

ROSBANK Group

Consolidated financial statements

Year ended 31 December 2020

ROSBANK GROUP

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Independent auditor's report

To the shareholders and Board of Directors of
Public joint stock company ROSBANK

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Public joint stock company ROSBANK (hereinafter, the "Bank") and its subsidiaries (hereinafter, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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 2020 in accordance with International Financial Reporting Standards (IFRSs).

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 *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Russian Federation, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the 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. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter

How our audit addressed the key audit matter

Allowance for expected credit loss for loans to customers, and expected credit loss for contingent liabilities and credit commitments

Determining amount of allowance for expected credit loss for loans to customers and for contingent liabilities and credit commitments under IFRS 9 is a key audit matter of the Group.

Assessment whether credit risk has not changed significantly since initial recognition, identifying factors of significant increase in credit risk, which includes identification of changes in probability of default for the lifetime of financial instrument, identification of defaults (stages) and also identification of probabilities of default and loss given default, are a significant use of professional judgments and assumptions. The Group's management booked additional allowance for credit losses for expected deterioration of credit quality of retail loan portfolio due to worsening of the economic environment because of COVID-19.

Use of various models and assumptions may significantly affect level of allowance for expected credit losses for loans to customers and for contingent liabilities and credit commitments. Due to substantial amounts of loans, which comprise 58% of total assets and contingent liabilities and credit commitments that comprise 48% of total loan portfolio, and due to significant use of professional judgments, assessment of allowance for expected credit loss is a key audit matter.

Information regarding allowance for expected credit loss and Group's management approach for assessment of expected credit loss and credit risk management is described in Notes 23 and 38 to the consolidated financial statements.

Our audit procedures comprised methodology analysis related to assessment of allowance for expected credit loss for loans to customers and for contingent liabilities and credit commitments, controls testing over loan granting process, including controls testing related to overdue loans accounting, procedures related to identification of significant increase in credit risk of borrowers, based on internal ratings system, and calculation of allowance for expected credit loss. We performed controls testing related to information systems, used in formation of expected credit loss process.

With regard to assessment of allowance for expected credit loss for loans to customers and for contingent liabilities and credit commitments, we tested input data used by the Group (such as recovery rates statistic for default financial instruments), models analysis, and calculation of probability of default and loss given default. We also audited (on a sample basis) cash proceeds from collateral sales, collateral fair value and classification of loans to customers by stages. We performed recalculation of allowance for expected credit loss. We have audited Group's management assumptions of additional allowance for credit losses for expected deterioration of credit quality of retail loan portfolio due to worsening of the economic environment because of COVID-19.

We analyzed consistency of Group's management judgment related to expected credit loss calculations.

We fulfilled audit procedures related to information disclosed in notes to consolidated financial statements.

Other information included in Annual report Public joint stock company ROSBANK for year 2020

Other information consists of the information included in the Annual report of Public joint stock company ROSBANK for the year 2020 (hereinafter, the “Annual report”) other than the consolidated financial statements and our auditor’s report thereon. Management is responsible for the other information. Annual report is expected to be made available to us after the date of this auditor’s report.

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

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

Responsibilities of management and Audit Committee for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, 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.

Audit Committee is responsible for overseeing the Group’s financial reporting process.

Auditor’s 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 auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism 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 auditor's 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 auditor's 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 Audit Committee 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 Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with Audit Committee, 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 auditor's 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 in accordance with the requirements of Article 42 of the Federal Law of the Russian Federation No. 395-1 Concerning Banks and Banking Activities of 2 December 1990

Management of the Bank is responsible for the compliance of the banking group, where the Bank is the parent credit institution (hereinafter, the "Banking group") with the mandatory prudential ratios established by the Central Bank of the Russian Federation (hereinafter, the "Bank of Russia") and for the conformity of internal control and organization of the risk management systems of the Banking group with the requirements set forth by the Bank of Russia in respect of such systems.

In accordance with the requirements of Article 42 of the Federal Law of the Russian Federation No. 395-1 *Concerning Banks and Banking Activities* of 2 December 1990 (hereinafter, the "Federal Law"), during the audit of the Group's consolidated financial statements for the year ended 31 December 2020, we determined:

- 1) Whether the Banking group complied as at 1 January 2021 with the obligatory ratios established by the Bank of Russia;
- 2) Whether internal control and organization of the risk management systems of the Banking group conformed to the requirements set forth by the Bank of Russia for such systems in respect of the following:
 - ▶ Subordination of the risk management departments;
 - ▶ The existence of methodologies, approved by the Bank's respective authorized bodies, for detecting and managing risks that are significant to the Bank and for performing stress-testing; the existence of a reporting system at the Bank pertaining to its significant risks and capital;
 - ▶ Consistency in applying and assessing the effectiveness of methodologies for managing risks that are significant to the Bank;
 - ▶ Oversight performed by the Board of Directors and executive management of the Bank in respect of the Bank's compliance with risk limits and capital adequacy requirements set forth in the Bank's internal documents, and effectiveness and consistency of the application of the Bank's risk management procedures.

This work included procedures selected based on our judgment, such as inquiries, analysis, reading of documents, comparison of the requirements, procedures and methodologies approved by the Bank with the requirements set forth by the Bank of Russia, and the recalculation, comparison and reconciliation of numerical values and other information.

The findings from our work are provided below.

Compliance by the Banking group with the obligatory ratios established by the Bank of Russia

We found that the values of the obligatory ratios of the Banking group as of 1 January 2021 were within the limits established by the Bank of Russia.

We have not performed any procedures in respect of accounting data of the Banking group, except for those procedures we considered necessary to express our opinion on the fair presentation of the Group's consolidated financial statements.

Conformity of internal control and organization of the risk management systems of the Banking group with the requirements set forth by the Bank of Russia in respect of such systems

- ▶ We found that, in accordance with the legal acts and recommendations issued by the Bank of Russia, as at 31 December 2020 the Bank's internal audit division was subordinated and accountable to the Board of Directors, and the Bank's risk management departments were not subordinated or accountable to the departments that take the relevant risks.
- ▶ We found that the Bank's internal documents effective as at 31 December 2020 that establish the methodologies for detecting and managing credit, market, operational, liquidity risks, interest rate risk of banking book, structural currency risk and strategic risk that are significant to the Banking group and stress-testing have been approved by the Bank's authorized bodies in accordance with the legal acts and recommendations issued by the Bank of Russia. We also found that, as at 31 December 2020, the Bank had a reporting system pertaining to credit, market, operational, liquidity risks, interest rate risk of banking book, structural currency risk and strategic risk that were significant to the Banking group and pertaining to its capital.
- ▶ We found that the frequency and consistency of reports prepared by the Bank's risk management departments and internal audit division during the year ended 31 December 2020 with regard to the management of credit, market, operational, liquidity risks, interest rate risk of banking book, structural currency risk and strategic risk of the Banking group complied with the Bank's internal documents, and that those reports included observations made by the Bank's risk management departments and internal audit division in respect of the effectiveness of relevant risk management methodologies.
- ▶ We found that, as at 31 December 2020, the authority of the Board of Directors and executive management bodies of the Bank included control over compliance of the Banking group with internally established risk limits and capital adequacy requirements. For the purpose of control over the effectiveness and consistency of the risk management procedures applied by the Banking group during the year ended 31 December 2020, the Board of Directors and executive management bodies of the Bank regularly reviewed the reports prepared by the Bank's risk management departments and internal audit division.



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The procedures pertaining to the internal control and organization of the risk management systems were conducted by us solely for the purpose of determining the conformity of certain elements of the internal control and organization of the risk management systems of the Banking group, as listed in the Federal Law and described above, with the requirements set forth by the Bank of Russia.

The partner in charge of the audit resulting in this independent auditor's report is A.V. Sorokin.

A.V. Sorokin
Partner
Ernst & Young LLC

19 March 2021

Details of the audited entity

Name: Public joint stock company ROSBANK
Record made in the State Register of Legal Entities on 25 October 2002, State Registration Number 1027739460737.
Address: Russia 107078, Moscow, Mashi Poryvaevoy street, 34.

Details of the auditor

Name: Ernst & Young LLC
Record made in the State Register of Legal Entities on 5 December 2002, State Registration Number 1027739707203.
Address: Russia 115035, Moscow, Sadovnicheskaya naberezhnaya, 77, building 1.
Ernst & Young LLC is a member of Self-regulatory organization of auditors Association "Sodruzhestvo".
Ernst & Young LLC is included in the control copy of the register of auditors and audit organizations, main registration number 12006020327.

ROSBANK GROUP

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2020 (In millions of Russian Roubles)

	Notes	31 December 2020	31 December 2019
ASSETS			
Cash and cash equivalents	5, 32	301,646	190,970
Mandatory cash balances with the Central Bank of the Russian Federation		10,910	9,042
Financial assets at fair value through profit or loss	6, 8, 32	57,058	36,472
Due from banks	7, 32	13,633	13,634
Loans to customers	9, 32	792,338	771,447
Investments at fair value through other comprehensive income	10, 32	30,982	63,100
Investments at amortized cost	11, 32	103,731	82,740
Changes in fair value of hedged items		134	131
Property and equipment and right-of-use assets	12	26,591	24,636
Intangible assets	12	8,277	5,813
Current income tax assets		632	85
Deferred income tax assets	29	3,893	2,248
Other assets	13	13,611	18,449
Total assets		1,363,436	1,218,767
LIABILITIES AND EQUITY			
LIABILITIES			
Financial liabilities at fair value through profit or loss	8, 14, 32	54,676	34,971
Due to the Central Bank of the Russian Federation		-	18
Due to banks and international financial institutions	15, 32	44,710	49,344
Customer accounts	16, 32	924,638	813,162
Debt securities issued	17, 32	108,033	108,067
Other provisions	31	859	477
Current income tax liabilities		20	557
Deferred income tax liabilities	29	2,076	1,540
Other liabilities	18 32	20,599	20,645
Subordinated debt	19, 32	21,450	17,987
Total liabilities		1,177,061	1,046,768
EQUITY			
Share capital	20	17,587	17,587
Share premium	20	59,709	59,707
Treasury shares		-	(17)
Perpetual subordinated debt	21, 32	22,162	18,572
Property and equipment revaluation reserve		3,497	3,993
Fair value reserve		204	50
Cash flow hedge		(137)	(37)
Retained earnings		83,353	72,144
Total equity		186,375	171,999
TOTAL LIABILITIES AND EQUITY		1,363,436	1,218,767



Chairman of the Management Board

I.A. Polyakov

19 March 2021

Moscow

Member of the Management Board –
Chief Financial Officer
A.A. Ovchinnikov

The notes on pages 15-100 form an integral part of these consolidated financial statements.

ROSBANK GROUP

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2020

(in millions of Russian Roubles, except for earnings per share which are in Roubles)

	Notes	Year ended 31 December 2020	Year ended 31 December 2019
Interest income at effective interest rate	22, 32	86,284	91,366
Other interest income	22, 32	270	335
Interest expense	22, 32	(37,821)	(45,306)
Net interest income before credit loss expense		48,733	46,395
Credit loss expense	23	(14,394)	(7,639)
Net interest income		34,339	38,756
Net gain/(loss) on financial assets and liabilities at fair value through profit or loss, except forex swaps and forwards	24, 32	1,229	(1,572)
Net gain/(loss) on foreign exchange operations	25	6,287	1,507
Net gain/(loss) on precious metals operations		1	35
Net realized gain/(loss) on sale of Investments at fair value through other comprehensive income		(15)	(23)
Net gain/(loss) on sale of Investments at amortized cost		203	521
Fee and commission income	26, 32	17,008	16,887
Fee and commission expense	26, 32	(4,457)	(4,855)
Other provisions and impairment	23	(1,948)	(208)
Dividend income	32	821	559
Other income	27, 32	958	1,227
Net non-interest income		20,087	14,078
Operating income		54,426	52,834
Operating expenses	28	(35,929)	(39,187)
Other non-operating income/(expense)		(188)	60
Profit before income tax		18,309	13,707
Income tax expense	29	(2,780)	(2,760)
Net profit for the year		15,529	10,947
EARNINGS PER SHARE			
Basic and diluted (in RUB)	30	10.01	7.06

Chairman of the Management Board
I.A. Polyakov

19 March 2021
Moscow



Member of the Management Board -
Chief Financial Officer
A.A. Ovchinnikov

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ROSBANK GROUP

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020 (in millions of Russian Roubles)

	Year ended 31 December 2020	Year ended 31 December 2019
Net profit for the year	15,529	10,947
Other comprehensive income/(expense)		
Items that will not be reclassified subsequently to profit or loss		
Net (loss)/gain resulting on revaluation and impairment of property	(309)	63
Income tax on revaluation and impairment of property	62	(13)
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translating foreign operations	-	(213)
Income tax on translating foreign operations	-	41
Cash flow hedge	(125)	(150)
Income tax on cash flow hedge	25	51
Net change in fair value of investments at fair value through other comprehensive income	172	57
Income tax on fair value of investments at fair value through other comprehensive income during the year	(38)	(11)
Impairment of debt securities at fair value through OCI	20	-
Other comprehensive income/(expense) after income tax	(193)	(175)
Total comprehensive income/(expense)	15,336	10,772

Chairman of the Management Board
I.A. Polyakov

19 March 2021
Moscow



Member of the Management Board -
Chief Financial Officer
A.A. Ovchinnikov

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ROSBANK GROUP

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020 (in millions of Russian Roubles)

	Share capital	Share premium	Common shares repurchased	Perpetual subordinated debt	Cumulative translation reserve	Property and equipment revaluation reserve	Fair value reserve	Cash flow hedge	Retained earnings	Total equity
31 December 2018	17,587	59,707	-	10,421	172	4,218	4	62	60,634	152,805
Net profit for the year	-	-	-	-	-	-	-	-	10,947	10,947
Other comprehensive income/(expense) for the year	-	-	-	-	(172)	50	46	(99)	-	(175)
Total comprehensive income (expense) for the year	-	-	-	-	(172)	50	46	(99)	10,947	10,772
Property and equipment disposal (net of deferred tax of RUR 69 millions)	-	-	-	-	-	(275)	-	-	275	-
Perpetual subordinated debt	-	-	-	9,982	-	-	-	-	-	9,982
Payment of interest on perpetual subordinated debt	-	-	-	-	-	-	-	-	(1,177)	(1,177)
Effect of exchange rate changes on perpetual subordinated debt	-	-	-	(1,831)	-	-	-	-	1,831	-
Tax effect of exchange rate changes on perpetual subordinated debt	-	-	-	-	-	-	-	-	(366)	(366)
Common shares repurchased	-	-	(17)	-	-	-	-	-	-	(17)
31 December 2019	17,587	59,707	(17)	18,572	-	3,993	50	(37)	72,144	171,999
Net profit for the year	-	-	-	-	-	-	-	-	15,529	15,529
Other comprehensive income/(expense) for the year	-	-	-	-	-	(247)	154	(100)	-	(193)
Total comprehensive income (expense) for the year	-	-	-	-	-	(247)	154	(100)	15,529	15,336
Property and equipment disposal (net of deferred tax of RUR 62 millions)	-	-	-	-	-	(249)	-	-	249	-
Payment of interest on perpetual subordinated debt	-	-	-	-	-	-	-	-	(1,696)	(1,696)
Effect of exchange rate changes on perpetual subordinated debt	-	-	-	3,590	-	-	-	-	(3,590)	-
Tax effect of exchange rate changes on perpetual subordinated debt	-	-	-	-	-	-	-	-	717	717
Sale of shares	-	2	17	-	-	-	-	-	-	19
31 December 2020	17,587	59,709	-	22,192	-	3,497	204	(137)	83,353	186,375

Chairman of the Management Board
I.A. Polyakov

19 March 2021
Moscow

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Member of the Management Board –
Chief Financial Officer
A.A. Ovchinnikov

ROSBANK GROUP

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2020 (in millions of Russian Roubles)

Notes	Year ended 31 December 2020	Year ended 31 December 2019
Cash flows from operating activities		
Interest received	87,235	90,076
Interest paid	(38,438)	(43,714)
Fees and commissions received	16,829	16,451
Fees and commissions paid	(4,530)	(4,870)
Receipts from / (payment for) financial assets at fair value through profit or loss	(2,079)	1,724
Receipts from / (payment for) trading in foreign currencies	5,205	(986)
Other operating income received	958	1,227
Receipts from / (payment for) precious metals operations	138	145
Administrative and other operating expenses paid	(28,246)	(34,149)
Income tax received/(paid)	(4,207)	(3,141)
Cash flows from / (used in) operating activities before changes in operating assets and liabilities	32,865	22,763
Changes in operating assets and liabilities		
Net (increase)/decrease in mandatory cash balances with the Central Bank of the Russian Federation	(1,868)	(1,320)
Net (increase)/decrease in financial assets at fair value through profit or loss	4,914	(7,380)
Net (increase)/decrease in due from banks	1,135	(5,188)
Net (increase)/decrease in loans to customers	(16,804)	(69,135)
Net (increase)/decrease in other assets	2,791	(6,293)
Net increase/(decrease) in financial liabilities at fair value through profit or loss	(2,201)	3,050
Net increase/(decrease) in due to the Central Bank of the Russian Federation	(18)	(7)
Net increase/(decrease) in due to banks and international financial institutions	(10,041)	(19,804)
Net increase/(decrease) in customer accounts	60,850	102,360
Net increase/(decrease) in debt securities issued, other than bonds issued	(12,877)	1,236
Net increase/(decrease) in other liabilities	(2,631)	4,153
Net cash from / (used in) operating activities	56,115	24,435
Cash flows from investing activities		
Purchase of financial assets at fair value through other comprehensive income	(230,903)	(175,585)
Proceeds from disposal and redemption of financial assets at fair value through other comprehensive income	262,708	160,029
Proceeds from sale and redemption of financial assets at amortised cost	30,634	13,988
Purchase of financial assets at amortised cost	(39,476)	(5,853)
Purchase of property, equipment and intangible assets	(9,207)	(6,151)
Proceeds from disposal of property and equipment	73	394
Dividend income received	821	559
Net cash from / (used in) investing activities	14,650	(12,619)
Cash flows from financing activities		
Redemption of bonds issued by the Group	17 (9,261)	(5,269)
Issue of bonds	17 25,000	35,000
Buy back of bonds issued	(2,938)	(23,080)
Payment of interest on perpetual subordinated debt	(1,696)	(1,177)
Proceeds from sale / common shares repurchased	19	(17)
Payments of the lease liability	(1,233)	(1,699)
Net cash from / (used in) financing activities	9,891	3,758
Effect of exchange rate changes on the balance of cash held in foreign currencies	30,033	(15,885)
Effect of expected credit losses on cash and cash equivalents	(4)	1
Net increase/(decrease) in cash and cash equivalents	110,685	(310)
CASH AND CASH EQUIVALENTS, beginning of the year	190,970	191,285
CASH AND CASH EQUIVALENTS, end of the year	301,655	190,975

Chairman of the Management Board
I.A. Polyakov

19 March 2021
Moscow

Member of the Management Board –
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A.A. Ovchinnikov

The notes on pages 15-100 form an integral part of these consolidated financial statements.

ROSBANK GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1. Organization

ROSBANK (initially named “Nezavisimost”) is a joint stock bank which was incorporated in the Russian Federation in 1993. Over the subsequent five years, ROSBANK customers were mainly comprised of medium-sized trade, finance and technology companies, for which it conducted a variety of activities, including corporate lending, settlement, government bond trading, foreign exchange and money market transactions. In 1998 ROSBANK was acquired by the Interros Group with the initial purpose of providing banking services to Interros Group companies. In 2000 ROSBANK acquired Uneximbank which was merged into ROSBANK and ceased to exist as a legal entity. In 2002 the businesses of ROSBANK and Commercial Bank “MFK Bank”, specializing in investment banking, were consolidated. In 2003 the Interros Group acquired OVK group – one of Russia’s largest retail banking institutions. The integration of OVK with ROSBANK has transformed ROSBANK into a financial institution capable of offering universal services.

Societe Generale became the owner of 20% minus 1 share of Rosbank in 2006. In February 2008 Societe Generale became the owner of Rosbank controlling stock interest by exercising the option for acquisition of 30% stocks. In March 2008 Societe Generale offered to buy the stakes of minority shareholders at 194.09 Roubles per share. Having performed the buy-out Societe Generale raised its interest in Rosbank to 57.57%. On 23 March 2009 ROSBANK issued 26,665,928 shares by way of public subscription. The issue was bought by Societe Generale and PHARANCO HOLDINGS CO. LIMITED in the proportion 60.6786% and 39.3214%, respectively. On 27 May 2009 Societe Generale increased its share in Rosbank by 7% after the purchase of this share from PHARANCO HOLDINGS CO. LIMITED.

In February 2010, Societe Generale with the consent of other shareholders of Rosbank Group took the decision to reorganize the legal structure of its Russian subsidiaries in order to build a major financial group.

The first step was achieved in January 2011 with the acquisition of 100% of the share capital of Rusfinance and Delta Credit. The two companies kept acting as separate entities, Rusfinance being mainly dedicated to consumer credit and Delta Credit to mortgages.

The second step was achieved in July 2011 with the merger of the two universal banks ROSBANK and BSGV into a single and unified company ultimately operating under a single brand. Benefiting from their differentiated positioning on both corporate and retail segments, the new structure aims at improving its financial performance by increasing revenues through cross-selling strategy and developing synergies in order to reduce operational costs.

During 2013, Societe Generale further consolidated its positions in Russian market by acquiring in December 2013 an additional 10% stake in ROSBANK equity from VTB Group, increasing it up to 92.4%. As part of the agreement ROSBANK sold to VTB Group certain Russian assets: shares listed on Moscow Exchange as well as some loans and real-estate assets.

In April 2015 Societe Generale acquired further 7% of ROSBANK’s share capital from Interros group, raising its stake to 99.4%, in line with its strategy of building up the Group’s stake in ROSBANK.

On 1 June 2019 the merger process of the mortgage bank Delta Credit and Rosbank is officially completed. “Rosbank Dom” branch has become part of the retail business of Rosbank

ROSBANK is regulated by the Central Bank of the Russian Federation (the “CBR”) and conducts its business under license number 2272. ROSBANK is engaged in a full range of banking activities, including commercial and investment banking and custodial services.

The registered office of ROSBANK is located at 34, Masha Poryvaeva Street, Moscow, 107078, Russian Federation.

As of 31 December 2020 and 2019 ROSBANK had 10 and 9 branches, respectively, operating in the Russian Federation.

