CENTER-INVEST BANK GROUP

Consolidated Financial Statements in accordance with International Financial Reporting Standards and Independent Auditor's Report CENTER-INVEST BANK GROUP

31 December 2020

Independent Auditors' Report

To the Shareholders and Board of Directors of PAO CB "Center-invest"

Report on the Audit of the Consolidated Financial Statements

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

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

Please refer to Notes 4 and 8 to the consolidated financial statements.

The key audit matter	**How the matter was addressed in our audit**
Loans to customers represent 71,4% of total assets and are stated net of allowance for expected credit losses that is estimated on a regular basis and is sensitive to assumptions used. The Group applies ECL valuation model, which requires management to apply professional judgement and to make assumptions related to the following key areas: - timely identification of significant increase in credit risk and default events related to loans to customers (allocation between Stages 1, 2 and 3 in accordance with IFRS 9); - assessment of probability of default (PD) and loss given default (LGD); - assessment of impact of different scenarios and forward-looking information; - expected cash flows forecast for Stage 3 loans assessed on the individual basis. There is increased risk of material misstatement of ECL in the current year due to increased uncertainty associated with the exercise of professional judgment and the use of assumptions resulting from COVID-19. Due to the significant volume of loans to customers and the related estimation uncertainty related to ECL, this area is a key audit matter.	We analyzed the key aspects of the Group's methodology and policies related to ECL estimate for compliance with the requirements of IFRS 9, including with the involvement of KPMG specialists in financial risks management. To analyze adequacy of professional judgement and assumptions made by the management in respect of allowance for ECL estimate, we performed the following procedures: - for loans to individuals and legal entities we tested the design and operating effectiveness of controls over completeness and accuracy of data inputs into ECL calculation models, timely reflection of delinquency events and loan repayments in the underlying systems and allocation of loans into Stages, including with the involvement of KPMG specialists in information risk management. On a sample basis we agreed input data to supporting documents. - for a sample of loans to legal entities, assessed on the individual basis, we tested whether Stages are correctly assigned by the Group by analyzing financial and non-financial information of the borrowers, as well as assumptions and professional judgments applied by the Group. - for a sample of loans to legal entities, assessed on the individual basis, we tested the correctness of data inputs for PD and LGD calculation. - for a sample of Stage 3 loans to legal entities, where ECL are assessed individually, we critically assessed assumptions used by the Group to forecast future cash flows, including estimated proceeds from realizable collateral and their expected disposal terms based on our understanding and publicly available market information. - we assessed the overall predictive capability of the Group's ECL valuation models by comparing the estimate made as at 1 January 2020 with actual results for 2020. We also assessed the overall reasonableness of the economic forecasts by comparing the Group's forecasts to our own modelled forecasts. As part of this work we challenged the

	reasonableness of the Group's considerations of the economic uncertainty related to COVID-19. We also assessed whether the consolidated financial statements disclosures appropriately reflect the Group’s exposure to credit risk. In addition, we challenged whether the disclosures of the key judgments and assumptions made, including in respect of COVID-19, are sufficiently informative.

Other matter

The consolidated financial statements of the Group as at and for the year ended 31 December 2019 were audited by other auditors who expressed an unmodified opinion on those statements on 16 March 2020.

Other information

Management is responsible for the other information. The other information comprises the Annual report for 2020 year and Report of the issuer of securities for the 1st quarter 2021, but does not include the consolidated financial statements and our auditors’ report thereon. Annual report for 2020 year and Report of the issuer of securities for the 1st quarter 2021 are expected to be made available to us after the date of this auditors’ report.

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

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

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

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

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

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

Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Our findings from the procedures performed are reported below.

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

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

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

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

- the Bank's internal documentation, effective on 31 December 2020, establishing the procedures and methodologies for identifying and managing the Group's significant credit, operational, market, interest rate, legal, liquidity and reputational risks, and for stress-testing, was approved by the authorised management bodies of the Bank in accordance with the regulations and recommendations issued by the Bank of Russia;
- as at 31 December 2020, the Bank maintained a system for reporting on the Group's significant credit, operational, market, interest rate, legal, liquidity and reputational risks, and on the Group's capital;
- the frequency and consistency of reports prepared by the Bank's risk management and internal audit functions during 2020, which cover the Group's credit, operational, market, interest rate, legal, liquidity and reputational risk management, was in compliance with the Bank's internal documentation. The reports included observations made by the Bank's risk management and internal audit functions as to their assessment of the effectiveness of the Group's procedures and methodologies, and recommendations for improvement;
- as at 31 December 2020, the Board of Directors and Executive Management of the Bank had responsibility for monitoring the Group's compliance with the risk limits and capital adequacy ratios established in the Bank's internal documentation. In order to monitor the effectiveness of the Group's risk management procedures and their consistent application during 2020, the Board of Directors and Executive Management of the Bank periodically discussed the reports prepared by the risk management and internal audit functions, and considered the proposed corrective actions.

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

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

АКЦИОНЕРНОЕ ОБЩЕСТВО ОГРН 1027700125628
КПМГ
KPMG
МОСКВА

Tatarinova E.V.

JSC "KPMG"

Moscow, Russia

16 April 2021

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BANK CENTER-INVEST

CENTER-INVEST BANK GROUP
Consolidated Statement of Financial Position

In thousands of Russian Roubles	Note	31 December 2020	31 December 2019
ASSETS			
Cash and cash equivalents	6	11 100 866	11 052 495
Mandatory cash balances with the Central Bank of Russian Federation		761 907	763 172
Due from other banks	7	15 001 700	14 502 371
Loans to customers and finance lease receivables	8	84 472 635	85 055 005
Investment in associate	9	286 470	292 096
Investment properties	12	1 184 292	1 450 172
Premises, equipment and intangible assets	10	3 316 246	3 761 311
Right-of-use assets	11	115 537	144 274
Other financial assets	13	812 638	1 019 233
Other assets	14	1 246 234	1 376 417
Current income tax prepayment		-	104 434
TOTAL ASSETS		**118 298 525**	**119 520 980**
LIABILITIES			
Customer accounts	15	99 213 732	99 443 062
Debt securities in issue	16	1 674 964	2 115 221
Borrowings from international financial institutions	17	1 027 408	2 612 025
Subordinated borrowings	17	747 312	-
Other financial liabilities	18	361 582	336 805
Other liabilities	19	337 633	285 015
Lease liabilities		127 140	150 939
Deferred income tax liability		1 272	358 564
Current income tax liability		36 708	-
TOTAL LIABILITIES		**103 527 751**	**105 301 631**
EQUITY			
Share capital	20	1 326 277	1 326 277
Share premium	20	2 078 860	2 078 860
Revaluation reserve for land and premises		1 064 288	1 228 156
Retained earnings		10 436 456	9 682 312
Shareholders' equity attributable to the Bank's shareholders		**14 905 881**	**14 315 605**
Non-controlling interest		**(135 107)**	**(96 256)**
TOTAL EQUITY		**14 770 774**	**14 219 349**
TOTAL LIABILITIES AND EQUITY		**118 298 525**	**119 520 980**

Approved for issue and signed on 16 April 2021.

L.N. Simonova
Chairman of the Management Board

T.I. Ivanova
Chief Accountant

Публичное акционерное общество коммерческий банк "Центр-инвест" * Рег. №2225 * г. Ростов-на-Дону

Consolidated Statement of Profit or Loss and Other Comprehensive Income

In thousands of Russian Roubles	Note	2020	2019
Interest income calculated using the effective interest method	21	9 885 350	10 865 507
Other interest income	21	37 054	33 076
Interest expense	21	(4 715 571)	(5 422 759)
Net interest margin		**5 206 833**	**5 475 824**
Credit loss allowance	8	(861 290)	(761 595)
Charge for allowance for credit related commitments	32	(54 888)	(5 726)
Net interest margin after credit loss allowance		**4 290 655**	**4 708 503**
Fee and commission income	22	1 707 186	1 809 049
Fee and commission expense	22	(581 056)	(537 478)
Gains less losses from operations with foreign currencies		75 112	73 662
Foreign exchange translation gains less losses / (losses less gains)		16 815	(66 895)
Gains less losses / (losses less gains) from spot currency transactions and other conversion operations on the interbank market		2 360	47 151
Other provisions and expenses	23	(425 361)	(168 705)
Revenue from sales of agricultural goods		437 668	440 172
Epenses related to activity of JSC Ptitsefabrika Belokalitvinskaya		(686 741)	(447 043)
Other operating income	24	235 097	38 663
Contributions to the state deposit insurance scheme		(368 144)	(531 867)
Administrative and other operating expenses	25	(3 371 762)	(3 125 734)
Depreciation of right-of-use assets	11	(57 105)	(56 171)
Gain from a bargain purchase		-	144 686
Share of result of associate	9	(5 625)	(1 267)
Profit before tax		**1 269 099**	**2 326 726**
Income tax expense	26	(279 268)	(533 219)
PROFIT FOR THE YEAR		**989 831**	**1 793 507**
Bank's shareholders		1 028 682	1 809 669
Non-controlling interest		(38 851)	(16 162)
Revaluation of property and equipment		(165 321)	-
Income tax recognised directly in other comprehensive income		33 064	-
Other comprehensive loss for the year		**(132 257)**	**-**
Total comprehensive income for the year		**857 574**	**1 793 507**
Comprehensive income for the year:			
Bank's shareholders		896 425	1 809 669
Non-controlling interest		(38 851)	(16 162)
Total comprehensive income attributable to the Bank's shareholders and non-controlling interest		**857 574**	**1 793 507**

In thousands of Russian Roubles	Note	Share capital	Share premium	Revaluation reserve for land and premises	Retained earnings	Non-controlling interest	Total equity
Balance at 1 January 2019		**1 326 277**	**2 078 860**	**1 262 206**	**8 460 303**	**-**	**13 127 646**
Profit for the year		-	-	-	1 809 669	(16 162)	**1 793 507**
Total comprehensive income for 2019		**-**	**-**	**-**	**1 809 669**	**(16 162)**	**1 793 507**
Dividends declared:							
- ordinary shares	27	-	-	-	(603 641)	-	**(603 641)**
- preference shares	27	-	-	-	(18 099)	-	**(18 099)**
Other movements	27	-	-	-	30	-	**30**
Depreciation or transfer of revaluation surplus on land and premises to retained earnings		-	-	(34 050)	34 050	-	**-**
Business combinations		-	-	-	-	(80 094)	**(80 094)**
Balance at 31 December 2019		**1 326 277**	**2 078 860**	**1 228 156**	**9 682 312**	**(96 256)**	**14 219 349**
Profit for the year		**-**	**-**	-	1 028 682	(38 851)	**989 831**
Revaluation		-	-	(132 257)	-	-	**(132 257)**
Total comprehensive income for 2020		**-**	**-**	**(132 257)**	**1 028 682**	**(38 851)**	**857 574**
Dividends declared:							
- ordinary shares	27	-	-	-	(292 548)	-	**(292 548)**
- preference shares	27	-	-	-	(18 099)	-	**(18 099)**
Other movements	27	-	-	-	30		**30**
Depreciation or transfer of revaluation surplus on land and premises to retained earnings		-	-	(31 611)	36 078	-	**4 467**
Balance at 31 December 2020		**1 326 277**	**2 078 860**	**1 064 288**	**10 436 456**	**(135 107)**	**14 770 774**

In thousands of Russian Roubles	Note	2020	2019
Cash flows from operating activities			
Interest income received		9 714 760	10 619 987
Interest paid		(5 148 465)	(4 897 097)
Contributions to the state deposit insurance scheme		(414 332)	(511 338)
Fees and commissions received		1 708 495	1 808 947
Fees and commissions paid		(581 056)	(533 708)
Gains less losses from trading in foreign currencies		75 112	73 662
Gains less losses / (losses less gains) from spot currency transactions and other conversion operations on the interbank market		2 360	50 632
Receipts from assignment of rights of claim on loans and advances to customers	8	3 826	245 061
Repayment of debt previously written off		51 045	51 567
Other operating income received		536 768	33 857
Staff costs paid		(1 765 108)	(1 829 733)
Operating expenses paid		(1 600 875)	(1 571 148)
Income tax paid		(462 354)	(348 721)
Cash flows from operating activities before changes in operating assets and liabilities		**2 120 176**	**3 191 968**
Change in operating assets and liabilities			
Net change in mandatory cash balances with the Central Bank of the Russian Federation		1 265	(22 522)
Net change in due from other banks		(500 000)	(4 800 000)
Net change in loans to customers and finance lease receivables		(319 291)	(689 226)
Net change in other financial and other assets		230 589	226 773
Net change in due to other banks		-	(1 861)
Net change in customer accounts		(372 572)	4 063 755
Net change in promissory notes issued		(420 345)	556 381
Net change in other financial and other liabilities		12 544	52 788
Net cash from operating activities		**752 366**	**2 578 056**
Cash flows from investing activities			
Acquisition of premises and equipment	10	(199 427)	(327 598)
Proceeds from disposal of premises and equipment	10	373 722	23 602
Acquisition of intangible assets	10	(74 247)	(61 485)
Investments in investment properties	12	(30 697)	(99 916)
Proceeds from disposal of investment properties	12	-	3 456
Business combinations		-	170
Net cash from (used in) investing activities		**69 351**	**(461 771)**
Cash flows from financing activities			
Issue of bonds	16	329 637	629 772
Repurchase and repayment of bonds	16	(339 955)	(393 251)
Proceeds from borrowings from international financial institutions	17	-	2 075 500
Repayment of borrowings from international financial institutions	17	(1 564 500)	(1 200 000)
Dividends paid	27	(310 616)	(621 710)
Repayment of principal of lease liabilities	11	(23 799)	(36 729)
Receipt of subordinated loan	17	740 274	-
Net cash (used in) from financing activities		**(1 168 959)**	**453 582**
Effect of exchange rate changes on cash and cash equivalents		**395 613**	**(229 387)**
Net increase in cash and cash equivalents		**48 371**	**2 340 480**
Cash and cash equivalents at the beginning of the year	6	11 052 495	8 712 015
Cash and cash equivalents at the end of the year	6	**11 100 866**	**11 052 495**

1 Introduction

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2020 for Public Joint-stock company commercial Bank «Center-invest» (the "Bank") and its subsidiaries (the "Group").

The Bank was incorporated and is domiciled in the Russian Federation. The Bank is a joint stock company limited by shares and was set up in accordance with Russian regulations.

Principal activity. The Group's principal business activities are corporate and retail banking and leasing operations within the Russian Federation. The Bank has operated under a full banking license issued by the Central Bank of the Russian Federation ("CBRF") since 1992. The Bank participates in the state deposit insurance program, which was introduced by Federal Law No.177-FZ "Deposits of individuals insurance in Russian Federation" dated 23 December 2003. The State Deposit Insurance Agency guarantees repayment of 100% of individual deposits up to RR 1 400 thousand per individual in case of the withdrawal of a licence from the Bank or a CBRF imposed moratorium on payments.

There are no parties that have individually the ability to control the Bank.

At 31 December 2020, the Bank had four branches (31 December 2019: four) in the Russian Federation. Additionally, the Bank has a representative office in Moscow and 110 (31 December 2019: 112) sub-branches in the Rostov and Volgograd Regions, Moscow, Nizhny Novgorod, Stavropol and Krasnodar Regions.

Shares in capital of subsidiaries at 31 December 2020 and 31 December 2019 are as follows:

(%)	31 December 2020	31 December 2019
LLC Centre-Leasing	100.00	100.00
JSC Ptitsefabrika Belokalitvinskaya	88.28	88.28

Registered address and place of business. The Bank's registered address is: 62 Sokolova Street, Rostov-on-Don, Russian Federation, 344000.

The average number of the Group's employees during 2020 was 1 671 (2019: 1 760).

Presentation currency. These consolidated financial statements are presented in thousands of Russian Roubles, unless otherwise stated.

2 Operating Environment of the Group

Russian Federation. The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The Russian economy continues to be negatively impacted by ongoing political tension in the region and international sanctions against certain Russian companies and individuals.

On 11 March, the World Health Organisation declared the coronavirus (COVID-19) outbreak a global pandemic. In response to the pandemic, the government of the Russian Federation has taken measures to constrain the spread and mitigate effects of the COVID-19 virus, including entry bans and travel restrictions, lockdown, self-isolation regime and restriction of commercial activity, including closing of enterprices. These measures, among other things, significantly disrupted the economic activity in Russia and had a negative impact on the business, market participants, Group's clients, the Russan and world economies and may have further nefative impact during the undefinite period of time.

The Management takes the necessary measures to maintain the Group's busuness continuity and support Group's clients and employees:

- doing business as a going concern (the Group's Management has the significant experience in the effective crisis risk magagement and took all the necessary measures to maintain the Group's busuness continuity, protect safety of employees and support Group's clients duting the COVID-19 pandemic);
- extension of digital service capabilities (increase in number of operations without office visits);

2 Operating Environment of the Group (Continued)

- granting repayment holidays on consumer loans, reduced charges for legal enitites, debt restructuring;
- introducing client support programs (including both government-funded and own financial support programs).

The future consequences of current economic conditions and above mentioned measures are difficult to forecast, however Group's specialist monitor the situation on a daily basis having in consideration the assessment of consequences that impact the financial position of the Group. At the date of the financial statements preparation these measures adopted are considered to be sufficient and consequences do not have a significant influence on the business continuity.

For the purpose of measurment of expected credit losses ("ECL"), the Group uses supportable forward-looking information, including forecasts of macroeconomic variables. As with any economic forecast, however, the projections and likelihoods of their occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different from those projected. Note 4 provides more information of how the Group incorporated forward-looking information in the ECL models.

In March 2020 the IASB highlighted in its guidance materials that in determining the impact of COVID-19 on measurement of ECL according to IFRS 9 there should be used respective judgements adjusted for significant existing uncertainty, particularly, in the assessment of future macroeconomic conditions. The deteriorating economic outlook has led to and will likely continue to lead to an increase in ECLs and thefore to greater volatility of profit or loss.

The Group operates primarily in the South of Russia. For a whole number of indicators, like in the previous years, the South of Russia exceeds average growth rates, namely for industrial production index; positive dynamics of development are demonstrated in the consumer market, and support structure for small and medium businesses is improving.

The major industry of the region is agriculture; as part of implementing the Rostov Region government programme "Agribusiness Development and Regulation of Agricultural Products, Commodities and Food Market" for 2020-2030, events are conducted to ensure sustainable development of the Rostov Region agribusiness complex and rural areas.

3 Significant Accounting Policies

Basis of preparation. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value, and by the revaluation of premises and equipment and investment property. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. Apart from the accounting policy changes resulting from the adoption of IFRS 16 effective from 1 January 2019, these policies have been consistently applied to all the periods presented, unless otherwise stated. Refer to Note 5.

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

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

All financial information presented in RUB is rounded to the nearest thousand, except where indicated.

Consolidated financial statements. Subsidiaries are those investees, including structured entities, that the Group controls because the Group (i) has power to direct relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of investor's returns. The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity. For a right to be substantive, the holder must have practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The Group may have power over an investee even when it holds less than the majority of voting power in an investee. In such a case, the Group assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee. Protective rights of other investors, such as those that relate to fundamental changes of investee's activities or apply only in exceptional circumstances, do not prevent the Group from controlling an investee.

3 Significant Accounting Policies (Continued)

Subsidiaries are consolidated from the date on which control is transferred to the Group, and are deconsolidated from the date on which control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

Intercompany transactions, balances and unrealised gains on transactions between the Group companies are eliminated. Unrealised losses are also eliminated unless the cost cannot be recovered. The Bank and all of its subsidiaries use uniform accounting policies consistent with the Group's policies.

The Group measures non-controlling interest that represents present ownership interest and entitles the holder to a proportionate share of net assets in the event of liquidation on a transaction by transaction basis, either at: (a) fair value, or (b) the non-controlling interest's proportionate share of net assets of the acquiree. Non-controlling interests that are not present ownership interests are measured at fair value.

Non-controlling interest is that part of the net results and of the equity of a subsidiary attributable to interests which are not owned, directly or indirectly, by the Bank. Non-controlling interest forms a separate component of the Group's equity.

Associates. Associates are entities over which the Group has significant influence (directly or indirectly), but not control, generally accompanying a shareholding of between 20 and 50 percent of the voting rights. Investments in associates are accounted for using the equity method of accounting, and are initially recognised at cost. Post-acquisition changes in Group's share of net assets of associates are recognised as follows: (i) the Group's share of profits or losses of associates is recorded in the consolidated profit or loss for the year as share of result of associates, (ii) the Group's share of other comprehensive income is recognised in other comprehensive income and presented separately, (iii); all other changes in the Group's share of the carrying value of net assets of associates are recognised in profit or loss within the share of result of associates. However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Financial instruments – key measurement terms. 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 best evidence of fair value is quoted price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the quantity held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price. The price within the bid-ask spread that is most representative of fair value in the circumstances was used to measure fair value, which management considers is the last trading price on the reporting date. Prior to 1 January 2013, the quoted market price used for financial assets was the current bid price; the quoted market price for financial liabilities was the current asking price.

