emergency workstations for critical business processes have been organised. Additionally, instructions have been developed for employees of the Group which define actions to be taken in different emergency situations.

31 Capital Management

The objectives when managing Group's capital are (i) to comply with the capital requirements set by the CBRF, ii) to safeguard the Group's ability to continue as a going concern and (iii) to maintain a sufficient capital base to achieve a capital adequacy ratio of 8% based on the April 1998 Basel Prudential Requirements for Banks (Basel I), to comply with the capital requirements and capital adequacy ratio in accordance with financial covenants set in borrowing agreements signed by the Group.

Under the current capital requirements set by the CBRF the Group has to maintain a ratio of own funds (capital) to risk weighted assets (N. 20.0) of at least 8%, base capital adequacy ratio (N. 20.1) of at least 4.5%, core capital adequacy ratio (N. 20.2) of at least 6.0%. The Group shall maintain a reserve for its capital adequacy ratios, which are set by the CBRF in addition to these ratios. For all capital adequacy ratios in 2020, the Group had to comply with the mark-up of 2.500% and a countercyclical mark-up. As at 31 December 2020 the countercyclical mark-up was 0.0001%.

Base capital, core capital and own funds (capital) and capital adequacy ratios based on reports prepared by the Group under Russian statutory accounting standards are as follows:

(in thousands of Russian roubles)	**2020**	**2019**
Total capital	85 754 368	81 759 434
Base capital	67 756 175	63 239 023
Core capital	67 756 175	63 239 023
Capital adequacy ratio (N.20.0)	13.33%	14.77%
Base capital adequacy ratio (N.20.1)	10.59%	11.50%
Core capital adequacy ratio (N.20.2)	10.59%	11.50%

The capital adequacy ratio set by the CBRF is managed by the Treasury Department through monitoring and forecasting its components.

The Accounting Department performs calculations of the capital adequacy ratios on a daily basis. As at 31 December 2020 and 31 December 2019, the capital adequacy ratios were within the limits established by the CBRF.

When calculating capital adequacy ratios, the Group with reasonable caution uses the opportunities provided by the Central Bank of the Russian Federation as part of the measures taken to reduce the regulatory and supervisory burden aimed at supporting the activities of credit institutions amid the spread of the COVID-19 virus, including:

- non-deterioration in the assessment of the financial position and/or the quality of debt service and/or the category of the quality of loans, other assets and contingent liabilities of a credit nature for the following borrowers:
  - individuals whose financial position worsened against the backdrop of the pandemic, as well as for restructured loans, for which, as at 1 March 2020, there were no overdue debts, or the continuous duration of overdue debts did not exceed 30 calendar days;
  - small and medium-sized enterprises (SMEs), whose financial position and/or the quality of debt service has deteriorated due to the spread of the COVID-19 virus;
  - legal entities whose financial position and/or the quality of debt service has deteriorated due to the spread of the COVID-19 virus.
- abolition of premiums to risk ratios for mortgage loans issued before 1 April 2020;

31 Capital Management (continued)

- the possibility for the purposes of applying mark-ups to risk ratios in restructuring individuals’ loan debts in connection with the spread of a new coronavirus infection not to recognise the loan (borrowing) as restructured.

In September 2015, the Group raised a subordinated loan from the State Corporation “Deposit Insurance Agency” in the form of federal loan bonds in the total nominal amount of RUB 14 594 500 thousand. As at 31 December 2020 the fair value of the federal loan bonds is RUB 15 704 412 thousand (2019: RUB 16 131 625 thousand). The interest rate is the coupon rate on the federal loan bonds plus 1% p.a. The loan maturity is from 2025 to 2034, depending on the terms of the respective bonds issue.

The Group is subject to certain specific restrictions on the sale of large blocks of federal loan bonds obtained under a subordinated loan from the State Corporation "Deposit Insurance Agency". The Group complied with all restrictions in 2020 and 2019.

Arrangements to safeguard the Group’s ability to continue as a going concern are performed under the Strategic Development Plan of the Bank and divided into long-term and short-term capital management.

In the long-term, the Bank plans its business scope under strategic and financial plans. The development of these plans includes the identification of risks coverage needs for three years and one year, respectively. When the required amount of capital is determined, the Bank plans the sources of its increase: borrowings on capital markets, share issue and approximate scope thereof. The target scope of business and the amount of capital, as well as the sources of the capital increase, are approved collectively by the following management bodies and in the following order: the Assets and Liabilities Management Committee, the Management Board of the Bank, the Supervisory Board of the Bank.

In the short-term, taking into account the required compliance with the CBRF requirements, the Bank determines the capital surplus/deficit for the period from one to three months and develops the plan to increase assets based on the results. In some cases, management uses administrative measures to influence the structure of assets and liabilities through interest rate policy and, in exceptional cases, through setting limits for certain banking transactions. The limits are established when the economic instruments are insufficient in terms of timing and the extent of influence.