ROSBANK GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

ROSBANK (“the Group”) is the parent company of a banking group (the “Group”) which consists of the following material enterprises as of 31 December 2020 and 2019:

Name	Country of incorporation	Group’s ownership interest / voting rights, %		Type of operations
		31 December 2020	31 December 2019	
Rusfinance Bank LLC	Russia	100/100	100/100	Banking
Rusfinance LLC	Russia	100/100	100/100	Commerce
RB Factoring LLC	Russia	100/100	100/100	Factoring
RB LEASING LLC	Russia	100/100	100/100	Leasing
ORS JSC	Russia	100/100	100/100	In liquidation
RB Specialized Depository LLC	Russia	100/100	100/100	Depository services
RB Service LLC (previous name – RBS Avto LLC)	Russia	100/100	100/100	Service company
Telsikom LLC (previously – Telsikom CJSC)	Russia	100/100	100/100	Telecommunication services
SG Finance CJSC	Russia	100/100	100/100	Leasing
RB Capital LLC	Russia	100/100	–	Asset management

On 12 March 2020 the Group took decision to close its subsidiary – ORS JSC. The liquidation process is subject to authorisation by Central Bank of Russia.

On 5 June 2020 the Group took decision to establish “RB Capital” Asset Management Limited Liability Company. The Group’s share in the company’s authorized capital is 100% with a nominal value of 30 million Roubles.

On 17 June 2020 the Group took decision to increase the authorized capital of RB Factoring LLC by additional contribution of 1 billion Roubles to the amount of 7.078 billion Roubles. The official registration of changes in equity of RB Factoring LLC took place on 8 July 2020.

In June 2020 the Group’s subsidiary Telsikom CJSC changed its legal status from Closed Joint-Stock Company into a Limited Liability Company – Telsikom LLC.

In December 2020 the Group took decision to increase the authorized capital of RB Capital LLC by additional contribution of 16 million Roubles to the amount of 46 million Roubles.

On 17 December 2020 the Board of Directors of Rosbank decided to merge with Rusfinance Bank, a Rosbank subsidiary. The new branch, named “Rosbank Avto” and specializing in car loans, will continue to operate as part of the retail business of Rosbank. On 29 December 2020 the Bank of Russia entered information on the opening of the “Rosbank Avto” branch in the Book of State Registration of Credit Institutions. The information about merger process of the Rusfinance Bank LLC and Rosbank is also disclosed in Note 39. The reorganization was completed on 1 March 2021.

As of 31 December 2020 and 31 December 2019, the controlling shareholder of ROSBANK is Societe Generale S.A. with share more than 99%.

2. Going concern

These consolidated financial statements have been prepared on the going concern basis. The Group has no intention or need to reduce substantially its business operations.

The management and shareholders have the intention to further develop the business of the Group in the Russian Federation both in corporate and retail segments. Management believes that the going concern assumption is appropriate for the Group due to its sufficient capital adequacy ratio and based on historical experience that short-term obligations will be refinanced in the normal course of business.

ROSBANK GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

3. Basis of presentation

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

Other basis of presentation criteria

These consolidated financial statements have been prepared assuming that the Group is a going concern and will continue operation for the foreseeable future.

These consolidated financial statements are presented in millions of Russian Roubles (“mRUB”), unless otherwise indicated.

These consolidated financial statements have been prepared under the historical cost basis, except for certain financial instruments that are measured at fair values, and certain land and buildings that are measured at revalued amounts according to International Accounting Standard 16 *Property, Plant and Equipment* (“IAS 16”). Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (ie an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

The Bank and its consolidated companies, registered in the Russian Federation, maintain their accounting records in accordance with Russian Accounting Standards (RAS), foreign consolidated companies of the Group maintain their accounting records in accordance with the law of the countries, in which they operate. These consolidated financial statements have been prepared from the statutory accounting records and have been adjusted to conform to IFRS.

Effect of COVID-19 pandemic

Due to the rapid spread of COVID-19 pandemic in 2020 many governments, including the Russian Government, have introduced various measures to combat the outbreak, including travel restrictions, quarantines, closure of business and other venues and lockdown of certain areas. These measures have affected the global supply chain, demand for goods and services, as well as scale of business activity. It is expected that pandemic itself as well as the related public health and social measures may influence the business of the entities in a wide range of industries.

Support measures were introduced by the Government and the Central Bank of Russia to counter the economic downturn caused by the COVID-19 pandemic. These measures include, among others, subsidized lending to affected industries and individuals, payment holidays and easing of certain regulatory restrictions to help the financial sector maintain its capabilities to provide resources and to help customers avoid liquidity shortages as a result of the COVID-19 containment measures.

The Group continues to assess the effect of the pandemic and changing economic conditions on its activities, financial position and financial results. In 2020 the Group introduced certain changes in its process of estimation of expected credit losses in the context of the ongoing COVID-19 pandemic. The information about provision for retail credit risks on restructured during 2020 loans for those borrowers affected by the consequences of the COVID-19 pandemic is disclosed in Note 23.

ROSBANK GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

Functional currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the parent of the Group is the Russian Rouble (RUB). The presentation currency of the consolidated financial statements of the Group is the RUB. All values are rounded to the nearest million RUB, unless otherwise indicated.

Offset of financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position only when there is a currently legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously. Income and expense is not offset in the consolidated statement of profit or loss unless required or permitted by any accounting standard or interpretation permitted by any IFRS, and as specifically disclosed in the accounting policies of the Group.

4. Significant accounting policies

Basis of consolidation

These consolidated financial statements incorporate the financial statements of ROSBANK and entities controlled by ROSBANK (its subsidiaries). Control is achieved when the Bank:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- The size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Group, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and consolidated statement of comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Group and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

ROSBANK GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

All significant intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

In translating the financial statements of a foreign subsidiary into the presentation currency for incorporation in the consolidated financial statements, the Group follows a translation policy in accordance with IAS 21 *The Effects of Changes in Foreign Exchange Rates* ("IAS 21"), in particular, performs the following procedures:

- Assets and liabilities, both monetary and non-monetary, of the foreign entity are translated at closing rate;
- Income and expense items of the foreign entity are translated at exchange rates at the dates of transactions;
- Equity items of the foreign entity are translated at exchange rates at the dates of transactions;
- All resulting exchange differences are classified as equity until the disposal of the investment;
- On disposal of the investment in the foreign entity related exchange differences are recognized in the consolidated statement of profit or loss.

Business combinations involving entities or businesses under common control

For the purpose of accounting of business combinations involving entities or businesses under common control (excluded from the scope of IFRS 3 *Business Combinations*) the Group considers pooling of interest as the most appropriate method to be used. A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and the control is not transitory.

The pooling of interest method assumed the following rules:

- Assets and liabilities of the combined entities are stated at their net book value;
- No new goodwill is recorded as a result of the business combination, but is adjusted against equity;
- The income statement is drawn up from the date of the business combination;
- Comparative data is not restated.

Non-controlling interests

Non-controlling interests represent the portion of profit or loss and net assets of subsidiaries not owned, directly or indirectly, by the Group.

Non-controlling interests are presented separately in the consolidated statement of profit or loss and consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from parent shareholders' equity.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Group.

ROSBANK GROUP

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When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Recognition of income and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest and similar revenue and expense

The Group calculates interest revenue on debt financial assets measured at amortized cost or at fair value through other comprehensive income (FVOCI) by applying the effective interest rate (EIR) to the gross carrying amount of financial assets other than credit-impaired assets. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest revenue or expense.

When a financial asset becomes credit-impaired, the Group calculates interest revenue by applying the effective interest rate to the net amortised cost of the financial asset. If the financial assets cures and is no longer credit-impaired, the Group reverts to calculating interest revenue on a gross basis.

Interest revenue on all financial assets at fair value through profit or loss (FVPL) is recognised using the contractual interest rate in "Other interest income" in the consolidated statement of profit or loss.

Fee and commission income

The Group earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

Fee income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a period of time are accrued over that period as respective performance obligations are satisfied. These fees include commission income and asset management, custody and other management and advisory fees. Where it is probable that a loan commitment will lead to a specific lending arrangement, the loan commitment fees are deferred, together with the related direct costs, and recognized as an adjustment to the effective interest rate of the resulting loan. Where it is unlikely that a loan commitment will lead to a specific lending arrangement, the loan commitment fees are recognized in the consolidated statement of profit or loss over the remaining period of the loan commitment. Where a loan commitment expires without resulting in a loan, the loan commitment fee is recognized in the consolidated statement of profit or loss on expiry.

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Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party – such as where the Group's performance obligation is the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses – are recognised on completion of the underlying transaction. Fees or components of fees that are linked to certain performance obligations are recognised after fulfilling the corresponding criteria. When the contract provides for a variable consideration, fee and commission income is only recognized to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur until the uncertainty associated with the variable consideration is subsequently resolved.

Dividend income

Revenue is recognised when the Group's right to receive the payment is established.

Fair value measurement

The Group measures financial instruments carried at FVPL and FVOCI and non-financial assets at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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Financial assets and liabilities

Initial recognition

Date of recognition

All regular way purchases and sales of financial assets and liabilities are recognised on the trade date i.e. the date that the Group commits to purchase the asset or liability.

Initial measurement

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value and, except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, this amount.

Measurement categories of financial assets and liabilities

The Group classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised cost;
- FVOCI;
- FVPL.

The Group classifies and measures its derivative and trading portfolio at FVPL. The Group may designate financial instruments at FVPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies.

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVPL when they are held for trading, are derivative instruments or the fair value designation is applied.

Amounts due from credit institutions, loans to customers, investments securities at amortised cost

The Group only measures amounts due from credit institutions, loans to customers and other financial investments at amortised cost if both of the following conditions are met:

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

The details of these conditions are outlined below.

Business model assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

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The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected);
- The expected frequency, value and timing of sales are also important aspects of the Group's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The SPPI test

As a second step of its classification process the Group assesses the contractual terms of financial asset to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

Debt instruments at FVOCI

The Group measures debt instruments at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets;
- The contractual terms of the financial asset meet the SPPI test.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest revenue and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

The expected credit losses (ECL) for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to the profit and loss upon derecognition of the asset.

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Financial guarantees, letters of credit and undrawn loan commitments

The Group issues financial guarantees, letters of credit and loan commitments.

Financial guarantees are initially recognised in the financial statements at fair value, being the premium received. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the consolidated statement of profit or loss, and an ECL provision.

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Group is required to provide a loan with pre-specified terms to the customer.

Reclassification of financial assets and liabilities

The Group does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Group changes the business model for managing financial assets. Financial liabilities are never reclassified.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, unrestricted balances on correspondent and term deposit accounts with the Central Bank of the Russian Federation and amounts due from credit institutions with original maturity within 90 days, which are free from contractual encumbrances.

Minimum reserve deposits with the Central Bank of the Russian Federation

Minimum reserve deposits with the Central Bank of the Russian Federation represent the amount of obligatory reserves deposited with the Central Bank of the Russian Federation in accordance with requirements established by the Central Bank of the Russian Federation, which subject to restrictions on their availability. In view of the above the amount of the minimum reserve deposit required by the Central Bank of the Russian Federation is not included as a cash equivalent.

Financial derivatives and hedge accounting

In the normal course of business, the Group enters into various derivative financial instruments including futures, forwards, swaps and options in the foreign exchange and capital markets. Such financial instruments are held for trading and are recorded at fair value. The fair values are estimated based on quoted market prices or pricing models that take into account the current market and contractual prices of the underlying instruments and other factors.

Derivatives are carried as assets when their fair value is positive and as liabilities when it is negative. Gains and losses resulting from these instruments are included in the consolidated statement of profit or loss as net gains/(losses) on financial instruments at fair value through profit or loss except foreign swaps and forwards or net gains/(losses) on foreign exchange operations, depending on the nature of the instrument.

Financial derivatives are divided into two categories:

(i) Trading financial derivatives

Derivative instruments are considered to be trading financial derivatives by default, unless they are designated as hedging instruments for accounting purposes. They are booked in the consolidated statement of financial position under *Financial assets or liabilities at fair value through profit or loss*. Changes in fair value are recorded in the consolidated statement of profit or loss under *Net gains and losses on financial instruments at fair value through profit or loss*, except changes in fair value of forex forwards and swaps which are recorded in the consolidated statement of profit or loss under *Net gains and losses on foreign exchange operations*.

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Changes in the fair value of financial derivatives involving counterparties which subsequently went into default are recorded under *Net gains and losses on financial instruments at fair value through profit or loss* until the termination date of these instruments. At this termination date, receivables and debts on these counterparties are recognized at fair value in the consolidated statement of financial position. Any further impairment on these receivables is recognized under *Provision for impairment losses* in the consolidated statement of profit or loss.

(ii) *Derivative hedging instruments*

To designate an instrument as a derivative hedging instrument, the Group must document the hedging relationship at the inception of the hedge. This documentation specifies the asset, liability, or future transaction hedged, the risk to be hedged, the type of financial derivative used and the valuation method applied to measure its effectiveness. The derivative designated as a hedging instrument must be highly effective in offsetting the change in fair value or cash flows arising from the hedged risk, both when the hedge is first set up and throughout its life. Derivative hedging instruments are recognized in the consolidated statement of financial position under *Hedging instruments*.

Depending on the risk hedged, the Group designates the derivative as a fair value hedge, or a cash flow hedge.

Fair value hedge

In a fair value hedge, the carrying value of the hedged item is adjusted for gains and losses attributable to the hedged risk, which are reported under *Net gains and losses on financial instruments at fair value through profit or loss*. As the hedging is highly effective, changes in the fair value of the hedged item are faithfully reflected in the fair value of the derivative hedging instrument. As regards interest rate derivatives, accrued interest income or expenses are booked in the consolidated statement of profit or loss under *Interest income and expense – Hedging derivatives* at the same time as the interest income or expense related to the hedged item.

If it becomes apparent that the derivative has ceased to meet the effectiveness criteria for hedge accounting or if it is sold, hedge accounting is discontinued prospectively. Thereafter, the carrying amount of the hedged asset or liability ceases to be adjusted for changes in fair value and the cumulative adjustments previously recognized under hedge accounting are amortised over its remaining life. Hedge accounting is discontinued automatically if the hedged item is sold before maturity or redeemed early.

Cash flow hedge

In a cash flow hedge, the effective portion of the changes in fair value of the hedging derivative instrument is recognized in a specific equity account, while the ineffective portion is recognized in the consolidated statement of profit or loss under *Net gains and losses on financial instruments at fair value through profit or loss*.

Amounts directly recognized in equity under the cash flow hedge accounting are reclassified in *Interest income and expenses* in the consolidated statement of profit or loss at the same time as the cash flows being hedged. Accrued interest income or expense on hedging derivatives is booked to the consolidated statement of profit or loss under *Interest income and expenses – Hedging derivatives* at the same time as the interest income or expense related to the hedged item.

Whenever the hedging derivative ceases to meet the effectiveness criteria for hedge accounting or is terminated or sold, hedge accounting is discontinued prospectively. Amounts previously recognized directly in equity are reclassified under *Interest income and expenses* in the consolidated statement of profit or loss over the periods where the interest margin is affected by cash flows arising from the hedged item.

If the forecast transaction is no longer expected to occur, unrealized gains and losses booked to other comprehensive income from the period when the hedge was effective are immediately reclassified from equity to profit or loss. A forecast transaction that is no longer highly probable may still be expected to occur.

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If the hedging instrument expires or is sold, terminated or exercised, the cumulative gain or loss on the hedging instrument that has been recognised in other comprehensive income from the period when the hedge was effective remains separately in equity until the forecast transaction occurs.

Embedded derivative

An embedded derivative is a component of a hybrid instrument that also includes a non-derivative host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative.

An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract. A derivative that is attached to a financial instrument, but is contractually transferable independently of that instrument, or has a different counterparty from that instrument, is not an embedded derivative, but a separate financial instrument.

Derivatives embedded in liabilities and non-financial host contracts are treated as separate derivatives and recorded at fair value if they met the definition of a derivative (as defined above), their economic characteristics and risks were not closely related to those of the host contract, and the host contract was not itself held for trading or designated at FVPL. The embedded derivatives separated from the host were carried at fair value in the trading portfolio with changes in fair value recognised in the consolidated statement of profit or loss.

Financial assets are classified based on the business model and SPPI assessments.

Government grants

The Group is running the car loan program using financing from RF Government, under which RF Government is financing interest income on car loans.

The Group also participates in the RF Government program for mortgage lending support, under which the Group originated loans at decreased interest rate and RF Government subsidises the estimated interest income receivable due to the excess of the government interest rate over the contractual interest rate.

The difference between the fair value at initial recognition and the carrying value of the loan issued under these government programs is accounted in accordance with IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* within loans and advances to customers. Government grants are recognized in the consolidated statement of profit or loss within Interest income on a systematic basis over the periods in which the Group recognizes interest income on loans the grants are intended to compensate.

Securities repurchase and reverse repurchase agreements and lending transactions

In the normal course of business, the Group enters into sale and purchase back agreements ("repos") and purchase and sale back agreements ("reverse repos"). Repos and reverse repos are utilized by the Group as an element of its treasury management.

A repo is an agreement to transfer a financial asset to another party in exchange for cash or other consideration and a concurrent obligation to reacquire the financial assets at a future date for an amount equal to the cash or other consideration exchanged plus interest. These agreements are accounted for as financing transactions. Financial assets sold under repo are retained in the consolidated financial statements and consideration received under these agreements is recorded as collateralized deposit received within balances due to banks/customer accounts.

Assets purchased under reverse repos are recorded in the consolidated financial statements as cash placed on deposit collateralized by securities and other assets and are classified within balances due from banks/loans to customers.

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In the event that assets purchased under reverse repo are sold to third parties, the results are recorded with the gain or loss included in net gains/(losses) on respective assets. Any related income or expense arising from the pricing difference between purchase and sale of the underlying assets is recognized as interest income or expense in the consolidated statement of profit or loss.

The Group enters into securities repurchase agreements and securities lending transactions under which it receives or transfers collateral in accordance with normal market practice. Under standard terms for repurchase transactions in the Russian Federation ("RF") and other CIS states, the recipient of collateral has the right to sell or repledge the collateral, subject to returning equivalent securities on settlement of the transaction, only if the counterparty fails to meet its obligations per the agreement on the lending transaction.

The transfer of securities to counterparties is only reflected on the statement of financial position if the risks and rewards of ownership are also transferred.

Borrowings

Issued financial instruments or their components are classified as liabilities, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity instruments. Such instruments include amounts due to the Central bank, amounts due to credit institutions, amounts due to customers, debt securities issued, other borrowed funds and subordinated loans. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the borrowings are derecognised as well as through the amortisation process.

If the Group purchases its own debt, it is removed from the statement of financial position and the difference between the carrying amount of the liability and the consideration paid is recognised in profit or loss.

Renegotiated loans

Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions.

The Group derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be POCI. When assessing whether or not to derecognise a loan to a customer, amongst others, the Group considers the following factors:

- Change in currency of the loan;
- Change in counterparty;
- If the modification is such that the instrument would no longer meet the SPPI criterion.

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Group records a modification gain or loss, presented within interest revenue calculated using EIR in the consolidated statement of profit or loss, to the extent that an impairment loss has not already been recorded.

For modifications not resulting in derecognition, the Group also reassesses whether there has been a significant increase in credit risk or whether the assets should be classified as credit-impaired. Once an asset has been classified as credit-impaired as the result of modification, it will remain in Stage 3 for a minimum 6-month probation period. In order for the restructured loan to be reclassified out of Stage 3, regular payments of more than an insignificant amount of principal or interest have been made during at least half of the probation period in accordance with the modified payment schedule.

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Securitisation

As part of its operational activities, the Group securitises financial assets, generally through the sale of these assets to special purposes entities which issue securities to investors. The transferred assets may qualify for derecognition in full or in part. Interests in the securitised financial assets may be retained by the Group and are primarily classified as loans and receivables. Gains or losses on securitisations are based on the carrying amount of the financial assets derecognised and the retained interest, based on their relative fair values at the date of transfer.

Write off of loans and advances

Loans and advances are written off against the allowance for impairment losses when deemed uncollectible. Loans and advances are written off after management has exercised all possibilities available to collect amounts due to the Group and after the Group has sold all available collateral. Subsequent recoveries of amounts previously written off are reflected as an offset to the charge for impairment of financial assets in the consolidated statement of profit or loss in the period of recovery.

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Repossessed assets

In certain circumstances, assets are repossessed following the foreclosure on loans that are in default. Repossessed assets may be accounted by the Group under IAS 2 *Inventories*, IAS 40 *Investment Property*, IAS 16 *Property, Plant and Equipment*, IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* or other applicable standard depending on the nature and intended use of such assets.

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Property and equipment

Property and equipment, except land and buildings, acquired after 1 January 2003 are carried at historical cost less accumulated depreciation and any recognized impairment loss, if any. Property and equipment and intangible assets, acquired before 1 January 2003 are carried at historical cost restated for inflation less accumulated depreciation and any recognized impairment loss, if any.

Leasehold improvements are amortized over the life of the related leased asset. Expenses related to repairs and renewals are charged when incurred and included in operating expenses unless they qualify for capitalization.

Land and buildings held for use in supply of services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation, determined from market-based evidence by appraisal undertaken by professional independent appraisers, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the reporting date.

Any revaluation increase arising on the revaluation of such land and buildings is credited to the property and equipment revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognized as an expense, in which case the increase is credited to the consolidated statement of profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such land and buildings is charged as an expense to the extent that it exceeds the balance, if any, held in the property and equipment revaluation reserve relating to a previous revaluation of that asset.

Market value of property is assessed using three methods:

- The comparable sales method which involves analysis of market sales prices for similar real estate property;
- The income-based method which assumes a direct relationship between revenues generated by the property and its market value;
- The costs method which presumes the value of property to be equal to its recoverable amount less any depreciation charges.

Depreciation on revalued buildings is charged to the consolidated statement of profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the property and equipment revaluation reserve is transferred directly to retained earnings.

Freehold land is not depreciated.

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

Buildings	2%
Equipment	20%
Others	Over useful life of 3-10 years

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

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Intangible assets

Intangible assets acquired separately

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

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

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

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

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

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

Derecognition of intangible assets

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

Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

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Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

Leases

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term or in-substance fixed lease payments.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value (i.e., below 300,000 RUB). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

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Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

Precious metals

Assets and liabilities denominated in precious metals are translated at the current rate computed based on the second fixing of the London Metal Exchange rates, using the RUB/USD exchange rate effective at the date. Changes in the bid prices are recorded in net loss on operations with precious metals operations.

Taxation

Income tax expense represents the sum of the current and deferred tax expense.

Current tax

The current tax expense is based on taxable profit for the year. Taxable profit differs from net profit before tax as reported in the consolidated statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's current tax expense is calculated using tax rates that have been enacted during the reporting period.

Deferred tax

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

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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Deferred income tax assets and deferred income tax liabilities are offset and reported net on the statement of financial position if:

- The Group has a legally enforceable right to set off current income tax assets against current income tax liabilities; and
- Deferred income tax assets and the deferred income tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Operating taxes

Countries where the Group operates also have various other taxes, which are assessed on the Group's activities. These taxes are included as a component of operating expenses in the consolidated statement of profit or loss.

Provisions

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

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

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

Contingencies

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

Fiduciary activities

The Group provides trustee services to its customers. The Group also provides depositary services to its customers which include transactions with securities on their depositary accounts. Assets accepted and liabilities incurred under the fiduciary activities are not included in the Group's financial statements. The Group accepts the operational risk on these activities, but the Group's customers bear the credit and market risks associated with such operations. Revenue for provision of trustee services is recognized as services are provided.