A portfolio of financial derivatives or other financial assets and liabilities that are not traded in an active market is measured at the fair value of a group of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position (i.e. an asset) for a particular risk exposure or paid to transfer a net short position (i.e. a liability) for a particular risk exposure in an orderly voluntary transaction between market participants at the measurement date under current market conditions. This is applicable for assets carried at fair value on a recurring basis if the Group: (a) manages the group of financial assets and financial liabilities on the basis of the entity's net exposure to a particular market risk (or risks) or to the credit risk of a particular counterparty in accordance with the entity's documented risk management or investment strategy; (b) it provides information on that basis about the group of assets and liabilities to the entity's key management personnel; and (c) the market risks, including duration of the entity's exposure to a particular market risk (or risks) arising from the financial assets and financial liabilities is substantially the same.

3 Significant Accounting Policies (Continued)

Valuation techniques such as discounted cash flow models, or models based on recent arm's length transactions, or consideration of financial data of the investees are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period. Refer to Note 33.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost ("AC") is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any allowance for expected credit losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to the maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the consolidated statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the gross carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount, which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

For assets that are purchased or originated credit impaired ("POCI") at initial recognition, the effective interest rate is adjusted for credit risk, i.e. it is calculated based on the expected cash flows on initial recognition instead of contractual payments.

Financial instruments – initial recognition. Financial instruments at FVTPL are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

After the initial recognition, an allowance for expected credit losses ("ECL") is recognised for financial assets measured at AC and investments in debt instruments measured at fair value through other comprehensive income ("FVOCI"), resulting in an immediate accounting loss.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date on which the Group commits to deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.

3 Significant Accounting Policies (Continued)

The Group uses a mathematically based algorithm to determine the fair value of currency swaps that are traded in an active market. Inputs include the Bank of Russia's official rate and interbank credit market rates (MOSPRIME, LIBOR) in accordance with currency swap maturities because a swap is a transaction in which assets in different currencies are exchanged over time.

Financial assets – classification and subsequent measurement – measurement categories. The Group classifies financial assets in the following measurement categories: FVTPL, FVOCI and AC. The classification and subsequent measurement of debt financial assets depends on: (i) the Group's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset.

Financial assets – classification and subsequent measurement – business model. The business model reflects how the Group manages its assets in order to generate cash flows – whether the Group's objective is:

(i) solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows"); or

(ii) to collect both the contractual cash flows and the cash flows arising from the sale of assets ("hold to collect contractual cash flows and sell"); or

(iii) if neither of (i) and (ii) is applicable, the financial assets are classified as part of "other" business model and measured at FVTPL.

Business model is determined for a group of assets (on a portfolio level) based on all relevant evidence about the activities that the Group undertakes to achieve the objective set out for the portfolio available at the date of the assessment. Factors considered by the Group in determining the business model include the purpose and composition of a portfolio, past experience on how the cash flows for the respective assets were collected, how risks are assessed and managed, how the assets' performance is assessed and how managers are compensated. Refer to Note 4 for critical judgements applied by the Group in determining the business model for its financial assets.

Financial assets – classification and subsequent measurement – cash flow characteristics. Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Group assesses whether the cash flows represent solely payments of principal and interest ("SPPI"). Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are consistent with the SPPI feature.

In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for credit risk, time value of money, other basic lending risks and profit margin. Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the financial asset is classified and measured at FVTPL. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed. However, if the contractual terms of the asset are modified, the Group considers if the contractual cash flows continue to be consistent with a basic lending arrangement in assessing whether the modification is substantial. Refer to Note 4 for critical judgements applied by the Group in performing the SPPI test for its financial assets.

Financial assets – reclassification. Financial instruments are reclassified only when the business model for managing the portfolio as a whole changes. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows after the change in the business model.

Financial assets impairment – credit loss allowance for ECL. The Group assesses, on a forward-looking basis, the ECL for debt instruments measured at AC and FVOCI and for the exposures arising from loan commitments and financial guarantee contracts. The Group measures ECL and recognises credit loss allowance at each reporting date. The measurement of ECL reflects:

(i) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;

(ii) the time value of money; and

(iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

3 Significant Accounting Policies (Continued)

Debt instruments measured at AC are presented in the consolidated statement of financial position net of the allowance for ECL. For loan commitments and financial guarantees (where those components can be separated from the loan), a separate provision for ECL is recognised as a liability in the consolidated statement of financial position. For debt instruments at FVOCI, an allowance for ECL is recognised in profit or loss and affects fair value gains or losses recognised in OCI rather than the carrying amount of those instruments.

The Group applies a three stage model for impairment, based on changes in credit quality since initial recognition under IFRS 9:

1. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL").
2. If the Group identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). Refer to Note 29 for a description of how the Group determines when a SICR has occurred.
3. If the Group determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. The Group's definition of credit impaired assets and definition of default is explained in Note 29.

For financial assets that are purchased or originated credit-impaired ("POCI Assets"), the ECL is always measured as a Lifetime ECL. Note 29 provides information about inputs, assumptions and estimation techniques used in measuring ECL, including an explanation of how the Group incorporates forward-looking information in the ECL models.

Financial assets – write-off. Financial assets are written-off, in whole or in part, when the Group exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Group may write-off financial assets that are still subject to enforcement activity when the Group seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

Recovery of loans previously written off. Subsequent recovery of loans previously written off directly reduces credit loss allowance within profit or loss for the year. Cash flows resulting from repayment of written off loans are shown separately as repayment of debt previously written off in the consolidated statement of cash flows.

Modification of financial assets. The Group sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Group assesses whether the modification of contractual cash flows is substantial considering, among other, the following factors: any new contractual terms that substantially affect the risk profile of the asset (eg profit share or equity-based return), significant change in interest rate, change in the currency denomination, insertion of new or additional collateral or credit enhancement that significantly affect the credit risk associated with the asset, or a significant extension of a loan when the borrower is in financial difficulty.

If the modified terms are substantially different the rights to cash flows from the original asset are deemed to have expired and the Group derecognises the original financial asset and recognises a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a SICR has occurred. The Group also assesses whether the new loan meets the SPPI criterion. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss, unless the substance of the difference is attributed to a capital transaction with owners.

3 Significant Accounting Policies (Continued)

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Group compares the original and revised expected cash flows to assets whether the risks and rewards of the asset are substantially different as a result of the contractual modification. If the risks and rewards do not change, the modified asset is not substantially different from the original asset and the modification does not result in derecognition. The Group recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets), and recognises a modification gain or loss in profit or loss.

Financial assets – derecognition (other than through a substantial modification). The Group derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership, but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose restrictions on the sale.

Financial liabilities – classification and subsequent measurement – measurement categories. Financial liabilities are classified as subsequently measured at amortised cost, except for: (i) financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities), contingent consideration recognised by an acquirer in a business combination and other financial liabilities designated as such at initial recognition and (ii) financial guarantee contracts and loan commitments.

Financial liabilities – modification. An exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also considered. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Financial liabilities – derecognition (other than through a substantial modification). Financial liabilities are derecognised when they are extinguished (i.e.when the obligation specified in the contract is discharged, cancelled or expires).

Cash and cash equivalents. Cash and cash equivalents are items which are readily convertible to known amounts of cash within one day. All short term interbank placements, beyond overnight placements, are included in due from other banks. Amounts which relate to funds that are of a restricted nature are excluded from cash and cash equivalents. Cash and cash equivalents are carried at AC.

Mandatory cash balances with the CBRF. Mandatory cash balances with the CBRF are carried at AC and represent non-interest bearing mandatory reserve deposits which are not available to finance the Group's day-to-day operations, and hence are not considered as part of cash and cash equivalents for the purposes of the consolidated statement of cash flows.

Due from other banks. Amounts due from other banks are recorded when the Group advances money to counterparty banks with no intention of trading the resulting unquoted non-derivative receivable due on fixed or determinable dates. Amounts due from other banks are carried at AC.

Loans to customers. Loans to customers are recorded when the Group advances money to purchase or originate an unquoted non-derivative receivable from a customer due on fixed or determinable dates, and has no intention of trading the receivable. Loans to customers are carried at AC: loans that are held for collection of contractual cash flows and those cash flows represent SPPI.

3 Significant Accounting Policies (Continued)

Impairment allowances are determined based on the forward-looking ECL models. Note 29 provides information about inputs, assumptions and estimation techniques used in measuring ECL, including an explanation of how the Group incorporates forward-looking information in the ECL models.

Finance lease receivables. Where the Group is a lessor in a lease which transfers substantially all the risks and rewards incidental to ownership to the lessee, the assets leased out are presented as a finance lease receivable and carried at the present value of the future lease payments. Finance lease receivables are initially recognised at commencement using a discount rate determined at inception. The commencement of the lease term is the date from which the lessee is entitled to exercise its right to use the leased asset. It is the date of initial recognition of the lease. The inception of the lease is considered to be the date of the lease agreement, or the date of commitment, if earlier. For purposes of this definition, a commitment shall be in writing, signed by the parties involved in the transaction, and shall specifically set forth the principal terms of the transaction.

The Group records finance lease receivables in the amount equal to the net investment in the lease. Net investment in the lease is calculated as the aggregate of the minimum lease payments, representing the amounts guaranteed by the lessee and any unguaranteed residual value (together, gross investment in the lease), discounted at the interest rate implicit in the lease. The interest rate implicit in the lease is the discount rate that, at the inception of the lease, causes the present value of the gross investment in the lease to be equal to the fair value of the leased asset.

The difference between the gross investment in the lease and the net investment in the lease represents unearned financial income. The unearned finance income is amortised over the lease term using the discount rate implicit in the lease.

Initial direct costs incurred by lessors include amounts such as intermediary activities, legal fees and internal costs that are incremental and directly attributable to negotiating and arranging a lease. They exclude general overheads such as those incurred by a sales and marketing team. In case of a finance lease direct costs are included in the initial measurement of the finance lease receivable and reduce the amount of income recognised over the lease term.

Any advances made to the supplier after the date of the inception of the lease and before the date of commencement of the lease term, are recorded as prepayments within other financial assets. Payments received by the Group from the lessee before the commencement of the lease term are recorded as advances received within other financial liabilities. These amounts are adjusted against finance lease receivables on the date of commencement of the lease term.

Credit loss allowance is recognised in accordance with the general ECL model. The ECL is determined in the same way as for loans and advances measured at AC and recognised through an allowance account to write down the receivables' net carrying amount to the present value of expected cash flows discounted at the interest rates implicit in the finance leases.

Repossessed collateral. Repossessed collateral represents financial and non-financial assets acquired by the Group in settlement of overdue loans. The assets are initially recognised at fair value when acquired and included in premises and equipment, other financial assets, investment properties or inventories within other assets depending on their nature and the Group's intention in respect of recovery of these assets, and are subsequently remeasured and accounted for in accordance with the accounting policies for these categories of assets.

Where repossessed collateral results in acquiring control over a business, the business combination is accounted for using the acquisition method of accounting with fair value of the settled loan representing the purchase consideration (refer to the accounting policy for consolidation).

Credit related commitments. The Group issues financial guarantees and commitments to provide loans. Financial guarantees require the Group to make specified payments to reimburse the holder of the guarantee for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Financial guarantees and commitments to provide loans are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the commitment, except for commitments to originate loans if it is probable that the Group will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination; such loan commitment fees are deferred and included in the carrying value of the loan on initial recognition. At the end of each reporting period, the commitments are measured at the higher of (i) the amount of the loss allowance determined based on the expected loss model and (ii) the remaining unamortised balance of the amount at initial recognition.

3 Significant Accounting Policies (Continued)

For loan commitments and financial guarantee contracts, the loss allowance is recognised as a liability. For contracts that include both a loan and an undrawn commitment and where the Group cannot separately distinguish the ECL on the undrawn loan component from the loan component, the ECL on the undrawn commitment is recognised together with the loss allowance for the loan. To the extent that the combined ECLs exceed the gross carrying amount of the loan, they are recognised as a liability.

Investment properties. Investment property is property held by the Group to earn rental income or for capital appreciation, or both and which is not occupied by the Group. Investment property includes assets under construction for future use as investment property.

Investment property is initially recognised at cost, including transaction costs, and subsequently remeasured at fair value updated to reflect market conditions at the end of the reporting period. Fair value of investment property is the price that would be received from sale of the asset in an orderly transaction, without deduction of any transaction costs. Fair value of the Group's investment property is determined based on reports of independent appraisers, who hold a recognised and relevant professional qualification and who have recent experience in valuation of property of similar location and category.

Earned rental income is recorded in profit or loss for the year within other operating income. Gains and losses resulting from changes in the fair value of investment property are recorded in profit or loss for the year and presented separately.

Premises and equipment. Premises and equipment (except for land and premises of the Group) are stated at cost, restated to the equivalent purchasing power of the Russian Rouble at 31 December 2002 for assets acquired prior to 1 January 2003 less accumulated depreciation and provision for impairment, where required.

Land and premises of the Group are subject to revaluation on a regular basis. The frequency of revaluation depends upon the movements in the fair values of the premises and equipment being revalued. Increases in the carrying amount arising on revaluation are credited to other comprehensive income and increase the revaluation surplus in equity. Decreases that offset previous increases of the same asset are recognised in other comprehensive income and decrease the previously recognised revaluation surplus in equity; all other decreases are charged to profit or loss for the year. The revaluation reserve for premises and equipment included in equity is transferred directly to retained earnings when the revaluation surplus is realised on the retirement or disposal of the asset, or as the asset is used by the Group; In the latter case, the amount of the surplus realised is the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. If there is no market based evidence of fair value, fair value is estimated using an income approach. Costs of minor repairs and day-to-day maintenance are expensed when incurred.

At the end of each reporting period management assesses whether there is any indication of impairment of of premises and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit or loss for the year to the extent it exceeds the previous revaluation surplus in equity. An impairment loss recognised for an asset in prior periods is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Other premises and equipment include office and computer equipment and are stated at cost, less accumulated depreciation and provision for impairment, where required.

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in the consolidated statement of profit and loss and other comprehensive income.

Depreciation. Land is not depreciated. Depreciation on other items of premises and equipment and right of use assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives at the following annual rates:

	Useful lives in years
Buildings	40-50
Other	5
Right of use assets	Shorter of useful life and the term of the underlying lease

3 Significant Accounting Policies (Continued)

The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Intangible assets. Intangible assets are stated at cost less depreciation. The Group's intangible assets have definite useful life and primarily include capitalised computer software and software licenses. Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Development costs that are directly associated with identifiable and unique software controlled by the Group are recorded as intangible assets if the inflow of incremental economic benefits exceeding costs is probable. Capitalised costs include staff costs of the software development team and an appropriate portion of relevant overheads. All other costs associated with computer software, e.g. its maintenance, are expensed when incurred. Capitalised computer software is amortised on a straight line basis over expected useful lives of 3 to 10 years. Under certain circumstances the Group may decide to extend useful lives.

Inventories. Inventories are carried at the lower of cost or net realisable value. The cost of inventories released to production or otherwise disposed of is determined on a first-in, first-out basis. The cost of finished goods and work in progress includes raw materials and supplies, direct labour, other direct costs and related production overheads (based on normal operating capacity) and does not include borrowing costs. Net realisable value is the estimated selling price in the course of normal business less estimated completion cost and costs to sell. Inventories are recorded within other assets in the consolidated statement of financial position.

Biological assets. Biological assets of the Group consist of unharvested crops (grain crops) and livestock (poultry). Consumable livestock and unharvested crops are classified as other assets of the Group in the consolidated statement of financial position. Biological assets are measured at fair value less estimated point-of-sale costs.

Accounting for leases by the Group as a lessee from 1 January 2019.The Group leases land, office premises and equipment. Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period and is recorded within "Interest and other similar expense" of the consolidated statement of profit or loss and other comprehensive income. The right-of-use asset is recognised at cost and depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. In the consolidated statement of profit or loss and other comprehensive income, depreciation of a right-of-use asset is recorded separately.

Liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives payable;
- variable lease payments that depend on an index or a rate.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs; and
- restoration cost.

3 Significant Accounting Policies (Continued)

As an exception to the above, the Group accounts for short-term leases and leases of low value assets by recognising the lease payments as an operating expense on a straight line basis. Short-term lease includes lease of an asset for a term of less than 12 months.

In determining the lease term, management of the Group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

Accounting for operating leases by the Group as a lessor. When assets are leased out under an operating lease, the lease payments receivable are recognised as rental income on a straight-line basis over the lease term.

Due to other banks. Amounts due to other banks are recorded when money or other assets are advanced to the Group by counterparty banks. The non-derivative financial liabilities are carried at AC. If the Group purchases its own debt, the liability is removed from the consolidated statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in gains or losses arising from early retirement of debt.

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

Debt securities in issue*.* Debt securities in issue include promissory notes and debentures issued by the Group. Debt securities are stated at AC. If the Group purchases its own debt securities in issue, they are removed from the consolidated statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in gains arising from early retirement of debt.

Borrowings from international financial institutions. Borrowings (including subordinated loans) are recorded from the moment of provision of cash funds to the Group. The non-derivative financial liabilities are carried at AC.

Derivative financial instruments. Derivative financial instruments, including foreign exchange contracts, are carried at their fair value. All derivative instruments are carried as assets when fair value is positive, and as liabilities when fair value is negative. Changes in the fair value of derivative instruments are included in the consolidated statement of profit and loss and other comprehensive income. The Group does not apply hedge accounting.

Certain derivative instruments embedded in other financial instruments are treated as separate derivative instruments when their risks and characteristics are not closely related to those of the host contract.

Income taxes. Income taxes have been provided for in the consolidated financial statements in accordance with Russian legislation enacted or substantively enacted as at the end of the reporting period. The income tax charge comprises current tax and deferred tax and is recognised in the consolidated statement of profit and loss and other comprehensive income except if it is recognised directly in equity because it relates to transactions that are also recognised, in the same or a different period, directly in equity.

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

3 Significant Accounting Policies (Continued)

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for consolidated financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period, which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets and liabilities are netted only within the individual companies of the Group.

Tax deduction for lease payments is allocated to depreciation of right of use asset and interest cost on the lease liability. As a result, no temporary differences arise upon initial recognition of a new lease where the Group is a lessee.

Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

Deferred income tax is not recognised on post-acquisition retained earnings and other post acquisition movements in reserves of subsidiaries where the Group controls the subsidiary's dividend policy, and it is probable that the difference will not reverse through dividends or otherwise in the foreseeable future.

Uncertain tax positions. The Group's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

Trade and other payables. Trade payables are accrued when the counterparty has performed its obligations under the contract and are carried at amortised cost.

Share capital and share premium. Ordinary shares and non-redeemable preference shares with discretionary dividends are both classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity.

Dividends. Dividends are recorded in equity in the period in which they are declared. Any dividends declared after the end of the reporting period and before the consolidated financial statements are authorised for issue, are disclosed in the subsequent events note. The statutory accounting reports of the Group with account for IFRS profit are the basis for profit distribution and other appropriations. Russian legislation identifies the basis of distribution as the current year net profit according to the statutory financial statements.

Interest income and expense. Interest income and expense are recorded for all debt instruments in the consolidated statement of profit or loss and other comprehensive income on an accrual basis using the effective interest method. This method defers, as part of interest income or expense, all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Fees integral to the effective interest rate include origination fees received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents. Commitment fees received by the Group to originate loans at market interest rates are integral to the effective interest rate i f it is probable that the Group will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination. The Group does not designate loan commitments as financial liabilities at FVTPL.

For financial assets that are originated or purchased credit-impaired, the effective interest rate is the rate that discounts the expected cash flows (including the initial expected credit losses) to the fair value on initial recognition (normally represented by the purchase price). As a result, the effective interest is credit-adjusted.

3 Significant Accounting Policies (Continued)

Interest income is calculated by applying the effective interest rate to gross carrying amount of financial assets, except for: (i) financial assets that have become credit impaired (Stage 3), for which interest revenue is calculated by applying the effective interest rate to their AC, net of the ECL provision, and (ii) financial assets that are purchased or originated credit impaired, for which the original credit-adjusted effective interest rate is applied to the AC.

Fee and commission income, other income and expenses. All other fee and commission income, other income and other expenses are generally recognised over time on a straight line basis as the services are rendered, when the customer simultaneously receives and consumes the benefits provided by the Group's performance. Loan syndication fees are recognised as income when the syndication has been completed and the Group retains no part of the loan package for itself, or retains a part at the same effective interest rate as for the other participants.

Sales revenue from agricultural produce. Sales revenue from agricultural produce is income arising in the course of the ordinary activities of the Group's component. This revenue is recognised in the amount of transaction price. Transaction price is the amount of consideration to which the subsidiary expects to be entitled in exchange for transferring control over promised goods or services to a customer, excluding the amounts collected on behalf of third parties. Revenue is recognised less VAT. Sales revenue from agricultural produce is recorded within other operating income in the Group's consolidated statement of profit or loss and other comprehensive income.