Below is the capital and capital adequacy ratio of the Bank calculated in accordance with Basel I, IFRS data:

(in thousands of Russian roubles)	**2020**	**2019**
Equity	**103 757 457**	**95 365 620**
Level 1	**84 689 049**	**75 335 235**
Paid-in share capital	3 695 154	3 781 734
Reserves and profit	81 635 891	72 970 361
including:		
- Share premium	23 850 975	24 513 878
- Retained earnings	57 784 916	48 456 483
Non-controlling interest	-	-
Goodwill	-	(114 873)
Treasury shares	(641 996)	(1 301 987)
Level 2	**19 068 408**	**20 030 385**
Revaluation reserve for property and equipment	3 259 421	3 239 536
Revaluation reserve for investment securities	722 010	689 613
Subordinated loans	15 086 977	16 101 236
Risk weighted assets	**640 234 193**	**552 584 743**
Risk weighted banking assets	544 176 204	469 929 473
Risk weighted trading assets	13 026 950	20 255 513
Risk weighted off-balance-sheet assets	83 031 039	62 399 757
Total capital adequacy ratio	**16.21%**	**17.26%**
Tier 1 capital adequacy ratio	**13.23%**	**13.63%**

31 Capital Management (continued)

The Group was in compliance with the creditors’ minimum capital adequacy ratio requirements as at 31 December 2020 and 31 December 2019.

32 Contingencies and Derivative Financial Instruments

Litigations. From time to time and in the normal course of business, third parties’ claims against the Group are received. On the basis of its own estimates, management of the Group is of the opinion that no material losses will be incurred by the Group in respect of known claims, except for one suit, and accordingly loss provision with regard to this litigation in the amount of RUB 133 107 thousand as of 31 December 2020 and 31 December 2019 has been recognised in these consolidated financial statements within provisions for non-financial liabilities (Note 20).

Tax Legislation. Russian tax legislation is subject to varying interpretations, and changes, which can occur frequently. Management’s interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and federal authorities.

The Russian tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past will be challenged. In October 2010, the Supreme Arbitration Court issued guidance to lower courts on reviewing tax cases providing a systemic roadmap for anti-avoidance claims, and it is possible that this will significantly increase the level and frequency of scrutiny by tax authorities.

As a result, significant additional taxes, penalties and interest may be charged. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances, reviews may cover a longer period.

Management believes that its interpretation of the relevant legislation is appropriate and the tax, currency legislation and customs positions of the Group will be sustained. Accordingly, as at 31 December 2020 and 31 December 2019, no provision for potential tax liabilities was recorded.

Capital expenditure commitments. As at 31 December 2020 the Group had no contractual capital expenditure commitments in respect of reconstruction and purchase of real estate (2019: none).

Compliance with covenants. The Group must observe certain covenants primarily relating to loan agreements with foreign and international financial institutions. Covenants include:

General conditions in relation to operations, such as business conduct and reasonable prudence, conformity with legal requirements of the country in which the Group is located, maintenance of accurate accounting records, implementation of controls, performance of independent audits, etc.;

Restrictive covenants, including constraints (without lender’s consent) in respect of dividend payments and other distributions, changes in the shareholder structure, limits on use of assets and some agreements;

Financial covenants, such as meeting certain capital adequacy requirements, credit portfolio diversification, limitation of risks associated with related and unrelated parties, overdue balances to the Group’s capital ratio, maintaining a certain level of reserves to cover risks, control over the expenses to income ratio.

Reporting requirements obliging the Group to provide its audited consolidated financial statements to the lender, as well as certain additional financial information and any other documents upon request.

Non-compliance with such covenants may result in negative consequences for the Group including an increase in the cost of borrowings and default.

The management of the Group believes that as at 31 December 2020 and 31 December 2019 the Group was in compliance with all covenants.

32 Contingencies and Derivative Financial Instruments (continued)

Credit and non-credit related commitments. The primary purpose of these instruments is to ensure that funds are available to a customer as required.

Performance guarantees are contracts that provide for the Group to pay monetary compensation to one party under the contract if the other party fails to meet its contractual obligation.

Documentary letters of credit, which are written undertakings by the Group to execute payments on behalf of customers within an agreed amount provided certain conditions are met, are collateralised with the respective shipments of goods or cash deposits. Loan commitments include the unused portion of amounts authorised by the Group’s management for lending.

Guarantees and letters of credit, which represent the Group’s irrevocable obligations to make payments in the event that a customer fails to fulfil its obligations to third parties have the same credit risk as loans.

Credit and non-credit related commitments are as follows:

(in thousands of Russian roubles)	Note	2020	2019
Revocable undrawn credit facilities		149 904 124	47 133 159
Import letters of credit		3 182 693	2 571 524
Financial guarantees		4 932 950	2 308 821
Allowance for expected credit losses	20	(268 467)	(111 658)
Total credit related commitments		**157 751 300**	**51 901 846**

As at 31 December 2020 the Bank issued non-financial guarantees in the amount of RUB 77 587 103 thousand (2019: RUB 59 575 827 thousand).

The total outstanding contractual amount of undrawn credit lines, letters of credit, and guarantees does not necessarily represent future cash claims, as these obligations may expire or terminate without funds being granted to the borrower. The maturities of credit related commitments depend on types of guarantees and undrawn credit lines and are mainly classified into the category of “On demand and less than 1 month”.

The table below shows information on collateral for financial guarantees issued (net of allowance for impairment) by types (excluding overcollateralisation) as of 31 December 2020 and 31 December 2019:

(*in thousands of Russian roubles*)	2020	2019
Surety	3 150 481	901 105
Real estate	868 279	-
Movable property	218 519	-
Deposits	66 897	58 537
Promissory notes	25 010	43 511
No collateral	514 676	1 279 693
Total	**4 843 862**	**2 282 846**

32 Contingencies and Derivative Financial Instruments (continued)

The table below presents an analysis of off-balance sheet credit related commitments by credit quality, and related allowances as at 31 December 2020.