Share capital, share premium and treasury shares

Contributions to share capital made before 1 January 2003 are recognized at their cost restated for inflation. Contributions to share capital made after 1 January 2003 are recognized at cost. Share premium represents the excess of contributions over the nominal value of the shares issued.

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Costs directly attributable to the issue of new shares, other than on a business combination, are deducted from equity net of any related income taxes.

Treasury shares are deducted directly from the Group's equity.

Dividends on ordinary shares are recognized in equity as a reduction in the period in which they are declared. Dividends that are declared after the reporting date are treated as a subsequent event under IAS 10 *Events after the Reporting Period* ("IAS 10") and disclosed accordingly.

Retirement and other benefit obligations

The Group does not have any pension arrangements separate from the State pension system of the Russian Federation and other countries, which require current contributions by the Group calculated as a percentage of current gross salary payments. Such expense is charged in the period the related salaries are earned. Upon retirement all retirement benefit payments are made by state pension fund. In addition, the Group has no post-retirement benefits or other significant compensated benefits requiring accrual.

Share based payments

For cash settled share based payments (compensation indexed on Societe Generale shares), the fair value of the amounts payable is booked to Operational expenses as an expense against a corresponding liability entry booked in the balance sheet under Other liabilities. This payables item is then remeasured at fair value against income until settled. For hedging derivatives, the effective portion of the change in their fair value is booked through profit or loss.

In April 2020 and 2019 Rosbank Group adopted a share equivalent plan (the "Share Plan"), respectively granting 58,594 and 68,008 Societe Generale Performance Shares equivalent ("the Performance Shares") to employees of Rosbank Group, subject to conditions of presence and performance. The beneficiaries are executive corporate officers who are part of Rosbank Group as of the date the Share Plan is adopted.

The effective vesting of Performance Shares is subject to a continued employment condition as well as to performance conditions. The satisfaction of the continued employment and performance conditions will be reviewed and officially acknowledged at the end of each of the vesting periods.

The fair value of the payable amount is booked as operating expenses over the vesting period against a corresponding liability booked under other liabilities. As of 31 December 2020 and 2019, the total carrying amount of the corresponding liabilities amounted to RUB 89 and 82 million respectively.

Accounting for the effects of hyperinflation

Russia

In accordance with IAS 29, economy of the Russian Federation was treated as hyperinflationary till the end of 2002. Since 1 January 2003 economy of the Russian Federation ceased to be hyperinflationary, and the costs of non-monetary assets, liabilities and equity, calculated as at 31 December 2002, were used to form the beginning balances as at 1 January 2003.

Foreign currency translation

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates.

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In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks (see above for hedge accounting); and
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations, whose functional currency is not the currency of hyperinflationary economy, are translated into RUB using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Group are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

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Rates of exchange and commodity prices

The exchange rates and commodity prices at period-end used by the Group in the preparation of the consolidated financial statements are as follows:

	31 December 2020	31 December 2019
RUB / 1 US Dollar	73.8757	61.9057
RUB / 1 Euro	90.6824	69.3406
RUB/Gold (1 ounce)	139,447.77	94,282.38
RUB/Platinum (1 ounce)	78,899.25	60,110.43
RUB/Palladium (1 ounce)	173,016.89	118,858.94
RUB/Silver (1 ounce)	1,956.60	1,117.09

Collateral

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

Equity reserves

The reserves recorded in equity (other comprehensive income) on the Group's statement of financial position include:

- 'Investments at fair value through other comprehensive income reserve' which comprises changes in fair value of investments at fair value through other comprehensive income;
- 'Cash flow hedge reserve' which comprises the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge;
- 'Foreign currency translation reserve' which is used to record exchange differences arising from the translation of the net investment in foreign operations, net of the effects of hedging;
- 'Revaluation reserve' which comprises effect of revaluation of property and equipment.

Non-current assets held for sale

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

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

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

Segment reporting

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

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The Group measures information about reportable segments in accordance with IFRS. Information about reportable operating segment meets any one of the following quantitative thresholds:

- Its reported revenue, from both external customers and intersegment sales or transfers, is 10 per cent or more of the combined revenue, internal and external, of all operating segments; or
- The absolute measure of its reported profit or loss is 10 per cent or more of the greater, in absolute amount, of (i) the combined reported profit of all operating segments that did not report a loss and (ii) the combined reported loss of all operating segments that reported a loss; or
- Its assets are 10 per cent or more of the combined assets of all operating segments.

If the total external revenue reported by operating segments constitutes less than 75 per cent of the entity's revenue, additional operating segments are identified as reportable segments (even if they do not meet the quantitative thresholds set out above) until at least 75 per cent of the Group's revenue is included in reportable segments.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies the Group management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Estimation uncertainty

In the process of applying the Group's accounting policies, management has used its judgments and made estimates in determining the amounts recognised in the consolidated financial statements. The most significant use of judgments and estimates are as follows:

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Additional details are provided in Note 33.

Impairment losses on financial assets

The measurement of impairment losses both under IFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Group's internal credit grading model, which assigns PDs to the individual grades;
- The Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a life time ECL basis and the qualitative assessment;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various formulae and the choice of inputs;
- Scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs;
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the Group management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Property and equipment carried at revalued amounts

Certain buildings are measured at revalued amounts. The date of the latest appraisal was 31 December 2019. The next revaluation is preliminary scheduled as of 31 December 2021.

Recoverability of deferred tax assets

A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 *Insurance Contracts* (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 *Insurance Contracts* (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. IFRS 17 introduces new accounting requirements for banking products with insurance features that may affect the determination of which instruments or which components thereof will be in the scope of IFRS 9 or IFRS 17.

Credit cards and similar products that provide insurance coverage: most issuers of these products will be able to continue with their existing accounting treatment as a financial instrument under IFRS 9. IFRS 17 excludes from its scope credit card contracts (and other similar contracts that provide credit or payment arrangements) that meet the definition of an insurance contract if, and only if, the entity does not reflect an assessment of the insurance risk associated with an individual customer in setting the price of the contract with that customer.

When the insurance coverage is provided as part of the contractual terms of the credit card, the issuer is required to:

- Separate the insurance coverage component and apply IFRS 17 to it;
- Apply other applicable standards (such as IFRS 9, IFRS 15 *Revenue from Contracts with Customers* or IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*) to the other components.

Loan contracts that meet the definition of insurance but limit the compensation for insured events to the amount otherwise required to settle the policyholder's obligation created by the contract: Issuers of such loans – e.g. a loan with waiver on death – have an option to apply IFRS 9 or IFRS 17. The election would be made at a portfolio level and would be irrevocable.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17.

The Group is currently in the process of assessing the impact of adopting IFRS 17 on its consolidated financial statements.

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IFRS 9 Financial Instruments – Fees in the ‘10 per cent’ test for derecognition of financial liabilities

As part of its 2018-2020 Annual Improvements to IFRS standards process, the IASB issued an amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendments to consolidated financial liabilities that are modified or exchanged on or after the beginning of the annual period in which it will first apply the amendment and does not expect this will result in a material impact on its consolidated financial statements.

Interest Rate Benchmark Reform – Phase 2 Amendments to IFRS 9, IAS 39 IFRS 7, IFRS 4 and IFRS 16

In August 2020 the IASB issued *Interest Rate Benchmark Reform – Phase 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16*, (IBOR reform Phase 2) to address the accounting issues which arise upon the replacement of an IBOR with a RFR.

IBOR reform Phase 2 includes a number of reliefs and additional disclosures. The reliefs apply upon the transition of a financial instrument from an IBOR to a risk-free-rate (RFR).

Changes to the basis for determining contractual cash flows as a result of interest rate benchmark reform are required as a practical expedient to be treated as changes to a floating interest rate, provided that, for the financial instrument, the transition from the IBOR benchmark rate to RFR takes place on an economically equivalent basis.

The Group will apply IBOR reform Phase 2 from 1 January 2021.

5. Cash and cash equivalents

Cash and cash equivalents comprise:

	31 December 2020 mRUB	31 December 2019 mRUB
Cash	15,078	18,591
Balances with the Central Bank of the Russian Federation	76,521	22,327
Current accounts in banks	55,312	33,875
Demand deposits in banks	12,776	14,127
Loans under reverse repurchase agreements	10,618	5,328
Due from banks with original maturity within 90 days	131,350	96,727
Cash and cash equivalents	301,655	190,975
Less – credit loss allowance	(9)	(5)
Total cash and cash equivalents	301,646	190,970

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Fair value of assets pledged and carrying value of loans under the reverse repurchase agreements as at 31 December 2020 and 31 December 2019 comprise:

	31 December 2020 mRUB		31 December 2019 mRUB	
	Carrying value of loan	Fair value of collateral	Carrying value of loan	Fair value of collateral
Eurobonds of central government of the Russian Federation	4,403	4,674	-	-
Shares of Russian companies	3,174	4,600	-	-
Bonds of the Russian Federation	1,853	1,964	4,177	4,402
Shares of Russian banks	1,188	1,813	1,151	1,735
Total loans under reverse repurchase agreements	10,618	13,051	5,328	6,137

6. Financial assets at fair value through profit or loss

	31 December 2020 mRUB	31 December 2019 mRUB
Debt securities	2,413	6,914
Derivative financial instruments (Note 8)	54,454	29,367
Shares	191	191
Total financial assets at fair value through profit or loss	57,058	36,472

The debt securities included in financial assets at fair value through profit or loss relate entirely to financial assets held-for-trading.

	31 December 2020 Amount mRUB	31 December 2019 Amount mRUB
Debt securities		
Debt securities of the Russian Federation	2,413	4,653
Debt securities of Russian companies	-	1,751
Debt securities of Russian banks	-	510
	2,413	6,914

7. Due from banks

	31 December 2020 mRUB	31 December 2019 mRUB
Term deposits in banks	13,651	13,637
Less – credit loss allowance	(18)	(3)
Total due from banks	13,633	13,634

As of 31 December 2020 and 2019 the Group didn't have loans and advances to banks, which individually exceeded 10% of the Group's equity.

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8. Derivative financial instruments

Derivative financial instruments comprise:

	Nominal value	31 December 2020		Nominal value	31 December 2019	
		Assets	Fair value mRUB Liabilities		Assets	Fair value mRUB Liabilities
Derivative financial instruments						
Foreign exchange and interest rate contracts						
Swaps	197,228	1,183	(2,593)	168,790	100	(2,023)
Forwards	86,275	2,023	(1,151)	91,503	2,253	(825)
IRS/CIRS/CDS	608,402	44,882	(43,502)	416,715	25,611	(26,497)
Cash flow hedge	10,211	1,385	(416)	168	-	(45)
Fair value hedge	17,559	42	(264)	5,000	-	(184)
Foreign exchange and interest rate options	199,669	4,729	(4,749)	51,526	778	(780)
Total foreign exchange and interest rate contracts		54,244	(52,675)		28,742	(30,354)
Contracts on precious metals, commodities and equities						
Forwards	-	-	-	191	24	(24)
Commodities and equities options	6,046	210	(210)	8,705	601	(601)
Total contracts on precious metals, commodities and equities		210	(210)		625	(625)
Total		54,454	(52,885)		29,367	(30,979)

Cash flow hedge

Cash flow hedging is represented by a swap agreement (hedging instrument), concluded on 26 February 2020, that provides the Group with protection against adverse changes in future cash flows related to a subordinated loan, received from Societe General, denominated in US Dollars, as a result of a change in exchange rate. As at 31 December 2020, this portion of the group's cash flow hedging relates to a portion of the subordinated loan in the amount of USD 154 million.

Another part of the group's cash flow hedge relates to the risk of changes in the estimated cash flows of financial liabilities related to the Societe Generale Group share-based payment program.

Fair value hedge

The Group's fair value hedge relates to the risk of changes in the fair value of securities carried at amortized cost due to changes in interest rates. As at 31 December 2020, the fair value hedge relates to Government bonds of Russian Federation at fixed rate with a par value of RUB 5,000 million and Government eurobonds of Russian Federation at fixed rate with a par value of USD 170 million (USD 34 million with maturity in 2026; USD 60 million with maturity in 2027; USD 76 million with maturity in 2029). As at 31 December 2019, the fair value hedge relates to Government bonds of Russian Federation at fixed rate with a par value of RUB 5,000 million.

Embedded derivatives

The Group issued structural bonds with embedded derivatives included in financial assets at fair value through profit and loss in amount RUB 2,638 million as at 31 December 2020 and in financial assets at fair value through profit and loss in amount RUB 2,671 million as at 31 December 2019, respectively. Simultaneously the Group entered into interest rate swap contracts to compensate future cash flows to be paid on structural bonds issued. The fair value of interest rate swaps included in financial liabilities at fair value through profit and loss amounted to RUB 2,638 million as at 31 December 2020 and in financial liabilities at fair value through profit and loss amounted to RUB 2,662 million as at 31 December 2019, respectively.

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9. Loans to customers

	31 December 2020 mRUB	31 December 2019 mRUB
Loans at amortised cost		
<i>Loans to corporate business</i>		
Loans to legal entities	276,320	271,397
Net investments in finance lease	21,187	19,964
Account receivable from RF Government on financed loans	-	416
Loans under reverse repurchase agreements	-	450
<i>Loans to retail business</i>		
Loans to individuals	530,304	515,091
Total loans at amortised cost	827,811	807,318
Loans at fair value through other comprehensive income		
Loans to individuals at fair value through other comprehensive income	7,354	1,464
Total loans at fair value through other comprehensive income	7,354	1,464
Total loans to customers before credit loss allowance	835,165	808,782
Less – credit loss allowance	(42,827)	(37,335)
Total loans to customers	792,338	771,447

	31 December 2020 mRUB	31 December 2019 mRUB
Analysis by sector		
Individuals	537,658	516,555
Manufacturing and engineering	92,880	80,642
Trade	52,902	63,013
Oil and gas	29,472	25,526
Metallurgy	26,817	20,652
Finance	20,781	26,990
Transport	16,045	16,726
Precious metals and diamond extraction and manufacturing	15,389	14,494
Energy industry	13,443	14,288
Telecommunications, media and information technology	6,552	8,166
Real estate and construction	3,789	2,647
Government	2,909	3,985
Other	16,528	15,098
	835,165	808,782
Less – credit loss allowance	(42,827)	(37,335)
Total loans to customers	792,338	771,447

In December 2020 the Group made the second deal to sell a part of mortgage loans portfolio in the amount of RUB 5,727 million to DOM.RF Mortgage Agent including loans at amortized cost. The portion of mortgage loans sold from portfolio at amortized cost was not significant.

As of 31 December 2020 the Group had no loans to groups of customers which individually exceeded 10% of the Group's equity.

As of 31 December 2019 the Group had no loans to groups of customers which individually exceeded 10% of the Group's equity.

As of 31 December 2019 the amount receivable from RF Government on the financed car loan program amounted to RUB 416 million.

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During the years ended 31 December 2020 and 2019 the Group received non-financial assets as a repayment on loans. As at 31 December 2020 and 2019 such assets in the amount of RUB 1,310 million and RUB 3,748 million, respectively are included in other assets (Note 13).

Loans to individuals comprise the following products:

	Gross amount mRUB	Less credit loss allowance mRUB	31 December 2020 Net amount mRUB
Mortgage loans	268,296	(5,106)	263,190
Car loans	129,850	(7,441)	122,409
Consumer loans	109,343	(17,925)	91,418
Overdraft	13,080	(2,761)	10,319
Express-loans	6,184	(1,393)	4,791
Loans to VIP clients and employees	1,685	(81)	1,604
Loans to Individual entrepreneurs	9,220	(1,036)	8,184
	537,658	(35,743)	501,915

	Gross amount mRUB	Less credit loss allowance mRUB	31 December 2019 Net amount mRUB
Mortgage loans	232,307	(3,910)	228,397
Car loans	122,817	(7,299)	115,518
Consumer loans	123,132	(14,334)	108,798
Overdraft	14,942	(2,823)	12,119
Express-loans	10,855	(1,330)	9,525
Loans to VIP clients and employees	2,138	(114)	2,024
Loans to Individual entrepreneurs	10,364	(1,614)	8,750
	516,555	(31,424)	485,131

The components of net investment in finance lease as of 31 December 2020 and 2019 are as follows:

	31 December 2020 mRUB	31 December 2019 mRUB
Not later than one year	10,418	9,283
Later than 1 year	14,819	15,420
Minimum lease payments	25,237	24,703
Less: unearned finance income	(4,050)	(4,739)
Net investment in finance lease	21,187	19,964
Current portion	8,640	7,446
Long-term portion	12,547	12,518
Net investment in finance lease	21,187	19,964

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

10. Investments at fair value through other comprehensive income

	31 December 2020		31 December 2019	
	Nominal interest rate %	Amount mRUB	Nominal interest rate %	Amount mRUB
Debt securities				
Bonds of the Russian Federation	4.25%-6.50%	30,554	6.25%-6.50%	63,100
Eurobonds of Russian companies	5.00%	428	-	-
Total investments at fair value through other comprehensive income		30,982		63,100

11. Investments at amortised cost

	31 December 2020		31 December 2019	
	Nominal annual interest rate	Amount mRUB	Nominal annual interest rate	Amount mRUB
Eurobonds of the Russian Federation	4.25%-7.50%	24,773	4.50%-7.50%	29,654
Bonds of the Russian Federation	6.00%-8.50%	78,301	7.00%-8.15%	53,101
Bonds of Russian companies	6.75%-8.90%	680	-	-
Less – credit loss allowance		(23)		(15)
Total investments at amortised cost		103,731		82,740

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

12. Property and equipment, intangible assets and right-of-use assets

	Land and buildings	Equip- ment	Intangible assets	Capital expen- diture	Right-of- use assets	Total
At cost / restated cost / revalued amount						
31 December 2018	12,847	12,665	7,778	2,256	-	35,546
Impact of adopting IFRS 16	-	-	-	-	5,663	5,663
Additions	46	744	441	4,925	746	6,902
Disposals	(342)	(892)	(218)	-	(785)	(2,237)
Revaluation of right-of- use assets as a result of renegotiation of lease terms or payments	-	-	-	-	1,430	1,430
Revaluation	(656)	-	-	-	-	(656)
Transfer	-	1,348	3,097	(4,445)	-	-
31 December 2019	11,895	13,865	11,098	2,736	7,054	46,648
Additions	-	1,615	2,401	5,191	3,663	12,870
Disposals	(243)	(1,240)	(915)	(453)	(1,872)	(4,723)
Revaluation of right-of- use assets as a result of renegotiation of lease terms or payments	-	-	-	-	256	256
Impairment loss	(376)	-	-	-	-	(376)
Transfer	16	2,046	2,906	(4,968)	-	-
31 December 2020	11,292	16,286	15,490	2,506	9,101	54,675
Accumulated depreciation and impairment						
31 December 2018	334	8,512	4,092	-	-	12,938
Charge for the period	330	1,590	1,342	-	1,896	5,158
Disposals	(8)	(737)	(149)	-	(183)	(1,077)
Revaluation	(656)	-	-	-	-	(656)
Other movement	-	(164)	-	-	-	(164)
31 December 2019	-	9,201	5,285	-	1,713	16,199
Charge for the period	320	1,677	2,674	-	1,595	6,266
Disposals	(2)	(1,083)	(746)	-	(827)	(2,658)
31 December 2020	318	9,795	7,213	-	2,481	19,807
Net book value						
31 December 2020	10,974	6,491	8,277	2,506	6,620	34,868
31 December 2019	11,895	4,664	5,813	2,736	5,341	30,449

As at 31 December 2020 and 2019 property and equipment included fully depreciated equipment amounting to RUB 4,273 million and RUB 4,092 million, respectively.

If buildings were stated at the historical cost, the amounts would be as follows:

	31 December 2020 mRUB	31 December 2019 mRUB
Cost	10,484	10,569
Accumulated depreciation	(2,012)	(1,788)
Net book value	8,472	8,781

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13. Other assets

	31 December 2020 mRUB	31 December 2019 mRUB
Other financial assets		
Miscellaneous receivables	4,585	2,790
Commission receivables on insurance operations	597	476
	<u>5,182</u>	<u>3,266</u>
Less: allowance for impairment of other financial assets	(1,290)	(1,069)
Total other financial assets	<u>3,892</u>	<u>2,197</u>
Other non-financial assets		
Due from suppliers and other contractors	4,720	5,219
Inventory	3,245	8,942
Taxes, other than income tax, recoverable	1,214	554
Advances to employees	20	21
Other	520	1,516
Total other non-financial assets	<u>9,719</u>	<u>16,252</u>
Total other assets	<u>13,611</u>	<u>18,449</u>

As at 31 December 2020 and 2019 miscellaneous receivables mainly consist of amounts due from clients for banking services.

Movement of allowance for impairment losses on other assets for the years ended 31 December 2020 and 2019 is disclosed in Note 23.

As at 31 December 2020 and 2019 inventory includes the repossessed collateral in amount:

	31 December 2020 mRUB	31 December 2019 mRUB
Buildings	875	1,213
Land	417	1,966
Vehicles purchased by the Group for further resale	18	53
Total repossessed collateral	<u>1,310</u>	<u>3,232</u>

14. Financial liabilities at fair value through profit or loss

	31 December 2020 mRUB	31 December 2019 mRUB
Derivative financial instruments	52,885	30,979
Short position on securities purchased	1,791	3,992
Total financial liabilities at fair value through profit or loss	<u>54,676</u>	<u>34,971</u>

Derivative financial instruments are disclosed in Note 8.

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15. Due to banks and international financial institutions

	31 December 2020 mRUB	31 December 2019 mRUB
Time deposits	2,600	2,005
Demand accounts	42,110	47,339
Total due to banks and international financial institutions	44,710	49,344

As at 31 December 2020 and 2019 included in due to banks and international financial institutions are RUB 21,082 million and RUB 23,873 million (11% and 14% of Group Equity), respectively, that were due to three and three banks respectively, which represents a significant concentration.

16. Customer accounts

	31 December 2020 mRUB	31 December 2019 mRUB
Corporate		
Time deposits	297,090	275,459
Repayable on demand	293,268	219,686
Total corporate	590,358	495,145
Individuals		
Time deposits	123,689	165,573
Repayable on demand	210,591	152,444
Total individuals	334,280	318,017
Total customer accounts	924,638	813,162

As of 31 December 2020 and 2019 customer accounts amounting to RUB 167 million and RUB 220 million, respectively, were held as security against letters of credit issued and other transaction related contingent obligations. As of 31 December 2020 and 2019 customer accounts amounting to RUB 20 million and RUB 6 million, respectively, were held as security against guarantees issued (Note 31).