Cost of sales of agricultural produce. The cost of agricultural produce includes raw materials and supplies, direct labour, other direct costs and related production overheads (based on normal operating capacity) and does not include borrowing expenses. Cost of sales of agricultural produce is recorded within administrative and other operating expenses in the Group's consolidated statement of profit or loss and other comprehensive income and recorded on a first-in, first-out basis.

Assets under custody. Assets held by the Group in its own name, but on the account of third parties, are not reported in the consolidated statement of financial position. Fees from such activities are presented within fee and commission income.

Sales and purchases of foreign currencies and currency conversion. The Group sells and purchases foreign currencies in the cash offices and through the bank accounts, as well as exchanges foreign currencies. The transactions are performed at the exchange rates established by the Group, which are different from the official spot exchange rates at the particular dates. The differences between the official rates and Group rates are recognised as gains less losses from trading in foreign currencies at a point in time when a particular performance obligation is satisfied.

Foreign currency translation. The functional currency of each of the Group's consolidated entities is the currency of the primary economic environment in which the entity operates. The Group's functional and presentation currency is the national currency of the Russian Federation, Russian Roubles ("RR").

Monetary assets and liabilities are translated into each entity's functional currency at the official exchange rate of the CBRF at the respective reporting dates. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation of monetary assets and liabilities into each entity's functional currency at year-end official exchange rates of the CBRF are recognised in the consolidated statement of profit or loss and other comprehensive income (as foreign exchange translation gains less losses).

At 31 December 2020, the official rate of exchange used for translating foreign currency balances was USD 1 = RR 73.8757 and EUR 1 = RR 90.6824 (2019: USD 1 = RR 61.9057 and EUR 1 = RR 69.3406).

Offsetting. Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Such a right of set off 1) must not be contingent on a future event and 2) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) the event of default and (iii) the event of insolvency or bankruptcy.

3 Significant Accounting Policies (Continued)

Staff costs and related contributions. Wages, salaries, contributions to the Russian Federation state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Group. The Group has no legal or constructive obligation to make pension or similar benefit payments beyond the payments to the statutory defined contribution scheme.

Segment reporting. Operating segments are reported in a manner consistent with the internal reporting provided to the Bank's Management Board responsible for making operating decisions. Segments whose revenue, result or assets are ten percent or more of all the segments are reported separately.

4 Critical Accounting Estimates and Judgements in Applying Accounting Policies

The procedure, terms and frequency of revalution are specified in the internal documents of the Bank. Revaluation of property and equipment is performed as at 1 January of the new year and accounted for as adjusting events after reporting date. Starting from 1 January of the new year depreciation on property and equipment is charged based on fair values of items of property and equipment adjusted for revalution:

The Group makes estimates and assumptions that affect the amounts of assets and liabilities recognised in the consolidated financial statements within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements and estimates in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

ECL measurement. Calculation and measurement of ECLs is an area that requires significant judgement and involves determination of methodology, models and data inputs. Refer to Note 29 for the ECL measurement approach. The following components of ECL calculation have the major impact on credit loss allowance: definition of default, SICR, probability of default ("PD"), exposure at default ("EAD"), loss given default ("LGD"), as well as macromodels and analysis of scenarios for credit-impaired loans. The Group regularly reviews and validates the models and inputs to the models to reduce any differences between expected credit loss estimates and actual credit loss experience.

To estimate ECLs in 2020 due to COVID-19 pandemic the Group used macro adjustments in relation to borrowers of certain industries which are more sensitive to impact of COVID-19 pandemic consequences in a range of 1.01 – 1.2 for PD and 1.05 – 1.2 for LGD. For individual loans the Group used macro adjustments in relation to borrowers of certain industries which are sensitive to impact of COVID-19 pandemic consequences in a range of 0.3% - 0.5%.

A 10% increase or decrease in PD estimates at 31 December 2020 would result in an increase or decrease in total expected credit loss allowances of RR 89 722 thousand (31 December 2019: by RR 68 342 thousand).

A 10% increase or decrease in LGD estimates at 31 December 2020 would result in an increase or decrease in total expected credit loss allowance of RR 162 925 thousand (at 31 December 2019: RR 390 004 thousand).

Significant increase in credit risk ("SICR"). In order to determine whether there has been a significant increase in credit risk, the Group compares the risk of a default occurring over the expected lifetime of a financial instrument at the end of the reporting date with the risk of default at the date of initial recognition. IFRS 9 requires an assessment of relative increases in credit risk rather than the identification of a specific level of credit risk at the reporting date. In this assessment, the Group considers a range of indicators: including behavioural indicators based on historical information as well as reasonable and supportable forward looking information available without undue cost and effort. The most significant judgements include: identifying behavioural indicators of increases in credit risk prior to delinquency and incorporating appropriate forward looking information into the credit risk assessment, either at an individual instrument, or on a portfolio level. Refer to Note 29.

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies (Continued)

Should ECL on all loans and advances to customers be measured at lifetime ECL (that is, including those that are currently in Stage 1 measured at 12-months ECL), the expected credit loss allowance would be higher by RR 2 248 255 thousand as of 31 December 2020 (31 December 2019: RR 2 055 681 thousand higher).

Determining the business model and applying SPPI test. In determining the appropriate measurement category for debt financial instruments, the Group applies two assessments: the business model assessment for managing the assets and the SPPI test based on contractual cash flows characteristics on initial recognition. The business model assessment is determined on a certain level of aggregation and the Group had to apply judgement to determine the level at which business model condition is applied.

When assessing sales transactions, the Group considers their historical frequency, timing and value, reasons for the sales and expectations about future sales activity. Sales transactions aimed at minimising potential losses due to credit deterioration are considered consistent with the "hold to collect" business model. Other sales before maturity, not related to credit risk management activities, may also be consistent with the "hold to collect" business model, provided that they are infrequent or insignificant in value, both individually and in aggregate. The Group assesses significance of sales transactions by comparing the value of the sales to the value of the portfolio subject to the business model assessment over the average life of the portfolio.

The "hold to collect and sell" business model means that assets are held to collect the cash flows, but selling is also integral to achieving the business model's objective, such as, managing liquidity needs, achieving a particular yield, or matching the duration of the financial assets to the duration of the liabilities that fund those assets.

FVTPL business model is the residual category and it also includes those financial assets which are managed with the objective of realising cash flows solely through sale. For this business model, the collection of contractual cash flow is incidental.

Assessment whether cash flows are solely payments of principal and interest ("SPPI"). Determining whether a financial asset's cash flows are solely payments of principal and interest required judgement.

The time value of money element may be modified, for example, if a contractual interest rate is periodically reset but the frequency of that reset does not match the tenor of the debt instrument's underlying base interest rate, for example a loan pays three months interbank rate but the rate is reset every month. The effect of the modified time value of money was assessed by comparing relevant instrument's cash flows against a benchmark debt instrument with SPPI cash flows, in each period and cumulatively over the life of the instrument. The assessment was done for all reasonably possible scenarios, including reasonably possible financial stress situation that can occur in financial markets. The Group applied a threshold of 5% to determine whether differences against benchmark instruments are significant. In case of a scenario with cash flows that significantly differ from the benchmark, the assessed instrument's cash flows are not SPPI and the instrument is then carried at FVTPL.

The Group's loan agreements allow adjusting interest rates in response to certain macro-economic or regulatory changes. Management applied judgement and assessed that competition in the banking sector and the practical ability of the borrowers to refinance the loans would prevent it from resetting the interest rates at an above-market level and hence cash flows were assessed as being SPPI.

There were no instruments which failed the SPPI test during the reporting period and as at 31 December 2020.

Financial assets – modification. When financial assets are contractually modified (e.g. renegotiated), the Group assesses whether the modification is substantial and should result in derecognition of the original asset and recognition of a new asset at fair value. This assessment is based primarily on qualitative factors, described in the relevant accounting policy and it requires significant judgement. In particular, the Group applies judgement in deciding whether credit impaired renegotiated loans should be derecognised and whether the new recognised loans should be considered as credit impaired on initial recognition. The derecognition assessment depends on whether the risks and rewards, that is, the variability of expected (rather than contractual) cash flows, change as a result of such modifications. Management determined that risks and rewards did not change as a result of modifying such loans and therefore in substantially all such modifications, the loans were neither derecognised nor reclassified out of the credit-impaired stage.

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies (Continued)

Write-off policy. Financial assets are written-off, in whole or in part, when the Group exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. Determining the possibility of loan recovery requires judgement. Loans are deemed unrecoverable if all recovery measures (including the sale of collateral) have been taken and indicate that it is impossible and/or unreasonable to carry out further actions on loan recovery.

Valuation of investment properties. Investment property is stated at its fair value based on reports prepared by an independent appraiser at the end of each reporting period. Given the absence of a highly liquid market for non-residential premises and land in Rostov-on-Don, the Rostov Region and other regions of the South of Russia, the Group and the independent appraiser have used professional judgements on comparability of the existing real estate sale deals and available data on transactions with land and real estate between third parties (Note 13). If the price per square meter of premises had increased (decreased) by 10%, the total value of investment properties in the balance sheet would have increased (decreased) by RR 60 951 thousand (2019: RR 71 040 thousand), respectively.

Impairment of investments in associate. The Group management considered impairment of its investment in the associate (Note 10), a heat and power enterprise of heat systems Teploenergo (TEPTS), taking into consideration the valuation by an independent appraiser and discussions of the value with potential investors in this industry. As a result of the analysis, the Group management concluded that no impairment of carrying value of this investment was required. This conclusion largely depends on the correct assessment of 1) further growth of tariffs for services of TEPTS, 2) further solvency of clients of TEPTS, 3) discount rate applied to future cash flows, 4) well proven practice of TEPTS of including payment shortages into the future year tariffs. These parameters largely depend on the macroeconomic situation and the level of governmental regulation in the Russian Federation. Refer to Note 2. The Group set up a provision for non-performing receivables of TEPTS, which the management believes adequate.

Lease term determination. The Group leases office buildings from third parties under contracts which do not have contractual maturity dates and are automatically renewed unless either party submits a termination notice within the period specified in the contract before the expected termination date. The lease term for such contracts has been determined as 3 years.

Tax legislation. Russian tax, currency and customs legislation is subject to varying interpretations. Refer to Note 32.

5 Adoption of New or Revised Standards and Interpretations

Other new standards and interpretations. The following amended standards and interpretations became effective for the Group from 1 January 2020, but did not have any material impact on the Group:

- IFRS 17 “Insurance Contracts” (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021).
- Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020).
- Definition of a business – Amendments to IFRS 3 (issued on 22 October 2018 and effective for acquisitions from the beginning of annual reaporting period that starts on or after 1 January 2020)
- Definition of materiality – Amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020).
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB).
- Interest rate benchmark reform – Amendments to IFRS 9, IAS 39 and IFRS 7 (issued on 26 September 2019 and effective for annual periods beginning on or after 1 January 2020).

5 Adoption of New or Revised Standards and Interpretations (Continued)

None of new standards and interpretations, which are not presented in the disclosures to the consolidared financial statements of the Group for the year ended 31 December 2020, have been issued and are not effective. The Group continues to assess the impact of new standards and interpretations, which are not yet effective, and will disclose the information about their known and reasonably definable consequences, as soon as results of assessment become open.

6 Cash and Cash Equivalents

In thousands of Russian Roubles	**31 December 2020**	**31 December 2019**
Cash on hand	5 827 558	4 995 737
Cash balances with the CBRF (other than mandatory reserve deposits)	3 306 598	3 098 631
Correspondent accounts and overnight placements with other banks		
- other countries	1 352 819	797 666
- Russian Federation	544 874	804 771
- settlement accounts with trading systems	69 017	1 355 690
Total cash and cash equivalents	**11 100 866**	**11 052 495**

The table below discloses the credit quality analysis of cash and cash equivalents balances based on credit risk grades at 31 December 2020.

Refer to Note 29 for the description of the Group’s credit risk grading system.

In thousands of Russian Roubles	**Cash balances with the CBRF (other than mandatory reserve deposits)**	**Correspondent accounts and overnight placements with other banks**	**Total**
- Excellent	3 306 599	2 067 621	**5 374 220**
- Good	-	24 986	**24 986**
Total cash and cash equivalents, excluding cash on hand	**3 306 599**	**2 092 607**	**5 399 206**

The table below discloses the credit quality analysis of cash and cash equivalents balances based on credit risk grades at 31 December 2019.

In thousands of Russian Roubles	**Cash balances with the CBRF (other than mandatory reserve deposits)**	**Correspondent accounts and overnight placements with other banks**	**Total**
- Excellent	3 098 631	2 927 815	**6 026 446**
- Good	-	30 312	**30 312**
Total cash and cash equivalents, excluding cash on hand	**3 098 631**	**2 958 127**	**6 056 758**

For the purpose of ECL measurement cash and cash equivalents balances are included in Stage 1. The ECL for these balances represents an insignificant amount, therefore the Group did not recognise any credit loss allowance for cash and cash equivalents. Refer to Note 29 for the ECL measurement approach.

At 31 December 2020, the Group had three counterparty banks (31 December 2019: two counterparty banks) with aggregate cash and cash equivalents exceeding RR 100 000 million. The total aggregate amount of these balances was RR 1 754 531 thousand (2019: RR 1 171 493 thousand) or 15.6% of cash and cash equivalents (2019: 10.6%).

Settlement accounts with trading systems represent balances with the Moscow Stock Exchange and its subsidiary.

6 Cash and Cash Equivalents (Continued)

Balances on correspondent accounts and overnight placements are not collateralised.

Interest rate analysis of cash and cash equivalents is disclosed in Note 29.

7 Due from Other Banks

In thousands of Russian Roubles	Country	31 December 2020	31 December 2019
Short-term deposits with the Central Bank of the Russian Federation	Russia	15 001 700	14 502 371
Total due from other banks		**15 001 700**	**14 502 371**

By their credit quality, balances due from other banks as at 31 December 2020 and 31 December 2019 are included in Stage 1 (12-month ECL) with the level “excellent” for the purposes of ECL measurement.

ECLs on due from other banks are insignificant, therefore, the Group did not make a loss allowance for due to other banks. Refer to Note 29 for the ECL measurement approach.

Carrying value of each class of amounts due from other banks approximates fair value at 31 December 2020 and 31 December 2019. Refer to Note 33.

Interest rate analysis of amounts due from other banks is disclosed in Note 29.

8 Loans to Customers and Finance Lease Receivables

In thousands of Russian Roubles	31 December 2020	31 December 2019
Corporate loans	31 667 852	35 411 303
Loans to individuals – mortgage loans	41 928 550	36 458 473
Loans to individuals – consumer loans and car loans	16 284 433	19 132 251
Finance lease receivables	187 849	196 371
Total loans to customers and finance lease receivables before credit loss allowance	**90 068 684**	**91 198 398**
Expected credit loss allowance	(5 596 049)	(6 143 393)
Total loans to customers and finance lease receivables	**84 472 635**	**85 055 005**

8 Loans to Customers and Finance Lease Receivables (Continued)

The tables below show changes in credit loss allowance and gross carrying amount for loans to customers and finance lease receivables between the beginning and the end of the reporting period:

	Credit loss allowance			
In thousands of Russian Roubles	**Stage 1 (12-month ECL)**	**Stage 2 (lifetime ECL)**	**Stage 3 (lifetime ECL)**	**Total**
Corporate loans				
At 1 January 2020	**237 246**	**244 777**	**2 845 252**	**3 327 275**
Movements with impact on credit loss allowance charge for the period:				
Issued to new and existing customers during the period	226 285	7 826	40 488	**274 599**
Transfers:				**-**
- to lifetime credit losses (from Stage 1 and Stage 3 to Stage 2)	(24 645)	24 645	-	**-**
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(179 812)	(7 321)	187 133	**-**
- to 12-month ECL (from Stage 2 and Stage 3 to Stage 1)	543	(543)	-	**-**
Repaid during the period	(102 520)	(23)	(57 630)	**(160 173)**
Net change of credit loss allowance	214 037	389 902	(19 407)	**584 532**
Total movements with impact on credit loss allowance charge for the period	**133 889**	**414 486**	**150 584**	**698 958**
Movements without impact on credit loss allowance charge for the period:				
Write-offs	-	-	(150 011)	**(150 011)**
Assignment	(2 928)	(125)	(949 821)	**(952 874)**
Unwinding of discount in respect of ECL present value	-	-	62 273	**62 273**
At 31 December 2020	**368 207**	**659 137**	**1 896 004**	**2 923 348**

8 Loans to Customers and Finance Lease Receivables (Continued)

	Credit loss allowance			
In thousands of Russian Roubles	**Stage 1 (12-month ECL)**	**Stage 2 (lifetime ECL)**	**Stage 3 (lifetime ECL)**	**Total**
Mortgage loans				
At 1 January 2020	**203 988**	**28 963**	**766 053**	**999 004**
Movements with impact on credit loss allowance charge for the period:				
Issued to new and existing customers during the period	92 304	1 366	3 879	**97 549**
Transfers:				
- to lifetime credit losses (from Stage 1 and Stage 3 to Stage 2)	(1 080)	1 727	(647)	**-**
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(92 522)	(85 014)	177 536	**-**
- to 12-month ECL (from Stage 2 and Stage 3 to Stage 1)	1 215	(1 080)	(135)	**-**
Repaid during the period	(24 842)	(2 531)	(73 552)	**(100 925)**
Net change of credit loss allowance	90 976	84 461	(111 694)	**63 743**
Total movements with impact on credit loss allowance charge for the period	**66 051**	**(1 071)**	**(4 613)**	**60 367**
Movements without impact on credit loss allowance charge for the period:				
Write-offs	-	-	(15 286)	**(15 286)**
Assignment	(507)	-	(18 016)	**(18 523)**
Unwinding of discount in respect of ECL present value	-	-	38 151	**38 151**
At 31 December 2020	**270 039**	**27 892**	**727 631**	**1 025 562**

8 Loans to Customers and Finance Lease Receivables (Continued)

In thousands of Russian Roubles	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)	Total
Consumer loans and car loans				
At 1 January 2020	**223 729**	**12 789**	**1 578 004**	**1 814 522**
Movements with impact on credit loss allowance charge for the period:				
Issued to new and existing customers during the period	105 314	1 337	9 265	**115 916**
Transfers:				
- to lifetime credit losses (from Stage 1 and Stage 3 to Stage 2)	(3 006)	3 092	(86)	**-**
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(17 294)	(82 345)	99 639	**-**
- to 12-month ECL (from Stage 2 and Stage 3 to Stage 1)	1 192	(1 131)	(61)	**-**
Repaid during the period	(56 982)	(1 388)	(89 593)	**(147 963)**
Net change of credit loss allowance	11 740	79 723	43 712	**135 175**
Total movements with impact on credit loss allowance charge for the period	**40 964**	**(712)**	**62 876**	**103 128**
Movements without impact on credit loss allowance charge for the period:				
Write-offs	-	-	(207 801)	**(207 801)**
Assignment	-	-	(64 139)	**(64 139)**
Unwinding of discount in respect of ECL present value	-	-	14 959	**14 959**
At 31 December 2020	**264 693**	**12 077**	**1 368 940**	**1 645 710**

8 Loans to Customers and Finance Lease Receivables (Continued)

	Credit loss allowance			
In thousands of Russian Roubles	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)	Total
Finance lease receivables				
At 1 January 2020	**1 751**	**-**	**841**	**2 592**
Movements with impact on credit loss allowance charge for the period:				
Issued to new and existing customers during the period	532	-	-	**532**
Transfers:				
- to lifetime credit losses (from Stage 1 and Stage 3 to Stage 2)	(12)	12	-	**-**
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	-	-	-	**-**
- to 12-month ECL (from Stage 2 and Stage 3 to Stage 1)	-	-	-	**-**
Repaid during the period	(947)	(3)	(346)	**(1 296)**
Changes to ECL measurement model assumptions	(397)	(2)	-	**(399)**
Changes in accrued interest, exchange differences and other movements	-	-	-	**-**
Total movements with impact on credit loss allowance charge for the period	**(824)**	**7**	**(346)**	**(1 163)**
Movements without impact on credit loss allowance charge for the period:	-	-	-	-
At 31 December 2020	**927**	**7**	**495**	**1 429**

8 Loans to Customers and Finance Lease Receivables (Continued)

The tables below show changes in credit loss allowance and gross carrying amount for loans to customers and finance lease receivables during 2019*:*

	Credit loss allowance			
In thousands of Russian Roubles	**Stage 1 (12-month ECL)**	**Stage 2 (lifetime ECL)**	**Stage 3 (lifetime ECL)**	**Total**
At 1 January 2019	**302 497**	**354 854**	**3 282 829**	**3 940 180**
Movements with impact on credit loss allowance charge for the period:				
Issued to new and existing customers during the period	151 161	738	72 028	**223 927**
Transfers:				**-**
- to lifetime credit losses (from Stage 1 and Stage 3 to Stage 2)	(2 304)	2 304	-	**-**
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(12 496)	(196 526)	209 022	**-**
- to 12-month ECL (from Stage 2 and Stage 3 to Stage 1)	6 113	(6 113)	-	**-**
Repaid during the period	(162 676)	(9 727)	(489 988)	**(662 391)**
Changes to ECL measurement model assumptions	(45 049)	114 846	991 344	**1 061 141**
Changes in accrued interest, exchange differences and other movements	-	(15 599)	255 929	**240 330**
Total movements with impact on credit loss allowance charge for the period	**(490 053)**	**184 704**	**1 923 711**	**1 618 362**
Movements without impact on credit loss allowance charge for the period:				
Write-offs	-	-	(532 943)	**(532 943)**
Assignment	-	-	(234 616)	**(234 616)**
Business combination	-	-	(708 353)	**(708 353)**
At 31 December 2019	**237 246**	**244 777**	**2 845 252**	**3 327 275**
Recovery of loans previously written off	-	-	11 903	**11 903**