(in thousands of Russian roubles)	12-month ECLs	Lifetime expected credit losses - non-impaired assets	Lifetime expected credit losses - impaired assets	Purchased or originated credit-impaired assets	Total
Financial credit related commitments: corporate clients					
Minimum credit risk	102 702 364	-	-	-	**102 702 364**
Low credit risk	46 334 793	814 012	-	-	**47 148 805**
Medium credit risk	2 672 504	26 410	-	-	**2 698 914**
High credit risk	-	-	-	-	**-**
Defaulted loans	-	-	21	-	**21**
Total financial credit related commitments: corporate clients	**151 709 661**	**840 422**	**21**	**-**	**152 550 104**
Allowance for expected credit losess	**(111 869)**	**(3 864)**	**(21)**	**-**	**(115 754)**
Financial credit related commitments: private customers					
Not past due	5 466 579	3 056	15	-	**5 469 650**
Overdue loans:				-	
- less than 30 days	2	11	-	-	**13**
- from 31 to 90 days	-	-	-	-	**-**
- more than 90 days	-	-	-	-	**-**
Total financial credit related commitments: private customers	**5 466 581**	**3 067**	**15**	**-**	**5 469 663**
Allowance for expected credit losses	**(151 965)**	**(748)**	**-**	**-**	**(152 713)**
Total financial credit related commitments	**157 176 242**	**843 489**	**36**	**-**	**158 019 767**
Allowance for expected credit losses	**(263 834)**	**(4 612)**	**(21)**	**-**	**(268 467)**

32 Contingencies and Derivative Financial Instruments (continued)

The table below presents an analysis of off-balance sheet credit related commitments by credit quality, and related allowances as at 31 December 2019.

(in thousands of Russian roubles)	12-month ECLs	Lifetime expected credit losses - non-impaired assets	Lifetime expected credit losses - impaired assets	Purchased or originated credit-impaired assets	**Total**
Financial credit related commitments: corporate clients					
Minimum credit risk	24 769 802	-	-	-	**24 769 802**
Low credit risk	19 392 474	511 946	-	-	**19 904 420**
Medium credit risk	3 199 518	37 909	-	-	**3 237 427**
High credit risk	-	-	-	-	
Defaulted loans	-	-	-	-	
Total financial credit related commitments: corporate clients	**47 361 794**	**549 855**	**-**	**-**	**47 911 649**
Allowance for expected credit losses	**(34 980)**	**(3 886)**	**-**	**-**	**(38 866)**
Financial credit related commitments: private customers					
Not past due	4 098 888	2 917	11	-	**4 101 816**
Overdue loans:					
- less than 30 days	39	-	-	-	**39**
- from 31 to 90 days	-	-	-	-	**-**
- more than 90 days	-	-	-		**-**
Total financial credit related commitments: private customers	**4 098 927**	**2 917**	**11**	**-**	**4 101 855**
Allowance for expected credit losses	**(71 896)**	**(888)**	**(8)**	**-**	**(72 792)**
Total financial credit related commitments	**51 460 721**	**552 772**	**11**	**-**	**52 013 504**
Total allowance for expected credit losses	**(106 876)**	**(4 774)**	**(8)**	**-**	**(111 658)**

32 Contingencies and Derivative Financial Instruments (continued)

Fiduciary assets. These assets are not included in the consolidated statement of financial position, as they are not the Group's assets. Nominal values disclosed below are normally different from the fair values of the respective securities. In accordance with the common business practices, no insurance coverage is provided for these fiduciary assets.

The fiduciary assets fall into the following categories:

(in thousands of Russian roubles)	**2020 Nominal value**	**2019 Nominal value**
Corporate shares held in custody of:		
- National Depository Centre	1 263 911	1 262 797
- other registrars and depositories	892 089	946 113
Corporate shares in USD held in custody of:		
- National Depository Centre	64	41
Corporate shares in EUR held in custody of:		
- National Depository Centre	2 166	-
Corporate shares in CHF held in custody of:		
- National Depository Centre	85	-
Municipal bonds held in custody of:		
- St. Petersburg Settlement and Depository Centre	58	58
- National Depository Centre	1 293	1 293
Bonds of the Russian Federation federal authorities held in custody of:		
- National Depository Centre	264 644	-
Corporate bonds held in custody of:		
- National Depository Centre	771 681	1 173 231
- other registrars and depositories	139	139
Eurobonds in RUB held in custody of:		
- National Depository Centre	81 579	-
Eurobonds in USD held in custody of:		
- National Depository Centre	5 614 701	3 921 417
Eurobonds in EUR held in custody of:		
- National Depository Centre	2 082 521	1 350 387
Eurobonds in pounds sterling held in custody of:		
- National Depository Centre	95 040	108 086
Eurobonds in CHF held in custody of:		
- National Depository Centre	51 277	38 162

Assets in custody also include shares of foreign funds held by the National Depository Centre: denominated in US dollars, the market value of which is RUB 147 351 thousand (2019: RUB 30 965 thousand), and denominated in EUR, the market value of which is RUB 9 795 thousand (2019: none).