Analysis by economic sector / customer type	31 December 2020 mRUB	31 December 2019 mRUB
Individuals	334,280	318,017
Finance	143,501	84,826
Manufacturing and engineering	114,802	66,156
Trade	73,288	54,684
Services	73,185	50,666
Precious metals and diamond extraction and manufacturing	46,769	47,985
Oil and gas	33,511	18,922
Real estate and construction	24,383	19,300
Metallurgy	21,147	9,909
Transport	18,546	21,470
Telecommunications, media and information technology	16,414	19,732
Energy industry	8,050	3,632
Defence industry	110	1,521
Government	5	66,823
Other	16,647	29,519
Total customer accounts	924,638	813,162

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17. Debt securities issued

	Annual coupon rates %	31 December 2020	Annual coupon rates %	31 December 2019
Bonds of Rosbank due in 2020-2026	5.60%-12.00%	96,669	6.55%-12.00%	80,758
Exchange structural bonds of Rosbank due in 2024	5.65%-9.89%	10,126	7.84%-9.89%	10,146
Discount bearing promissory notes	7.61%-8.37%	1,238	7.23%-8.55%	14,067
Bonds of Rusfinance Bank due in 2020	-	-	9.55%	3,096
Total debt securities issued		108,033		108,067

During the period January-December 2020 the following bonds were issued:

Issuer	Issue date	Maturity date	Debt volume, mRUB	Annual coupon rate, %
Rosbank	29.05.2020	30.05.2021	10,000	5.60%
Rosbank	27.11.2020	29.11.2022	15,000	5.60%

During the period January-December 2020 the following bonds were redeemed:

Issuer	Issue date	Maturity date	Debt volume, mRUB	Annual coupon rate, %
Rusfinance Bank	21.03.2017	23.03.2020	3,019	9.55%
Rosbank	28.06.2017	30.06.2020	2,816	8.60%
Rosbank	28.09.2017	30.09.2020	3,426	8.35%

Changes in the balances for the year ended 31 December 2020, were also due to a partly buyback of the bonds and operations with the bonds issued by its subsidiary.

18. Other liabilities

	31 December 2020 mRUB	31 December 2019 mRUB
Other financial liabilities		
Liabilities under finance lease agreements	6,938	5,338
Accrued bonuses and salary	4,322	4,435
Accrued vacation payable	1,363	1,013
Settlements on other operations	5,353	4,912
Total other financial liabilities	17,976	15,698
Other non-financial liabilities		
Taxes, other than income tax, payable	1,304	1,037
Advances received from clients	529	1,231
Deposit insurance charge liability	367	542
Creditors on other operations	317	676
Other	106	1,461
Total other non-financial liabilities	2,623	4,947
Total other liabilities	20,599	20,645

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

The carrying amounts of the Group's lease liabilities and the movements during the period:

	Lease liabilities
As at 1 January 2019	5,500
Additions	738
Disposals	(631)
Interest expense	457
Payments	(2,156)
Revaluation of lease liability as a result of renegotiation of lease terms or payments	1,430
As at 31 December 2019	5,338
Additions	3,663
Disposals	(1,086)
Interest expense	390
Payments	(1,623)
Revaluation of lease liability as a result of renegotiation of lease terms or payments	256
As at 31 December 2020	6,938

19. Subordinated debt

	Currency	Interest rate, %	31 December 2020	Interest rate, %	31 December 2019
Societe Generale S.A. due in 2029	USD	LIBOR 6M + 268 bp	21,450	LIBOR 6M + 268 bp	17,987
Total subordinated debt			21,450		17,987

In January 2019 the terms of subordinated loan attracted by the Group from Societe Generale S.A. in August 2012 in the amount of USD 150 million and annual interest rate of LIBOR 6M + 765.2 bp and maturity in December 2022 were modified (Note 21).

In December 2019 the terms of subordinated loans attracted by the Group from Societe General S.A. in February 2008 and January 2010 in the amount of USD 125 million, 165 million and annual interest rates of 6.5% и 6.8% and maturity in February 2023 and January 2023 were modified. According to amended terms of the agreement Societe Generale S.A. granted to the Group subordinated loans in the amount of USD 125 million, 165 million with an annual initial interest rate of LIBOR 6 months + 268 bp and half year interest payment. Rate of interest is to be reset every half year.

In the event of bankruptcy or liquidation of the Group, repayment of this debt is subordinate to the repayments of the Group's liabilities to all other creditors.

20. Share capital

As of 31 December 2020 and 2019 the nominal share capital totaling RUB 17,587 million issued and fully paid comprised 1,551,401,853 ordinary shares with par value of RUB 10 each. All shares are ranked equally and carry one vote. The hyperinflation effect has been recorded in the amount of RUB 2,073 million.

As of 31 December 2020 and 2019 share premium totaling RUB 59,709 and RUB 59,707 million represents an excess of contributions received in share capital over the nominal value of shares issued.

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As at 31 December 2020 the Group's share capital comprised the following number of shares of RUB 10 each:

	Share capital authorized	Share capital authorized but not issued	Share capital issued and paid in
Number of ordinary shares	1,846,461,466	295,059,613	1,551,401,853

As at 31 December 2019 the Group's share capital comprised the following number of shares of RUB 10 each:

	Share capital authorized	Share capital authorized but not issued	Share capital issued and paid in
Number of ordinary shares	1,846,461,466	295,059,613	1,551,401,853
- including share capital repurchased	-	-	276,716

On 30 April 2020 Societe Generale acquired 276 716 additional shares from ROSBANK repurchased by ROSBANK from minor shareholders on 23 May 2019 and amounted to RUB 17 million with a premium of RUB 2 million.

21. Perpetual subordinated debt

The Group accounts for the perpetual subordinated loan as an equity instrument in the consolidated statement of financial position due to undefined maturity and an option for cancellation of both the debt and the interest payment by the Group.

Interest payments may be cancelled in accordance with the terms of the perpetual subordinated loan.

Central Bank of Russian Federation has approved the inclusion of the perpetual subordinated loan in the regulatory capital calculation of the Bank.

	Currency	Interest rate, %	31 December 2020 mRUB	Interest rate, %	31 December 2019 mRUB
Societe Generale S.A.	USD	7.25%*	11,081	7.25%*	9,286
Societe Generale S.A.	USD	LIBOR 6M + 687 bp	11,081	LIBOR 6M + 687 bp	9,286
Total perpetual subordinated debt			22,162		18,572

* Annual initial interest rate of 7.25% and annual interest payment. Rate of interest is to be reset every 5 years.

In January 2019 the terms of subordinated loan attracted by the Group from Societe General S.A. in August 2012 in the amount of USD 150 million and annual interest rate of LIBOR 6M + 765.2 bp and maturity in December 2022 were modified. According to amended terms of the agreement Societe Generale S.A. granted to the Group perpetual subordinated loan in the amount of USD 150 million with an interest rate of LIBOR 6M + 687 bp and half-annual interest payment.

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22. Net interest income

	Year ended 31 December 2020 mRUB	Year ended 31 December 2019 mRUB
Interest income at effective interest rate		
<i>Interest income on financial assets recorded at amortized cost</i>		
Interest on loans to individuals	54,742	56,546
Interest on loans to corporate customers	18,827	21,227
Interest on investments at amortised cost	5,693	5,368
Interest on due from banks	4,153	4,662
<i>Interest income on financial assets recorded at fair value through other comprehensive income</i>		
Interest income on investments at fair value through other comprehensive income	2,521	3,273
Interest on loans to individuals at fair value through other comprehensive income	348	290
Total interest income at effective interest rate	86,284	91,366
Other interest income		
Interest income on financial assets at fair value through profit and loss	270	335
Total other interest income	270	335
Total interest income	86,554	91,701
Interest expense at effective interest rate		
<i>Interest expense on financial liabilities recorded at amortized cost</i>		
Interest on corporate customer accounts	18,394	20,514
Interest on deposits from individuals	9,748	12,109
Interest on debt securities issued	7,444	9,220
Interest on deposits from banks	948	1,537
Interest on subordinated debt	896	1,468
Interest on deposits of the Central Bank of the Russian Federation	1	1
Total interest expense calculated using effective interest rate	37,431	44,849
Other interest expense		
Lease liabilities	390	457
Total other interest expense	390	457
Total interest expense	37,821	45,306
Net interest income before credit loss expense	48,733	46,395

23. Credit loss expense and other provisions

As at 31 December 2020, the Group introduced certain changes in its process of estimation of expected credit losses in the context of the ongoing COVID-19 pandemic. In particular, it has revised indicators of significant increase in credit risk and does not automatically consider the credit risk to have significantly increased in the case of a loan modification being part of the Government support measures. To reflect appropriately the uncertainty associated with the spread of COVID-19 pandemic, the Group charged additional provision for retail credit risks on restructured loans during 2020 for those borrowers affected by the consequences of the COVID-19 pandemic in amount of RUB 3,268 million as of 31 December 2020.

During 2020, the Group has modified the terms and conditions of certain mortgage and consumer loans, including introduction of payment holidays, as part of the measures introduced by the Government related to consequences of COVID-19 pandemic. The Group considered these modifications to be non-substantial.

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As of 31 December 2020 and 2019 the amount of credit loss expenses in the consolidated statement of profit or loss comprises:

	Year ended 31 December 2020 mRUB	Year ended 31 December 2019 mRUB
Stage 1 net allocations	4,066	101
Stage 2 net allocations	2,325	1,463
Stage 3 net allocations	7,956	6,261
POCI net allocations	(1)	5
Recoveries of loans written off	(53)	(247)
Write offs not covered by provisions	101	56
Credit loss expenses	14,394	7,639

Write-offs not covered by provision in the amount of RUB 101 million and RUB 56 million as at 31 December 2020 and as at 31 December 2019, respectively, represent losses incurred by the Group from refinancing program at a decreased interest rate the difference between the fair value at initial recognition of new loan and the carrying value of the previous loan is recognized as a loss from refinancing of US Dollar denominated mortgage loans to individuals and included in credit loss expenses in the consolidated statement of profit or loss.

An analysis of changes in the ECLs for financial assets for 12 months ended 31 December 2020 is, as follows:

	Cash and cash equivalents and due from banks mRUB	Loans to Corporate business mRUB	Loans to Retail business mRUB	Investments at amortised cost mRUB	Investments at FVOCI mRUB	Total mRUB
Stage 1						
ECL as at 1 January 2020	8	622	4,868	15	2	5,515
Transfers to Stage 1	-	35	405	-	-	440
Transfers to Stage 2	-	(98)	(131)	-	-	(229)
Transfers to Stage 3	-	(7)	(238)	-	-	(245)
Net allocations	17	116	3,910	8	(1)	4,050
Foreign exchange adjustments	2	21	36	-	-	59
ECL as at 31 December 2020	27	689	8,850	23	1	9,590
Stage 2						
ECL as at 1 January 2020	-	52	1,413	-	-	1,465
Transfers to Stage 1	-	(31)	(212)	-	-	(243)
Transfers to Stage 2	-	99	245	-	-	344
Transfers to Stage 3	-	(2)	(1,926)	-	-	(1,928)
Net allocations	-	528	1,788	-	-	2,316
Foreign exchange adjustments	-	(2)	2	-	-	-
ECL as at 31 December 2020	-	644	1,310	-	-	1,954
Stage 3						
ECL as at 1 January 2020	-	5,237	25,129	-	-	30,366
Transfers to Stage 1	-	(4)	(193)	-	-	(197)
Transfers to Stage 2	-	(1)	(114)	-	-	(115)
Transfers to Stage 3	-	9	2,164	-	-	2,173
Net allocations	-	501	7,022	-	-	7,523
Amounts sold and written off	-	(676)	(8,582)	-	-	(9,258)
Foreign exchange adjustments	-	685	144	-	-	829
ECL as at 31 December 2020	-	5,751	25,570	-	-	31,321
POCI						
ECL as at 1 January 2020	-	-	14	-	-	14
Net allocations	-	-	(1)	-	-	(1)
ECL as at 31 December 2020	-	-	13	-	-	13
Total at 1 January 2020	8	5,911	31,424	15	2	37,360
Total at 31 December 2020	27	7,084	35,743	23	1	42,878

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An analysis of changes in the ECLs for financial assets for 12 months ended 31 December 2019 is, as follows:

	Cash and cash equivalents and due from banks mRUB	Loans to corporate business mRUB	Loans to retail business mRUB	Investments at amortised cost mRUB	Investments at FVOCI mRUB	Total mRUB
Stage 1						
ECL as at 1 January 2019	7	601	4,838	34	3	5,483
Transfers to Stage 1	-	22	335	-	-	357
Transfers to Stage 2	-	(50)	(116)	-	-	(166)
Transfers to Stage 3	-	(2)	(168)	-	-	(170)
Net allocations	1	73	20	(17)	-	77
Foreign exchange adjustments	-	(22)	(41)	(2)	(1)	(66)
ECL as at 31 December 2019	8	622	4,868	15	2	5,515
Stage 2						
ECL as at 1 January 2019	-	35	1,204	-	-	1,239
Transfers to Stage 1	-	(22)	(222)	-	-	(244)
Transfers to Stage 2	-	77	273	-	-	350
Transfers to Stage 3	-	(2)	(1,347)	-	-	(1,349)
Net allocations	-	(40)	1,508	-	-	1,468
Foreign exchange adjustments	-	4	(3)	-	-	1
ECL as at 31 December 2019	-	52	1,413	-	-	1,465
Stage 3						
ECL as at 1 January 2019	-	10,108	27,268	-	-	37,376
Transfers to Stage 1	-	-	(113)	-	-	(113)
Transfers to Stage 2	-	(27)	(157)	-	-	(184)
Transfers to Stage 3	-	4	1,514	-	-	1,518
Net allocations	-	1,075	5,046	-	-	6,121
Amounts sold and written off	-	(5,566)	(8,287)	-	-	(13,853)
Foreign exchange adjustments	-	(357)	(142)	-	-	(499)
ECL as at 31 December 2019	-	5,237	25,129	-	-	30,366
POCI						
ECL as at 1 January 2019	-	-	9	-	-	9
Net allocations	-	-	5	-	-	5
ECL as at 31 December 2019	-	-	14	-	-	14
Total at 1 January 2019	7	10,744	33,319	34	3	44,107
Total at 31 December 2019	8	5,911	31,424	15	2	37,360

For 12 months ended 31 December 2020 and 2019 the amount of other provision and impairment comprises:

	Year ended 31 December 2020 mRUB	Year ended 31 December 2019 mRUB
Net provisions allocations	356	191
Recoveries of debtors receivables written off	(130)	(116)
Write offs not covered by provisions	85	85
Net repossessed collateral impairment	1,637	48
Other provisions and impairment	1,948	208

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The information about other provision of the Group disclosed in Note 31.

Allowance for impairment losses on assets are deducted from the respective assets. Allowance for impairment losses on financial guarantees issued, claims and other commitments are presented in liabilities.

An analysis of changes in the ECLs for other financial assets, financial guarantees, credit lines, letters of credit and for 12 months ended 31 December 2020 is, as follows:

	Provisions for financial guarantees, credit lines, letters of credit mRUB	Provision for other assets mRUB	Total mRUB
Stage 1			
ECL as at 1 January 2020	118	7	125
Transfers to Stage 1	3	-	3
Transfers to Stage 2	(11)	-	(11)
Transfers to Stage 3	-	-	-
Net allocations	15	1	16
Foreign exchange adjustments	9	-	9
ECL as at 31 December 2020	134	8	142
Stage 2			
ECLs as at 1 January 2020	17	4	21
Transfers to Stage 1	(3)	-	(3)
Transfers to Stage 2	44	-	44
Transfers to Stage 3	-	-	-
Net allocations	9	-	9
Foreign exchange adjustments	1	-	1
ECL as at 31 December 2020	68	4	72
Stage 3			
ECLs as at 1 January 2020	44	1,058	1,102
Transfers to Stage 1	-	-	-
Transfers to Stage 2	(33)	-	(33)
Transfers to Stage 3	-	-	-
Net allocations	52	381	433
Amounts sold and written off	-	(166)	(166)
Foreign exchange adjustments	-	5	5
ECL as at 31 December 2020	63	1,278	1,341
Total at 1 January 2020	179	1,069	1,248
Total at 31 December 2020	265	1,290	1,555

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An analysis of changes in the ECLs for other financial assets financial guarantees, credit lines, letters of credit and for 12 months ended 31 December 2019 is, as follows:

	Provisions for financial guarantees, credit lines, letters of credit mRUB	Provision for other assets mRUB	Total mRUB
Stage 1			
ECL as at 1 January 2019	107	–	107
Transfers to Stage 1	4	–	4
Transfers to Stage 2	(5)	–	(5)
Transfers to Stage 3	–	–	–
Net allocations	19	5	24
Foreign exchange adjustments	(7)	2	(5)
ECL as at 31 December 2019	118	7	125
Stage 2			
ECLs as at 1 January 2019	23	4	27
Transfers to Stage 1	–	–	–
Transfers to Stage 2	3	–	3
Transfers to Stage 3	(1)	–	(1)
Net allocations	(5)	–	(5)
Foreign exchange adjustments	(3)	–	(3)
ECL as at 31 December 2019	17	4	21
Stage 3			
ECLs as at 1 January 2019	127	952	1,079
Transfers to Stage 1	(3)	–	(3)
Transfers to Stage 2	(2)	–	(2)
Transfers to Stage 3	1	–	1
Net allocations	(70)	210	140
Amounts sold and written off	–	(104)	(104)
Foreign exchange adjustments	(9)	–	(9)
ECL as at 31 December 2019	44	1,058	1,102
Total at 1 January 2019	257	956	1,213
Total at 31 December 2019	179	1,069	1,248

The movements in provisions according to IAS 37 were as follows:

	Provision for claims and other commitments mRUB
Provision as at 1 January 2019	426
Allowance charge	257
Recoveries	(66)
Amounts written off	(276)
Foreign exchange adjustments	(43)
Provision as at 31 December 2019	298
Provision as at 1 January 2020	298
Allowance charge	472
Recoveries	(116)
Amounts written off	(63)
Foreign exchange adjustments	3
Provision as at 31 December 2020	594

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24. Net gain/(loss) on financial assets and liabilities at fair value through profit or loss, except forex swaps and forwards

Net gain/(loss) on financial assets and liabilities at fair value through profit or loss, except forex swaps and forwards comprises:

	Year ended 31 December 2020 mRUB	Year ended 31 December 2019 mRUB
Net gain/(loss) on operations with financial assets and liabilities held-for-trading comprise:		
Realized gain/(loss) on trading operations	(163)	(994)
Unrealized revaluation of securities at fair value through profit or loss	(34)	746
Net gain/(loss) on operations with derivative financial instruments, except forex swaps and forwards	1,426	(1,324)
Total net gain/(loss) on operations with financial assets and liabilities at fair value through profit or loss, except forex swaps and forwards	1,229	(1,572)

25. Net gain/(loss) on foreign exchange operations

	Year ended 31 December 2020 mRUB	Year ended 31 December 2019 mRUB
Net gain on foreign exchange operations	3,807	2,137
Exchange differences	3,273	598
Effect of foreign currency swap instruments	(793)	(1,228)
Total net gain/(loss) on foreign exchange operations	6,287	1,507

26. Fee and commission income and expense

	Year ended 31 December 2020 mRUB	Year ended 31 December 2019 mRUB
Fee and commission income		
Plastic cards operations	4,642	4,706
Agency operations	3,904	4,336
Settlements	3,373	2,313
Documentary operations	1,499	1,285
Internet bank	1,233	1,254
Cash operations	493	575
SMS-informing	437	983
Other operations	1,427	1,435
Total fee and commission income	17,008	16,887
Fee and commission expense		
Plastic cards operations	2,954	2,995
Agency operations	582	707
Settlements	411	406
Cash operations	194	524
Documentary operations	67	29
Other operations	249	194
Total fee and commission expense	4,457	4,855

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27. Other income

	Year ended 31 December 2020 mRUB	Year ended 31 December 2019 mRUB
Gain on sale of other assets	617	859
Rental income	225	134
Debts written off	41	78
Other	75	156
Total other income	958	1,227

28. Operating expenses

	Year ended 31 December 2020 mRUB	Year ended 31 December 2019 mRUB
Salary and bonuses	14,937	17,816
Unified social tax contribution	3,966	4,429
Depreciation charge on property and equipment, intangible assets and right of use	6,266	4,994
Professional services	2,207	2,297
Repairs and maintenance expense	2,205	2,197
Deposit insurance charge	1,463	2,048
Advertising and marketing expenses	1,021	1,202
Communications	867	993
Operating lease expense	385	283
Security	215	222
Transportation expenses	189	178
Other	2,208	2,528
Total operating expenses	35,929	39,187

29. Income tax

The Group measures and records its current income tax payable/(receivable) in its assets and liabilities in accordance with the tax regulations of RF and countries where the Group and its subsidiaries operate, which may differ from IFRS.

The Group is subject to certain permanent tax differences due to the non-tax deductibility of certain expenses and certain income being treated as non-taxable for tax purposes.

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

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

Based on annual tax business planning exercise, the Group believes that it will generate sufficient taxable profits to recover the deferred tax assets recognized as of 31 December 2020 in the horizon till 2023 year from the date the loss was recorded.

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Temporary differences as of 31 December 2020 comprise:

	Year ended 31 December 2019 mRUB	Origination and reversal of temporary differences		Year ended 31 December 2020 mRUB
		In the statement of profit or loss	In other comprehen- sive income	
Deferred tax assets in relation to				
Loans and advances from banks and loans to customers	1,483	680	-	2,163
Other assets	888	433	-	1,321
Fair value through profit or loss financial assets	13	10	25	48
Investments at fair value through other comprehensive income	35	(33)	1	3
Investments at amortized cost	427	460	-	887
Property and equipment and right-of-use assets	61	(14)	62	109
Other liabilities	1,338	141	-	1,479
Tax losses carried forward	3,837	(1,492)	-	2,345
Deferred tax assets	8,082	185	88	8,355
Deferred tax liabilities in relation to				
Loans and advances from banks and loans to customers	(2,199)	335	(34)	(1,898)
Other assets	(76)	(122)	-	(198)
Fair value through profit or loss financial assets	(254)	(735)	-	(989)
Investments at fair value through other comprehensive income	(12)	8	(5)	(9)
Debt securities issued	(15)	15	-	-
Investments at amortized cost	(2,325)	1,568	-	(757)
Property and equipment and right-of-use assets	(2,228)	(179)	-	(2,407)
Subordinated debt	(182)	(17)	-	(199)
Other liabilities	(2)	2	-	-
Deferred tax liabilities	(7,293)	875	(39)	(6,457)
Net deferred tax assets/(liabilities)	789	1,060	49	1,898
Deferred tax asset not recognized	(81)	-	-	(81)
Deferred tax assets/(liabilities)	708	1,060	49	1,817

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

Temporary differences as of 31 December 2019 comprise:

	Year ended 31 December 2018 mRUB	Origination and reversal of temporary differences In the statement of profit or loss	In other comprehen- sive income	Year ended 31 December 2019 mRUB
Deferred tax assets in relation to				
Loans and advances from banks and loans to customers	1,394	99	(10)	1,483
Other assets	613	275	-	888
Fair value through profit or loss financial assets	138	(176)	51	13
Investments at fair value through other comprehensive income	275	36	(276)	35
Investments at amortized cost	-	427	-	427
Property and equipment and right-of-use assets	-	61	-	61
Other liabilities	1,610	(272)	-	1,338
Tax losses carried forward	4,748	(911)	-	3,837
Deferred tax assets	8,778	(461)	(235)	8,082
Deferred tax liabilities in relation to				
Loans and advances from banks and loans to customers	(970)	(1,229)	-	(2,199)
Other assets	(194)	118	-	(76)
Fair value through profit or loss financial assets	(772)	518	-	(254)
Investments at fair value through other comprehensive income	(281)	(6)	275	(12)
Debt securities issued	(41)	26	-	(15)
Investments at amortized cost	(3,856)	1,531	-	(2,325)
Property and equipment and right-of-use assets	(1,991)	(224)	(13)	(2,228)
Subordinated debt	(120)	(62)	-	(182)
Other liabilities	(281)	238	41	(2)
Deferred tax liabilities	(8,506)	910	303	(7,293)
Net deferred tax assets/(liabilities)	272	449	68	789
Deferred tax asset not recognized	(81)	-	-	(81)
Deferred tax assets/(liabilities)	191	449	68	708

The amount of tax losses carried forward as of 31 December 2020 and 2019 relates to the loss of the following fiscal years:

	31 December 2020 mRUB	31 December 2019 mRUB
Year ended 31 December 2014	-	7,742
Year ended 31 December 2015	-	-
Year ended 31 December 2016	-	-
Year ended 31 December 2017	-	-
Year ended 31 December 2018	7,032	7,055
Year ended 31 December 2019	4,388	4,388
Year ended 31 December 2020	305	-
Total amount of tax losses carried forward	11,725	19,185

At 31 December 2020 and 31 December 2019, the aggregate amount of temporary differences associated with investments in subsidiaries and associates for which deferred tax liability has not been recognized was RUB 910 million and RUB 2,329 million, respectively.