8 Loans to Customers and Finance Lease Receivables (Continued)

	Credit loss allowance			
In thousands of Russian Roubles	**Stage 1 (12-month ECL)**	**Stage 2 (lifetime ECL)**	**Stage 3 (lifetime ECL)**	**Total**
Mortgage loans				
At 1 January 2019	**244 938**	**35 137**	**755 668**	**1 035 743**
Movements with impact on credit loss allowance charge for the period:				
Issued to new and existing customers during the period	63 251	-	-	**63 251**
Transfers:				
- to lifetime credit losses (from Stage 1 and Stage 3 to Stage 2)	(3 307)	19 585	(16 278)	**-**
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(1 200)	(8 687)	9 887	**-**
- to 12-month ECL (from Stage 2 and Stage 3 to Stage 1)	25 642	(13 208)	(12 434)	**-**
Repaid during the period	(46 827)	(2 116)	(147 067)	**(196 010)**
Changes to ECL measurement model assumptions	(78 526)	(2 055)	168 659	**88 078**
Changes in accrued interest, exchange differences and other movements	17	307	13 506	**13 830**
Total movements with impact on credit loss allowance charge for the period	**(40 950)**	**(6 174)**	**16 273**	**(30 851)**
Movements without impact on credit loss allowance charge for the period:				
Write-offs	-	-	(2 559)	**(2 559)**
Assignment	-	-	(3 329)	**(3 329)**
At 31 December 2019	**203 988**	**28 963**	**766 053**	**999 004**
Recovery of loans previously written off	-	-	737	**737**

8 Loans to Customers and Finance Lease Receivables (Continued)

In thousands of Russian Roubles	Credit loss allowance Stage 1 (12-month ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)	Total
Consumer loans and car loans				
At 1 January 2019	**297 161**	**22 133**	**1 636 499**	**1 955 793**
Movements with impact on credit loss allowance charge for the period:				
Issued to new and existing customers during the period	116 068	-	-	**116 068**
Transfers:				
- to lifetime credit losses (from Stage 1 and Stage 3 to Stage 2)	(5 780)	10 684	(4 904)	**-**
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(3 625)	(8 616)	12 241	**-**
- to 12-month ECL (from Stage 2 and Stage 3 to Stage 1)	15 206	(4 894)	(10 312)	**-**
Repaid during the period	(130 995)	(4 436)	(256 823)	**(392 254)**
Changes to ECL measurement model assumptions	(64 289)	(2 337)	299 402	**232 776**
Changes in accrued interest, exchange differences and other movements	(17)	255	23 686	**23 924**
Total movements with impact on credit loss allowance charge for the period	**(73 432)**	**(9 344)**	**63 290**	**(19 486)**
Movements without impact on credit loss allowance charge for the period:				
Write-offs	-	-	(114 845)	**(114 845)**
Assignment	-	-	(6 940)	**(6 940)**
At 31 December 2019	**223 729**	**12 789**	**1 578 004**	**1 814 522**
Recovery of loans previously written off	-	-	38 927	**38 927**

8 Loans to Customers and Finance Lease Receivables (Continued)

	Credit loss allowance			
In thousands of Russian Roubles	**Stage 1 (12-month ECL)**	**Stage 2 (lifetime ECL)**	**Stage 3 (lifetime ECL)**	**Total**
At 1 January 2019	**1 428**	**-**	**672**	**2 100**
Movements with impact on credit loss allowance charge for the period:				
Issued to new and existing customers during the period	1 268	-	3	**1 271**
Transfers:				
- to lifetime credit losses (from Stage 1 and Stage 3 to Stage 2)	-	-	-	**-**
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(13)	-	13	**-**
- to 12-month ECL (from Stage 2 and Stage 3 to Stage 1)	-	-	-	**-**
Repaid during the period	(863)	-	(637)	**(1 500)**
Changes to ECL measurement model assumptions	(69)	-	790	**721**
Total movements with impact on credit loss allowance charge for the period	**323**	**-**	**169**	**492**
Movements without impact on credit loss allowance charge for the period:	-	-	-	-
At 31 December 2019	**1 751**	**-**	**841**	**2 592**

8 Loans to Customers and Finance Lease Receivables (Continued)

The credit loss allowance for loans to customers and finance lease receivables recognised in the period is impacted by a variety of factors, details of ECL measurement are provided in Note 29. Main movements presented above:

- Transfers between Stage 1, 2 and 3 due to balances experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and Lifetime ECL;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments derecognised in the period;
- Impact on the measurement of ECL due to changes to model assumptions, including changes in PDs, EADs and LGDs in the period, arising from update of inputs to ECL models;
- Foreign exchange translations of assets denominated in foreign currencies and other movements;
- Write-offs of allowances related to assets that were written off during the period.

The credit quality of loans carried at amortised cost is as follows at 31 December 2020:

In thousands of Russian Roubles	**Stage 1 (12-month ECL)**	**Stage 2 (lifetime ECL)**	**Stage 3 (lifetime ECL)**	**Total**
Corporate loans				
- Excellent	10 724 403	-	-	**10 724 403**
- Good	16 429 153	212 099	-	**16 641 252**
- Satisfactory	-	1 440 090	-	**1 440 090**
- Special monitoring	-	-	-	**-**
- Default	-	-	2 862 107	**2 862 107**
Gross carrying amount	**27 153 556**	**1 652 189**	**2 862 107**	**31 667 852**
Credit loss allowance	(368 206)	(659 138)	(1 896 004)	**(2 923 348)**
Carrying amount	**26 785 350**	**993 051**	**966 103**	**28 744 504**

In thousands of Russian Roubles	**Stage 1 (12-month ECL)**	**Stage 2 (lifetime ECL)**	**Stage 3 (lifetime ECL)**	**Total**
Mortgage loans				
- Excellent	419 788	-	-	**419 788**
- Good	39 532 275	474 582	-	**40 006 857**
- Satisfactory	-	220 743	-	**220 743**
- Special monitoring	-	-	-	**-**
- Default	-	-	1 281 161	**1 281 161**
Gross carrying amount	**39 952 063**	**695 325**	**1 281 161**	**41 928 549**
Credit loss allowance	(270 039)	(27 892)	(727 632)	**(1 025 563)**
Carrying amount	**39 682 024**	**667 433**	**553 529**	**40 902 986**

8 Loans to Customers and Finance Lease Receivables (Continued)

In thousands of Russian Roubles	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)	Total
Consumer loans and car loans				
- Excellent	232 068	-	-	**232 068**
- Good	14 205 120	149 004	-	**14 354 124**
- Satisfactory	-	136 481	-	**136 481**
- Special monitoring	-	-	-	**-**
- Default	-	-	1 561 760	**1 561 760**
Gross carrying amount	**14 437 188**	**285 485**	**1 561 760**	**16 284 433**
Credit loss allowance	(264 693)	(12 077)	(1 368 940)	**(1 645 710)**
Carrying amount	**14 172 495**	**273 408**	**192 820**	**14 638 723**

In thousands of Russian Roubles	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)	Total
Finance lease receivables				
- Excellent	184 422	-	-	**184 422**
- Good	1 349	-	-	**1 349**
- Satisfactory	-	968	-	**968**
- Special monitoring	-	-	-	**-**
- Default	-	-	1 110	**1 110**
Gross carrying amount	**185 771**	**968**	**1 110**	**187 849**
Credit loss allowance	(927)	(7)	(495)	**(1 429)**
Carrying amount	**184 844**	**961**	**615**	**186 420**

For description of the credit risk grading used in the tables above refer to Note 29.

The credit quality of the loans carried at amortised cost is as follows at 31 December 2019:

In thousands of Russian Roubles	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)	Total
Corporate loans				
- Excellent	12 745 445	-	-	**12 745 445**
- Good	16 880 270	56 074	-	**16 936 344**
- Satisfactory	-	833 070	-	**833 070**
- Special monitoring	-	-	1 285 452	**1 285 452**
- Default	-	-	3 610 992	**3 610 992**
Gross carrying amount	**29 625 715**	**889 144**	**4 896 444**	**35 411 303**
Credit loss allowance	(237 246)	(244 777)	(2 845 252)	**(3 327 275)**
Carrying amount	**29 388 469**	**644 367**	**2 051 192**	**32 084 028**

8 Loans to Customers and Finance Lease Receivables (Continued)

In thousands of Russian Roubles	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)	Total
Mortgage loans				
- Excellent	481 422	-	-	**481 422**
- Good	34 061 520	407 903	-	**34 469 423**
- Satisfactory	-	248 196	-	**248 196**
- Special monitoring	-	-	263 596	**263 596**
- Default	-	-	995 836	**995 836**
Gross carrying amount	**34 542 942**	**656 099**	**1 259 432**	**36 458 473**
Credit loss allowance	(203 988)	(28 963)	(766 053)	**(999 004)**
Carrying amount	**34 338 954**	**627 136**	**493 379**	**35 459 469**

In thousands of Russian Roubles	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)	Total
Consumer loans and car loans				
- Excellent	300 006	-	-	**300 006**
- Good	16 662 913	174 740	-	**16 837 653**
- Satisfactory	-	199 591	-	**199 591**
- Special monitoring	-	-	112 362	**112 362**
- Default	-	-	1 682 639	**1 682 639**
Gross carrying amount	**16 962 919**	**374 331**	**1 795 001**	**19 132 251**
Credit loss allowance	(223 729)	(12 789)	(1 578 004)	**(1 814 522)**
Carrying amount	**16 739 190**	**361 542**	**216 997**	**17 317 729**

In thousands of Russian Roubles	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)	Total
Finance lease receivables				
- Excellent	183 751	-	-	**183 751**
- Good	10 736	-	-	**10 736**
- Satisfactory	-	-	-	**-**
- Special monitoring	-	-	1 804	**1 804**
- Default	-	-	80	**80**
Gross carrying amount	**194 487**	**-**	**1 884**	**196 371**
Credit loss allowance	(1 751)	-	(841)	**(2 592)**
Carrying amount	**192 736**	**-**	**1 043**	**193 779**

8 Loans to Customers and Finance Lease Receivables (Continued)

Information about the assigned rights of claim on loans and finance leases is presented below:

In thousands of Russian Roubles	**2020**	**2019**
Assigned on-balance sheet rights of claim on loans to customers and finance leases	2 161 559	487 096
Provision for impairment of assigned rights of claim	(1 035 536)	(244 885)
Sales price	1 126 023	242 211
Net result from assignment of on-balance sheet rights of claim	-	-
Assigned rights of claim previously written off as uncollectible	77 674	16 758
Sales price	3 650	2 850
Net result from assignment of rights of claim previously written off as uncollectible	**3 650**	**2 850**

Net result from assignment of rights of claim on loans previously written off as uncollectible was recognised in the consolidated statement of profit or loss and other comprehensive income within other operating income. No right of recourse is provided in the assignment agreements.

Economic sector risk concentrations within loans to customers and finance lease receivables are as follows:

	31 December 2020		**31 December 2019**	
In thousands of Russian Roubles	**Amount**	**%**	**Amount**	**%**
Individuals (total), incl.	58 212 983	64.7	55 590 724	61.0
mortgage loans	*41 928 550*	*46.6*	*36 458 473*	*40.0*
consumer loans	*15 459 569*	*17.2*	*18 013 206*	*19.8*
car loans	*824 864*	*0.9*	*1 119 045*	*1.2*
Agriculture	*13 188 970*	*14.5*	14 216 725	*15.5*
Trade	7 892 388	8.8	8 149 409	8.9
Manufacturing	4 020 084	4.5	5 894 086	6.5
Transport	2 234 571	2.5	2 647 844	2.9
Construction	1 452 857	*1.6*	1 629 397	*1.8*
Other	3 066 831	3.4	3 070 213	3.4
Total loans to customers and finance lease receivables before credit loss allowance	**90 068 684**	**100.0**	**91 198 398**	**100.0**

At 31 December 2020, the Group had 10 major groups of borrowers with aggregate loans amounting to RR 5 064 615 thousand, or 5.6% of loans to customers and finance lease receivables before credit loss allowance (2019: RR 6 771 093 thousand, or 7.4%).

At 31 December 2020, the Group had a major group of borrowers with aggregate loans amounting to RR 871 861 thousand, or 2.8% of the corporate loan portfolio before credit loss allowance (2019: RR 1 367 120 thousand, or 3.9%).

8 Loans to Customers and Finance Lease Receivables (Continued)

Information about collateral for loans to customers and finance lease receivables carried at amortised cost as at 31 December 2020 is as follows:

In thousands of Russian Roubles	Corporate loans	Mortgage loans	Consumer loans and car loans	Finance lease receivables	Total
Claims collateralised by:	**31 084 818**	**41 570 649**	**11 146 739**	**187 849**	**83 990 055**
- *real estate*	12 524 512	35 089 048	2 355 913	-	**49 969 473**
- *tradable securities*	365 500	-	3 089	-	**368 589**
- *motor vehicles*	4 491 549	8 854	3 439 325	104 372	**8 044 100**
- *agricultural machines*	5 147 725	-	64 388	352	**5 212 465**
- *equipment and other property*	1 160 442	359 206	10 505	83 125	**1 613 278**
- *pledge of rights*	60 277	5 078 051	27 954	-	**5 166 282**
- *goods in turnover*	674 287	-	1 121	-	**675 408**
- *third parties' guarantees*	6 660 526	1 035 490	5 244 444	-	**12 940 460**
Unsecured exposures	583 034	357 901	5 137 694	-	**6 078 629**
Total loans to customers and finance lease receivables before credit loss allowance	**31 667 852**	**41 928 550**	**16 284 433**	**187 849**	**90 068 684**

Information about collateral for loans to customers and finance lease receivables as at 31 December 2019 is as follows:

In thousands of Russian Roubles	Corporate loans	Mortgage loans	Consumer loans and car loans	Finance lease receivables	Total
Claims collateralised by:	**35 014 016**	**36 199 487**	**13 274 995**	**196 371**	**84 684 869**
- *real estate*	15 090 961	30 862 145	2 929 349	-	**48 882 455**
- *tradable securities*	350 000	-	4 221	-	**354 221**
- *motor vehicles*	5 363 211	8 584	4 451 390	136 590	**9 959 775**
- *agricultural machines*	4 652 993	-	86 017	2 291	**4 741 301**
- *equipment and other property*	1 736 065	301 856	31 382	57 490	**2 126 793**
- *pledge of rights*	23 352	4 263 403	26 897	-	**4 313 652**
- *goods in turnover*	822 330	-	1 121	-	**823 451**
- *third parties' guarantees*	6 975 104	763 499	5 744 618	-	**13 483 221**
Unsecured exposures	**397 287**	**258 986**	**5 857 256**	**-**	**6 513 529**
Total loans to customers and finance lease receivables before credit loss allowance	**35 411 303**	**36 458 473**	**19 132 251**	**196 371**	**91 198 398**

The extent to which collateral and other credit enhancements mitigate credit risk for financial assets carried at amortised cost that are credit impaired, is presented by disclosing collateral values separately for (i) those assets where collateral and other credit enhancements are equal to or exceed net carrying value of the asset ("over-collateralised assets") and (ii) those assets where collateral and other credit enhancements are less than the net carrying value of the asset ("under-collateralised assets").

The effect of collateral on credit impaired assets at 31 December 2020 is as follows.

	Over-collateralised assets		Under-collateralised assets	
In thousands of Russian Roubles	Net carrying amount of assets	Fair value of collateral	Net carrying amount of assets	Fair value of collateral
Credit impaired assets:				
Corporate loans	288 563	1 344 739	677 539	387 810
Mortgage loans	546 035	3 184 811	-	-
Consumer loans and car loans	121 668	2 212 750	128 139	208
Finance lease receivables	615	1 092	-	-

8 Loans to Customers and Finance Lease Receivables (Continued)

The effect of collateral on credit impaired assets at 31 December 2019 is as follows.

	Over-collateralised *assets*		**Under-collateralised** *assets*	
In thousands of Russian Roubles	**Net carrying amount of assets**	**Fair value of collateral**	**Net carrying amount of assets**	**Fair value of collateral**
Credit impaired assets:				
Corporate loans	1 655 297	2 701 951	395 896	4 465
Mortgage loans	483 234	3 036 665	10 144	-
Consumer loans and car loans	122 911	2 468 127	91 260	140
Finance lease receivables	1 043	2 664	-	-

Corporate loans are secured by respective items of property; mortgage loans are secured by the underlying housing real estate; consumer loans customers are secured by sureties or underlying cars, real estate or other properties; auto loans are secured by the underlying cars.

The fair value of residential real estate at the end of the reporting period was estimated by indexing the values determined by the Group's internal credit staff at the time of loan inception for the average increases in residential real estate prices by city and region. The fair value of other real estate and other assets was determined by the credit department using analysis of comparable offers in the open market, subject to information available on specific features of assets being evaluated based on the Group's internal guidelines. Provision for impairment reflects the risk that the management will not be able to change the right of ownership and take possession of the collateral on a particular loan, or the amount received from the disposal of the collateral will be insufficient.

The Group's policy is to complete legal enforcement steps that were initiated even though the loans were written off as there is no reasonable expectation of recovery.

Investing transactions that did not require the use of cash and cash equivalents, and were excluded from the consolidated statement of cash flows are as follows:

In thousands of Russian Roubles	**Notes**	**2020**	**2019**
Non-cash investing activities			
Acquisition of investment property as a result of overdue loan settlement	13	-	843 340
Non-core assets obtained by the Bank as a result of overdue loan settlement	15	212 397	652 776
Non-cash investing activities		**212 397**	**1 496 116**

As at 31 December 2020 and 31 December 2019, there were no loans to customers pledged to secure liabilities to other counterparties.

Fair value of loans to customers and finance lease receivables at 31 December 2020 and 31 December 2019 is disclosed in Note 32.

Geographical, maturity and interest rate analyses are disclosed in Note 29. Information on related party balances is disclosed in Note 35.

9 Investment in Associate

Before December 2007, JSC TEPTS Teploenergo was a subsidiary of Center-invest Bank. Following the additional share issue in December 2007, Center-invest Bank Group holds 47.31% in the share capital of JSC TEPTS Teploenergo and EBRD holds 25.00%. The core activity of the company is heat energy generation, transmission and distribution in the town of Taganrog, Rostov Region.

The table below summarises the movements in the carrying amount of the Group's investment in the associate.

In thousands of Russian Roubles	**2020**	**2019**
Carrying amount at 1 January	**292 096**	**293 363**
Share of result of associate	(5 625)	(1 267)
Carrying amount at 31 December	**286 471**	**292 096**

Summarised financial information on this associate, including total assets, liabilities, revenues and profit or loss, was as follows:

In thousands of Russian Roubles	**31 December 2020**	**31 December 2019**
Total current assets	155 566	150 206
Total non-current assets	639 661	635 530
Total current liabilities	(107 515)	(85 033)
Total non-current liabilities	(82 199)	(83 300)
Revenue	596 735	599 785
Loss	(11 897)	(2 679)
% shares held	47.31%	47.31%

10 Premises, Equipment and Intangible Assets

In thousands of Russian Roubles	Land and premises	Other premises and equipment	Intangible assets	Total
Carrying amount at 1 January 2019	**2 293 874**	**194 200**	**316 535**	**2 804 609**
Cost or valuation				
Opening balance	2 390 144	1 350 244	402 118	**4 142 506**
Additions	44 883	282 715	61 485	**389 083**
Disposals	(25 543)	(48 231)	-	**(73 774)**
Business combination	615 311	218 288	-	**833 599**
Cost or valuation at the end of 2019	**3 024 795**	**1 803 016**	**463 603**	**5 291 414**
Accumulated depreciation/amortisation				
Opening balance	96 270	1 156 044	85 583	**1 337 897**
Depreciation/amortisation charge	46 918	81 733	69 998	**198 649**
Disposals	-	(47 015)	-	**(47 015)**
Business combination	9 330	31 242	-	**40 572**
Accumulated depreciation/amortisation at the end of 2019	**152 518**	**1 222 004**	**155 581**	**1 530 103**
Carrying amount at 31 December 20	**2 872 277**	**581 012**	**308 022**	**3 761 311**
Cost or valuation				
Opening balance	3 024 795	1 803 016	463 603	**5 291 414**
Additions	85 298	114 129	74 247	**273 674**
Disposals	(235 718)	(89 721)	(1 749)	**(327 188)**
Revaluation	(165 321)	-	-	**(165 321)**
Cost or valuation at the end of 2020	**2 709 054**	**1 827 425**	**536 101**	**5 072 580**
Cost or valuation				
Opening balance	152 518	1 222 004	155 581	**1 530 103**
Depreciation/amortisation charge	58 265	132 149	68 361	**258 775**
Disposals	(597)	(31 968)	-	**(32 565)**
Transfer to other assets	-	-	21	**21**
Accumulated depreciation/amortisation at the end of 2020	**210 186**	**1 322 185**	**223 963**	**1 756 334**
Carrying amount at 31 December 2020	**2 498 868**	**505 240**	**312 138**	**3 316 246**

Net book value of intangible assets includes investments into the following software: SAP for Banking, SAP Business Warehouse data storage, TranzWare processing centre, CFT settlement centre, SAP Process Integration, GEMINI IBSC remote banking service system, SAP Human Capital Management, Terrasoft XRM Bank and other.