Derivative financial instruments. Currency derivative financial instruments with which the Group conducts operations have either potentially favourable conditions (and are assets), or potentially unfavourable conditions (and are liabilities) as a result of fluctuations in foreign exchange rates. The total fair value of derivatives may vary significantly over time.

32 Contingencies and Derivative Financial Instruments (continued)

The fair value of accounts receivable or payable for currency and interest derivative contracts entered into by the Group at the reporting date by currency is presented in the table below. The table includes contracts with the settlement date after the end of the relevant reporting period. The amounts for these transactions are shown in detail - before offsetting positions (and payments) for each counterparty.

	2020		2019	
(in thousands of Russian roubles)	**Asset forwards**	**Liability forwards**	**Asset forwards**	**Liability forwards**
Foreign exchange forwards:				
fair values, at the reporting date, of:				
- USD receivable on settlement (+)	10 952 624	95 146 472	20 918 731	103 211 533
- USD payable on settlement (-)	(109 034 923)	(9 327 266)	(84 290 799)	(6 913 977)
- EUR receivable on settlement (+)	34 739 829	2 854 191	16 779 663	44 048 823
- EUR payable on settlement (-)	(6 809 743)	(81 291 105)	(21 946 520)	(84 236 746)
- RUB receivable on settlement (+)	114 005 427	14 114 053	81 158 680	6 949 380
- RUB payable on settlement (-)	(42 048 299)	(22 583 054)	(8 794 975)	(64 311 144)
- Other currency receivable on settlement (+)	124 130	174 899	79 871	16 326
- Other currency payable on settlement (-)	(361 802)	(844 239)	(858 391)	(97 312)
Total on foreign exchange forwards	**1 567 243**	**(1 756 049)**	**3 046 260**	**(1 333 117)**

	2020		2019	
(in thousands of Russian roubles)	**Asset futures**	**Liability futures**	**Asset futures**	**Liability futures**
Foreign exchange futures:				
fair values, at the reporting date, of:				
- USD receivable on settlement (+)	3 047 099	2 842 899	49 778	2 883 760
- USD payable on settlement (-)	(8 967 919)	(149 828)	(15 683 044)	(751 025)
- EUR receivable on settlement (+)	30 797	149 354	157	1 786 349
- EUR payable on settlement (-)	(2 509 182)	(785 434)	(3 625 404)	(136)
- RUB receivable on settlement (+)	11 477 101	931 940	19 331 099	749 449
- RUB payable on settlement (-)	(2 950 177)	(3 001 298)	(130 635)	(4 685 752)
- Other currency receivable on settlement (+)	-	-	80 863	6 884
- Other currency payable on settlement (-)	-	-	-	(154)
Total on foreign exchange futures	**127 719**	**(12 367)**	**22 814**	**(10 625)**

32 Contingencies and Derivative Financial Instruments (continued)

	2020		2019	
(in thousands of Russian roubles)	Asset forwards	Liability forwards	Asset forwards	Liability forwards
Interest rate forwards:				
fair values, at the reporting date, of:				
- USD receivable on settlement (+)	18 482 236	44 722 167	6 265 337	16 267 155
- USD payable on settlement (-)	(13 291 113)	(19 155 324)	(3 318 559)	-
- EUR receivable on settlement (+)	-	4 549 532		
- EUR payable on settlement (-)	-	(34 644 461)	-	(3 473 514)
- RUB receivable on settlement (+)	25 922 284	28 400 814	9 855 174	16 955 994
- RUB payable on settlement (-)	(27 821 644)	(29 479 655)	(10 573 775)	(35 727 344)
Total on interest rate forwards	**3 291 763**	**(5 606 927)**	**2 228 177**	**(5 977 709)**

	2020		2019	
(in thousands of Russian roubles)	Asset unlisted options	Liability unlisted options	Asset unlisted options	Liability unlisted options
Unlisted options:				
fair values, at the reporting date, of:				
- RUB transactions	12 459	(3 116)	284	(182)
- USD transactions	15	-	-	-
- EUR transactions	477	-	6 470	(6 708)
Total on unlisted options	**12 951**	**(3 116)**	**6 754**	**(6 890)**
Net fair value of derivative financial Instruments	**4 999 676**	**(7 378 459)**	**5 304 005**	**(7 328 341)**

33 Fair Value of Financial Instruments

Methods and assumptions used in measurement of fair value.

The fair value is the price that can be obtained from the sale of an asset or paid when transferring a liability when conducting a transaction on a voluntary basis in the main market at the measurement date. The best confirmation of the fair value is the quotation of a financial instrument in an active market.

The estimated fair value of financial instruments was calculated by the Group based on available market information (if available) and proper valuation methods. However, in order to interpret market information in order to determine fair value, it is necessary to apply professional judgment. The economy of the Russian Federation continues to show some of the characteristics of emerging markets, and economic conditions continue to limit the volume of activity in financial markets. Market quotations may be outdated or reflect the sale price at low prices and, therefore, do not reflect the fair value of financial instruments. In determining the fair value of financial instruments, management uses all available market information.

The fair value of instruments with floating interest rates is usually equal to their carrying amount. The fair value of instruments with a fixed interest rate and a fixed maturity that does not have market prices is based on discounted cash flows using current interest rates for new instruments with similar credit risk and a similar maturity.