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Relationships between tax expenses and accounting profit for the years ended 31 December 2020 and 2019 are explained as follows:

	Year ended 31 December 2020 mRUB	Year ended 31 December 2019 mRUB
Profit/(loss) before income tax	18,309	13,707
Tax at the statutory tax rate (20%)	3,662	2,741
Tax effect due to different tax rates	(446)	(481)
Tax effect of permanent differences	337	683
Tax effect of payment of interest on perpetual subordinated debt	(339)	(235)
Tax effect of correction on the declaration of previous years	(434)	52
Income tax expense	2,780	2,760
Current income tax expense	3,840	3,209
Deferred tax expense/(benefit)	(1,060)	(449)
Income tax expense	2,780	2,760
Deferred tax assets – beginning of the period	2,248	1,272
Deferred tax liabilities – beginning of the period	(1,540)	(1,081)
Changes in deferred income tax balances recognized in other comprehensive income and directly in equity	49	68
Changes in deferred income tax balances recognized in consolidated profit or loss	1,060	449
Deferred tax assets – end of the period	3,893	2,248
Deferred tax liabilities – end of the period	(2,076)	(1,540)

30. Earnings per share attributable to equity holders of the parent

	Year ended 31 December 2020	Year ended 31 December 2019
Profit		
Net profit attributable to equity holders of the parent for the period (mRUB)	15,529	10,947
Weighted average number of ordinary shares		
For basic and diluted earnings per share	1,551,310,878	1,551,233,087
Earnings per share – basic and diluted (RUB)	10.01	7.06

31. Commitments and contingencies

In the normal course of business, the Group is a party to instruments which are reflected in financial statement as credit related contingent liabilities and commitments. The primary purpose of these instruments is to ensure that funds are available to a customer as required.

Commitments to extend credit represent unused portions of authorizations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total contractual amount of unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

The Group uses the same credit control and risk management policies in undertaking credit related contingent liabilities and commitments as it does for credit related financial instruments. Extension of credit to customers within credit related commitments is approved by the Group on a case-by-case basis and depends on borrowers' financial performance, debt service and other conditions.

	31 December 2020 mRUB	31 December 2019 mRUB
Litigations and other provisions	594	298
Provision for losses on letters of credit and guarantees	265	179
Total other provisions	859	477

As of 31 December 2020 and 2019, letters of credit and other transactions related to contingent obligations covered by cash on customers' accounts amounted to RUB 167 million and RUB 220 million, respectively and guarantees issued covered by cash amounted to RUB 20 million and RUB 6 million, respectively.

As of 31 December 2020 and 2019, the nominal or contract amounts of contingent liabilities and credit commitments were:

	31 December 2020 Nominal amount mRUB	31 December 2019 Nominal amount mRUB
Contingent liabilities and credit commitments		
Guarantees issued and similar commitments	150,593	128,604
Commitments on loans and unused credit lines	172,169	100,780
Letters of credit and other transaction related contingent obligations	59,729	37,259
Total contingent liabilities and credit commitments	382,491	266,643

The Group has commitments to provide funds under credit lines facilities. However, the Group has a right not to exercise such commitments due to certain conditions.

Commitments on lease activities – As of 31 December 2020 and 2019 the Group has commitments for capital expenditure on finance lease outstanding amounting to RUB 1,157 million and RUB 734 million, respectively.

Legal proceedings – From time to time and in the normal course of business, claims against the Group are received from customers and counterparties. Management is of the opinion that no material unaccrued losses will be incurred.

Taxation – The current provisions of the Russian tax legislation are characterized by a significant degree of uncertainty, allow ambiguous interpretation, selective and inconsistent application, and are subject to frequent changes with the possibility of their retrospective application. Every year the approach of the Russian tax authorities in interpreting tax legislation becomes tougher. As a result, previously uncontested tax accounting positions could be challenged in future tax audits.

Russian transfer pricing regulations set out reporting and documentation requirements of the Group's companies aimed to control prices in transactions between related parties and certain transactions with related parties. In light of the uncertainty and absence of extensive practice of application of the Russian transfer pricing legislation it cannot be excluded that in case the prices applied in controlled transactions differ from the market level, the amounts of taxable income/expenses on such transactions could be disputed by the Russian tax authorities, including based on special rules provided for transactions with securities and derivative financial instruments. The sum of potential liabilities from tax authorities pertaining to the transfer pricing could not be reliably estimated. In the Management's opinion prices applied by the related parties of the Group in controlled transactions at arm length principle; the Group's methodology for determining market level in transactions between related parties comply with the Russian transfer pricing rules.

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Russian tax legislation establishes the obligation for taxpayers that are constituent entities of a multinational group to submit a Country by country report (“CbCR”). Group companies are obliged to provide Russian tax authorities with CbCR Notification.

Russian tax legislation establishes the procedure for the automatic exchange of information on financial accounts with foreign countries (territories). As part of the requirements for the automatic exchange of information on the financial accounts of a company, the Group is obliged to perform additional procedures to identify its clients, their beneficiaries and (or) persons controlling them, in order to identify tax residents of foreign countries (territories), and to submit annual reports on the accounts of such entities to the Federal Tax Service. The Management believes that the Group companies that are subject to reporting obligations are in compliance with the abovementioned procedures and requirements.

Russian tax legislation sets out a number of double tax treaty application requirements to be met in order to apply a tax exemption or reduced withholding tax rates to payments made in favor of non-residents. The implementation of these requirements is associated with an increase of the administrative, and, in some cases, the tax burden on Russian taxpayers. The Group companies apply a tax exemption or reduced withholding tax rates envisaged by the double tax treaties concluded by Russia to payments made in favor of non-residents based on the established procedure for analyzing and documenting the beneficial ownership of the income recipient. In the Management’s opinion the procedures applied by the Group allow to minimize the potential tax risks arising from taxation of income paid in favor of non-residents.

The Russian tax law sets out the general anti-avoidance rules that allow the Russian tax authorities to deny recovery of input VAT and challenge the deductibility of certain expenses for profits tax purposes. In the Management’s opinion the Group companies comply with the general anti-avoidance rules.

The COVID-19 coronavirus pandemic has affected many processes, including taxation, of companies in various industries around the world. In these circumstances the Group companies comply with all tax legislation requirements for reporting and paying taxes on time.

Generally, fiscal periods remain open and subject to review by the Russian tax authorities for a period of three calendar years immediately preceding the year in which the decision to conduct a tax review is taken. Under certain circumstances tax reviews may cover longer periods.

In the Management’s opinion in 2020 year the provisions of the tax legislation were appropriately applied to the Group companies.

Operating environment – Emerging markets such as Russian Federation are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Russian Federation continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Russian Federation is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

Because Russian Federation produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market, which has shown significant degree of volatility over 2018-2020. Management is unable to reliably estimate the effects of any further price fluctuations on the Group’s financial position.

Starting from March 2014, sanctions have been imposed in several packages by the U.S. and the E.U. on certain Russian officials, businessmen and companies. Global geopolitical landscape remains complicated due to stress around numerous regions.

Starting from 2020, several countries, including Russian Federation, introduced restrictive measures to combat the spread of the coronavirus.

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As the COVID-19 outbreak continues there remains uncertainty about further developments of pandemic duration and the extent of the possible economic recovery in the nearest future. Government responses, their corresponding effects are still evolving and the Group's management continues its estimation of increased risks and effects of the pandemic and the measures taken by the government.

As a consequence of these factors, Russian financial assets have suffered a material rise in volatility over 2018-2020. These developments may result in reduced access of the Russian businesses to international capital and export markets, capital flight, weakening of the Russian Rouble and other negative economic consequences.

The impact of further political and economic developments in Russian Federation on future operations and financial position of the Group is at this stage difficult to determine.

Share-based payments – The Group engages in cash settled share-based payment transactions in respect of services received from certain employees. The fair value of the services received is measured by reference to the fair value of the shares initially on the date of the grant and then subsequently at each reporting date. The cost of the employee services received in respect of the shares granted is recognized in the consolidated statement of profit or loss within administrative expenses, over the period that the services are received, which is the vesting period. A liability equal to the portion of the goods and services received is recognized at the current fair value determined at each balance sheet date for cash settled payments.

32. Transactions with related parties

Transactions between the Bank and its subsidiaries, which are related parties of the Group, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below:

	31 December 2020 mRUB		31 December 2019 mRUB	
	Related party transactions	Total category as per financial statement caption	Related party transactions	Total category as per financial statement caption
Cash and cash equivalents, gross	129,033	301,655	112,353	190,975
- shareholders	129,028		112,317	
- related parties under common control with the Group	5		36	
Financial assets at fair value through profit or loss	19,981	57,058	9,977	36,472
- shareholders	19,981		9,898	
- related parties under common control with the Group	-		79	
Loans to customers, gross	4,526	835,165	3,136	808,782
- key management personnel of the Group	3		2	
- related parties under common control with the Group	4,523		3,134	
Other assets	1,364	13,611	52	18,449
- shareholders	664		8	
- related parties under common control with the Group	700		44	
Financial liabilities at fair value through profit or loss	32,520	54,676	19,807	34,971
- shareholders	32,520		19,807	
Due to banks and international financial institutions	11,991	44,710	10,054	49,344
- shareholders	10,501		8,498	
- related parties under common control with the Group	1,490		1,556	

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	31 December 2020 mRUB		31 December 2019 mRUB	
	Related party transactions	Total category as per financial statement caption	Related party transactions	Total category as per financial statement caption
Customer accounts	3,589	924,638	5,245	813,162
- shareholders	-		17	
- key management personnel of the Group	162		186	
- related parties under common control with the Group	3,427		5,042	
Debt securities issued	992	108,033	537	108,067
- related parties under common control with the Group	992		537	
Other liabilities	522	20,599	619	20,645
- shareholders	481		615	
- related parties under common control with the Group	41		4	
Subordinated debt	21,450	21,450	17,987	17,987
- shareholders	21,450		17,987	
Perpetual subordinated debt	22,162	22,162	18,572	18,572
- shareholders	22,162		18,572	
Guarantees issued and similar commitments	13,404	150,593	18,871	128,604
- shareholders	9,000		9,281	
- related parties under common control with the Group	4,404		9,590	
Commitments on loans and unused credit lines	49,613	172,169	10,150	100,780
- shareholders	45,441		5,000	
- key management personnel of the Group	6		5	
- related parties under common control with the Group	4,166		5,145	
Guarantees received	7,567	535,097	4,348	365,446
- shareholders	7,284		4,118	
- related parties under common control with the Group	283		230	

The following amounts with related parties are included in the consolidated statements of profit or loss for the year ended 31 December 2020 and 2019:

	Year ended 31 December 2020 mRUB		Year ended 31 December 2019 mRUB	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
Interest income	526	86,554	1,928	91,701
- shareholders	351		1,736	
- key management personnel of the Group	-		1	
- related parties controlled by, or under common control with the Group	175		191	
Interest expense	(3,212)	(37,821)	(3,298)	(45,306)
- shareholders	(2,816)		(3,116)	
- key management personnel of the Group	(6)		(10)	
- related parties under common control with the Group	(390)		(172)	

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	Year ended 31 December 2020 mRUB	Year ended 31 December 2019 mRUB
	Related party transactions	Total category as per financial statements caption
Net (loss)/gain on financial assets and liabilities at fair value through profit or loss, except forex swaps and forwards	(879)	1,229
- shareholders	(879)	(1,906)
- related parties under common control with the Group	-	(1,907)
	-	1
Net gain/(loss) on foreign exchange operations and on precious metals operations	151	6,288
- shareholders	151	1,112
- related parties under common control with the Group	-	1,113
	-	(1)
Fee and commission income	3,664	17,008
- shareholders	280	3,876
- related parties under common control with the Group	3,384	144
	3,384	3,732
Fee and commission expense	(96)	(4,457)
- shareholders	(96)	(87)
- related parties under common control with the Group	-	(86)
	-	(1)
Operating expense (other than compensation)	(99)	(17,026)
- shareholders	(78)	(397)
- related parties under common control with the Group	(21)	(396)
	(21)	(1)
Dividend income	821	821
- related parties under common control with the Group	821	559
	821	559
Other income	26	958
- shareholders	2	6
- related parties under common control with the Group	24	-
	24	1,227
Salary, bonuses and social security contribution	(403)	(18,903)
- key management personnel	(403)	(503)
	(403)	(503)
Share-based payment	(77)	-
- short-term employee benefits	(77)	(96)
	(77)	(96)

33. Fair value of financial instruments

Disclosures of financial instruments fair value are made in accordance with the requirements of IFRS 13 *Fair Value Measurement*. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

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The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes).
- Unquoted equities and debt securities classified at fair value through other comprehensive income are valued using models that use both observable and unobservable data. The non-observable inputs to the models include assumptions regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates.
- For financial assets and liabilities that have a short term maturity (less than 12 months), it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits and savings accounts without a maturity.
- For loans and advances to banks and customers and deposits from banks and customers and promissory notes issued at variable rates management believes that carrying amount may be assumed to be fair value.
- For loans and advances to banks and customers and deposits by banks and customers and promissory notes issued at fixed rates fair value has been estimated by reference to the market rates available at the balance sheet date for similar instruments of maturity equal to the remaining fixed period.
- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.
- The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

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The fair value of financial assets and liabilities compared with the corresponding carrying amount in the consolidated statement of financial position of the Group is presented below:

	31 December 2020		31 December 2019	
	Carrying value, mRUB	Fair value, mRUB	Carrying value, mRUB	Fair value, mRUB
Cash and cash equivalents	301,646	301,646	190,970	190,970
Mandatory cash balances with the Central Bank of the Russian Federation	10,910	10,910	9,042	9,042
Financial assets at fair value through profit or loss				
- <i>Derivative financial instruments</i>	54,454	54,454	29,367	29,367
- <i>Debt securities</i>	2,413	2,413	6,914	6,914
- <i>Shares</i>	191	191	191	191
Due from banks	13,633	13,658	13,634	13,551
Loans to customers	792,338	803,373	771,447	788,200
Investments at fair value through other comprehensive income	30,982	30,982	63,100	63,100
Investments at amortised cost	103,731	109,204	82,740	86,013
Other financial assets	3,892	3,892	2,197	2,197
Financial liabilities at fair value through profit or loss	54,676	54,676	34,971	34,971
Due to the Central Bank of the Russian Federation	-	-	18	18
Due to banks and international financial institutions	44,710	44,712	49,344	49,344
Customer accounts	924,638	926,155	813,162	813,205
Debt securities issued	108,033	110,391	108,067	112,658
Other financial liabilities	17,976	17,976	15,698	15,698
Subordinated debt	21,450	21,450	17,987	17,987

Assets and liabilities for which fair value approximates carrying value

For financial assets and liabilities that have a short term maturity (less than 12 months), it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits and savings accounts.

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Fair value measurements recognised in the consolidated statement of financial position

For the purpose of fair value hierarchy disclosure as at 31 December 2020 and 2019, the Group has categorized classes of assets and liabilities at fair value into Level 1 to 3 based on the degree to which their fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Balance Sheet Category	31 December 2020, mRUB			31 December 2019, mRUB		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Cash and cash equivalents	-	157,529	144,117	-	80,121	110,849
Mandatory cash balances with the Central Bank of the Russian Federation	-	-	10,910	-	-	9,042
Financial assets at fair value through profit or loss	-	54,454	-	-	29,367	-
- <i>Derivative financial instruments</i>	-	-	-	-	-	-
- <i>Debt securities</i>	2,413	-	-	6,914	-	-
- <i>Shares</i>	-	191	-	-	191	-
Due from banks	-	-	13,658	-	-	13,551
Loans to customers	-	-	796,019	-	-	786,745
Loans at fair value through other comprehensive income	-	7,354	-	-	1,455	-
Investments at fair value through other comprehensive income	30,982	-	-	63,100	-	-
Investments at amortised cost	109,204	-	-	86,013	-	-
Property and equipment and right-of-use assets	-	-	10,974	-	-	11,895
Financial liabilities at fair value through profit or loss	1,791	52,885	-	3,992	30,979	-
Due to the Central Bank of the Russian Federation	-	-	-	-	18	-
Due to banks and international financial institutions	-	-	44,712	-	-	49,344
Customer accounts	-	-	926,155	-	-	813,205
Debt securities issued	109,153	1,238	-	98,591	14,067	-
Subordinated debt	-	-	21,450	-	-	17,987

Possibility of transfer from Level 1 to Level 2 category is assessed as low, as liquidity control is performed by Market Risk Department. Control period of liquidity assessment is 90 days from position opening. Market risk department performs liquidity analysis using position turnover, volumes of exchange trades, availability of exchange and brokers quotations. In case of position assessment as insufficient liquid the necessary actions to close position are taken.

For financial instruments that are recognized at fair value on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Level 3 fair values of land and office buildings have been generally derived using the adjusted sales comparison approach, the income-based approach and the costs method. Unobservable inputs included in the calculations for sales comparison approach represent various adjustments considered to account for the difference between the compared properties in terms of size, location, bargain prices to which sellers are willing to go (ranging from 0% to -15%). The unobservable inputs included in the income-based approach calculations represent mainly the adjustments considered to account for the discounting rates (ranging from 10% to 12%) and capitalization rates (from 9% to 12.5%).

The sensitivity of the fair value measurement to changes in those unobservable inputs indicated above does not result in a significantly higher or lower fair value measurement.

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34. Offsetting financial assets and liabilities

31 December 2020, mRUB	Impact of offsetting on the statement of financial position		Net amount presented in the statement of financial position	Financial instru- ments recogni- sed in the statement of financial position	Impact of Master Netting Agreements and similar agreements		
	Gross amount	Amounts offset			Cash collateral received	Financial instru- ments received as collateral	Net amount
Assets subject to offsetting							
Derivative financial instruments	54,454	-	54,454	37,419	-	-	17,035
Due from banks under reverse repurchase agreements	10,618	-	10,618	-	-	10,618	-
Total assets subject to offsetting	65,072	-	65,072	37,419	-	10,618	17,035
Liabilities subject to offsetting							
Derivative financial instruments	52,885	-	52,885	37,419	-	-	15,466
Total liabilities subject to offsetting	52,885	-	52,885	37,419	-	-	15,466
31 December 2019, mRUB	Impact of offsetting on the statement of financial position		Net amount presented in the statement of financial position	Financial instru- ments recogni- sed in the statement of financial position	Impact of Master Netting Agreements and similar agreements		
	Gross amount	Amounts offset			Cash collateral received	Financial instru- ments received as collateral	Net amount
Assets subject to offsetting							
Derivative financial instruments	29,367	-	29,367	18,775	-	-	10,592
Due from banks under reverse repurchase agreements	5,328	-	5,328	-	-	5,328	-
Loans to customers under reverse repurchase agreements	450	-	450	-	-	450	-
Total assets subject to offsetting	35,145	-	35,145	18,775	-	5,778	10,592
Liabilities subject to offsetting							
Derivative financial instruments	30,979	-	30,979	18,775	-	-	12,204
Total liabilities subject to offsetting	30,979	-	30,979	18,775	-	-	12,204

35. Regulatory matters

Quantitative measures established by regulation to ensure capital adequacy require the Group to maintain minimum amounts and ratios of total (8%) and tier 1 capital (4%) to risk weighted assets.

The ratio was calculated according to the Basel II principles employed by the Basel Committee.

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The following table analyzes the Group's regulatory capital resources for capital adequacy purposes in accordance with the principles employed by the Basel Committee.

	31 December 2020 mRUB	31 December 2019 mRUB
Tier 1 capital	182,878	168,006
Tier 2 capital	<u>24,842</u>	<u>21,867</u>
Total capital	<u>207,720</u>	<u>189,873</u>

As at 31 December 2020 and 2019 the Group included in the computation of Total capital for Capital adequacy purposes the subordinated debt received, limited to 50% of Tier 1 capital. In the event of bankruptcy or liquidation of the Group, repayment of this debt is subordinate to the repayments of the Group's liabilities to all other creditors.

As at 31 December 2020 the Group's total capital amount for Capital Adequacy purposes was RUB 207,720 million and Tier 1 capital amount was RUB 182,878 million with ratios of 22.50% and 19.80%, respectively.

As at 31 December 2019 the Group's total capital amount for Capital Adequacy purposes was RUB 189,873 million and Tier 1 capital amount was RUB 168,006 million with ratios of 21.60% and 19.10%, respectively.

36. Capital risk management

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

The Group is obliged to comply with CBR capital adequacy requirements.

The capital structure of the Group consists of debt, which includes subordinated debt disclosed in Note 19, and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in consolidated statement of changes in equity.

The Management Board reviews the capital structure on a semi-annual basis. As a part of this review, the Board considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the Board, the Group balances its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

The Group's overall capital risk management policy remains unchanged from 2019.

37. Segment reporting

The Group discloses information to enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates. This matter is regulated by IFRS 8 *Operating Segments* and other standards that require special disclosures in the form of segmental reporting.

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IFRS 8 defines an operating segment as a component of an entity:

- That engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);
- Whose operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and
- For which discrete financial information is available.

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on types of services delivered or provided. The Group's reportable segments under IFRS 8 are therefore as follows:

- Retail banking – representing private banking services, private customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages.
- Corporate banking – representing direct debit facilities, current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency and derivative products.
- Treasury and Financial institutions – representing all trading financial instruments recognized and measured at fair value through profit and loss as well as loans and borrowings initiated through interbank transactions.