At 31 December 2020, carrying value of land and premises would have been RR 1 379 661 thousand (2019: RR 1 520 752 thousand), had the assets been recorded at cost less depreciation. The amount reconciles to the carrying value of the premises as follows:

10 Premises, Equipment and Intangible Assets (Continued)

In thousands of Russian Roubles	**31 December** 2020	**31 December** 2019
Land and premises at revalued amount less depreciation in the consolidated statement of financial position	**2 498 868**	**2 872 277**
Revaluation reserve for land and premises presented in equity net of income tax	(1 064 288)	(1 228 156)
Deferred tax liability on revaluation	(266 072)	(307 039)
Revaluation reserve for land and premises disposed at the reporting date	71 810	68 251
Deferred tax related to revaluation of land and premises disposed at the reporting date	17 953	17 063
Impairment of land and premises previously recognised in the consolidated statement of profit or loss	121 390	98 356
Land and premises at cost less accumulated depreciation	**1 379 661**	**1 520 752**

As at 31 December 2020, land and premises temporary not used in the core actitivity carried at fair value were valued by independent firm of appraisers OOO «Delovye Konsultatcii» (Rostov-on-Don), who hold a recognised professional qualification and who have recent professional experience in valuation of assets of similar location and category. The valuation was based on market value determined using the comparative approach. To determine the fair value of land plots, the appraiser adjusted the value of similar assets (the asking price of plots similar to those subject to valuation) for key price forming parameters of the assets: designation of the land plot, adjustments for bargaining over price, for location within the city, location in relation to main transport routes and houses, the area, the set of transferred rights, etc.

11 Right-of-Use Assets and Lease Liabilities

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability from the date when the leased asset becomes available for use by the Group.

The right-of-use assets analysed by leased assets at 31 Decmber 2020 are as follows.

In thousands of Russian Roubles	Land	Premises	Equipment	Total
Carrying amount at 1 January 2020	**2 572**	**141 433**	**269**	**144 274**
Opening balance adjustment	84	12 926	291	**13 301**
Additions	-	23 999	-	**23 999**
Disposals	-	(5 807)	(420)	**(6 227)**
Depreciation charge	(633)	(59 037)	(140)	**(59 810)**
Carrying amount at 31 December 2020	**2 023**	**113 514**	**-**	**115 537**

11 Right-of-Use Assets and Lease Liabilities (Continued)

The right-of-use assets analysed by leased assets at 31 Decmber 2019 was as follows.

In thousands of Russian Roubles	Land	Premises	Equipment	Total
Carrying amount at 1 January 2019	**2 939**	**184 325**	**404**	**187 668**
Additions	-	12 777	-	**12 777**
Depreciation charge	(367)	(55 669)	(135)	**(56 171)**
Carrying amount at 31 December 2019	**2 572**	**141 433**	**269**	**144 274**

As at 31 December 2020 interest income on lease liabilities amounted to RR 17 094 thousand (2019: RR 19 404 thousand).

Expenses relating to short-term leases and to leases of low-value assets that are not shown as short-term leases are included in administrative and other operating expenses.

In thousands of Russian Roubles	2020	2019
Expense relating to leases of low-value assets that are not shown above as short-term leases	38 079	37 855
Expense relating to short-term leases	41	914

Total cash outflow from leases was RR 98 099 thousand in 2020 (2019: RR 101 507 thousand).

The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as collateral for borrowings.

A number of the Group’s premises and equipment lease contracts include extension and termination options. They are used to maximise operating flexibility in managing assets utilised in the Group’s activities. Most of such extension and termination options can be exercised by the Group rather than the related lessee.

12 Investment Properties

In thousands of Russian Roubles	2020	2019
Investment properties at fair value at 1 January	**1 450 172**	**510 371**
Additions	66 193	943 257
Disposals	(161 192)	(3 456)
Fair value loss	(170 881)	-
Investment properties at fair value at 31 December	**1 184 292**	**1 450 172**

Investment properties are fair valued by independent qualified valuer on an annual basis on 31 December or at the time when they are recorded in the Group's balance sheet.

Additions during 2019 include properties amounting to RR 843 340 thousand obtained as a repossessed collateral for loans from the Group's major borrower. In addition to investment property, other assets for a total of RR 542 133 thousand were obtained from the same borrower (refer to Note 14). After these transactions this borrower’s outstanding balance was fully repaid as at 31 December 2019.

12 Investment Properties (Continued)

These properties were mostly represented by port areas and port facilities. They were leased out under an operating lease to the same borrowers for the periods from one year to five years with the right of early termination of the lease as agreed by the parties. The total amount of lease payments under the agreement is comparable to the amount of interest income on the loan. The Group intends to sell these properties within the period from one year to five years.

As at 31 December 2020, other investment properties, land and premises and land and premises temporary not used in the core actitivity carried at fair value were valued by independent firm of appraisers OOO «Delovye Konsultatcii» (Rostov-on-Don), who hold a recognised professional qualification and who have recent professional experience in valuation of assets of similar location and category. The valuation was based on market value determined using the comparative approach. To determine the fair value of land plots, the appraiser adjusted the value of similar assets (the asking price of plots similar to those subject to valuation) for key price forming parameters of the assets: designation of the land plot, adjustments for bargaining over price, for location within the city, location in relation to main transport routes and houses, the area, the set of transferred rights, etc.

As at 31 December 2019, independent valuation of other investment properties was not performed due to absence of significant changes on the real estate market of the Southern Federal District in 2019.

13 Other Financial Assets

In thousands of Russian Roubles	**31 December 2020**	**31 December 2019**
Trade receivables and prepayments	857 167	894 628
Trade receivables with Joint-Stock Company Ptitsefabrika Belokalitvinskaya	102 275	112 369
Plastic cards receivables	27 698	91 818
Other	73 606	65 726
Less credit loss allowance	(248 108)	(145 308)
Total other financial assets	**812 638**	**1 019 233**

The primary factor that the Group considers in determining whether a receivable is impaired is its overdue status.

13 Other Financial Assets (Continued)

The following table explains the changes in the gross carrying amount and in the credit loss allowance for other financial assets under simplified ECL model between the beginning and the end of the annual period.

	2020			2019		
In thousands of Russian Roubles	Gross carrying amount	Credit loss allowance	Total	Gross carrying amount	Credit loss allowance	Total
Trade receivables						
Balance at 1 January	**1 006 997**	**(106 155)**	**900 842**	**690 042**	**(74 271)**	**615 771**
New originated or purchased	325 111	(77 717)	**247 394**	537 633	(16 350)	**521 283**
Financial assets derecognised during the period	(364 202)	48 987	**(315 215)**	(333 047)	6 769	**(326 278)**
Trade receivables with Joint-Stock Company Ptitsefabrika Belokalitvinskaya	(10 094)	(253)	**(10 347)**	112 369	(15 006)	**97 363**
Changes in estimates and assumptions	-	(63 032)	**(63 032)**	-	(7 297)	**(7 297)**
Total credit loss allowance charge in profit or loss for the period	**-**	(92 015)	**(92 015)**	**-**	(31 884)	**(31 884)**
Balance at 31 December	**957 812**	**(198 170)**	**759 642**	**1 006 997**	**(106 155)**	**900 842**
Plastic cards receivables						
Balance at 1 January	**91 818**	**(4 182)**	**87 636**	**116 843**	**(3 132)**	**113 711**
New originated or purchased	69 265	(1 438)	**67 827**	105 409	(1 748)	**103 661**
Financial assets derecognised during the period	(133 385)	2 576	**(130 809)**	(130 434)	2 989	**(127 445)**
Changes in estimates and assumptions	-	(1 100)	**(1 100)**	-	(2 291)	**(2 291)**
Total credit loss allowance charge in profit or loss for the period	**-**	38	**38**	**-**	(1 050)	**(1 050)**
Balance at 31 December	**27 698**	**(4 144)**	**23 554**	**91 818**	**(4 182)**	**87 636**

13 Other Financial Assets (Continued)

	2020			2019		
In thousands of Russian Roubles	**Gross carrying amount**	**Credit loss allowance**	**Total**	**Gross carrying amount**	**Credit loss allowance**	**Total**
Other financial assets						
Balance at 1 January	**65 726**	**(34 971)**	**30 755**	**55 681**	**(34 835)**	**20 846**
New originated or purchased	20 780	(3 658)	**17 122**	37 132	(5 342)	**31 790**
Financial assets derecognised during the period	(12 900)	835	**(12 065)**	(27 087)	5 589	**(21 498)**
Changes in estimates and assumptions	-	(8 000)	**(8 000)**	-	(383)	**(383)**
Total credit loss allowance charge in profit or loss for the period	**-**	(10 823)	**(10 823)**	**-**	(136)	**(136)**
Balance at 31 December	**73 606**	**(45 794)**	**27 812**	**65 726**	**(34 971)**	**30 755**

Carrying value of each class of other financial assets approximates fair value at 31 December 2020 and 31 December 2019. The fair value of other financial assets is disclosed in Note 33.

14 Other Assets

In thousands of Russian Roubles	31 December 2020	31 December 2019
Repossessed collateral	1 072 614	959 455
Inventories	104 051	115 316
Biological assets	88 829	288 136
Prepaid taxes and recoverable taxes (other than income tax)	73 444	123 944
Prepayments to suppliers of equipment for leasing purposes	38 834	29 231
Deferred prepaid expenses	25 394	25 355
Provisions for other assets	(325 127)	(205 831)
Other	168 195	40 811
Total other assets	**1 246 234**	**1 376 417**

As at 31 December 2020, the Group's inventory also includes RR 47 383 thousand of properties. These properties and biological assets of the Group were obtained as a result of business combination with Joint-Stock Company Ptitsefabrika Belokalitvinskaya.

Repossessed collateral represents real estate and other assets acquired by the Group in the course of overdue loans settlement. The Group expects to dispose of the assets in the foreseeable future.

15 Customer Accounts

In thousands of Russian Roubles	31 December 2020	31 December 2019
State and public organisations		
- Current/settlement accounts	201 182	204 051
- Term deposits	81 079	69 347
Other legal entities		
- Current/settlement accounts	21 536 217	15 994 897
- Term deposits	4 139 057	2 742 102
Individuals		
- Current/demand accounts	10 127 591	7 770 847
- Term deposits	63 128 606	72 661 818
Total customer accounts	**99 213 732**	99 443 062

State and public organisations exclude government owned profit oriented businesses.

Economic sector concentrations within customer accounts are as follows:

	31 December 2020		31 December 2019	
In thousands of Russian Roubles	Amount	%	Amount	%
Individuals	73 256 197	73.8	80 432 665	80.9
Agriculture	7 161 662	7.2	3 615 116	3.6
Trade	6 263 019	6.3	4 995 134	5.0
Manufacturing	2 591 530	2.6	1 795 565	1.8
Construction	1 862 292	1.9	1 738 842	1.7
Transport	1 345 885	1.4	1 100 923	1.1
Other	6 733 147	6.8	5 764 817	5.8
Total customer accounts	**99 213 732**	**100.0**	**99 443 062**	**100.0**

At 31 December 2020, the total aggregate balance of 10 largest clients of the Group was RR 3 028 740 thousand, or 3.1% of total customer accounts (2019: RR 2 326 275 thousand, or 2.3% of total customer accounts).

Geographical, maturity and interest rate analyses are disclosed in Note 29. Information on related party balances is disclosed in Note 35.

16 Debt Securities in Issue

In thousands of Russian Roubles	31 December 2020	31 December 2019
Bonds	1 219 315	1 231 854
Promissory notes	455 649	883 367
Total debt securities in issue	**1 674 964**	**2 115 221**

Each bond has a par value of RR 1,000 and an embedded put option at par value of the bond exercisable at the moment of coupon income change.

Issue	CIN-01P04	CIN-01P05	CIN-01P06	CIN-01P07
Par value, RR	1 000	1 000	1 000	1 000
Number	750 000	600 000	250 000	300 000
Initial placement date	April 2018	September 2018	November 2019	December 2020
Maturity	October 2021	March 2022	November 2020	December 2021
Next offer date	April 2020	September 2020	-	-
At 31 December 2020				
Number of bonds in issue	621 821	389 034	-	300 000
- including purchased by the subsidiary	2 508	-	-	1 523
Coupon rate, %	5.25	5.25	-	5.75
At 31 December 2019				
Number of bonds in issue	656 059	412 075	250 000	-
- including purchased by the subsidiary	-	-	911	-
Coupon rate, %	8.50	7.50	8.00	-

At 31 December 2020, the Group had promissory notes in issue held by one counterparty (2019: one counterparty) with balances above RR 150 000 thousand. The aggregate balance of these funds was RR 444 604 thousand (2019: RR 756 272 thousand), or 97.6% (2019: 85.6%) of the total promissory notes issued.

On 12 November 2019, the Moscow Exchange included the Center-invest bank's exchange-traded bonds for a total of RR 250 million (CIN-01P06) in the Green Bond Segment of the Sustainability Sector. This is the first issue of the "green" bank bonds in Russia.

On 9 December 2020 Center-invest bank has floated on the Moscow Exchange its new bonds for a total of RR 300 million (CIN-01P07) in the Green Bond Segment of the Sustainability Sector.

Geographical, currency, maturity and interest rate analyses of debt securities in issue are disclosed in Note 29.

17 Borrowings from International Financial Institutions and Subordinated Borrowings

The principal conditions of these loans are as follows:

In thousands of Russian Roubles	Currency	Rate of borrowing	Original issue date	Repayable in tranches by:	Balance at 31 December 2020	Balance at 31 December 2019
Borrowings from international financial institutions:						
ResponsAbility	RR	10.75%	September 2019	September 2020	-	988 591
Symbiotics SA	RR	9.5%-10.0%	February 2019	March 2022	628 939	626 552
Black Sea Trade and Development Bank (Greece)	RR	10.15%-10.56%	June 2017	March 2022	398 469	996 882
Total borrowings from international financial institutions					**1 027 408**	**2 612 025**
Subordinated borrowings						
ResponsAbility SICAV (Lux)	USA	6.78%	March 2020	July 2025	747 312	-
Toal subordinated borrowings					**747 312**	**-**
Total borrowings from international financial institutions and subordinated borrowings					**1 774 720**	**2 612 025**

Geographical, maturity and interest rate analyses are disclosed in Note 29. Information on covenants related to borrowings from international financial institutions is disclosed in Note 32.

18 Other Financial Liabilities

Other financial liabilities comprise the following:

In thousands of Russian Roubles	Notes	31 December 2020	31 December 2019
Accrued employee benefit costs		194 536	125 877
Deposit Insurance Agency		94 355	140 543
Trade payables		57 059	53 068
Plastic card payables		1 230	1 063
Other		14 402	16 254
Total other financial liabilities		**361 582**	**336 805**

Provision for credit related commitments includes provision for obligations to extend loans and loan facilities and provision for issued financial guarantees. Information on credit related commitments is disclosed in Note 19.

19 Other Liabilities

In thousands of Russian Roubles	Notes	31 December 2020	31 December 2019
Provisions for credit related commitments		173 468	118 580
Advances from customers under receivables assignment agreements		100 000	66 500
Prepayment received under lease contracts		37 621	25 983
Deferred income from issued guarantees		11 292	13 895
Taxes payable other than on income		8 145	33 557
Provisions for contingent liabilities	32	2 561	1 549
Liabilities on contributions to the social insurance funds		141	-
Other		4 405	24 951
Total other liabilities		**337 633**	**285 015**

Movements in the provision for contingent liabilities during 2020 and 2019 are as follows:

In thousands of Russian Roubles	2020	2019
Provision for contingent liabilities at 1 January	**1 549**	**929**
Provision for liabilities and charges during the year	1 344	7 618
Utilisation of provision during the year	(332)	(6 998)
Provision for contingent liabilities at 31 December	**2 561**	**1 549**

The provision for contingent liabilities includes a provision for legal claims brought against the Group by borrowers and lessees. In management's opinion, after taking appropriate legal advice, the outcome of these legal claims will not give rise to any significant loss beyond the accrued amounts. Refer to Note 32.

20 Share Capital

	Number of outstanding shares						
In thousands of Russian Roubles except for number of shares	Ordinary shares	Preference shares with a par value of RR 4	Preference shares with a par value of RR 1 000	Ordinary shares	Preference shares	Share premium	Total
At 1 January 2019	**84 307 507**	**123 125**	**90 000**	**1 230 354**	**95 923**	**2 078 860**	**3 405 137**
At 31 December 2019	**84 307 507**	**123 125**	**90 000**	**1 230 354**	**95 923**	**2 078 860**	**3 405 137**
At 31 December 2020	**84 307 507**	**123 125**	**90 000**	**1 230 354**	**95 923**	**2 078 860**	**3 405 137**

The nominal registered amount of the Bank's share capital, prior to restatement of capital contributions made before 1 January 2003 to the purchasing power of the Russian Rouble at 31 December 2020, is RR 933 568 thousand (2019: RR 933 568 thousand). As at 31 December 2020 and 2019, all of the Bank's outstanding shares were authorised, issued and fully paid in. All ordinary shares have a nominal value of RR 10 per share (2019: RR 10 per share). Each share carries one vote.

The preference shares have a par value of RR 4 and RR 1 000 and carry no voting rights but rank ahead of the ordinary shares in the event of the Bank's liquidation. The preference shares are not redeemable. Preference share dividends are set at 20 % p.a. (2019: 20 % p.a.) and rank above ordinary dividends. If no preference dividends are declared, the preference shareholders obtain the right to vote as ordinary shareholders until the dividends are paid.