The Group estimates the fair values of financial instruments reflected in the consolidated statement of financial position using the following fair value hierarchy, taking into account the materiality of the data used to form the estimates:

- Level 1: Quotes in an active market (unadjusted) for identical financial instruments.
- Level 2: Valuation methods based on market data available directly (that is, quotes) or indirectly (that is, data derived from quotes). This category includes instruments valued using: market quotations in active markets for similar instruments, market quotations for identical or similar instruments in markets not considered active, or other valuation methods, all of which are used directly or indirectly based on observable market values data.
- Level 3: Valuation techniques based on unobservable market data. This category includes instruments that are estimated using information that is not based on observable market data, while such unobservable data have a significant impact on the valuation of the instrument. This category includes instruments that are valued on the basis of quotations for similar instruments in respect of which the use of significant unobservable adjustments or judgments is required to reflect the difference between instruments.

Management uses professional judgment to categorise financial instruments into categories of the fair value measurement hierarchy. If observable data requiring significant adjustments are used to estimate fair value, this estimate relates to Level 3.

Obligations to banks and customers for the return of securities received under purchase agreements with an obligation to resell and sold by the Group are carried at fair value.

33 Fair Value of Financial Instruments (continued)

The following table provides an analysis of financial instruments recognised at fair value by evaluation categories as at 31 December 2020:

(in thousands of Russian roubles)	**Level 1**	**Level 2**	**Level 3**
FINANCIAL ASSETS			
Trading securities, including pledged under sale and repurchase agreements			
- Corporate bonds	4 793 347	211 972	-
- Corporate Eurobonds	1 311 563	-	-
- Federal loan bonds	95 522	-	-
- Corporate shares	261	-	564 005
Loans and advances to legal entities at fair value	-	-	5 128 986
Investment securities valued through other comprehensive income, including securities pledged under sale and repurchase agreements			
- Corporate bonds	4 322 411	1 614 614	-
- Equity securities	992 348	-	102 550
Derivative financial assets	-	5 048 126	-
TOTAL FINANCIAL ASSETS RECOGNISED AT FAIR VALUE	**11 515 452**	**6 874 712**	**5 795 541**
FINANCIAL LIABILITIES			
Financial liabilities at fair value	1 706 974	-	-
Derivative financial liabilities	-	7 410 602	-
TOTAL FINANCIAL LIABILITIES RECOGNISED AT FAIR VALUE	**1 706 974**	**7 410 602**	**-**

In 2020 debt securities with a carrying value of RUB 1 290 018 thousand were transferred from Level 2 to Level 1 of the fair value hierarchy, since the frequency and volume of trading in the market for such debt securities began to meet the criteria of an active market. Also, as at 31 December 2020 corporate debt securities with a carrying value of RUB 55 473 thousand were transferred from Level 1 to Level 2 of the fair value hierarchy, since the frequency and volume of trading in the market for such debt securities no longer satisfied the criteria of an active market. Management used a valuation technique to determine the fair value of these debt securities where all significant inputs were based on observable market data.

In 2020 no instruments were transferred from Level 3 to other Levels.

In 2020 there were no transfers between the levels of the hierarchy for investment securities referred to Level 3 of the hierarchy measured at fair value through other comprehensive income except for reclassification of the investment in units of combined closed-end investment fund 1st FORTIS in the amount of RUB 1 335 901 thousand from the category of investment securities measured at fair value through other comprehensive income based on data of Level 3 of the hierarchy of measurement at fair value to the category of investments in subsidiaries due to control over the fund.

33 Fair Value of Financial Instruments (continued)

The following table provides an analysis of financial instruments recognised at fair value by evaluation categories as at 31 December 2019:

(in thousands of Russian roubles)	Level 1	Level 2	Level 3
FINANCIAL ASSETS			
Trading securities, including pledged under sale and repurchase agreements			
- Bank of Russia coupon bonds	32 271 940	-	-
- Corporate bonds	7 590 578	2 691 900	-
- Corporate Eurobonds	738 586	-	-
- Federal loan bonds	360 441	-	-
- Corporate shares	102	-	558 414
Loans and advances to legal entities at fair value	-	-	6 931 189
Investment securities valued through other comprehensive income, including securities pledged under sale and repurchase agreements			
- Corporate bonds	3 800 093	1 732 309	-
- Municipal bonds	44 738	-	-
- Equity securities	714 350	-	1 438 831
Derivative financial assets	-	5 350 855	-
TOTAL FINANCIAL ASSETS RECOGNISED AT FAIR VALUE	**45 520 828**	**9 775 064**	**8 928 434**
FINANCIAL LIABILITIES			
Financial liabilities at fair value	311 829	-	-
Derivative financial liabilities	-	7 394 070	-
TOTAL FINANCIAL LIABILITIES RECOGNISED AT FAIR VALUE	**311 829**	**7 394 070**	

In 2019 debt securities with a carrying value of RUB 348 477 thousand were transferred from Level 2 to Level 1 of the fair value hierarchy, since the frequency and volume of trading in the market for such debt securities began to meet the criteria of an active market.