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies. Transactions between the operating segments consist only of reallocating of funds. Funds are ordinarily reallocated between segments, resulting in funding cost transfers disclosed in operating income. Interest charged for these funds is based on the Group's marginal funding price. There are no other material items of income or expense between the business segments. Segment assets and liabilities comprise operating assets and liabilities. Internal charges and transfer pricing adjustments have been reflected in the performance of each business.

The main business activity of the Group is concentrated in RF, thus no geographical segmentation is reported.

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Segment information about these businesses is presented below.

	Retail banking	Corporate banking	Treasury and financial institutions	Unallocated	Year ended 31 December 2020
Net interest margin	28,499	10,395	2,241	7,598	48,733
Credit loss expense	(13,267)	(1,035)	-	(92)	(14,394)
Net gain/(loss) on financial transactions	655	(9)	6,978	81	7,705
Net fee and commission income	8,871	3,109	571	-	12,551
Other provisions and impairment	(226)	(94)	-	(1,628)	(1,948)
Dividend income	821	-	-	-	821
Other income	45	168	46	699	958
Income/(expense) from other segments	2,985	3,400	273	(6,658)	-
Total operating income	28,383	15,934	10,109	-	54,426
Operating expenses	(27,028)	(4,466)	(1,785)	(2,650)	(35,929)
(Expense)/income from other segments	(2,063)	(415)	(172)	2,650	-
Other non-operating income/(expense)	(83)	(102)	(3)	-	(188)
Profit/(loss) before income tax	(791)	10,951	8,149	-	18,309
Income tax expense	120	(1,663)	(1,237)	-	(2,780)
Net profit/(loss) for the period	(671)	9,288	6,912	-	15,529
Segment assets	733,400	525,446	88,317	16,273	1,363,436
Segment liabilities	419,879	669,601	65,670	21,911	1,177,061
Other segment items					
Cash and cash equivalents	135,781	153,308	12,557	-	301,646
Mandatory cash balances with the Central and National banks	4,908	5,548	454	-	10,910
Financial assets at fair value through profit or loss	1,643	1,725	53,690	-	57,058
Due from banks	-	-	13,633	-	13,633
Loans to customers	501,757	290,581	-	-	792,338
Investments at fair value through comprehensive income	13,938	15,753	1,291	-	30,982
Investments at amortized cost	46,363	53,076	4,292	-	103,731
Changes in fair value of hedged items	-	-	134	-	134
Property and equipment and right-of-use assets	20,703	4,160	1,728	-	26,591
Intangible assets	6,444	1,295	538	-	8,277
Other assets ¹	1,863	-	-	16,273	18,136
Financial liabilities at fair value through profit or loss	1,266	1,430	51,980	-	54,676
Due to banks and international financial institutions	-	34,563	10,147	-	44,710
Customer accounts	334,280	590,358	-	-	924,638
Debt securities issued	73,040	32,344	2,649	-	108,033
Subordinated debt	9,650	10,906	894	-	21,450
Other liabilities ²	1,643	-	-	21,911	23,554

¹ Includes: other assets, current income tax assets, deferred income tax assets.

² Includes other provisions, current income tax liabilities, deferred income tax liabilities, other liabilities.

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Segment information as at 31 December 2019 is presented below.

	Retail banking	Corporate banking	Treasury and financial institutions	Unallocated	Year ended 31 December 2019
Net interest margin	28,241	9,485	2,969	5,700	46,395
Credit loss expense	(6,758)	(676)	(2)	(203)	(7,639)
Net gain/(loss) on financial transactions	881	(12)	(813)	412	468
Net fee and commission income/(expense)	9,117	2,520	583	(188)	12,032
Other provisions and impairment	(139)	(51)	-	(18)	(208)
Dividend income	559	-	-	-	559
Other income	162	189	46	830	1,227
Income/(expense) from other segments	2,744	3,499	290	(6,533)	-
Total operating income	34,807	14,954	3,073	-	52,834
Operating expenses (Expense)/income from other segments	(32,395)	(4,409)	(2,016)	(367)	(39,187)
Other non-operating income/(expense)	(221)	(113)	(33)	367	-
	37	23	-	-	60
Profit before income tax	2,228	10,455	1,024	-	13,707
Income tax expense	(449)	(2,105)	(206)	-	(2,760)
Net profit for the period	1,779	8,350	818	-	10,947
Segment assets	652,379	481,758	65,209	19,421	1,218,767
Segment liabilities	396,164	587,327	42,574	20,703	1,046,768
Other segment items					
Cash and cash equivalents	81,148	101,450	8,372	-	190,970
Mandatory cash balances with the Central and National banks	3,810	4,833	399	-	9,042
Financial assets at fair value through profit or loss	1,532	1,454	33,486	-	36,472
Due from banks	-	-	13,634	-	13,634
Loans to customers	484,719	286,728	-	-	771,447
Investments at fair value through comprehensive income	26,590	33,727	2,783	-	63,100
Investments at amortized cost	34,865	44,225	3,650	-	82,740
Changes in fair value of hedged items	-	-	131	-	131
Property and equipment and right-of-use assets	14,850	7,558	2,228	-	24,636
Intangible assets	3,504	1,783	526	-	5,813
Other assets ¹	1,361	-	-	19,421	20,782
Financial liabilities at fair value through profit or loss	152	192	34,627	-	34,971
Due to the Central Bank of the Russian Federation	-	18	-	-	18
Due to banks and international financial institutions	-	45,252	4,092	-	49,344
Customer accounts	318,017	495,145	-	-	813,162
Debt securities issued	67,899	37,106	3,062	-	108,067
Subordinated debt	7,580	9,614	793	-	17,987
Other liabilities ²	2,516	-	-	20,703	23,219

¹ Includes: other assets, current income tax assets, deferred income tax assets.

² Includes other provisions, current income tax liabilities, deferred income tax liabilities, other liabilities.

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For the purpose of the segment reporting disclosure the category “Net gain/(loss) on financial transactions” includes the following categories:

- Net (loss)/gain on financial assets and liabilities at fair value through profit or loss, except forex swaps and forwards;
- Net gain/(loss) on foreign exchange operations;
- Net gain/(loss) on precious metals operations.

38. Risk management policies

The risk management process is fundamental to the Grouping business and is an integral part of an overall risk and capital management strategy within the Group’s internal capital adequacy assessment processes (ICAAP).

The whole ICAAP cycle takes a year and is composed by the following steps:

- Starts with the significant risk identification procedure and Risk Map report based on budget and forecast figures approved in the current year;
- Regular significant risks assessment of the Group;
- Assessment of internal available capital adequacy of the Group under normal and stressed conditions taking into account budget and forecast figures approved for a minimum 3-year horizon taking into account the development strategy;
- Risk-appetite framework enhanced by stressed figures and set in line with the Group’s Development Strategy;
- Incorporating of ICAAP into the operating Group’s risk and capital management function via capital allocation and limits setting;
- Embedding in the budgeting process the ICAAP figures for the next year;
- Monitoring and reporting of the plan-fact analysis of allocated capital utilization during the whole year;
- ICAAP self-assessment;
- ICAAP results report preparation.

In accordance with Group’s risk management strategy decision making process for a transaction takes place only after the complex assessment of risks related to such transaction.

All transactions are conducted in accordance with the internal regulations and set limits.

In case of new transactions, subject to significant risks without corresponding internal document and/or the relevant decision of the Management regulating such transactions, are not allowed.

The procedure for the identification of significant risks arising from the Group’s activities in connection with business models existing in the Group is performed on a yearly basis and entails the following steps:

- Listing a comprehensive inventory of risks (all risks that the Group is or could be exposed to);
- Determining the inherent risk level based on the information available with regards to the Group’s Development Strategy, current risk exposures and the professional judgment of its risk experts, expressed in terms of a combination of impact and likelihood;
- Identification and documentation of the existing risk controls implemented by the Group which reduce the inherent risk level (e.g. existence of dedicated risk management policies, KRIs, risk measures and limits, regular monitoring and reporting processes and other if the case);
- Prioritization of risk depending on the Group’s risk-appetite;
- Determination the residual risk level of significant risks in terms of both likelihood and impact (after the consideration and analysis of the risk management and controls used by the Group).

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Within its regular risk assessment process the Group takes into account the changes in the current risk profile, the emergence of new types of risks, significant changes in the organizational structure of the Group as well as from launching of new types of activities.

The Group takes into account the results of the significant risks identification procedure in the strategic planning process, in particular in the development of the target risk structure and risk appetite.

Considering the diversity and changes in the Group, the Parent Bank of the Group assesses and develops approaches to the management of all risks that were recognized as significant for 2020:

- Credit risk (including concentration risk and counterparty credit risk);
- Operational risk;
- Market risk;
- Structural interest rate risk;
- Structural foreign exchange risk (including concentration risk);
- Liquidity risk (including concentration risk);
- Strategic risk.

For all risks that have been identified as significant for the Group, the Parent Bank of the Group and subsidiaries of the Group develop appropriate risk management policies and procedures, as well as establish a limit control system of these risks, develop risk data measurement methodology and evaluation of the relevant capital requirements.

Methods for assessment of significant risks as well as risk management procedures have not changed significantly during the reporting year.

The description of the Group's general risk management principles is provided below.

Credit risk

Lending operations are conducted in accordance with the regulatory framework set by the Central Bank of the Russian Federation as well as guidelines defined by Societe Generale. Credit Policy is validated by Board of Directors and Management Board.

The Parent company of the Group sets approaches to credit risk management at Group level (the Group standards) so that subsidiaries exposed to credit risk could develop its local risk management system in line with the Group standards, and perform regular control over credit risk.

Credit risk is managed for each client segment, including Factoring and Leasing, using the dedicated tools, including credit portfolio diversification, multifactor credit risk assessment system applied for every particular credit application, monitoring procedures, etc. Qualitative and quantitative credit risk management techniques for each segment are defined in dedicated credit policies.

The Group distinguishes the following client segments in its portfolio of credit risk-bearing products:

- Corporate clients;
- Retail clients;
- Financial institutions.

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Credit risk management activity aim at minimization and control over credit risk via the following mechanisms:

- Credit portfolio diversification by industry, region, currency, product type, maturity, collateral etc.;
- Separate risk limits on clients/Groups, portfolios, etc;
- Industry policies and special criteria set to control credit risk for the clients of a particular industry;
- Multilevel, complex approach for the analysis of credit applications;
- Centralized multilevel decision-making system up;
- Monitoring over approved limits and decisions follow-up;
- Obligatory continuous monitoring the quality of Credit Portfolio. Provisioning under regulatory documents of the Bank of Russia, and the International Financial Reporting Standards.

Another important risk management mechanism allowing to reduce the potential loss is collateral.

Collateral can be represented by different assets (including real estate, equipment, vehicles, goods in circulation etc.), pledge of rights, sureties and/or guarantees, as well as financial instruments such as cash, high-quality investments, securities etc. Haircuts are applied to the value of collateral, depending on their quality and liquidity.

In addition the Group may apply financial and non-financial covenants and other appropriate restrictions / additional undertakings on individual basis depending on the transaction.

Impairment assessment

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The 12mECL is the portion of LTECL that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECL and 12mECL are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. Based on the above process, the Group groups its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below:

- Stage 1: When loans are first recognised, the Group recognises an allowance based on 12mECL. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.
- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECL. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.
- Stage 3: Loans considered credit-impaired. The bank records an allowance for the LTECL.
- POCI: Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. ECL are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

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The mechanics of the ECL calculations are outlined below and the key elements are as follows:

- PD The *Probability of Default* is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.
- EAD The *Exposure at Default* is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
- LGD The *Loss Given Default* is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

When estimating the ECLs, the Group distinguishes homogeneous groups based on business-directions. Each of the scenarios is associated with different PDs, EADs and LGDs. In its ECL models, the Group relies on a broad range of forward looking information as economic inputs. Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

The Group considers an exposure to have significantly increased in credit risk in case of any violation of financial covenants and conditions of the credit agreement, since initial recognition. The Group also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset and forms a customer/facility watch list. Regardless of the change in other conditions, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition.

The Group considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments or financial asset non-commercial restructuring. The Group considers the restructuring of financial asset related to COVID-19 to be caused by macroeconomic conditions and does not classify it as non-commercial.

To reflect appropriately the uncertainty associated with the spread of COVID-19 pandemic, the Group charged additional provision for retail credit risks on restructured loans during 2020 for those borrowers affected by the consequences of the COVID-19 pandemic (Note 23).

Calculation of additional provision based on the following assumptions: as the approach applied for simplified methodology is based on a change of Stage 1 and Stage 2 part on the retail portfolio, the Group considered three scenarios for changes in the transfer rate from Stage 1 to Stage 2: stress, central, optimistic.

Each scenario was weighted depending on its probability. The Forward Looking overlay is computed as the weighted average of the three scenarios:

- Scenario stress: 25%;
- Scenario central: 65%;
- Scenario optimistic: 10%.

The Group calculates ECLs on an individual basis for the following assets: all stage 3 assets, the corporate lending portfolio, the treasury and interbank relationships (due from banks, REPO, debt investment securities at amortised cost/FVOCI), POCl resulted from restructuring.

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The Group calculates ECL for Stage 3 based on a measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive. The Group calculates ECL on a collective basis for all other classes of assets which it groups into smaller homogeneous portfolios, based on a combination of internal and external characteristics of the loans and applies to them homogeneous provisioning rates.

For financial assets for which the Group has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

The table below shows the credit quality by class of asset for loan-related lines in the consolidated statement of financial position for 12 months ended 31 December 2020 is, as follows:

	Cash and cash equivalents and due from banks mRUB	Loans to corporate business mRUB	Loans to retail business mRUB	Investments at amortised cost mRUB	Investments at FVOCI mRUB	Total mRUB
Stage 1						
Gross carrying value as at 1 January 2020	129,819	280,099	479,147	82,754	63,100	1,034,919
Net change of value of assets	39,022	(2,136)	41,078	21,000	(32,118)	66,846
Assets sold	(446)	-	(5,727)	-	-	(6,173)
Transfers to Stage 1	-	1,156	2,397	-	-	3,553
Transfers to Stage 2	-	(9,449)	(2,640)	-	-	(12,089)
Transfers to Stage 3	-	(298)	(15,243)	-	-	(15,541)
At 31 December 2020	168,395	269,372	499,012	103,754	30,982	1,071,515
Stage 2						
Gross carrying value as at 1 January 2020	-	5,681	6,208	-	-	11,889
Net change of value of assets	-	7,872	(973)	-	-	6,899
Transfers to Stage 1	-	(1,148)	(1,786)	-	-	(2,934)
Transfers to Stage 2	-	9,449	3,540	-	-	12,989
Transfers to Stage 3	-	(144)	(2,433)	-	-	(2,577)
At 31 December 2020	-	21,710	4,556	-	-	26,266
Stage 3						
Gross carrying value as at 1 January 2020	-	6,447	30,924	-	-	37,371
Net change of value of assets	-	821	(3,802)	-	-	(2,981)
Assets sold	-	(966)	(8,481)	-	-	(9,447)
Transfers to Stage 1	-	(8)	(611)	-	-	(619)
Transfers to Stage 2	-	-	(900)	-	-	(900)
Transfers to Stage 3	-	442	17,676	-	-	18,118
Amounts written off	-	(311)	(940)	-	-	(1,251)
At 31 December 2020	-	6,425	33,866	-	-	40,291
POCI						
Gross carrying value as at 1 January 2020	-	-	276	-	-	276
Net change of value of assets	-	-	(52)	-	-	(52)
At 31 December 2020	-	-	224	-	-	224
Total at 1 January 2020	129,819	292,227	516,555	82,754	63,100	1,084,455
Total at 31 December 2020	168,395	297,507	537,658	103,754	30,982	1,138,296

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The table below shows the credit quality by class of asset for loan-related lines in the consolidated statement of financial position for 12 months ended 31 December 2019 is, as follows:

	Cash and cash equivalents and due from banks mRUB	Loans to corporate business mRUB	Loans to retail business mRUB	Investments at amortised cost mRUB	Investments at FVOCI mRUB	Total mRUB
Stage 1						
Gross carrying value as at 1 January 2019	72,497	290,147	418,219	94,152	46,180	921,195
Net change of value of assets	57,322	(10,522)	70,526	(6,601)	16,920	127,645
Assets purchased	-	-	5,853	-	-	5,853
Assets sold	-	-	(7,430)	(4,796)	-	(12,226)
Transfers to Stage 1	-	1,819	6,180	-	-	7,999
Transfers to Stage 2	-	(1,229)	(6,800)	-	-	(8,029)
Transfers to Stage 3	-	(114)	(7,401)	-	-	(7,515)
At 31 December 2019	129,819	280,101	479,147	82,755	63,100	1,034,922
Stage 2						
Gross carrying value as at 1 January 2019	-	5,249	9,363	-	-	14,612
Net change of value of assets	-	1,822	(837)	-	-	985
Transfers to Stage 1	-	(1,819)	(5,613)	-	-	(7,432)
Transfers to Stage 2	-	1,229	7,712	-	-	8,941
Transfers to Stage 3	-	(801)	(4,418)	-	-	(5,219)
At 31 December 2019	-	5,680	6,207	-	-	11,887
Stage 3						
Gross carrying value as at 1 January 2019	-	12,118	32,694	-	-	44,812
Net change of value of assets	-	(1,021)	(3,737)	-	-	(4,758)
Assets sold	-	-	(7,064)	-	-	(7,064)
Transfers to Stage 1	-	-	(567)	-	-	(567)
Transfers to Stage 2	-	-	(912)	-	-	(912)
Transfers to Stage 3	-	915	11,819	-	-	12,734
Amounts written off	-	(5,566)	(1,308)	-	-	(6,874)
At 31 December 2019	-	6,446	30,925	-	-	37,371
POCI						
Gross carrying value as at 1 January 2019	-	-	245	-	-	245
Net change of value of assets	-	-	31	-	-	31
At 31 December 2019	-	-	276	-	-	276
Total at 1 January 2019	72,497	307,514	460,521	94,152	46,180	980,864
Total at 31 December 2019	129,819	292,227	516,555	82,755	63,100	1,084,456

Internal and external ratings

The Group's rating system makes a key distinction between retail customers and corporate, bank and sovereign clients: for retail customer portfolios, internal models are used to measure credit risks. The Group uses calculated borrower's probability of default (PD) within one year and the percentage loss if the counterparty defaults (Loss Given Default, LGD) for credit risk assessment.

In both cases a set of procedures defines the rules and roles relating to ratings (scope, frequency of rating review, rating approval procedure, etc.), split between Rosbank and SG respectively. Among other things, these procedures facilitate human judgement, which provides a critical view of the results and is an essential complement to the models for these portfolios. The Group's internal models thus enable a quantitative assessment of credit risks based on the probability of default of the counterparty and the loss given default. The final Obligor rating is included in the credit applications and incorporated in credit limit delegation policy. Thus, Obligor ratings are one of the criteria for determining the approval limits granted to operational staff and the risk function.

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The Group's risks estimates are not excessively sensitive to changes in the economic environment, while being able to detect any deterioration of risks. The PD modelling for large corporates has also been calibrated against long-term default statistics obtained from an external rating agency.

The criteria for determining internal rating category are as follows:

SG OG category	Criteria
1-2	High level of creditworthiness. Financial position is assessed as good and stable in the long term.
3	High level of creditworthiness. Financial position is assessed as good and stable in the long term. Some financial indicators are below 2 nd category.
4	Relatively high level of creditworthiness. Financial position is assessed as satisfactory and stable in the long term.
5	Average level of creditworthiness. Financial position is assessed as satisfactory and stable in the short term.
6	Creditworthiness below average. Key financial indicators are assessed as satisfactory and stable in the short term.
7	Creditworthiness below average. Key financial indicators are assessed as satisfactory, but their stability is doubtful.
8	Significant deterioration in the counterparty's financial situation with or without unpaid amount.
9	At least one default on payment has been recorded and a recovery procedure has been initiated.
10	The counterparty is the subject of a legal procedure.

Financial assets are graded according to the current credit rating they have been issued by an internationally regarded agency. The highest possible rating is AAA. Investment grade financial assets have ratings from AAA to BBB. Financial assets which have ratings lower than BBB are classed as speculative grade.

The following table details the credit ratings of financial assets (except loans to customers) that are neither past due nor impaired held by the Group:

	AAA	AA	A	BBB	<BBB	Not rated	31 December 2020 Total mRUB
Financial assets at fair value through profit or loss	-	1	19,988	27,696	5,135	4,047	56,867
Due from banks	-	-	1,817	4,145	7,668	3	13,633
Investments at fair value through comprehensive income	-	-	-	30,554	428	-	30,982
Investments at amortized cost	-	-	-	103,053	678	-	103,731
	AAA	AA	A	BBB	<BBB	Not rated	31 December 2019 Total mRUB
Financial assets at fair value through profit or loss	-	-	12,611	5,350	16,249	2,071	36,281
Due from banks	-	-	-	1,542	12,092	-	13,634
Investments at fair value through comprehensive income	-	-	-	63,100	-	-	63,100
Investments at amortized cost	-	-	-	82,740	-	-	82,740

As of 31 December 2020 and 2019 the Balances with the Central Bank of the Russian Federation amounted to RUB 76,521 million and RUB 22,327 million, respectively. As of 31 December 2020 and 2019 the credit rating of the Russian Federation according to the international rating agencies corresponded to investment level BBB-.

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As of 31 December 2020 and 2019 the credit quality of loans to corporate customers that are neither past due nor impaired is presented below:

Internal rating category	31 December 2020 mRUB	31 December 2019 mRUB
1-2	–	5,547
3	15,859	7,575
4	59,631	63,401
5	126,804	133,172
6	74,952	71,837
7-10	13,836	4,250
Total	291,082	285,782

In respect to loans to individuals, the management of the Group bases its judgement for decision-making purposes on information on overdue periods for those loans.

The Grouping industry is generally exposed to credit risk through its financial assets. Credit risk exposure of the Group is concentrated within the Russian Federation. The exposure is monitored on a regular basis to ensure that the credit limits and credit worthiness guidelines established by the Group's risk management policy are not breached.

Collateral management

Collateral can consist of physical assets in the form of property, commodities or precious metals, as well as financial instruments such as cash, high-quality investments and securities and also insurance policies. Appropriate haircuts are applied to the value of collateral, reflecting its quality and liquidity.

The Group proactively manages its risks by diversifying guarantees: physical collateral, personal guarantees and others.

In addition, the Group has strengthened its policies relating to the acceptance and management of guarantees and collateral as well as their valuation (data collection on guarantees and collateral, deployment of operational procedures).

During the credit approval process, an assessment of the value of guarantees and collateral, their legal enforceability and the guarantor's ability to meet its obligations is undertaken.

The Credit Risk Department is responsible for validating the operating procedures established by the business divisions for the regular valuation of guarantees and collateral, either automatically or based on an expert opinion, both during the approval phase for a new loan or upon the annual renewal of the credit application.