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

21 Interest Income and Expense

In thousands of Russian Roubles	2020	2019
Interest income calculated using the effective interest method		
Corporate loans	3 325 913	3 815 845
Mortgage loans	3 475 879	3 496 838
Consumer loans and car loans	2 143 048	2 491 818
Short-term deposits with the Central Bank of the Russian Federation, amounts due from and accounts with other banks	635 481	621 786
Impaired loans	305 029	439 220
Total interest income calculated using the effective interest method	**9 885 350**	**10 865 507**
Financial income on lease	37 054	33 076
Total other interest income	**37 054**	**33 076**
Interest and other similar expense		
Term deposits and accounts of individuals	(4 044 778)	(4 705 264)
Borrowings from international financial institutions	(273 226)	(280 246)
Term deposits of legal entities	(120 592)	(148 346)
Current accounts of legal entities	(142 276)	(100 372)
Bonds in issue	(84 903)	(90 566)
Promissory notes issued	(26 904)	(43 986)
Due to the Central Bank of the Russian Federation	(5 798)	(34 575)
Lease liabilities	(17 094)	(19 404)
Total interest expense	**(4 715 571)**	**(5 422 759)**
Net interest income	**5 206 833**	**5 475 824**

22 Fee and Commission Income and Expense

	2020			
In thousands of Russian Roubles	**Retail banking**	**Corporate banking**	**Investment banking**	**Total**
Fee and commission income				
- Settlement transactions	78 538	704 222	-	**782 760**
- Plastic card transactions	210 254	384 010	-	**594 264**
- Cash transactions	-	240 526	-	**240 526**
- Guarantees issued	48	31 459	-	**31 507**
- Currency transactions	-	21 978	-	**21 978**
- Other	4 570	31 581	-	**36 151**
Total fee and commission income	**293 410**	**1 413 776**	**-**	**1 707 186**
Fee and commission expense				
- Plastic card transactions	(403 446)	-	-	**(403 446)**
- Settlement and currency transactions	-	(75 989)	-	**(75 989)**
- Cash collection	-	(60 651)	-	**(60 651)**
- Collateral authentication and valuation, mortgage registration	(24 743)	(15 127)	-	**(39 870)**
- Mobilisation of resources	-	-	-	**-**
- Guarantees received	-	-	-	**-**
- Other	-	-	(1 100)	**(1 100)**
Total fee and commission expense	**(428 189)**	**(151 767)**	**(1 100)**	**(581 056)**
Net fee and commission income	**(134 779)**	**1 262 009**	**(1 100)**	**1 126 130**

22 Fee and Commission Income and Expense (Continued)

In thousands of Russian Roubles	2019			
	Retail banking	**Corporate banking**	**Investment banking**	**Total**
Fee and commission income				
- Settlement transactions	108 654	727 582	-	**836 236**
- Plastic card transactions	220 257	351 925	-	**572 182**
- Cash transactions	-	298 947	-	**298 947**
- Guarantees issued	18	38 232	-	**38 250**
- Currency transactions	-	22 173	-	**22 173**
- Other	5 332	35 929	-	**41 261**
Total fee and commission income	**334 261**	**1 474 788**	**-**	**1 809 049**
Fee and commission expense				
- Plastic card transactions	(364 602)	-	-	**(364 602)**
- Settlement and currency transactions	-	(86 096)	-	**(86 096)**
- Cash collection	-	(46 099)	-	**(46 099)**
- Collateral authentication and valuation, mortgage registration	(27 337)	(8 866)	-	**(36 203)**
- Mobilisation of resources	-	-	(1 322)	**(1 322)**
- Guarantees received	-	(760)	-	**(760)**
- Other	-	(92)	(2 304)	**(2 396)**
Total fee and commission expense	**(391 939)**	**(141 913)**	**(3 626)**	**(537 478)**
Net fee and commission income	**(57 678)**	**1 332 875**	**(3 626)**	**1 271 571**

23 Other Provisions and Expenses

In thousands of Russian Roubles		**2020**	**2019**
Provision for other financial assets	13	102 800	18 064
Provision for other assets	14	119 296	-
Revaluation of non-core assets		119 929	-
Financial result from selling of non-core assets		56 768	93 309
Write-offs of other assets against allowances related to assets		25 966	49 570
Provision for legal suits		910	7 762
Total other provisions and expenses		**425 361**	**168 705**

24 Other operating income

In thousands of Russian Roubles	**2020**	**2019**
Sales revenue from property	80 488	-
Repayment of debt previously written off	51 045	-
Rental income	31 814	10 396
Other	71 750	28 267
Total other operating income	**235 097**	**38 663**

25 Administrative and Other Operating Expenses

In thousands of Russian Roubles	Notes	2020	2019
Salary		1 774 170	1 782 928
Maintenance and lease of premises and equipment		318 423	263 969
Consulting and information services		254 082	236 688
Depreciation of premises and equipment		190 414	169 223
Taxes other than on income		161 090	145 672
Telecommunications and postal charges		120 610	98 895
Amortisation of intangible assets		68 361	69 998
Benefits paid to the Board of Directors		60 244	65 113
Other staff costs		55 592	31 582
Repair of premises and equipment		28 655	64 834
Security		28 120	23 047
Advertising and marketing services		27 778	33 388
Insurance		26 380	23 577
Stationary		20 668	22 634
Maintenance and repair of motor vehicles		16 476	16 280
Business trip and entertaining costs		10 640	16 098
Other assets, including:		210 059	61 808
- Revaluation of non-core assets		*132 201*	-
- Expenses related to selling of properties		*11 601*	*2 205*
- Charity		*11 564*	*9 207*
Total administrative and other operating expenses		**3 371 762**	**3 125 734**

Included in staff costs are contributions to statutory pension of RR 272 493 thousand, social security fund and obligatory medical insurance fund of RR 100 830 thousand (2019: RR 282 498 thousand and RR 105 020 thousand, respectively).

Expenses related to Joint-Stock Company Ptitsefabrika Belokalitvinskaya include cost of selling agricultural produce of RR 533 345 thousand and other expenses incurred on the poultry farm's operations.

26 Income Taxes

(a) Components of income tax expense

Income tax expense comprises the following:

In thousands of Russian Roubles	2020	2019
Current income tax expense	603 496	480 677
Deferred tax	(324 228)	52 542
Income tax expense for the year	**279 268**	**533 219**

(b) Reconciliation between income tax and profit or loss multiplied by applicable tax rate

The income tax rate applicable to the Group's 2020 income is 20% (2019: 20%). A reconciliation between the expected and the actual taxation charge is provided below.

In thousands of Russian Roubles	2020	2019
Profit before tax	**1 269 099**	**2 326 726**
Expected tax charge at statutory rate (2020: 20%; 2019: 20%)	253 820	465 345
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Non-deductible expenses	25 448	67 874
Income tax expense for the year	**279 268**	**533 219**

27 Income Taxes (Continued)

(c) Deferred taxes analysed by type of temporary difference

Differences between IFRS and statutory taxation regulations in Russia give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below, and is recorded at the rate of 20% (2019: 20%).

In thousands of Russian Roubles	1 January 2020	Credited/(charged) to profit or loss	Charged directly to equity	31 December 2020
Loans to customers	145 210	179 161	-	324 371
Other assets and accruals	58 129	88 654	-	146 743
Other liabilities and accruals	37 641	(10 135)	-	26 854
Total deferred tax assets	**240 940**	**257 028**	**-**	**497 968**
Loans to customers	(64 860)	64 860	-	-
Premises and equipment	(308 204)	(61 094)	33 064	(336 234)
Investment in associate	(54 433)	1 125	-	(53 308)
Allowance for impairment of other assets	(140 316)	53 892	-	(86 423)
Other	(31 691)	8 417	-	(23 274)
Total deferred tax liability	**(599 504)**	**67 200**	**33 064**	**(499 239)**
Less offsetting with deferred tax assets	240 940	257 028	-	497 968
Net deferred tax liability	**(358 564)**	**324 228**	**33 064**	**(1 272)**

In thousands of Russian Roubles	1 January 2019	Credited/(charged) to profit or loss	Business combination	31 December 2019
Loans to customers	69 771	(69 771)	-	-
Other assets and accruals	101 387	(46 746)	-	54 641
Other liabilities and accruals	34 991	2 650	-	37 641
Other	4 223	144 435	-	148 658
Total deferred tax assets	**210 372**	**30 568**	-	**240 940**
Loans to customers	-	(64 860)	-	(64 860)
Premises and equipment	(301 854)	(6 350)	-	(308 204)
Investment in associate	(54 686)	253	-	(54 433)
Other	(149 850)	(12 153)	(10 004)	(172 007)
Total deferred tax liability	**(506 390)**	**(83 110)**	**(10 004)**	**(599 504)**
Less offsetting with deferred tax assets	210 372	30 568	-	240 940
Net deferred tax liability	**(296 018)**	**(52 542)**	**(10 004)**	**(358 564)**

In the context of the Group's current structure and Russian tax legislation, tax losses and current tax assets of the same Group companies may not be offset against current tax liabilities and taxable profits of other Group companies and, accordingly, taxes may accrue even where there is a consolidated tax loss. Therefore, deferred tax assets and liabilities are offset only when they relate to the same taxable entity and the same taxation authority.

27 Dividends

In thousands of Russian Roubles	31 December 2020 Ordinary shares	31 December 2020 Preference shares	31 December 2019 Ordinary shares	31 December 2019 Preference shares
Dividends declared during the period	292 547	18 099	603 641	18 099
Dividends paid during the period	(292 547)	(18 099)	(603 641)	(18 069)
Other movements	-	30	-	30

In September 2020, the Bank declared dividends for 2019 on preference shares with a par value of RR 1 000 – RR 200 per share, on preference shares with a par value of RR 4 – RR 0.8 per share and on ordinary shares – RR 3.47 per share. Most of the dividends for 2019 were paid in October 2020.

In June 2019, the Bank declared dividends for 2018 on preference shares with a par value of RR 1 000 – RR 200 per share, on preference shares with a par value of RR 4 – RR 0.8 per share and on ordinary shares – RR 7.16 per share. Most of the dividends for 2018 were paid in August 2019.

Dividends were declared for payment in Russian Roubles. A part of declared dividends was not claimed by shareholders. Dividends not claimed within three years are returned to retained earnings.

28 Reconciliation of Liabilities Arising from Financing Activities

The table below sets out movements in the Group's liabilities from financing activities for each of the periods presented. The items of these liabilities are those that are reported as financing activities in the statement of cash flows.

	Liabilities from financing activities				
In thousands of Russian Roubles	Bonds in issue	Borrowings from international financial institutions	Subordinated loans	Lease liabilities	Total
Liabilities from financing activities at 1 January 2020	**1 231 854**	**2 612 025**	**-**	**150 939**	**3 994 818**
Cash flows	(10 318)	(1 564 500)	740 274	(23 799)	**(858 343)**
Changes in exchange differences	-	-	(1 561)	-	**(1 561)**
Interest accrued	84 903	230 445	42 781	17 093	**375 223**
Interest paid	(87 826)	(249 994)	(27 946)	(2 591)	**(368 357)**
Other movements	702	(568)	(6 236)	(14 502)	**(20 605)**
Liabilities from financial activities at 31 December 2020	**1 219 315**	**1 027 408**	**747 312**	**127 140**	**3 121 175**
Liabilities from financing activities at 1 January 2019	**1 012 092**	**1 720 816**	**-**	**187 668**	**2 920 576**
Cash flows	236 521	875 500	-	(36 729)	**1 075 292**
Other non-cash movements	(16 759)	15 709	-	-	**(1 050)**
Liabilities from financing activities at 31 December 2019	**1 231 854**	**2 612 025**	**-**	**150 939**	**3 994 818**

29 Financial Risk Management

The Group manages the whole range of risks it faces in the course of its operations. The focus is placed on the following risks: credit risk (including credit risk arising on interbank transactions, securities transactions and retail and corporate sectors), market risk (including currency, equity and interest rate risks), liquidity risk, operational risk, concentration risk, reputational risk, strategic risk, compliance risks, macroeconomic and political risks (including regional, banking industry, country and global economic risks) and key man risk.

Goals, policy and procedures of financial risk management and risk assessment methodologies applied by rhe Group during substantively comply with goals, policy and procedures applied in 2019, excluding for risk assessment methodologies caused by COVID-19 pandemic, disclosed in Note 4.

The Bank's risk management function is viewed as a set of activities aimed to protect its assets.

The Group uses the following main risk management tools:

- Limiting accepted risks and risk concentration by setting limits;
- Managing positions;
- Creating collateral;
- Insuring risks;
- Covering risks by adequate reserves level;
- Covering risks by adequate capital level;
- Monitoring compliance with internal procedures and regulations;
- Improving business processes and procedures for transactions, assessments and risk acceptance.

The Bank manages risks on the basis of the document "Risk Management Policy of Public Join-Stock Company Commercial Bank "Center-invest" approved by the Bank's Board of Directors in December 2019. The policy regulates the Bank's risk management strategy, main requirements and strategy implementation procedures; mandatory business lines and types of risks to be monitored; interaction in the process of managing the Bank's risks.

The risk management strategy described in this document includes:

- balanced risk-taking by the bank based on correlation with the bank's risk appetite and profitability of business lines;
- priority of lending operations development with a focus on loans to individuals and small and medium-sized businesses engaged in real sectors of economy;
- mitigation and evaluation of market risks associated with assets on a regular basis;
- active risk management and consideration of their interdependence in management decision-making;
- adequate capital and reserves management.

Credit risk. Due to the business model used by the Bank, its credit risk is key for the Group's business. Therefore, management is focused on credit risk management.

The Bank manages credit risks on the basis of the following principles:

- Avoiding risks by forgoing transactions that do not comply with the Bank's credit policy;
- Focusing on building long-term relationships with customers rather than making quick profits;
- Using comprehensive arrangements to secure loans issued, including adequately valued collateral and other credit security;
- Setting concentration limits, limits per one borrower (a group of related borrowers) covering on-balance sheet and off-balance sheet risks and using selective approaches and procedures for credit risk assessment and decision-making policies depending on the products, risk exposure associated with a transaction, amount of total outstanding loans per borrower (group);

29 Financial Risk Management (Continued)

- Managing credit risk through regular analysis of the ability of borrowers and potential borrowers to meet interest and principal repayment obligations and by changing these lending limits where appropriate;
- Developing and continuously improving techniques for borrower assessment enabling adequate evaluation of the level of risk associated with loans and other credit instruments;
- Limiting officials' authority in making lending decisions without consideration by collegial body (credit committees structure);
- Improving quality of the loan portfolio and minimising risks associated with decision-making by collegial bodies through the multi-level system of the Bank's credit committees;
- Organising regular effective monitoring of the borrowers' financial position and collateral, prevention and collection of overdue debt;
- Taking preventive actions on non-performing loans through individual work with customers who show signs of potential problems.
- The Group's maximum exposure to credit risk is reflected in the carrying amounts of financial assets in the consolidated statement of financial position. For issued financial guarantees, commitments to extend credit, undrawn credit lines, the maximum exposure to credit risk is the amount of the commitment.
- Such risks are monitored on a regular basis.
- Lending transactions are approved according to individual decision-making limits and through the structure of credit committees:

Large Credit Committee of the Bank's Head Office approves credit limits for borrowers or groups of related borrowers with aggregate outstanding balances in the range from RR 10 million (2019: RR 10 million) (without positive credit history) and RR 20 million (2019: RR 20 million) (with positive credit history) to 25% (2019: 25%) of capital calculated in accordance with the requirements of the Central Bank of the Russian Federation. This Committee is also responsible for issuing guidance to lower level credit committees.

Small Credit Committees of the Bank's Head Office approve loans to borrowers and groups of related borrowers with aggregate outstanding balances less than RR 10 million (2019: RR 10 million) (without positive credit history) and RR 20 million (2019: RR 20 million) (with positive credit history). At present, there are two small credit committees functioning at the Bank's Head Office which approve credit limits for small businesses and retail clients.

The Bank's authorised persons take individual decisions on transactions with legal entities and retail clients under the standard lending programmes. The Bank's Executive Board Chairman issues an order to approve a list of the above persons and personal limits for each of them that should not exceed RR 5 million (2019: no more than RR 5 million).

Loan applications from the clients are processed on the basis of standardised procedures and passed on to an individual having a personal decision-making limit or to the relevant Credit Committee for approval after completion of preparation, authorisation and monitoring procedures.

In order to monitor credit risk, credit officers are monitoring the borrowers based on a structured analysis of borrowers' business and financial performance in conformity with the requirements of the Central Bank of the Russian Federation and the Bank's internal regulations. Any significant exposures to customers and groups of related customers with deteriorating creditworthiness are reported to, and reviewed by the appropriate Credit Committees, the Risk Management Committee and the Committee for Problem Loans.

The Group uses quality categories in compliance with regulations of the Central Bank of the Russian Federation. The Bank takes preventive actions, performs monitoring and implements a set of measures aimed at collection of overdue debts.

Additionally, in 2013, to minimize credit risks, the Bank set up a control group comprised of the most experienced employees of the Head Office and branches. Loans are allocated among them in a non-systematic manner and through a random sampling technique on a monthly basis. The control group reviews compliance of an issued loan with the Bank's requirements (decision of an authorised body, correct and full documentation, quality of monitoring, etc.). The Group's credit departments review the ageing analysis of outstanding loans and follow up past due balances.

29 Financial Risk Management (Continued)

Credit risk for off-balance sheet financial instruments is defined as the possibility of sustaining a loss as the result of another party to a financial instrument failing to perform in accordance with the terms of the contract. The Group uses approaches in assuming conditional obligations as it does for on-balance sheet financial instruments, through established credit approvals, risk control limits and monitoring procedures.

Credit risk grading system. For measuring credit risk and grading financial instruments by the amount of credit risk, the Group applies two approaches – an Internal Risk-Based (IRB) rating system or risk grades estimated by external international rating agencies (Standard & Poor's - "S&P", Fitch, Moody's). Internal and external credit ratings are mapped on an internally defined master scale with a specified range of probabilities of default as disclosed in the table below:

Master scale credit risk grade	Past due days	Corresponding ratings of external international rating agencies (S&P)
Excellent	no more than 5	AAA – BB+
Good	6 – 30	BB+ – B+
Satisfactory	31 – 60	B, B-
Special monitoring	61 – 90	CCC+ – CC-
Default	over 90	C, D-I, D-II

Each master scale credit risk grade is assigned a specific degree of creditworthiness:

- *Excellent* – strong credit quality with a low expected credit risk;
- *Good* – adequate credit quality with a moderate credit risk;
- *Satisfactory* – moderate credit quality with a satisfactory credit risk;
- *Special monitoring* – facilities that require closer monitoring and remedial management;
- *Default* – facilities in which a default has occurred.

The IRB system is designed internally and ratings are estimated by management. The Group uses *a model-based system:* in this system, credit risk ratings are assigned by internally developed statistical models with the limited involvement of credit officers.

The Group applies IRB systems for measuring credit risk for the following financial assets: corporate loans, retail loans and finance lease receivables.

The rating models are regularly reviewed by the credit department and updated if necessary. The Group verifies the accuracy of ratings on a regular basis.

Expected credit loss (ECL) measurement – definitions

ECL is a probability-weighted estimate of the present value of future cash shortfalls (i.e., the weighted average of credit losses, with the respective risks of default occurring in a given time period used as weights). An ECL measurement is unbiased and is determined by evaluating a range of possible outcomes.

An ECL on a loan cannot be lower than the threshold set in para. 285 of the International Convergence of Capital Measurement and Capital Standards: a Revised Framework (Basel II).

ECL measurement is based on four components used by the Group:

29 Financial Risk Management (Continued)

Exposure at Default (EAD) – an estimate of exposure at a future default date, taking into account expected changes in the exposure after the reporting period, including repayments of principal and interest, and expected drawdowns on committed facilities. The EAD on credit related commitments is estimated using Credit Conversion Factor ("CCF"). CCF is a coefficient that shows the probability of conversion of the committed amounts to an on-balance sheet exposure within a defined period. The Group's management estimates that 12-month and lifetime CCFs are basically the same.

Probability of Default (PD) – an estimate of the likelihood of default to occur over a given time period.

Loss given default (LGD) – an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral. It is usually expressed as a percentage of the EAD. The expected losses are discounted to present value at the end of the reporting period.

Discount rate represents the effective interest rate ("EIR") for the financial instrument or an approximation thereof.

Expected credit losses are modelled over instrument's lifetime period. The lifetime period is equal to the remaining contractual period to maturity of debt instruments, adjusted for expected prepayments, if any. For loan commitments and financial guarantee contracts, it is the contractual period over which an entity has a present contractual obligation to extend credit. As a matter of exception from determining the lifetime exposure based on contractual maturity, for credit cards issued to individuals, the lifetime exposure is measured over a period that is based on expected life of the credit card contracts, based on internal statistics, and equals one year on average.

Lifetime ECL – losses that result from all possible default events over the remaining lifetime period of the financial instrument.

The *12-month ECL* model represents a portion of lifetime ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting period, or remaining lifetime period of the financial instrument if it is less than a year.

The ECLs that are estimated by management for the purposes of these financial statements are point-in-time estimates, rather than through-the-cycle estimates that are commonly used for regulatory purposes.

The ECL modelling does not differ for Purchased or Originated Credit Impaired ("POCI") financial assets, except that (a) gross carrying value and discount rate are based on cash flows that were recoverable at initial recognition of the asset, rather than based on contractual cash flows, and (b) the ECL is always a lifetime ECL. POCI assets represent financial assets which are credit impaired at initial recognition.

Low credit risk financial assets (Stage 1) – assets and loans with no SICR indicators, including those with an investment grade defined by external rating agencies or corresponding ratings defined by internal risk models. The presumption, being that there have been significant increases in credit risk since initial recognition when financial assets are more than 30 days past due, has generally not been rebutted.

Significant increase in credit risk (SICR) (Stage 2) – the SICR assessment is performed on an individual basis and on a portfolio basis. The Group considers a financial instrument to have experienced an SICR when one or more of the following quantitative, qualitative or backstop criteria have been met, the most significant of which are:

For corporate loans issued to and bonds issued by legal entities:

- 31 to 90 days past due except where it is reasonable to believe that this past-due status does not represent a SICR on the loan;
- inclusion of a loan in the "watch list" in accordance with the internal credit risk monitoring procedures due to deterioration of the borrower's financial position, potential restructuring, industry downfall, etc.;

29 Financial Risk Management (Continued)

- provision by the Bank of favourable terms due to economic or judicial reasons associated with the borrower's financial problems, which the Bank would not have otherwise undertaken provided that its failure to provide such favourable terms would have resulted in the loan being classified to the SICR category;

For loans to individuals:

- 31 to 90 days past due;
- a borrower is included in category 4 on a portfolio basis and in category 3 on an individual basis with over 30% allowance according to CBRF Regulation No. 590-P “On the Procedure for Making Loan Loss Provisions and Provisions for Loan Debts and Similar Debts by Credit Institutions”;
- multiple violations of payment schedule over the past three months with overall past-due period of 21 or more days.

If there are reasonable grounds to believe that SICR criteria are no longer met, an instrument should be classified to Stage 1. When monitoring assets transferred to Stage 2, the Group also monitors criteria triggering such transfers to see whether they persist or change.

The assessment whether or not there has been a SICR since initial recognition is performed on an individual basis and on a portfolio basis. For corporate and retail loans measured at amortised cost, a SICR is assessed by monitoring the criteria set out below.