As at 31 December 2019 corporate equity securities with carrying value of RUB 31 258 thousand were transferred from Level 1 to Level 3 of the fair value hierarchy as the frequency and volume of trading in such equity securities market ceased to meet the criteria of an active market. Management used a valuation technique to determine the fair value of these equity securities based on partially unobservable market data. Also, as at 31 December 2019 corporate debt securities with a carrying value of RUB 2 998 987 thousand were transferred from Level 1 to Level 2 of the fair value hierarchy, since the frequency and volume of trading in the market for such debt securities no longer satisfied the criteria of an active market. Management used a valuation technique to determine the fair value of these debt securities where all significant inputs were based on observable market data.

33 Fair Value of Financial Instruments (continued)

The table below presents the reconciliation of opening and closing balances classified as Level 3 of the fair value assessment hierarchy as of 31 December 2020:

(in thousands of Russian roubles)	Level 3 incoming value at 1 January 2020	Income reflected in profit and loss	Income/Loss reflected in OCI	Disposals	Acquisitions	Level 3 outgoing value as at 31 December 2020
Loans to legal entities at fair value	6 931 189	481 303	-	(3 450 116)	1 166 610	5 128 986
Investment securities, including securities pledged under sale and repurchase agreements	1 438 831	-	(380)	(1 335 901)	-	102 550
Trading securities, including pledged under sale and repurchase agreements	558 414	5 591	-	-	-	564 005
Total Level 3 assets	**8 928 434**	**486 894**	**(380)**	**(4 786 017)**	**1 166 610**	**5 795 541**

The table below presents the reconciliation of opening and closing balances classified as Level 3 of the fair value assessment hierarchy as of 31 December 2019:

(in thousands of Russian roubles)	Level 3 incoming value at 1 January 2019	Income reflected in profit and loss	Income/ Loss reflected in OCI	Disposals	Acquisitions	Transfer to Level 3	Level 3 outgoing value as at 31 December 2019
Loans to legal entities at fair value	1 094 580	380 618	-	(1 499 547)	6 955 538	-	6 931 189
Investment securities, including securities pledged under sale and repurchase agreements	204 320	-	(15 885)	(85 505)	1 335 901	-	1 438 831
Trading securities, including pledged under sale and repurchase agreements	569 313	(42 157)	-	-	-	31 258	558 414
Total Level 3 assets	**1 868 213**	**338 461**	**(15 885)**	**(1 585 052)**	**8 291 439**	**31 258**	**8 928 434**

Evaluation of loans to legal entities at fair value

As at 31 December 2020, the Group classifies the rights of claim under financing transactions of a specialised company established for the purpose of acquiring loans to individuals from other banks as well as convertible loan agreement into financial assets measured at fair value through profit or loss.

The appraisal of the fair value of the convertible loan agreement is made on the basis of the independent appraiser’s report.

Claim rights are valued based on the expected cash flow on acquired portfolios with the observed and expected default. Market value is estimated by the Group's risk assessment division on a monthly basis. In assessing the market value, assumptions regarding the expected default on the acquired portfolios and market discount rate for assets having similar risk level were used. With an increase in the expected default rate per annum of 1.0%, the market value of the acquired rights of claim decreases by 0.3%. With an increase in the market discount rate of 1.0%, the market value of the acquired rights of claim decreases by 1%.

Evaluation of investment securities, including those pledged under sale and repurchase agreements. Securities measured at fair value through other comprehensive income are an investment in non-listed shares of companies that are estimated based on information not observed at the market.

33 Fair Value of Financial Instruments (continued)

The fair value of securities remeasured at fair value through other comprehensive income was determined by the Group based on the results of external appraisers using the net asset valuation method. For the purpose of comparison, the company-analogue method (capital market) was used, but the results of it were not taken into account when determining the fair value of financial assets, since the multipliers were determined on the basis of data of companies operating in foreign jurisdictions and in addition the shares are minority stake.

The increase/decrease in the amount of net assets of companies used by the Group in the valuation model by 1.0%, leads to increase of the carrying amount of financial instruments by RUB 1 025 thousand and decrease by RUB 1 025 thousand respectively (31 December 2019: increase of the carrying amount by RUB 17 807 thousand and decrease by RUB 17 807 thousand respectively).

Evaluation of trading securities, including those pledged under sale and repurchase agreements

As at 31 December 2020 the Group classifies equity securities and investments of BSPB CAPITAL VPF L.P. fund into trading securities, including those pledged under sale and repurchase agreements. Securities with the carrying value of RUB 564 005 thousand represent corporate shares traded on organized stock exchanges but the market for which cannot be recognized as active. The fair value of equity securities is estimated based on a model of correlation between the share price, exchange index and the value of the index at the valuation date: regression coefficient is 0.00037. To determine the fair value of these equity securities management used a model valuation method based on partially unobservable market data.

BSPB CAPITAL VPF L.P. investments in the capital of companies are evaluated in the amount of RUB 530 549 thousand. The fair value of the Fund’s investments was determined in accordance with the International Guidelines for the Private Equity and Venture Capital Valuation (IPEV) based on the adjusted business value / revenue multiplier of public international companies according to industry.

The estimated weighted average adjusted multiplier “business value / revenue” was 3.99. The increase/decrease in the amount of multiplier by 1.0%, leads to increase/decrease of the carrying amount of the financial instrument by RUB 5 305 thousand.