Renegotiated loans and advances

Loans and advances are generally renegotiated either as part of an ongoing customer relationship or in response to an adverse change in the circumstances of the borrower. In the latter case, renegotiation can result in an extension of the due date of payment or repayment plans under which the Group offers a concessionary rate of interest to genuinely distressed borrowers. This will result in the asset continuing to be overdue and will be individually impaired where the renegotiated payments of interest and principal will not recover the original carrying amount of the asset. In other cases, renegotiation will lead to a new agreement, which is treated as a new loan.

The Grouping industry is generally exposed to credit risk through its loans to customers and inter bank deposits. With regard to the loans to customers this risk exposure is concentrated within the Russian Federation. The exposure is monitored on a regular basis to ensure that the credit limits and credit worthiness guidelines established by the Group's risk management policy are not breached.

Operational risk

Operational risk is defined as the risk of loss arising from insecurities and deficiencies in Group's internal management procedures, negligence of the employees, failures of informational and other systems or impact of external events on the activities of the Group. Legal risk represents a part of operational risk.

The Group uses a regulatory approach to operational risk assessment, as it is established by the Central Bank of Russia Regulation No. 652-P *On the Procedure for Calculating Operational Risks*, dated 3 September 2018.

The Group uses the following instruments for identification and assessment of operational risks: KRI, collection of data on internal and external losses, implementation of scenario analysis, an annual risk and control procedures self-assessment (RCSA), assessment of risks related to essential outsourced services. The Group develops business continuity plans and (or) restoration of activities and action plans in crisis situations. Despite all the measures taken, the operational risk remains a significant one due to its characteristic features to affect the realization of other risks.

A wide set of measures is used for operational risk minimization aimed at reducing the probability of events or circumstances leading to losses from operational risk events, and reducing (limiting) the potential amount of such losses, including: effective segregation of duties, access, authorization and reconciliation procedures, staff education and assessment processes.

Bank as a Parent company approves approaches to operational risk management of subsidiaries and performs regular control of the operational risk value at Group level.

Market risk

Banking group is exposed to market risk due to impact of market indicators changes on the fair-value of instruments in portfolio.

For management purposes leading Bank of the Banking Group recognizes next types of market risk in Market book:

- Interest rate risk – risk of getting financial losses due to changes in fair value of financial instruments from moves in market interest rates.
- Currency (FX) risk – risk of getting financial losses due to changes in fair value of financial instruments from moves in foreign exchange rates.
- Commodity risk – risk of getting financial losses due to changes in fair value of financial instruments from moves in commodity prices (including prices for precious metals).
- Equity risk – risk of getting financial losses due to changes in fair value of financial instruments from moves in equities prices and derivatives on equities and indices.

Interest rate and FX risks are the most noticeable among others.

The goal of risk management – to limit the negative impact of Risk on the Group's activity and maintaining the Group's exposure to Risk within the given risk limits established with taking into account risk-appetite of the Group.

Risk management units are independent from business-lines which take risk.

In accordance with the Group's market risk management policy, the main objectives of market risk management are compliance of Risk exposure with the risk-appetite; maintaining and updating the independent Risk management system; compliance of Risk exposure with the regulatory requirements; effective Risk management for risk-return ratio optimization.

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Market risk management system includes analysis of risk exposure, calculation of risk metrics, limits on risk metrics, their control, risk management processes and preparation of reporting to Management of the Group on daily basis. All financial instruments at the beginning before trade are implemented via New Product approval procedure that includes risk exposure assessment, completeness of active limits system and capacity of used IT-systems to process financial instrument. Business-lines take market risk in the frame of approved limits.

The Group uses further metrics in order to analyze and manage Risk: Nominal volumes of positions, Risk sensitivity of fair value of financial instruments to change of risk-factors, Stress-tests, Holding position periods

Approved limit on stress-test for market risk less than 4% of Bank's capital.

Structural interest rate risk

Structural interest rate risk – it is the risk of potential losses, income or asset value decrease as a result of changes in market interest rates.

Group implements conservative interest rate risk management policy, aimed to reduce negative impact of market conditions on financial performance of the Group, including minimization of the Group's interest result reduction possibility due to a sharp change in interest rates and also on the compliance with regulatory requirements.

The main indicator of the evaluation and structural interest rate risk management system is the sensitivity of economic value of capital to interest rate changes. The economic value of capital when calculating the value of the interest rate risk is determined by the present value of future cash flows of the Bank. As the sensitivity measure of the economic value of capital to changes in interest rates the change in NPV of cash flows of each of the Group's member is used. It is calculated on a given time horizon and in a given currency in case of the interest change scenario realization. NPV is calculated by discounting cash flows at the risk-free curve. As the discount factors specific curves are used, constructed on the basis of the interest rate swap and money market data. In case of the basic scenario realization an instantaneous parallel shift of the yield curve by +/-0.1% is used. The data on the contractual terms, terms of rates revision are used in the interest rate risk indicator construction process as well as statistical behavioral models in case of their applicability.

Group accepts an interest rate risk within the limits according to risk-appetite. The limit of possible risk level is set as maximum value of future cash flows sensitivity to the interest rate change.

The interest rate limits are set for each of the banking group participants and as a sum for the whole Group; for each of the significant currency and in total for all currencies; by periods of maturity.

Additional to the interest rate limits, possible thresholds (within the current limits) are set. Achieving thresholds means the need for implementing balance sheet structure adjusting and risk reduction measures.

The Group also calculates the sensitivity of net interest income to interest rates changes under various scenarios.

Structural risk exposure should not exceed the determined value of 3% of the capital.

During 2020 the Group's interest rate risk was within the risk-appetite limits.

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Sensitivity to interest rate variations of the Group is presented below:

	Year ended 31 December 2020	Year ended 31 December 2019
Short term	39	32
Medium term	(80)	(162)
Long term	218	180
Total sensitivity to interest rate risk	177	50

Sensitivity calculation of net interest margin to interest rate variations of the Group for the one year horizon is presented below:

Year ended 31 December 2020, mRUB	Carrying amount	Possible reasonable changes			
		RUB +58 bp	USD +1 bp	EUR -3 bp	Total
Due from banks*	255,808	1,107	-	-	1,111
Loans to customers	792,338	1,187	-	-	1,179
Debt securities	137,126	213	-	-	213
Total interest bearing assets	1,185,272	2,507	-	-	2,503
Due to banks and international financial institutions	44,710	(405)	-	-	(385)
Customer accounts	924,638	(2,129)	-	-	(2,135)
Debt securities issued	108,033	(92)	-	-	(92)
Total interest bearing liabilities	1,077,381	(2,626)	-	-	(2,612)

A positive number indicates an increase in profit and other equity in case of possible changes in interest rates. For change of interest rates in opposite direction by the same number, there would be a comparable impact on the profit and other equity, and the balances would be negative.

Year ended 31 December 2019, mRUB	Carrying amount	Reasonably possible changes			
		RUB +117 bp	USD -101 bp	EUR -9 bp	Total
Due from banks*	161,185	776	(39)	(1)	(1,683)
Loans to customers	771,447	2,688	(9)	-	2,137
Debt securities	152,754	615	(2)	-	481
Total interest bearing assets	1,085,386	4,079	(50)	(1)	935
Due to banks and international financial institutions	49,344	(838)	22	1	609
Customer accounts	813,162	(3,446)	19	-	(2,289)
Debt securities issued	108,067	(205)	-	-	(205)
Total interest bearing liabilities	970,573	(4,489)	41	1	(1,885)

* Includes term deposits in banks, loans under reverse repurchase agreements, balances with the Central Bank of the Russian Federation and Mandatory cash balances with the Central Bank of the Russian Federation.

Structural currency risk

Structural currency risk arises due to adverse changing in exchange rates on the positions opened by the Group in foreign currencies of structural book.

Certain Group's subsidiaries accept structural currency risk in their activities.

The Group assesses structural currency risk of the Group by calculating open currency position in different currencies.

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In accordance with structural currency risk management strategy the Group aims to close open currency positions based on IFRS. Due to differences between RAS and IFRS the Group could have open currency positions based on RAS. For this purpose the Group establishes the limits for open currency position for structural currency risk of the Group in each currency.

The Group's exposure to foreign currency exchange rate risk is presented in the table below:

	mRUB	USD 1 USD = 73.8757 RUB	EUR 1 EUR = 90.6824 RUB	Precious metals	Other currency	31 December 2020 Total
Assets						
Cash and cash equivalents	130,309	98,007	68,713	628	3,989	301,646
Mandatory cash balances with the Central Bank of the Russian Federation	10,910	-	-	-	-	10,910
Financial assets at fair value through profit or loss	26,304	7,573	1,742	-	21,439	57,058
Due from banks	7,719	3,686	2,228	-	-	13,633
Loans to customers	677,129	52,647	62,505	-	57	792,338
Investments at fair value through other comprehensive income	30,554	428	-	-	-	30,982
Investments at amortized cost	78,964	24,767	-	-	-	103,731
Changes in fair value of hedged items	134	-	-	-	-	134
Other financial assets	3,761	131	-	-	-	3,892
Total financial assets	965,784	187,239	135,188	628	25,485	1,314,324
Property and equipment and right-of-use assets	26,591	-	-	-	-	26,591
Intangible assets	8,277	-	-	-	-	8,277
Current income tax assets	632	-	-	-	-	632
Deferred income tax asset	3,893	-	-	-	-	3,893
Other non-financial assets	9,546	91	82	-	-	9,719
Total non-financial assets	48,939	91	82	-	-	49,112
Total assets	1,014,723	187,330	135,270	628	25,485	1,363,436
Liabilities						
Financial liabilities at fair value through profit or loss	24,412	6,963	1,862	-	21,439	54,676
Due to banks and international financial institutions	30,629	10,783	2,902	-	396	44,710
Customer accounts	675,971	197,122	47,517	628	3,400	924,638
Debt securities issued	108,033	-	-	-	-	108,033
Other provisions	753	48	58	-	-	859
Other financial liabilities	16,906	293	760	-	17	17,976
Subordinated debt	-	21,450	-	-	-	21,450
Total financial liabilities	856,704	236,659	53,099	628	25,252	1,172,342
Current income tax liabilities	20	-	-	-	-	20
Deferred income tax liabilities	2,076	-	-	-	-	2,076
Other non-financial liabilities	2,607	-	16	-	-	2,623
Total non-financial liabilities	4,703	-	16	-	-	4,719
Total liabilities	861,407	236,659	53,115	628	25,252	1,177,061
Open balance sheet position	153,316	(49,329)	82,155	-	233	

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The fair value of derivative financial instruments and spot contracts are included in the currency analysis presented above and the following table presents a further analysis of currency risk by types of derivative financial instruments and spot contracts as of 31 December 2020:

	mRUB	USD 1 USD = 73.8757 RUB	EUR 1 EUR = 90.6824 RUB	Precious metals	Other currency	31 December 2020 Total
Receivables on spot and derivative contracts	289,725	494,872	184,087	-	161,129	1,129,813
Payables on spot and derivative contracts	(283,487)	(419,235)	(265,968)	-	(161,123)	(1,129,813)
Net position on spot and derivative contracts	6,238	75,637	(81,881)	-	6	
Total open position	159,554	26,308	274	-	239	
	mRUB	USD 1 USD = 61.9057 RUB	EUR 1 EUR = 69.3406 RUB	Precious metals	Other currency	31 December 2019 Total
Assets						
Cash and cash equivalents	50,766	59,182	77,002	483	3,537	190,970
Mandatory cash balances with the Central Bank of the Russian Federation	9,042	-	-	-	-	9,042
Financial assets at fair value through profit or loss	19,627	2,980	815	-	13,050	36,472
Due from banks	8,199	2,328	3,107	-	-	13,634
Loans to customers	678,893	55,293	37,235	-	26	771,447
Investments at fair value through other comprehensive income	63,100	-	-	-	-	63,100
Investments at amortized cost	53,090	29,650	-	-	-	82,740
Changes in fair value of hedged items	131	-	-	-	-	131
Other financial assets	1,900	297	-	-	-	2,197
Total financial assets	884,748	149,730	118,159	483	16,613	1,169,733
Property and equipment and right-of-use assets	24,636	-	-	-	-	24,636
Intangible assets	5,813	-	-	-	-	5,813
Current income tax assets	85	-	-	-	-	85
Deferred income tax asset	2,248	-	-	-	-	2,248
Other non-financial assets	15,934	81	235	-	2	16,252
Total non-financial assets	48,716	81	235	-	2	49,034
Total assets	933,464	149,811	118,394	483	16,615	1,218,767
Liabilities						
Financial liabilities at fair value through profit or loss	18,791	2,222	(43)	-	14,001	34,971
Due to CBR	18	-	-	-	-	18
Due to banks and international financial institutions	21,382	12,962	14,860	-	140	49,344
Customer accounts	575,502	188,343	44,615	483	4,219	813,162
Debt securities issued	108,067	-	-	-	-	108,067
Other provisions	425	37	13	-	2	477
Other financial liabilities	14,856	85	755	-	2	15,698
Subordinated debt	7	17,980	-	-	-	17,987
Total financial liabilities	739,048	221,629	60,200	483	18,364	1,039,724
Current income tax liabilities	557	-	-	-	-	557
Deferred income tax liabilities	1,540	-	-	-	-	1,540
Other non-financial liabilities	4,502	187	248	-	10	4,947
Total non-financial liabilities	6,599	187	248	-	10	7,044
Total liabilities	745,647	221,816	60,448	483	18,374	1,046,768
Open balance sheet position	187,817	(72,005)	57,946	-	(1,759)	

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The fair value of derivative financial instruments and spot contracts are included in the currency analysis presented above and the following table presents a further analysis of currency risk by types of derivative financial instruments and spot contracts as of 31 December 2019:

	mRUB	USD 1 USD = 61.9057 RUB	EUR 1 EUR = 69.3406 RUB	Precious metals	Other currency	31 December 2019 Total
Receivables on spot and derivative contracts	203,201	320,071	90,153	-	129,634	743,059
Payables on spot and derivative contracts	(241,267)	(225,266)	(147,698)	-	(128,827)	(743,058)
Net position on spot and derivative contracts	(38,066)	94,805	(57,545)	-	807	
Total open position	149,751	22,800	401	-	(952)	

Currency risk sensitivity

The following table details the Group's sensitivity to a 11% increase and decrease in the RUB against the USD and to a 1% increase and decrease in the RUB against the EUR as at 31 December 2020 and to a 21% increase and decrease in the RUB against the USD and to a 17% increase and decrease in the RUB against the EUR as at 31 December 2019, respectively. The sensitivity analysis includes only outstanding foreign currency denominated monetary items. The sensitivity analysis includes external loans as well as loans to foreign operations with the Group where the denomination of the loan is in a currency other than the functional currency of the lender or the borrower. A positive number below indicates an increase in profit and other equity where the RUB weakens 11% against the USD and 1% against the EUR as at 31 December 2020 and 21% against the USD and 17% against the EUR as at 31 December 2019, respectively. For a 11% strengthening of the RUB against the USD and for a 1% strengthening of the RUB against the EUR as at 31 December 2020 and 21% strengthening of the RUB against the USD and for a 17% strengthening of the RUB against the EUR as at 31 December 2019, respectively, there would be a comparable impact on the profit and other equity, and the balances below would be negative.

	2020	USD impact 2019	2020	EUR impact 2019
Profit before tax	2,894	4,788	(3)	68
Other equity	2,315	3,830	(2)	54

Limitations of sensitivity analysis

The above tables demonstrate the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results.

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

Other limitations in the above sensitivity analyses include the use of hypothetical market movements to demonstrate potential risk that only represent the Group's view of possible near-term market changes that cannot be predicted with any certainty; and the assumption that all interest rates move in an identical fashion.

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Liquidity risk

Liquidity risk is the risk of non-fulfillment or untimely settlements with customers and counterparties due to the Group's inability to attract resources of the required volume and period. This inability can be expressed in the form of direct constraint of available sources of liquidity, or in a high cost of refinancing liquidity in sufficient amounts, which may have a negative impact on the Group's financial strategy.

The Group has a conservative policy aimed at maintaining sufficient liquidity to meet its obligations in a timely and complete manner.

The main elements of the liquidity risk assessment and management system are the following risk parameters: the value of the forecast amount of mandatory liquidity ratios established by the Central Bank of the Russian Federation, the size of liquidity gaps and cumulative liquidity gaps (these figures represent an analog of the CBR's recommended ratios representing liquidity deficit/excess); the value of a short-term liquidity stress test.

To manage the risk of instant liquidity and manage the cashflow position, the Group uses a set of financial indicators: internal (in particular, the current payment position for Nostro accounts); statistical (in particular, the average amount of funds received to the Group's account opened with the CBR, per day) and forecasted (in particular, the level of interest rates on the market). This aggregated information is sent to the Central Bank of the Russian Federation on a weekly basis.

The Group sets limits on cumulative liquidity gaps and as well as thresholds for cumulative liquidity gaps, which serve as a warning indicator and involves the implementation of measures to restore the required level of liquidity in accordance with the contingency liquidity plan in the event of a crisis situation and mandatory standards established by the Central Bank of Russian Federation. The approved threshold values correspond to the no-deficit level.

The Group conducts stress testing of liquidity and ensures a constant availability of funds – a buffer sufficient to fully and promptly meet the cash settlements with customers, counterparties and ensure the normal operation of the Group on the established survival horizon.

Early detection of systemic and specific crises is carried out through regular monitoring of both quantitative indicators and qualitative indicators. Regular monitoring of early warning indicators allows the Group to recognize the crisis at an early stage. Exceeding the threshold of at least one of the indicators is a sufficient reason for initiating the Contingency Funding Plan. For the purpose of early detection, three quantitative indicators are used: liquidity gap for terms up to 1 year; liquidity stress test on the established survival horizon and the forecast of liquidity standards. As an indicator, the forecast values of regulatory liquidity ratios are used at the horizon of 3 months.

In accordance with the expected increase in liquidity requirements, the contingency funding plan has three levels: warning, preventive and crisis, characterized by a amount of violations of regulations, limits and indicators. For each level, a list of measures to restore liquidity has been developed. The measures include: an increase in the base rates for deposits, issuance of bonds, an increase in the volume of REPO transactions with a liquidity buffer, the sale of securities, and the introduction of restrictions on business activity.

The Group manages its liquidity risk by analyzing the term structure of cash flows and controlling the execution of limits on individual and cumulative liquidity gaps. Analysis of the Group's liquidity gaps is aggregated across all currencies and for each currency separately. Positive values of liquidity gap indicate the excess liquidity of the Group, negative values – about the liquidity deficit of the Group.

The limits of liquidity gaps in the Group are set at values not exceeding 5% of the balance sheet volume.

At the end 2020 and 2019 both for the Group as a whole and for each Bank separately, all regulatory and internal liquidity ratios at all times were met without violations.

The stress test indicators were within the established threshold values.

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The analysis of liquidity risk is presented in the following table:

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	31 December 2020 mRUB Total
Assets						
Cash and balances with the Central Bank of the Russian Federation	226,910	25,392	17,304	22,477	9,563	301,646
Mandatory cash balances with the Central Bank of the Russian Federation	2,508	1,868	2,493	2,832	1,209	10,910
Financial assets at fair value through profit or loss	57,058	-	-	-	-	57,058
Due from banks	607	465	7,767	4,794	-	13,633
Loans to customers	54,025	115,273	217,777	328,776	76,487	792,338
Investments at fair value through other comprehensive income	29,954	600	17	411	-	30,982
Investments at amortized cost	96,976	26	1,225	3,012	2,492	103,731
Changes in fair value of hedged items	134	-	-	-	-	134
Property and equipment and right-of-use assets	249	502	2,261	10,886	12,693	26,591
Intangible assets	71	138	621	3,310	4,137	8,277
Current income tax asset	632	-	-	-	-	632
Deferred income tax asset	1,549	386	306	1,652	-	3,893
Other assets	11,621	1,168	164	658	-	13,611
Total assets	482,294	145,818	249,935	378,808	106,581	1,363,436
Liabilities						
Financial liabilities at fair value through profit or loss	54,676	-	-	-	-	54,676
Due to banks and international financial institutions	44,684	1	3	22	-	44,710
Customer accounts	212,527	158,285	211,316	240,020	102,490	924,638
Debt securities issued	1,867	350	35,549	70,265	2	108,033
Other provisions	673	34	152	-	-	859
Current income tax liabilities	20	-	-	-	-	20
Deferred income tax liabilities	510	267	461	682	156	2,076
Other liabilities	12,698	1,102	597	3,128	3,074	20,599
Subordinated debt*	17	-	-	21,433	-	21,450
Total liabilities	327,672	160,039	248,078	335,550	105,722	1,177,061
Liquidity gap	154,622	(14,221)	1,857	43,258	859	
Cumulative liquidity gap	154,622	140,401	142,258	185,516	186,375	

* According to terms of the agreement Societe Generale S.A. granted to the Group subordinated loans there is "First Call Date" meaning the date falling 5 (five) years as from the effective date.

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	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	31 December 2019 mRUB Total
Assets						
Cash and balances with the Central Bank of the Russian Federation	143,714	6,570	12,395	18,972	9,319	190,970
Mandatory cash balances with the Central Bank of the Russian Federation	2,673	1,483	2,023	2,215	648	9,042
Financial assets at fair value through profit or loss	36,472	–	–	–	–	36,472
Due from banks	1,405	2,010	4,876	5,343	–	13,634
Loans to customers	66,953	114,373	210,198	315,476	64,447	771,447
Investments at fair value through other comprehensive income	60,859	2,211	13	17	–	63,100
Investments at amortized cost	77,872	28	1,175	2,865	800	82,740
Changes in fair value of hedged items	131	–	–	–	–	131
Property and equipment and right-of-use assets	421	608	2,714	10,901	9,992	24,636
Intangible assets	94	118	518	2,517	2,566	5,813
Current income tax asset	85	–	–	–	–	85
Deferred income tax asset	134	155	636	1,313	10	2,248
Other assets	13,303	1,666	746	2,734	–	18,449
Total assets	404,116	129,222	235,294	362,353	87,782	1,218,767
Liabilities						
Financial liabilities at fair value through profit or loss	34,971	–	–	–	–	34,971
Due to the Central Bank of the Russian Federation	–	–	18	–	–	18
Due to banks and international financial institutions	49,344	–	–	–	–	49,344
Customer accounts	201,082	220,539	170,788	141,619	79,134	813,162
Debt securities issued	7,652	9,709	9,366	81,338	2	108,067
Other provisions	477	–	–	–	–	477
Current income tax liabilities	557	–	–	–	–	557
Deferred income tax liabilities	93	106	435	899	7	1,540
Other liabilities	14,190	1,224	1,244	3,383	604	20,645
Subordinated debt	27	–	–	7	17,953	17,987
Total liabilities	308,393	231,578	181,851	227,246	97,700	1,046,768
Liquidity gap	95,723	(102,356)	53,443	135,107	(9,918)	
Cumulative liquidity gap	95,723	(6,633)	46,810	181,917	171,999	

Asset and liability maturity periods and the ability to replace interest bearing liabilities at an acceptance cost when they mature are crucial in determining the Group's liquidity and its fluctuation of interest and exchange rates.