Default and credit-impaired assets (Stage 3) - assets that can be subject to the criteria indicative of their actual/potential past-due status exceeding 90 days, the most significant of which are:

For individual borrowers:

- loans which are over 90 days past due on any type of payments (principal and/or interest);
- death of a borrower;
- insolvency of a borrower;
- a borrower has other credit-impaired loans;
- bankruptcy of a borrower;
- a borrower is included in category 5 and in category 4 on an individual basis according to CBRF Regulation No. 590-P “On the Procedure for Making Loan Loss Provisions and Provisions for Loan Debts and Similar Debts by Credit Institutions”;
- a significant change in the initial contractual terms that resulted in improvement of conditions for a borrower up to the “non-market level”.

For corporate borrowers:

- more than 90 days past due;
- significant financial difficulties experienced by a borrower with his default (bankruptcy) or persistent insolvency being a probable outcome;
- a default rating assigned to a borrower by a Russian or international rating agency;
- provision by the Bank of favourable terms due to economic or judicial reasons associated with the borrower's financial problems, which the Bank would not have otherwise undertaken provided that such favourable terms would have resulted in classification of the loan as defaulted.

An instrument is no longer considered to be defaulted (i.e. it is no longer past due) if it meets none of the default criteria at the reporting date.

29 Financial Risk Management (Continued)

ECL measurement – description of estimation techniques

General principle

The level of ECL that is recognised in these consolidated financial statements depends on whether the credit risk of the borrower has increased significantly since initial recognition. This is a three-stage model for ECL measurement.

- Stage 1 – for a financial instrument that is not credit-impaired on initial recognition and its credit risk has not increased significantly since initial recognition, loss allowance is based on 12-month ECLs.
- Stage 2 - if a SICR since initial recognition is identified, the financial instrument is moved to Stage 2 but is not yet deemed to be credit-impaired, loss allowance is based on lifetime ECLs.
- Stage 3 - if the financial instrument is credit-impaired, the financial instrument is then moved to Stage 3 and loss allowance is based on lifetime ECLs. The consequence of an asset being in Stage 3 is that the entity ceases to recognise interest income based on gross carrying value and applies the asset's effective interest rate to the carrying amount, net of ECL, when calculating interest income.

ECL for POCI financial assets is always measured on a lifetime basis (Stage 3), so at the reporting date, the Group only recognises the cumulative changes in lifetime expected credit losses.

The Group carries out two separate approaches for ECL measurement:

- assessment on an individual basis;
- assessment on a collective (portfolio) basis: the same credit risk parameters (e.g. PD, LGD) will be applied during the process of ECL calculations for the homogeneous segments of the loan portfolio.

The Group performs an assessment on an individual basis for individually significant loans with the aggregate outstanding debt for all classes of financial assets and credit related liabilities accounting for 5% or more of the Group's equity at the date preceding the date of assessment.

The Group performs an assessment on a portfolio basis for all other financial assets. This approach incorporates aggregating the portfolio into homogeneous segments based on borrower-specific information, such as industry segment, delinquency and the historical data on losses.

Principles of assessment on individual basis – ECL assessments on an individual basis are done by weighting the estimates of credit losses for different possible outcomes against the probabilities of each outcome considering EIR. The Group defines at least two possible outcomes for each loan, one of which is based on the assumption of negative outcome in spite of the probability of such a scenario. Individual assessment is mainly based on the information on expected cash inflows and outflows and expert judgement of experienced officers from the credit risk department. Expert judgements are regularly tested in order to decrease the difference between estimates and actual losses.

Principles of assessment on portfolio basis – to assess the staging of exposure and to measure a loss allowance on a collective basis, the Group combines its exposures into segments on the basis of shared credit risk characteristics, such as that exposures to risk within a group are homogeneous.

Loans to individuals are assessed on a portfolio basis using two main features: homogeneity of loans (mortgage, car, consumer loans, plastic cards) and stage of impairment.

Loans to legal entities are assessed on a portfolio basis by impairment stage and collateral. Loans classified to Stages 1 and 2 are additionally segmented by industry. Loans classified to Stage 3 are segmented by past-due period.

In general, ECL is the product of the following credit risk parameters: EAD, PD and LGD, that are defined as explained above, and discounted to present value using the instrument's effective interest rate. The general approach used for ECL calculation is stated below.

29 Financial Risk Management (Continued)

Two types of PDs are used for calculating ECL:

- 12-month PDs – the estimated probability of a default occurring within the next 12 months (or over the remaining life of the financial instrument if less than 12 months). This parameter is used to calculate 12-month ECLs. An assessment of a 12-month PD is based on the latest available historic default data and adjusted for forward-looking information when appropriate.
- Lifetime PDs – the estimated probability of a default occurring over the remaining life of the financial instrument. This parameter is used to calculate lifetime ECLs for Stage 2 exposures. An assessment of a 12-month PD is based on the latest available historic default data and adjusted for supportable forward-looking information when appropriate.

To calculate Lifetime PD, the Group uses different statistical approaches depending on the segment and product type, considering the historical data on defaults and losses and extrapolating the trends to longer periods for which no default data is available based on the current phase of the economic cycle and other available information.

LGD represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by the type of counterparty, type and seniority of the claim, and the availability of collateral or other credit support.

The 12-month and lifetime LGDs are determined based on the factors that impact the expected recoveries after a default event.

For particular segments of the corporate loan portfolio, secured and unsecured retail products, LGD is calculated on a collective basis based on the latest available recovery statistics taking into account time value of money.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

ECL measurement for off-balance sheet financial instruments. The ECL measurement for off-balance sheet accounts includes the same steps as described above for on-balance sheet exposures and differs with respect to EAD calculation. The EAD is a product of credit conversion factor (“CCF”) and amount of the commitment (ExOff). CCF for undrawn credit lines opened for legal entities and individuals, credit cards issued to individuals and financial guarantees is defined based on statistical analysis of exposure at default. CCF for overdrafts is defined as 100% since the limits can be used by the customers at any time.

Forward-looking information incorporated in the ECL models. The assessment of the SICR and the calculation of ECLs both incorporate forward-looking information and adjustment of statistical and expert models on its basis. The impact of forward-looking information on the PD, EAD and LGD vary by financial instrument. Forecasts of these economic variables (the "base economic scenario") are provided annually, except for any emerging significant external events which require adjustment of the assessment, and provide the best estimate of the economy over the next year. The impact of the relevant economic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact that the changes in these variables historically had on the default rates and on the components of LGD and EAD.

In addition to the base economic scenario, the Group also provides other possible scenarios. Only reasonably probable rather than any possible scenarios are considered. The number of scenarios used is set based on the analysis of each major product type to ensure non-linearities are captured. For each scenario, an expectation coefficient is determined that reflects deviation of the expected level of defaults from that statistically calculated. The Group determines one of the scenarios as a basis and uses the expectation coefficient for this scenario to adjust PD which will be used in calculations. If different impacts of expected macroeconomic changes are identified with regard to different industries and, therefore, different portfolios, an individual expectation coefficient is set for each individual industry.

The resulting ECL is adjusted upwards or downwards after considering the above impacts.

29 Financial Risk Management (Continued)

As with any economic forecast, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty, and therefore the actual outcomes may be significantly different to those projected. The Group considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearities and asymmetries within the Group's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

Backtesting – The Group regularly reviews its methodology and assumptions to reduce any difference between the estimates and the actual loss of credit. Such backtesting is performed at least once a year.

The results of backtesting the ECL measurement methodology are communicated to Group Management and further steps for tuning models and assumptions are defined after discussions between authorised persons.

Market risk. The Group takes on exposure to market risks. Market risks arise from open positions in (a) currency, (b) interest rates and (c) equity products, all of which are exposed to general and specific market movements. The Bank manages market risks and monitors corresponding limits on a regular basis. Market risks are managed in respect of each component and in general on the basis of the following principles:

- Ongoing monitoring of trading transactions;
- Setting limits on financial investments;
- Setting limits on homogeneous financial instrument portfolios;
- Monitoring and evaluation of the level of market risk;
- Covering market risks through ensuring an adequate capital level.

The management sets limits in respect of the level of capital allocated for coverage of market risk.

At 31 December 2020, the level of market risk was RR 17 685 thousand under a limit of RR 2 122 964 thousand (2019: RR 4 778 thousand under a limit of RR 1 866 271 thousand).

Currency risk. The Group is exposed to currency risk associated with losses resulting from fluctuations of market values of open positions in different currencies. Exposure to currency risk is evaluated on the basis of VaR. The size of the currency position is regulated through matching assets and liabilities balances in foreign currencies. The Group seeks to decrease the open currency position, thereby decreasing its exposure to currency risk. The Bank manages its currency position by using currency swaps and forwards in the interbank market and other transactions. The Group is not exposed to the risks associated with changes in precious metals' prices due to the absence of such transactions.

At 31 December 2020, the ten day VaR level was RR 5 895 thousand (2019: RR 1 593 thousand).

Since VaR is used for management of certain risks, for the purpose of these consolidated financial statements the level of currency risk is examined on the basis of simple sensitivity, calculated based on open currency position of the Group at the reporting date.

The table below summarises the Group's exposure to foreign currency exchange rate risk at the end of the reporting period:

	31 December 2020			31 December 2019		
In thousands of Russian Roubles	**Financial assets**	**Financial liabilities**	**Net position**	**Financial assets**	**Financial liabilities**	**Net position**
Russian Roubles	108 550 099	(99 750 093)	**8 800 006**	109 497 853	(101 847 853)	**7 650 000**
US Dollars	2 687 721	(2 635 708)	**52 013**	2 123 696	(2 026 973)	**96 723**
Euro	836 967	(739 848)	**97 119**	705 776	(718 696)	**(12 920)**
Other	74 959	(26 489)	**48 470**	64 951	(23 068)	**41 883**
Total	**112 149 746**	**(103 152 138)**	**8 997 608**	**112 392 276**	**(104 616 590)**	**7 775 686**

29 Financial Risk Management (Continued)

The above analysis includes only monetary assets and liabilities. The Group's management believes that investments in equities and non-monetary assets will not give rise to any material currency risk.

The following table presents sensitivities of profit or loss and equity to reasonably possible changes in exchange rates applied at the end of the reporting period, with all other variables held constant:

In thousands of Russian Roubles	2020 Impact on profit or loss	2020 Impact on equity	2019 Impact on profit or loss	2019 Impact on equity
US Dollar strengthening by 19% (2019: 11%)	7 906	7 906	8 512	8 512
US dollar weakening by 19% (2019: 11%)	(7 906)	(7 906)	(8 512)	(8 512)
Euro strengthening by 31% (2019: 13%)	24 086	24 086	(1 344)	(1 344)
Euro weakening by 31% (2019: 13%)	(24 086)	(24 086)	1 344	1 344

The exposure was calculated only for monetary balances denominated in currencies other than the functional currency of the respective entity of the Group.

Interest rate risk. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes, but may decrease or experience losses in the event that unexpected movements arise.

Interest rate risk is managed based on the analysis of the structure of the Group's assets and liabilities by interest repricing dates.

The management monitors exposure to interest rate risk on a quarterly basis and sets limits on the level of interest rate risk that may be undertaken.

The Group evaluates new products from the perspective of their impact on interest rate risk. The Treasury Department of the Group operates daily within approved limits on the level of interest rate risk whereas the Risk Management Department independently monitors compliance of actual level of interest rate to the approved limits.

To manage interest rate risk, the Group uses fixed and floating interest rates for attracted funds.

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

In thousands of Russian Roubles	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	Over one year	Non-interest bearing assets	Total
31 December 2020							
Total financial assets	31 630 478	4 771 827	4 378 112	13 052 926	58 310 397	6 006	**112 149 746**
Total financial liabilities	(34 349 295)	(3 920 500)	(3 421 600)	(4 272 112)	(57 188 631)	-	**(103 152 138)**
Net interest sensitivity gap at 31 December 2020	**(2 718 817)**	**851 327**	**956 512**	**8 780 814**	**1 121 766**	**6 006**	**8 997 608**

In thousands of Russian Roubles	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	Over one year	Non-interest bearing assets	Total
31 December 2019							
Total financial assets	31 186 334	5 616 784	5 326 895	13 636 172	56 620 075	6 016	**112 392 276**
Total financial liabilities	(26 151 462)	(4 649 327)	(8 298 422)	(3 939 037)	(61 578 342)	-	**(104 616 590)**
Net interest sensitivity gap at 31 December 2019	**5 034 872**	**967 457**	**(2 971 527)**	**9 697 135**	**(4 958 267)**	**6 016**	**7 775 686**

29 Financial Risk Management (Continued)

All of the Group's debt instruments reprice within five years (2019: all reprice within five years).

At 31 December 2020, if interest rates had been 200 basis points lower/higher, with all other variables held constant, profit for the year would have been RR 220 802 thousand (2019: if interest rates had been 200 basis points higher/lower, profit would have been RR 107 303 thousand) higher/lower, due to the structure and repricing timing of attracted and invested funds.

The Group monitors interest rates for its financial instruments. The table below summarises interest rates at the respective reporting date based on reports reviewed by the Group's key management personnel.

	2020				2019			
In % p.a.	**RR**	**USD**	**EUR**	**Other**	**RR**	**USD**	**EUR**	**Other**
Assets								
Due from other banks								
- Placements with the Central Bank of the Russian Federation	4.0	-	-	-	6.0	-	-	-
Loans and advances to customers:								
- Corporate loans	9.7	4.0	-	-	8.1	4.0	-	-
- Loans to SME	10.3	-	-	-	11.9	-	-	-
- Loans to individuals – consumer loans	11.7	-	-	-	12.8	4.0	-	-
- Loans to individuals – car loans	11.8	-	-	-	12.6	-	-	-
- Loans to individuals – mortgage loans	9.0	12.5	-	-	9.9	12.4	-	-
Finance lease receivables	18.3	-	-	-	19.0	-	-	-
Liabilities								
Customer accounts								
- Current accounts of legal entities	1.4	-	-	-	0.9	-	-	-
- Demand deposits of individuals	0.2	-	-	-	0.2	-	-	-
- Term deposits of legal entities	3.0	-	-	-	4.9	-	-	-
- Term deposits of individuals	5.1	-	-	-	7.0	1.7	-	0.1
Promissory notes issued	5.0	-	-	-	6.6	-	-	-
Bonds in issue	7.4	-	-	-	7.8	-	-	-
Lease liabilities	10.0	-	-	-	10.0	-	-	-
Loans from international financial institutions.	10.0	-	-	-	10.3	-	-	-
Subordinated loans	-	6.8	-	-	-	-	-	-

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

Other price risk. The Group has limited exposure to debt securities price risk.

The Group is exposed to prepayment risk through providing fixed or variable rate loans, including mortgages, which give the borrower the right to early repay the loans. The Group's current year profit or loss and equity for the year and at the current reporting date would not have been significantly impacted by changes in early repayment rates because such loans are carried at amortised cost and the early repayment amount is at or close to the amortised cost of loans to customers.

29 Financial Risk Management (Continued)

Geographical risk concentrations. The geographical concentration of the Group's financial assets and liabilities at 31 December 2020 is set out below

In thousands of Russian Roubles	Russia	USA	Europe	Other countries	Total
Financial assets					
Cash and cash equivalents	9 748 046	1 253 543	99 277	-	**11 100 866**
Mandatory cash balances with CBRF	761 907	-	-	-	**761 907**
Due from other banks	15 001 700	-	-	-	**15 001 700**
Loans to customers and finance lease receivables	84 252 692	-	219 943	-	**84 472 635**
Other financial assets	812 638	-	-	-	**812 638**
Total financial assets	**110 576 983**	**1 253 543**	**319 220**	**-**	**112 149 746**
Financial liabilities					
Customer accounts	99 119 079	2 417	41 000	51 237	**99 213 732**
Debt securities in issue	1 674 964	-	-	-	**1 674 964**
Borrowings from international financial institutions	-	-	1 027 408	-	**1 027 408**
Subordinated loans	747 312	-	-	-	**747 312**
Other financial liabilities	361 582	-	-	-	**361 582**
Lease liabilities	127 140	-	-	-	**127 140**
Total financial liabilities	**102 030 077**	**2 417**	**1 068 408**	**51 237**	**103 152 138**
Net position in on-balance sheet financial instruments	**8 546 906**	**1 251 126**	**(749 188)**	**(51 237)**	**8 997 608**
Credit related commitments (Note 32)	**8 895 080**	-	-	-	**8 895 080**

Assets, liabilities and credit related commitments have been classified based on the country in which the counterparty is located. Cash on hand and premises and equipment have been allocated based on the country in which they are physically held.

The geographical concentration of the Group's financial assets and liabilities at 31 December 2019 is set out below:

In thousands of Russian Roubles	Russia	USA	Europe	Other countries	Total
Financial assets					
Cash and cash equivalents	10 254 829	673 389	124 277	-	**11 052 495**
Mandatory cash balances with CBRF	763 172	-	-	-	**763 172**
Due from other banks	14 502 371	-	-	-	**14 502 371**
Loans to customers and finance lease receivables	84 586 715	-	468 219	71	**85 055 005**
Other financial assets	1 019 233	-	-	-	**1 019 233**
Total financial assets	**111 126 320**	**673 389**	**592 496**	**71**	**112 392 276**
Financial liabilities					
Customer accounts	99 289 164	3 578	91 274	59 046	**99 443 062**
Debt securities in issue	2 115 221	-	-	-	**2 115 221**
Borrowings from international financial institutions	-	-	2 612 025	-	**2 612 025**
Other financial liabilities	295 343	-	-	-	**295 343**
Lease liabilities	150 939	-	-	-	**150 939**
Total financial liabilities	**101 850 667**	**3 578**	**2 703 299**	**59 046**	**104 616 590**
Net position in on-balance sheet financial instruments	**9 275 653**	**669 811**	**(2 110 803)**	**(58 975)**	**7 775 686**
Credit related commitments (Note 32)	**8 847 370**	-	-	-	**8 847 370**

Other risk concentrations. Management monitors and discloses concentrations of credit risk by obtaining reports listing exposures to borrowers with aggregated loan balances in excess of 10% of the capital. Refer to Note 8.

29 Financial Risk Management (Continued)

Liquidity risk. The Group does not have a clearly identifiable operating cycle and therefore does not present current and non-current assets and liabilities separately in the statement of financial position. Instead, assets and liabilities are presented in order of their liquidity. Liquidity risk is determined as the risk of facing difficulties associated with the transformation of assets into cash required for repayment of liabilities upon maturity, the real cost of the asset remaining unchanged.

The Asset and Liability Committee of the Bank is a regulatory and consultative body in charge of liquidity risk management. It coordinates actions of the Bank's units that have a direct or indirect impact on liquidity and cooperates with the Credit Committee in respect of liquidity issues.

Operational liquidity management is carried out by the Bank's Treasury on a daily basis through maintaining the overall liquidity reserve, consisting of balances on the Bank's correspondent accounts, cash on hand, due from other banks – primary liquidity reserve, and high liquid securities – secondary liquidity reserve. The Treasury monitors the Bank's payment position on a daily basis.

Efficient liquidity management is ensured through forecasting and reviewing liquidity gaps calculated as the difference between assets and liabilities (including off-balance sheet positions) by maturity. Based on forecast data, the Bank prepares a schedule of future cash receipts and payments and sets its own liquidity surplus (deficit) ratios. These are approved by the Audit and Compliance Committee at the Board of Directors, regularly controlled by the Asset and Liability Committee and are used in the current operations of the Bank.

The liquidity management of the Group requires consideration of the level of liquid assets necessary to settle obligations as they fall due; maintaining access to a range of funding sources; maintaining funding contingency plans; and monitoring liquidity ratios against regulatory requirements. The Bank calculates liquidity ratios on a daily basis in accordance with the requirements of the Central Bank of the Russian Federation. These ratios are:

- Instant liquidity ratio (N2), which is calculated as the ratio of highly liquid assets to liabilities payable on demand. The ratio was 100.2% at 31 December 2020 (2019: 172.4%);
- Current liquidity ratio (N3), which is calculated as the ratio of liquid assets to liabilities maturing within 30 calendar days. The ratio was 241.5% at 31 December 2020 (2019: 472.2%);
- Long-term liquidity ratio (N4), which is calculated as the ratio of assets maturing after one year to regulatory capital and liabilities maturing after one year. The ratio was 58.9% at 31 December 2020 (2018: 55.3%).

The table below shows liabilities at 31 December 2020 by their remaining contractual maturity. The liability amounts disclosed in the table are the contractual undiscounted cash flows. Such undiscounted cash flows differ from the amount included in the consolidated statement of financial position because the amount in the consolidated statement of financial position is based on discounted cash flows. When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the end of the reporting period. Foreign currency payments are translated using the spot exchange rate at the end of the reporting period.