The table below shows the fair values of financial assets carried at amortised cost at 31 December 2020 and 31 December 2019:

	2020		2019	
(in thousands of Russian roubles)	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Financial assets carried at amortised cost				
Debt investment securities measured at amortised cost, including pledged under repurchase agreements	68 058 940	70 021 906	46 769 347	48 473 771
Loans and advances to customers				
Loans to legal entities				
- loans to finance working capital	199 641 523	201 096 191	168 173 830	168 961 492
- investment loans	80 507 811	80 074 276	64 696 661	65 049 855
- loans to entities financed by government	24 368 748	24 368 593	29 306 776	28 344 438
Loans to individuals				
- mortgage loans	76 973 935	78 921 463	66 149 831	75 296 086
- car loans	5 119 340	5 106 774	5 162 006	5 195 185
- consumer loans to VIP clients	3 437 766	3 424 071	2 855 378	2 830 040
- other consumer loans	24 286 823	25 455 604	24 793 937	25 872 356
TOTAL	**482 394 886**	**488 468 878**	**407 907 766**	**420 023 223**

33 Fair Value of Financial Instruments (continued)

The following table provides fair values of financial liabilities carried at amortised cost as at 31 December 2020 and 31 December 2019:

	2020		2019	
(in thousands of Russian roubles)	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Financial liabilities carried at amortised cost				
Customer accounts				
State and public organisations				
- Current/settlement accounts	854	854	32 009	32 009
Other legal entities				
- Current/settlement accounts	97 030 951	97 030 951	72 545 082	72 545 082
- Term deposits	97 861 247	97 873 706	88 798 834	88 976 445
Individuals				
- Current accounts/demand deposits	104 696 301	104 696 301	74 207 009	74 207 009
- Term deposits	171 332 398	175 510 792	174 760 414	179 110 955
Bonds issued				
Mortgage secured bonds issued by mortgage agents	2 712 400	2 454 216	4 802 775	4 345 685
Promissory notes and deposit certificates issued				
Promissory notes	8 150 020	8 782 297	7 231 231	7 835 559
Deposit certificates	2	2	2	2
TOTAL	**481 784 173**	**486 349 119**	**422 377 356**	**427 052 746**

Trading securities, including securities pledged under sale and repurchase agreements, investment securities, including securities pledged under sale and repurchase agreements, measured at fair value through other comprehensive income, derivative financial instruments are measured at fair value in the consolidated financial statements.

The Group estimates that the fair value of financial assets and liabilities, except those disclosed in the tables above, does not differ significantly from their book value.

The fair value hierarchies of financial assets and liabilities presented in the tables above are the following: issued bonds - Level 1, issued promissory notes and deposit certificates - Level 2, customer accounts – Level 2, other borrowed funds - Level 3, loans and advances to customers - Level 3.

Loans and receivables carried at amortised cost. The fair value of instruments with floating interest rates usually equals their present value. If market situation significantly changes the interest rates on loans and advances to customers and loans to banks with fixed interest rate may be revised. Interest rates on loans to customers issued just before the reporting date do not significantly differ from current interest rates on new instruments with similar credit risk and maturity date. If interest rates on earlier issued loans, according to the Group estimates, significantly differ from current interest rates for similar instruments as at the reporting date, the Group determines the estimated fair value for these loans. The estimate is based on discounted cash flows using current interest rates determined based on available market information for new instruments with similar credit risk and maturity date. Discounting rates depend on currency, maturity date and counterparty.

The following table provides analysis of interest rates on loans and advances to customers as at 31 December 2020 and 31 December 2019:

	2020	2019
Loans and advances to customers:		
Loans and advances to legal entities	1.34% - 11.00% per annum	1.27% - 12.50% per annum
Loans and advances to individuals	1.54% - 25.06% per annum	1.83% - 16.00% per annum

33 Fair Value of Financial Instruments (continued)

Liabilities carried at amortised cost. The estimated fair value of fixed interest rate and fixed maturity instruments that do not have a market price is based on discounted cash flows using interest rates determined on the basis of available information from the market for new instruments with similar credit risk and similar maturity. Discount rates used depend on the currency and maturity of the instrument and as of 31 December 2020 range from 0.01 % to 5.00% per annum (2019: from 0.01% to 8.30% per annum).

The estimated fair value of other financial assets, including trade and procurement receivables, approximates their amortised cost, taking into account the short-term nature of the assets.

34 Related Party Transactions

For the purposes of these consolidated financial statements, parties are considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the economic substance of the relationship, not merely to the legal form. The family of Mr. A.V. Savelyev, through the ownership of the Bank's shares and the option to purchase interest in the companies currently controlled by the members of the Bank's management (see Note 1), is the majority ultimate beneficiary of the Bank.

In the normal course of business, the Group conducts transactions with shareholders, management of the Group and other related parties.