The maturity of time deposits of individuals is based on contractual terms. However, time deposits can be withdrawn by individuals on demand.

The equity investments at fair value through other comprehensive income and the equity investments at fair value through profit or loss have no contractual maturity and are classified based on management's intentions.

Currently, a considerable part of customer deposits are repayable on demand. However, the fact that these deposits are diversified by the number and type of customers and the Group's previous experience indicate that deposits are a stable and long-term source of financing for the Group.

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The table below presents the cash flow payable by the Group under financial liabilities by remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows of all financial liabilities (i.e. nominal values), whereas the Group manages the inherent liquidity risk based on discounted expected cash inflows.

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	31 December 2020 mRUB Total
Liabilities						
Gross settled derivative financial liabilities at fair value through profit or loss						
– inflow	(186,793)	(58,209)	(84,211)	(260,098)	(8,893)	(598,204)
– outflow	187,724	60,111	83,493	257,748	8,893	597,969
Net settled financial liabilities at fair value through profit or loss (liabilities)	(1,033)	108	891	2,271	(204)	2,033
Due to banks and international financial institutions	44,727	1	5	26	–	44,759
Customer accounts	631,754	98,136	157,976	56,645	3,117	947,628
Debt securities issued	1,994	1,454	40,728	79,758	2	123,936
Other provisions	673	34	152	–	–	859
Other financial liabilities	10,250	870	605	3,145	3,107	17,977
Subordinated debt	69	104	466	23,303	–	23,942
Contingent liabilities and credit commitments	29,445	56,828	190,974	90,590	14,654	382,491
Total financial liabilities and commitments	718,810	159,437	391,079	253,388	20,676	1,543,390

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	31 December 2019 mRUB Total
Liabilities						
Gross settled derivative financial liabilities at fair value through profit or loss						
– inflow	(117,841)	(19,967)	(34,883)	(38,877)	(4,149)	(215,717)
– outflow	124,350	20,846	37,019	43,214	5,452	230,881
Net settled financial liabilities at fair value through profit or loss (liabilities)	35	(117)	(675)	2,769	16,255	18,267
Due to the Central Bank of the Russian Federation	–	–	18	–	–	18
Due to banks and international financial institutions	49,416	–	–	–	–	49,416
Customer accounts	481,659	110,343	178,913	62,262	3,307	836,484
Debt securities issued	7,066	10,494	14,647	96,162	2	128,371
Other provisions	477	–	–	–	–	477
Other financial liabilities	9,682	873	1,140	3,383	620	15,698
Subordinated debt	89	123	553	2,947	21,718	25,430
Contingent liabilities and credit commitments	23,980	28,107	121,145	73,210	10,920	257,362
Total financial liabilities and commitments	578,913	150,702	317,877	245,070	54,125	1,346,687

As at 31 December 2020 and 2019 contingent liabilities and credit commitments included financial guarantee contracts in the amount of RUB 150,593 million and RUB 119,323 million, respectively. These are the maximum amounts the Group could be forced to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantees which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

Strategic risk

Strategic risk emerges in the Group as a result of errors (failures) in the processes of decision-making, defining the strategy of activities and development for the Group (strategic management), improper execution of the decisions and inability of the Group management bodies to take into account changes in external factors.

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In the process of its activity the Group follows Development Strategy for a long term period (2021-2025 years) approved by the Board of Directors of the Group which shows its main long-term objectives, in accordance with the shareholders' and management's point of view; the main competitive advantages of the Group in key market segments, and also a program for achieving these objectives; qualitative and quantitative benchmarks of the Group economic development.

Tasks and goals defined in the Development Strategy are taken into account in decision-making process at all levels of corporate management and in the current activity of the Group.

To minimize strategic risk the Group monitors the implementation of Development Strategy, macroeconomic and market conditions that were taken into account in the Development Strategy, and analyzes all the current trends. Achieving strategic objectives is embedded in the KPI system and thus is taken into account in Management assessment.

Management and control of this risk is indirectly carried out in the frames of other risks management, which realization directly affects the realization of strategic risk.

Identification of concentration risk

Within significant risks identification process the assessment procedure of the materiality of the Group inherent concentrations is carried out on an annual basis in accordance with the Policy for Determination of Significant Risks of PJSC ROSBANK and the group PJSC ROSBANK with support of responsible departments of Risk Management Service (hereinafter – "RMS"). This assessment is based on the results of the identification and comprehensive analysis of the concentration factors. By default the Group does not determine concentration risk as a separate type of risk and considers it under corresponding significant risk management.

To ensure a complex analysis of Group's susceptibility to concentration risk, the process of identification of other significant concentrations covers all Group's activities and all types of assets and liabilities exposed to risks.

The scope of inherent concentration is reviewed and taken into consideration when Risk Map is developed/updated as well as in case of a new product/business line launch in order to identify all potentially material and significant concentrations and ensure that corresponding management procedures are in place.

Credit risk concentration

To identify the credit risk concentration the responsible departments of RMS within their operational activity in accordance with Methodology on counterparty credit risk assessment and definition of risk limits per one borrower (group of related borrowers), risk limits by industry types, carry out an analysis of the asset structure of the Group, as well as per individual business lines, on the following concentration factors:

- Granting large loans to an individual borrower or group of related borrowers;
- Exposure concentration in certain segments of economy, industries, portfolios or geographical regions;
- Concentration of investments in securities issued by issuers belonging to the particular sectors or geographic regions;
- The existence of other assets and commitments that are vulnerable to the same economic factors;
- Exposure concentration by one type of product etc.

The responsible departments of RMS perform subsequent analysis at portfolio level and assess materiality and significance level of identified concentrations in accordance with Policy for Determination of significant risks of PJSC ROSBANK and the group PJSC ROSBANK, and then reflect the results in Risk Map of the Group for further planning and development of corresponding management tools.

ROSBANK GROUP

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Liquidity risk concentration

Liquidity risk concentration risk is caused by the likelihood of a significant deterioration of physical or regulatory liquidity due to imbalances in the structure of assets and liabilities.

Factors that increase liquidity risk are dependence on borrowing from a limited number of funding sources.

The procedures for identification liquidity risk concentration are based on the analysis of the assets and liabilities structure of the Group as well as off-balance accounts.

Business units and responsible departments of RMS within their operational activity perform analysis of the Group's assets and liabilities for the purpose of identification of:

- The largest sources of funding (per product/instrument, maturity and currency);
- Significant volumes of cash flows from one counterparty or group of connected counterparties (per product/instrument, maturity and currency);
- Diversification level of high-liquid assets portfolio (per product/instrument, maturity and currency) etc.

The responsible departments of RMS perform subsequent analysis at portfolio level and assess materiality and significance level of identified concentrations in accordance with Policy for Determination of significant risks of PJSC ROSBANK and ROSBANK Group, and then reflect the results in Risk Map of the Group for further planning and development of corresponding management tools.

Structural currency risk concentration

To identify structural currency risk concentration business units and responsible departments of RMS within their operational activity perform analysis of assets and liabilities of the Group on the existence of significant open positions in one currency.

The responsible departments of RMS perform subsequent analysis at portfolio level and assess materiality and significance level of identified concentrations in accordance with Policy for Determination of significant risks of PJSC ROSBANK, and then reflect the results in Risk Map of the Group for further planning and development of corresponding management tools.

Other concentration

To disclose other concentrations the responsible department of RMS jointly with the Parent Bank's units involved in significant risks identification procedure identifies other important concentration factors within Bank's assets and liabilities structure including the following areas:

- Types/subtypes of risks;
- Business lines, up to the level of the individual Manager;
- Products;
- Regions, etc.

Decision to assign identified concentration to significant risk in Risk Map and initiate further development of corresponding management techniques is made depending on the materiality and significance level of the identified concentration factors as well as their link with significant risks.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

Geographical concentration

The geographical concentration of assets and liabilities is set out below:

	Russia	Other CIS countries	OECD countries	Other non-OECD countries	31 December 2020 Total
Assets					
Cash and balances with the Central Bank of the Russian Federation	156,441	149	145,041	15	301,646
Mandatory cash balances with the Central Bank of the Russian Federation	10,910	-	-	-	10,910
Financial assets at fair value through profit or loss	36,750	-	19,988	320	57,058
Due from banks	13,173	455	2	3	13,633
Loans to customers	769,406	1,291	5,794	15,847	792,338
Investments at fair value through other comprehensive income	30,982	-	-	-	30,982
Investments at amortized cost	103,731	-	-	-	103,731
Changes in fair value of hedged items	134	-	-	-	134
Other financial assets	3,685	-	207	-	3,892
Total financial assets	1,125,212	1,895	171,032	16,185	1,314,324
Property and equipment and right-of-use assets	26,591	-	-	-	26,591
Intangible assets	8,277	-	-	-	8,277
Current income tax assets	632	-	-	-	632
Deferred income tax asset	3,893	-	-	-	3,893
Other non-financial assets	9,719	-	-	-	9,719
Total non-financial assets	49,112	-	-	-	49,112
Total assets	1,174,324	1,895	171,032	16,185	1,363,436
Liabilities					
Financial liabilities at fair value through profit or loss	21,996	-	32,678	2	54,676
Due to banks and international financial institutions	22,059	2,265	18,092	2,294	44,710
Customer accounts	883,734	4	20,768	20,132	924,638
Debt securities issued	108,033	-	-	-	108,033
Other provisions	859	-	-	-	859
Other financial liabilities	17,403	-	573	-	17,976
Subordinated debt	-	-	21,450	-	21,450
Total financial liabilities	1,054,084	2,269	93,561	22,428	1,172,342
Current income tax liabilities	20	-	-	-	20
Deferred income tax liabilities	2,076	-	-	-	2,076
Other non-financial liabilities	2,623	-	-	-	2,623
Total non-financial liabilities	4,719	-	-	-	4,719
Total liabilities	1,058,803	2,269	93,561	22,428	1,177,061
Net position	115,521	(374)	77,471	(6,243)	

ROSBANK GROUP

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	Russia	Other CIS countries	OECD countries	Other non-OECD countries	31 December 2019 Total
Assets					
Cash and balances with the Central Bank of the Russian Federation	61,356	58	129,329	227	190,970
Mandatory cash balances with the Central Bank of the Russian Federation	9,042	-	-	-	9,042
Financial assets at fair value through profit or loss	23,709	-	12,629	134	36,472
Due from banks	13,634	-	-	-	13,634
Loans to customers	746,335	770	8,821	15,521	771,447
Investments at fair value through other comprehensive income	63,100	-	-	-	63,100
Investments at amortized cost	82,740	-	-	-	82,740
Changes in fair value of hedged items	131	-	-	-	131
Other financial assets	1,919	-	278	-	2,197
Total financial assets	1,001,966	828	151,057	15,882	1,169,733
Property and equipment and right-of-use assets	24,636	-	-	-	24,636
Intangible assets	5,813	-	-	-	5,813
Current income tax assets	85	-	-	-	85
Deferred income tax asset	2,248	-	-	-	2,248
Other non-financial assets	16,252	-	-	-	16,252
Total non-financial assets	49,034	-	-	-	49,034
Total assets	1,051,000	828	151,057	15,882	1,218,767
Liabilities					
Financial liabilities at fair value through profit or loss	14,739	-	20,224	8	34,971
Due to the Central Bank of the Russian Federation	18	-	-	-	18
Due to banks and international financial institutions	28,821	2,126	17,845	552	49,344
Customer accounts	784,918	-	16,705	11,539	813,162
Debt securities issued	108,067	-	-	-	108,067
Other provisions	477	-	-	-	477
Other financial liabilities	15,102	-	596	-	15,698
Subordinated debt	-	-	17,987	-	17,987
Total financial liabilities	952,142	2,126	73,357	12,099	1,039,724
Current income tax liabilities	557	-	-	-	557
Deferred income tax liabilities	1,540	-	-	-	1,540
Other non-financial liabilities	4,947	-	-	-	4,947
Total non-financial liabilities	7,044	-	-	-	7,044
Total liabilities	959,186	2,126	73,357	12,099	1,046,768
Net position	91,814	(1,298)	77,700	3,783	

Information on capital requirements

Risk aggregation and diversification

The Group applies a conservative approach and does not include diversification: for calculation purposes it is assumed that all significant risks of the Group are perfectly correlated and realization of one significant risk will cause the realization of other significant risks. To avoid double counting of the same risk realization under different risks types Group may apply some adjustments to the calculated values of certain risks types in their aggregation.

Stress-testing

Stress-testing is a key risk management technique used to evaluate the potential effects on an institution's financial condition of an exceptional but likely event due to changes in macroeconomic parameters.

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Available internal capital adequacy under enterprise-wide stress is estimated at least once a year during the ICAAP cycle to assess the budget forward-looking internal capital figures as well as by request of the Management Board or Regulator. In case 80% of stress-scenarios is realized the Group recalculates stress-test.

Enterprise-wide stress-testing (EWST) consists of stress tests of certain types of significant risks of the Group. The final output of EWST is evaluation of Risk-Taking Capacity by comparison stressed required Internal capital and stressed available internal capital.

In the context of internal capital adequacy assessment, stress-testing is considered:

- As a diagnostic tool to improve the Group's Management understanding of its risk profile and capital adequacy level at Group level.
- As a forward-looking tool within the ICAAP: stress-testing is used to assess the adequacy of internal capital of the Group and to compare the outcome of the stress-testing against the Development Strategy and take the necessary measures considering these results.
- To set risk-appetite thresholds of the Group.

Target risk structure

Risk-Taking Capacity (RTC) metric is used for purpose of risk and capital management and fixed through the risk-appetite framework:

- On a yearly basis during the ICAAP cycle of the Group in parallel to the budgeting process a responsible unit of RMS jointly with Finance defines the levels of Risk-Appetite (Bank, subsidiaries, Group), proposes the metrics (for example capital adequacy, business lines, significant risks, etc.) and values of the thresholds based on stress-test figures of internal and available capital (derived from stressed capital adequacy ratio) and RTC through the surplus/deficit (residual difference between required and available internal capital) for further approval by the Management Board.
- Developed and approved threshold levels are fixed in risk-appetite framework of the Group for upcoming year and are submitted to the Board of Directors for further approval.

RTC analysis provides a better outstanding about imbalances between risk types, their concentrations and capital coverage as well as points out where changes in the Group's actual risk structure are necessary.

The set level of Risk-Taking Capacity can be maintained if risks are within their thresholds. Therefore, on a yearly basis the Group develop/review its target risk structure through the limits setting in line with the planned business goals and capital structure.

Principles of capital allocation through the limit setting

Once the thresholds indicators for the Group risk appetite are approved, proposals for risk-appetite at the Parent Bank and subsidiaries of the Group levels are generated and cascaded down to the corresponding limits on operational level.

Thresholds should ensure a safety margin for the Parent Bank/Group/subsidiaries taking into account new operations, potential fluctuations in balance sheet, the volatility in the financial markets and the forecast of Group's equity.

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The Group follows the principles below when designing the Group limit system:

- Utilization of unified definition for the available internal capital;
- Assignment of limit or qualitative limitation to each significant risk;
- Limits on the risks have to be set up wherever they arise;
- Limits should reflect the appropriate risk level of the transaction and/or portfolio;
- If the limit cannot be set considering the risk level, alternative approaches should be applied (for example, qualitative limitations for concentration risks can be designed);
- The Group should follow the principle “as much as necessary” in relation to setting up of limits in order to ensure an appropriate level of hedging and at the same time to optimize the applicable tools for risks management.

A certain portion of internal available capital remains not allocated at the Group’s level due to the following reasons:

- To ensure the availability of the required buffer for other non-significant risks that cannot be assessed by quantitative methods, were not taken into account during significant risk determination and on other stages, as well as risks that are difficult or impossible to predict;
- To ensure the required level of Group’s flexibility in case of changes in internal and external conditions;
- To ensure the possibility for utilization most of the available limits, if it is required to achieve the desired level of profitability.

A limit system which is cascaded to the Parent Bank of the Group and subsidiaries of the Group business-lines allows maintaining Risk-Taking Capacity at the specified level and is subject of regular monitoring. It indicates when the appropriate countermeasures should be taken once risks begin to approach to their defined limits.

Internal capital adequacy monitoring

After the limit system is developed a follow-up control takes a place.

Risk-Taking Capacity control should ensure the coverage of required internal capital at all times.

For this purpose, internal capital adequacy is monitored regularly within Group’s ICAAP, in particular via comparison of the Group’s target and actual risk and capital structures.

In case of significant unexpected losses, the internal capital adequacy is subject to analysis regardless the regular schedule.

While target/actual structure comparisons provide monitoring of established limits and are related mostly to quantitative risks, in case of other risks process-related requirements and other qualitative indicators are analyzed.

Information on the content and frequency of risks reporting of the credit institution.

The Group regularly prepares risks reporting within ICCAP. Risk reporting includes the following information:

- Report on the results of Internal Capital Adequacy Assessment Process including compliance of capital adequacy, planned capital structure and target risk profile;
- Stress testing results;
- Significant risks;
- Compliance with CBR requirements on banks’ obligatory ratios.

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The processes of preparation of ICAAP reporting are based on the following principles:

- ICCAP reporting is carried out by units independent from risk-taking divisions. Units can be considered as independent if they have different reporting manager, except Chief Executive Officer. ICCAP reporting is prepared by units, whose activity does not involve the assumption of risk.
- Contribution of relevant information by involved departments of the Group. Responsible departments of the Group provide with necessary data for ICAAP reporting preparation by the required deadlines and adhere to established requirements to data.
- Compliance with established data quality requirements. Within ICAAP reporting preparation all involved departments adhere to the established data quality standards.
- Correspondence of frequency of preparation of ICAAP reporting to the recipient's needs and the content of reports. Frequency of preparation of ICAAP reporting is defined considering recipients' requests to the required information and to the content of reports.
- Reporting format standardization. ICAAP reporting follows standardized format to enable the aggregation of information on significant risks and subsidiaries for comprehensive analysis of the consolidated risk profile of the Group, assessment of current and expected capital adequacy and timely information of the management bodies of the Group about the capital adequacy level.

ICAAP reporting is prepared by responsible units of RMS. Reports on the results of ICAAP are submitted to the Board of Directors and the Management Board of the Group annually.

Report on Significant risks of the Group includes the following information:

- Aggregated values of significant risks taken by the Parent Bank of the Group and subsidiaries of the Group, as well as the values of each type of significant risk, significant risks dynamics and the impact of these changes on capital adequacy;
- Limits utilizations by structural units;
- Violation of established limits by structural units of the Group, as well as the measures to be taken to eliminate the violations.

Reports on aggregated values of significant risks of the Parent Bank of the Group and subsidiaries of the Group, regulatory ratios compliance report and capital adequacy assessment report are submitted to the Board of Directors of the Parent Bank / subsidiaries of the Group on a quarterly basis, the Management Board – on a monthly basis.

Stress-testing results reports are submitted to the Board of Directors of the Parent Bank / subsidiaries of the Group and the Management Board – on a yearly basis.

Information on approaching/violation of established triggers / limits is brought down to the Board of Directors of the Parent Bank / subsidiaries of the Group and the Management Board as soon as it was discovered.

Information on the structure and work organization of units engaged in risk management

Risk management in the Group is carried out by the Management Board of the Parent Bank under the supervision of the Board of Directors of the Parent Bank of the Group and subsidiaries' management bodies. The Board of Directors of the Parent Bank of the Group defines the principles and approaches to risk management and internal control system, examines and approves strategies and policies for capital and risk management, as well as carries the control out their application, while the Management Board is responsible for their implementation into the operational and current economic activities of the Bank.

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Within the framework of risk management and internal control systems organization of the Parent Bank of the Group Risk Management Service (RMS) and committees under the Board of Directors and the Management Board of the Parent Bank of the Group are acting, including the Risk committee, the Audit Committee, the Employees and Remuneration Committee, Assets and Liabilities Committee, Credit committees system and other committees.

Risk management function within the RMS is organized taking into account the requirements on the absence of conflict of interests and the separation of roles and responsibilities between the Management, units and responsible employees in decision making and risk management.

Parts of RMS functions can also be delegated to employees of other structural units of the Parent Bank of the Group. Distribution of the functions among structural units of the Parent Bank of the Group is set in internal documents of the Parent Bank of the Group.

The Risk Management Service is responsible for:

- The organization of the risk management;
- The organization of the development and implementation of risk analysis methodology;
- Coordination of measures to minimize the impact of risks on economic activity and business reputation of the Group;
- Development of training programs and ensuring the employees training on the management of different types of risks;
- Implementation of procedures for the identification, analysis, evaluation and management of all significant risks;
- Creation of regulatory framework for significant risks management, proposals for its improvement, ensuring its exhaustive completeness, the usage in the Group, the timely revision and updating;
- Daily collection of information about the level of significant risks relevant to the preparation of management reporting;
- Daily monitoring the level of the Group's significant risks and the initiation of escalation process to the appropriate management level, if necessary;
- Reporting preparation within risk management;
- Reasonableness assessment of the key assumptions used in measurement of significant risks;
- Fulfillment of other functions in accordance with the laws, the Central Bank of Russia regulations and – internal documents of the Group.

The Risk Management Service is based on:

- Coverage of all significant risks of the Group;
- Strong managerial involvement, throughout the entire Group, from the Management Board down to the operational level;
- A tight framework of internal procedures and guidelines;
- Information disclosure via regularly risk reports submission to the Management, governing bodies, Regulator and external reporting;
- Continuous supervision, risks monitoring, compliance with established rules and procedures by an independent from business body;
- Participation of RMS responsible units in embedding of Risk and Capital Management Strategy into the strategic goals and business-planning of the Group.

ROSBANK GROUP

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The list of information that is a trade secret

The list of information which is a trade secret of the Parent Bank of the Group includes:

- Issues on banking policy, strategic and tactical plans of the Parent Bank of the Group (prior to their publication in public sources and/or sales);
- Information describing the planned and actual economic condition of the Bank, its ability to pay (up to the moment such information is published in public sources and preparation official reports);
- Information on solvency, incomes, transactions, accounts and deposits of shareholders, customers, correspondents and business partners of the Bank;
- Information about the assets and liabilities management of the Bank, accounting and tax data, except for the accounting (financial) statement, which is open in accordance with the legislation of Russian Federation;
- Information on the personal data and income of employees of the Bank.

Due to the fact that the above information constitutes a trade secret, it is presented in this report in aggregated form.

39. Subsequent events

On 1 March 2021 the merger process of the Rusfinance Bank LLC and Rosbank is officially completed. "Rosbank Avto" branch specializing in car loans has become part of the retail business of Rosbank. Rosbank became the legal successor for all rights and obligations of Rusfinance Bank. The customer service format and conditions will remain the same.

On 9 March 2021 the liquidation of ORS JSC was completed.


Chairman of the Management Board
I.A. Polyakov

19 March 2021
Moscow




Member of the Management Board –
Chief Financial Officer
A.A. Ovchinnikov