As at 31 December 2020 the outstanding balances with related parties are as follows:

(in thousands of Russian roubles)	**Shareholders**	**Group's Management**	**Other related parties**
Loans and advances to customers (contractual interest rates 7.70%-18.00% p.a.)	-	33 762	-
Allowance for expected credit losses	-	(250)	-
Customer accounts (contractual interest rates 0.01%-8.50% p.a.)	5 532 790	810 598	1 240 780

The income and expense items for transactions with related parties, other than compensation to the members of the Supervisory Board and the Management Board of the Bank, for the year ended 31 December 2020 are as follows:

34 Related Party Transactions (continued)

(in thousands of Russian roubles)	Shareholders	Group’s Management	Other related parties
Interest income	3	2 064	-
Interest expenses	(223 078)	(31 045)	(20 492)
(Charge) recovery of allowance for expected credit losses	-	(137)	1
Fee and commission income	807	501	2 624

Aggregate amounts lent to and repaid by related parties during 2020 are:

(in thousands of Russian roubles)	Shareholders	Group’s Management	Other related parties
Amounts lent to related parties during the period measured at amortised cost	7 780	41 618	1 646
Amounts repaid by related parties during the period measured at amortised cost	7 780	15 836	1 720

As at 31 December 2019, the outstanding balances with related parties are as follows:

(in thousands of Russian roubles)	Shareholders	Group’s Management	Other related parties
Loans and advances to customers (contractual interest rates 6.91%-18.00% p.a.)	-	7 980	74
Allowance for expected credit losses	-	(113)	(1)
Customer accounts (contractual interest rates 0.01% - 8.55% p.a.)	6 201 905	1 342 778	871 364

The income and expense items for transactions with related parties, other than compensation to the members of the Supervisory Board and the Management Board of the Bank, for the year ended 31 December 2019 are as follows:

(in thousands of Russian roubles)	Shareholders	Group’s Management	Other related parties
Interest income	4	6 947	-
Interest expenses	(252 928)	(52 800)	(18 478)
(Charge) recovery of allowance for expected credit losses	-	950	-
Fee and commission income	577	528	2 868

34 Related Party Transactions (continued)

Aggregate amounts lent to and repaid by related parties during 2019 are:

(in thousands of Russian roubles)	Shareholders	Group's Management	Other related parties
Amounts lent to related parties during the period measured at amortised cost	11 402	66 265	2 477
Amounts repaid by related parties during the period measured at amortised cost	11 402	130 889	2 515

In 2020 total remuneration of members of the Supervisory Board and the Management Board of the Bank, including pension contributions and discretionary bonuses, amounts to RUB 488 602 thousand (2019: RUB 414 896 thousand).

35 Consolidation of Companies

The Group's consolidated financial statements include the following subsidiaries:

Name	Country of incorporation	Ownership, % December 31, 2020	Ownership, % December 31, 2019	Type of business
LLC BSPB Capital	Russian Federation	100%	100%	Securities management
4th Nevsky Fund, Combined CEIF	Russian Federation	100%	100%	Real estate investment
10th Nevsky Fund, Combined CEIF	Russian Federation	100%	100%	Real estate investment
13th Nevsky Fund, Combined CEIF	Russian Federation	100%	100%	Investments in real estate and other assets
16th Nevsky Fund, Combined CEIF	Russian Federation	100%	100%	Investments in real estate and other assets
17th Nevsky Fund, Combined CEIF	Russian Federation	100%	100%	Direct investment
1st FORTIS, Combined CEIF	Russian Federation	100%	-	Investments in real estate and other assets
2nd FORTIS, Combined CEIF	Russian Federation	100%	-	Investments in real estate and other assets
Venture Project, Combined CEIF	Russian Federation	-	100%	Direct and venture capital investment
BSPB CAPITAL VPF L.P.	Jersey, Channel Islands	100%	100%	Direct and venture capital investment

BSPB Capital LLC is an asset management enterprise. The Bank uses this company to expand the range of investment products, including trust management of the customers' assets.

4th Nevsky Fund, Combined CEIF, 10th Nevsky Fund, Combined CEIF, 13th Nevsky Fund, Combined CEIF, 16th Nevsky Fund, Combined CEIF, and 17th Nevsky Fund, Combined CEIF, 1st FORTIS, Combined CEIF and 2nd FORTIS, Combined CEIF are funds specialised in real estate and other assets management to increase their cost.

Venture Project, Combined CEIF was a fund established for direct investing and investing in ventures. This CEIF was dissolved on 29 June 2020 as a result of the sale of the investee's share.

BSPB CAPITAL VPF L.P operates as an investor, sells, exchanges and distributes investments in accordance with the investment policy under management of BSPB Capital GP Ltd.

The Bank used BSPB Finance PLC, a structured entity, for issue of bonds on the international capital market.

35 Consolidation of Companies (continued)

BSPb Finance PLC is the issuer of a structured product - loan participation notes issued exclusively for the purpose of granting loans to the Bank. Bonds are secured instruments and the issuer pledges all amounts received and/or to be received under loan agreements concluded with the Bank. The Bank reimburses all non-recurring and current expenses related to the provision and servicing of the loan.

MA BSPB 2 LLC is an entity of the Bank established for securitization purposes, which is financed by the Group under the securitization program. MA BSPB 2 LLC operates according to predetermined criteria, which are part of the initial structure of the company (Note 10). Except for the daily servicing of mortgage loans (which is performed by the Group on the basis of a service agreement), key decisions are required only in the event of default, in such cases only the Group can make such decisions. In addition, the Group is exposed to variable returns from its participation in MA BSPB 2 LLC through the provision of a credit line to this company by the Bank. As a result, the management concluded that the Group controls the specified company and its financial statements were included in the consolidated financial statements as at 31 December 2020 and as at 31 December 2019.