In thousands of Russian Roubles	**Demand and less than 1 month**	**From 1 to 3 months**	**From 3 to 6 months**	**From 6 to 12 months**	**From 12 months to 5 years**	**Total**
Liabilities						
Customer accounts	33 534 424	2 267 757	3 073 305	4 344 348	60 529 096	**103 748 930**
Debt securities in issue	430 468	2 609	-	910 124	423 168	**1 766 369**
Borrowings from international financial institutions	-	21 818	530 000	219 689	281 000	**1 052 507**
Subordinated loans	-	14 791	-	-	738 757	**753 548**
Other credit related commitments	142 256	1 034 271	1 062 909	3 678 970	3 002 855	**8 921 261**
Other financial liabilities	148 000	44 923	12 391	99 244	46 244	**350 802**
Lease liabilities	5 245	15 821	32 010	63 911	10 153	**127 140**
Total potential future payments for financial liabilities	**34 260 393**	**3 401 990**	**4 710 615**	**9 316 286**	**65 031 273**	**116 720 557**

29 Financial Risk Management (Continued)

Liquidity requirements to support calls under guarantees are considerably less than the amount of the commitment disclosed in the above maturity analysis because the Group does not generally expect the third party to draw funds under the agreement. Contingent liabilities are disclosed in Note 32.

The maturity analysis of financial instruments at 31 December 2019 is as follows:

In thousands of Russian Roubles	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 12 months to 5 years	Total
Liabilities						
Customer accounts	25 534 380	2 273 666	7 849 099	4 144 875	68 243 174	**108 045 194**
Debt securities in issue	537 391	274 449	71 918	188 977	1 228 170	**2 300 905**
Borrowings from international financial institutions	-	51 497	410 109	1 164 501	1 051 399	**2 677 506**
Other credit related commitments	165 631	1 242 597	1 402 839	4 121 699	1 947 361	**8 880 127**
Other financial liabilities	147 620	18 679	20 358	82 504	25 102	**294 263**
Lease liabilities	42 316	-	-	57	108 566	**150 939**
Total potential future payments for financial liabilities	**26 427 338**	**3 860 888**	**9 754 323**	**9 702 613**	**72 603 772**	**122 348 934**

Customer accounts are classified in the above analysis based on contractual maturities. However, in accordance with the Russian Civil Code, individuals have a right to withdraw their deposits prior to maturity if they forfeit their right to accrued interest.

29 Financial Risk Management (Continued)

The maturity analysis at 31 December 2020 is as follows:

In thousands of Russian Roubles	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 12 months to 5 years	Over 5 years	No defined maturity	Total
Assets								
Cash and cash equivalents	11 100 866	-	-	-	-	-	-	**11 100 866**
Mandatory cash balances with the Central Bank of the Russian Federation	761 907	-	-	-	-	-	-	**761 907**
Due from other banks	15 001 700	-	-	-	-	-	-	**15 001 700**
Loans to customers and finance lease receivables	1 695 869	3 588 566	4 013 058	12 424 106	8 572 153	54 178 883	-	**84 472 635**
Investment in associate	-	-	-	-	-	-	286 470	**286 470**
Investment property	-	-	-	-	889 849	-	294 443	**1 184 292**
Premises, equipment and intangible assets	-	-	-	-	-	-	3 316 246	**3 316 246**
Right-of-use assets	5 115	15 292	30 547	59 648	4 935	-	-	**115 537**
Other financial assets	638 136	98 410	8 932	-	61 154	-	6 006	**812 638**
Other assets	87 031	66 979	179 763	22 020	890 441	-	-	**1 246 234**
Total assets	**29 290 624**	**3 769 247**	**4 232 300**	**12 505 774**	**10 418 532**	**54 178 883**	**3 903 165**	**118 298 525**
Liabilities								
Customer accounts	33 468 741	2 082 427	2 757 902	3 783 208	57 121 454	-	-	**99 213 732**
including accounts of individuals	*10 523 441*	*975 136*	*1 631 831*	*3 111 163*	*57 005 960*	-	-	***73 247 531***
Debt securities in issue	427 309	2 609	619 297	625 749	-	-	-	**1 674 964**
Borrowings from international financial institutions	-	21 818	529 321	196 513	279 756	-	-	**1 027 408**
Subordinated loans	-	-	14 791	-	-	732 521	-	**747 312**
Other financial liabilities	148 000	44 923	12 391	99 244	46 244	10 780	-	**361 582**
Other liabilities	58 949	176 103	33	46 643	55 905	-	-	**337 633**
Lease liabilities	5 245	15 821	32 010	63 911	10 153	-	-	**127 140**
Current income tax liability	36 708	-	-	-	-	-	-	**36 708**
Deferred income tax liability	-	-	-	-	-	-	1 272	**1 272**
Total potential future payments for financial liabilities	**34 144 952**	**2 343 701**	**3 965 745**	**4 815 268**	**57 513 512**	**743 301**	**1 272**	**103 527 751**
Liquidity gap arising from financial instruments at 31 December 2020	**(4 854 328)**	**1 425 546**	**266 555**	**7 690 506**	**(47 094 980)**	**53 435 582**	**3 901 893**	**14 770 774**
Cumulative liquidity gap at 31 December 2020	**(4 854 328)**	**(3 428 782)**	**(3 162 227)**	**4 528 279**	**(42 566 701)**	**10 868 881**	**14 770 774**	

29 Financial Risk Management (Continued)

The maturity analysis at 31 December 2020 is as follows:

In thousands of Russian Roubles	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 12 months to 5 years	Over 5 years	No defined maturity	Total
Assets								
Cash and cash equivalents	11 052 495	-	-	-	-	-	-	**11 052 495**
Mandatory cash balances with the Central Bank of the Russian Federation	763 172	-	-	-	-	-	-	**763 172**
Due from other banks	14 502 371	-	-	-	-	-	-	**14 502 371**
Loans to customers and finance lease receivables	1 761 780	4 190 253	4 968 758	13 491 682	33 855 116	26 787 416	-	**85 055 005**
Investment in associate	-	-	-	-	-	-	292 096	**292 096**
Investment property	-	-	-	-	1 282 936	-	167 236	**1 450 172**
Premises, equipment and intangible assets	-	-	-	-	-	-	3 761 311	**3 761 311**
Right-of-use assets	40 407	-	-	52	95 444	8 371	-	**144 274**
Other financial assets	778 484	157 676	2 652	-	74 405	-	6 016	**1 019 233**
Other assets	98 659	(44 115)	384 234	170 460	767 179	-	-	**1 376 417**
Current income tax prepayment	-	104 434	-	-	-	-	-	**104 434**
Total assets	**28 997 368**	**4 408 248**	**5 355 644**	**13 662 194**	**36 075 080**	**26 795 787**	**4 226 659**	**119 520 980**
Liabilities								
Customer accounts	25 426 577	1 946 423	7 352 195	3 274 273	61 443 594	**-**	**-**	**99 443 062**
including accounts of individuals	*9 775 698*	*1 292 335*	*6 643 319*	*2 913 154*	*59 808 157*			*72 661 818*
Debt securities in issue	534 949	271 517	726 552	582 203	-	-	-	**2 115 221**
Borrowings from international financial institutions	-	51 496	399 317	1 160 942	1 000 270	-	-	**2 612 025**
Other financial liabilities	147 620	18 679	20 358	82 504	25 102	1 080	-	**295 343**
Other liabilities	24 833	221 032	153	9 703	70 756	-	-	**326 477**
Lease liabilities	42 316	-	-	57	99 875	8 691	-	**150 939**
Deferred income tax liability	-	-	-	-	-	-	397 641	**397 641**
Total potential future payments for financial liabilities	**26 176 295**	**2 509 147**	**8 498 575**	**5 109 682**	**62 639 597**	**9 771**	**397 641**	**105 340 708**
Liquidity gap arising from financial instruments at 31 December 2019	**2 821 073**	**1 899 101**	**(3 142 931)**	**8 552 512**	**(26 564 617)**	**26 786 016**	**3 829 018**	**14 180 272**
Cumulative liquidity gap at 31 December 2019	**2 821 073**	**4 720 174**	**1 577 243**	**10 129 755**	**(16 434 762)**	**10 351 254**	**14 180 272**	

29 Financial Risk Management (Continued)

The Group does not use the above maturity analysis of liabilities to manage liquidity. Instead, the Group monitors expected maturities, which may be summarised as follows at 31 December 2020 (unaudited data).

In thousands of Russian Roubles ***(unaudited data)***	**Demand and less than 1 month**	**From 1 to 3 months**	**From 3 to 6 months**	**From 6 to 12 months**	**From 12 months to 5 years**	**Over 5 years**	**No defined maturity**	**Total**
Assets								
Cash and cash equivalents	11 100 866	-	-	-	-	-	-	**11 100 866**
Mandatory cash balances with the Central Bank of the Russian Federation	761 907	-	-	-	-	-	-	**761 907**
Due from other banks	15 001 700	-	-	-	-	-	-	**15 001 700**
Loans to customers and finance lease receivables	1 695 869	3 588 566	4 013 058	12 424 106	8 572 153	54 178 883	-	**84 472 635**
Investment in associate	-	-	-	-	-	-	286 470	**286 470**
Investment property	-	-	-	-	889 849	-	294 443	**1 184 292**
Premises, equipment and intangible assets	-	-	-	-	-	-	3 316 246	**3 316 246**
Right-of-use assets	5 115	15 292	30 547	59 648	4 935	-	-	**115 537**
Other financial assets	638 136	98 410	8 932	-	61 154	-	6 006	**812 638**
Other assets	87 031	66 979	179 763	22 020	890 441	-	-	**1 246 234**
Total assets	**29 290 624**	**3 769 247**	**4 232 300**	**12 505 774**	**10 418 532**	**54 178 883**	**3 903 165**	**118 298 525**
Liabilities								
Customer accounts	7 327 258	2 082 427	2 757 902	3 783 208	57 121 454	-	-	**99 213 732**
Debt securities in issue	427 309	2 609	619 297	625 749	-	-	-	**1 674 964**
Borrowings from international financial institutions	-	21 818	529 321	196 513	279 756	-	-	**1 027 408**
Subordinated loans	-	-	14 791	-	-	732 521	-	**747 312**
Other financial liabilities	-	44 923	12 391	99 244	46 244	10 780	-	**361 582**
Other liabilities	58 949	176 103	33	46 643	55 905	-	-	**337 633**
Lease liabilities	5 245	15 821	32 010	63 911	10 153	-	-	**127 140**
Current income tax liability	36 708	-	-	-	-	-	-	**36 708**
Deferred income tax liability	-	-	-	-	-	-	1 272	**1 272**
Total potential future payments for financial liabilities	**8 003 469**	**2 343 701**	**3 965 745**	**4 815 268**	**83 654 995**	**743 301**	**1 272**	**103 527 751**
Liquidity gap arising from financial instruments at 31 December 2020	**21 287 155**	**1 425 546**	**266 555**	**7 690 506**	**(73 236 463)**	**53 435 582**	**3 901 893**	**14 770 774**
Cumulative liquidity gap at 31 December 2020	**21 287 155**	**22 712 701**	**22 979 256**	**30 669 762**	**(42 566 701)**	**10 868 881**	**14 770 774**	

29 Financial Risk Management (Continued)

The maturity analysis at 31 December 2019 is as follows (unaudited data):

In thousands of Russian Roubles ***(unaudited data)***	**Demand and less than 1 month**	**From 1 to 3 months**	**From 3 to 6 months**	**From 6 to 12 months**	**From 12 months to 5 years**	**Over 5 years**	**No defined maturity**	**Total**
Assets								
Cash and cash equivalents	11 052 495	-	-	-	-	-	-	**11 052 495**
Mandatory cash balances with the Central Bank of the Russian Federation	763 172	-	-	-	-	-	-	**763 172**
Due from other banks	14 502 371	-	-	-	-	-	-	**14 502 371**
Loans to customers and finance lease receivables	1 761 780	4 190 253	4 968 758	13 491 682	33 855 116	26 787 416	-	**85 055 005**
Investment in associate	-	-	-	-	-	-	292 096	**292 096**
Investment property	-	-	-	-	1 282 936	-	167 236	**1 450 172**
Premises, equipment and intangible assets	-	-	-	-	-	-	3 761 311	**3 761 311**
Right-of-use assets	40 407	-	-	52	95 444	8 371	-	**144 274**
Other financial assets	778 484	157 676	2 652	-	74 405	-	6 016	**1 019 233**
Other assets	98 659	(44 115)	384 234	170 460	767 179	-	-	**1 376 417**
Current income tax prepayment	-	104 434	-	-	-	-	-	**104 434**
Total assets	**28 997 368**	**4 408 248**	**5 355 644**	**13 662 194**	**36 075 080**	**26 795 787**	**4 226 659**	**119 520 980**
Liabilities								
Customer accounts	2 125 476	1 946 423	7 352 195	3 274 273	84 744 695	**-**	**-**	**99 443 062**
Debt securities in issue	534 949	271 517	726 552	582 203	-	-	-	**2 115 221**
Borrowings from international financial institutions	-	51 496	399 317	1 160 942	1 000 270	-	-	**2 612 025**
Other financial liabilities	147 620	18 679	20 358	82 504	25 102	1 080	-	**295 343**
Other liabilities	24 833	221 032	153	9 703	70 756	-	-	**326 477**
Lease liabilitie	42 316	-	-	57	99 875	8 691	-	**150 939**
Deferred income tax liability	-	-	-	-	-	-	397 641	**397 641**
Total potential future payments for financial liabilities	**2 875 194**	**2 509 147**	**8 498 575**	**5 109 682**	**85 940 698**	**9 771**	**397 641**	**105 340 708**
Liquidity gap arising from financial instruments at 31 December 2019	**26 122 174**	**1 899 101**	**(3 142 931)**	**8 552 512**	**(49 865 618)**	**26 786 016**	**3 829 018**	**14 180 272**
Cumulative liquidity gap at 31 December 2019	**26 122 174**	**28 021 275**	**24 878 344**	**33 430 856**	**(16 434 762)**	**10 351 254**	**14 180 272**	

29 Financial Risk Management (Continued)

The above analysis is based on expected maturities. Therefore, a part of customer accounts was categorised as later maturities because diversification of customer accounts by size and type of balances and constant inflow of new balances shows that customer accounts represent a long-term and stable source of finance. The expected negative gap in the table above is planned to be covered by following sources of additional liquidity: registered program of listed bonds ready to be issued on the market, possibility of prompt placement of promissory note issuances, attracting of loans the CBRF (the Bank supports the pool of loan agreements, which could be a collateral for the CBRF loans), reserve sources of shareholders. The Group has a vast geographic footprint and a large number of offices which work with individuals accounts, that contribute toward diversification and decreasing risk of spontaneous runs simultaneously in all offices. The number of possible client fund withdrawals is manageable and restricted by throughput capability of servicing clients through cash-desks and sub-branches of the Group. There are also minimum required balances at the accounts of legal entities. The Group regularly investigates possibilities of bond markets in order to place exchange-traded bonds as necessary.

The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Group. It is unusual for banks ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Group and its exposure to changes in interest and exchange rates.

The management of the Group believes that in spite of a substantial liquidity gap, diversification of liabilities by number and type of creditors, the past experience and liability dynamics in 2020 and 2019 would indicate that these funds provide a stable source of funding for the Group.

Operational risk. To ensure efficient risk management, the Bank has created an operational risk monitoring and management system. Currently, the Bank uses the Base Indicative Approach (BIA) to operational risk evaluation. Operational risks are managed on the basis of the regulation approved by the Bank’s Executive Board. This activity includes the following:

- ongoing collecting and analysing information on operating losses;
- identifying sources of operational risk in the credit institution’s activity;
- identifying and preventing fraud in banking transactions;
- developing regulations and actions for decreasing the level of operational risk;
- covering risks by maintaining adequate capital level.

The Bank implemented an efficient system for identifying and preventing fraud transactions with plastic cards and in remote banking service systems. The Bank’s information security and continuity are ensured by the Bank’s Information Security Policy developed on the basis of ISO and approved by the Board of Directors. The Bank has adopted the set of documents on the Bank of Russia's standardisation “Ensuring Information Security of the Banking System of the Russian Federation”. The Bank has a policy that insures its property interests associated with ownership, use and disposal of the Bank’s property and also with unforeseen expenses (losses) incurred by the Bank in its operations.

30 Segment Analysis

Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM) and for which discrete financial information is available. The CODM is the person – or group of persons – who allocates resources and assesses the performance for the entity. The functions of the CODM are performed by the Executive Board of the Bank.

(a) Description of products and services from which each reportable segment derives its revenue

The Group is organised on the basis of the following main business segments:

- Lending – representing retail and corporate lending services, leasing, factoring and bank guarantees issued.
- Treasury – representing financial instruments trading, borrowings on domestic and international markets, management of liquidity and foreign currency position of the Group, correspondent and current accounts, corporate deposits.
- Retail banking – representing private banking services to individuals, deposits, investment savings products, custody, credit and debit cards, municipal payments. This segment does not include loans to individuals other than lending through plastic cards.

(b) Factors that management used to identify the reportable segments

The Group's segments are strategic business units that focus on different customers. They are managed separately because each business unit requires different marketing strategies and service level.

The Group has identified the following operating segments: lending activities, leasing, retail, securities, treasury, correspondent and current accounts, and plastic cards. Lending and leasing have been aggregated into one reportable segment – lending and leasing. Correspondent and current accounts, securities, and treasury have been aggregated into one reportable segment - treasury. Retail and plastic cards have been aggregated into one segment - retail banking.

In addition, the Bank's Executive Board reviews the major categories of general and administrative expenses, however, these expenses are not allocated to the above segments and they are not taken into consideration in allocating resources to segments and assessing their performance.

(c) Measurement of operating segment profit or loss, assets and liabilities

The Executive Board reviews financial information prepared based on Russian Accounting Standards adjusted to meet the requirements of internal reporting. Such financial information differs in certain aspects from International Financial Reporting Standards:

(i) for operating decisions, the latest non-consolidated information not adjusted for subsequent events is used;

(ii) income taxes are not allocated to segments;

(iii) loan provisions are recognised based IFRS 9 and interpretations issued by the Central Bank of Russian Federation, and can be different from provisions reported under IFRS;

(iv) commission income related to lending and commission expenses on borrowings are recognised immediately rather than deferred using the effective interest method;

(v) finance income arising from leasing is recognised as services provided, advances from lessees are recognised as income pro rata during the period of the leasing agreement;

(vi) funds are generally reallocated between segments ignoring internal interest rates.

The Executive Board evaluates performance of each segment based on profit before tax.

30 Segment Analysis (Continued)

(d) Information about reportable segment profit or loss, assets and liabilities

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

In thousands of Russian Roubles	Lending and leasing	Treasury	Retail banking	Total
2020				
External revenues:				
Interest income	9 043 679	635 484	-	**9 679 163**
Fee and commission income and other operating income	329 470	1 362 638	551 052	**2 243 160**
Total revenues	**9 373 149**	**1 998 122**	**551 052**	**11 922 323**
Interest expense	-	(645 299)	(4 123 817)	**(4 769 116)**
Impairment loss provision	373 703	12 958	-	**386 661**
Fee and commission expenses and other expenses	(1 074 824)	(146 147)	(347 872)	**(1 568 843)**
Segment result	**8 672 028**	**1 219 634**	**(3 920 637)**	**5 971 025**
Total segment assets	**86 009 001**	**15 124 213**	**-**	**101 133 214**
Total segment liabilities	**-**	**(19 861 746)**	**(82 964 871)**	**(102 826 617)**

Segment information for the reportable segments for the year ended 31 December 2019 is set out below:

In thousands of Russian Roubles	Lending and leasing	Treasury	Retail banking	Total
2019				
External revenues:				
Interest income	10 035 865	621 786	71 595	**10 729 246**
Fee and commission income and other operating income	378 146	1 327 853	862 245	**2 568 244**
Total revenues	**10 414 011**	**1 949 639**	**933 840**	**13 297 490**
Interest expense	-	(692 153)	(4 804 404)	**(5 496 557)**
Impairment loss provision	73 379	17 932	(30 477)	**60 834**
Fee and commission expenses and other expenses	(520 918)	(101 673)	(365 841)	**(988 432)**
Segment result	**9 966 472**	**1 173 745**	**(4 266 882)**	**6 873 335**
Total segment assets	**86 602 374**	**15 962 200**	**-**	**102 564 574**
Total segment liabilities	**-**	**(17 018 533)**	**(87 295 707)**	**(104 314 240)**

30 Segment Analysis (Continued)

(e) Reconciliation of reportable segment profit or loss, assets and liabilities

In thousands of Russian Roubles	**2020**	**2019**
Total revenues for reportable segments	**11 922 323**	**13 297 490**
Recognition of additional interest income on impaired loans	8 284	(10 128)
Foreign exchange translation (losses less gains) / gains less losses	(16 815)	66 895
(Losses less gains) / gains less losses from conversion operations on interbank market	(2 360)	(50 632)
Consolidation effect	5 242	7 499
Joint-Stock Company Ptitsefabrika Belokalitvinskaya	310 871	329 830
Other	(18 784)	(5 180)
Total consolidated revenues	**12 208 761**	**13 635 774**

Total consolidated revenues comprise interest income, fee and commission income, gains less losses on transactions with trading securities, foreign currency, income from assignment, repayment of debt earlier written off and other operating income.

In thousands of Russian Roubles	**2020**	**2019**
Total reportable segment result	**5 971 025**	**6 873 335**
Administrative expenses	(3 881 367)	(3 741 319)
Fair value remeasurement of financial assets and liabilities	(10)	(3 391)
Recognition of additional interest income on impaired loans	8 283	(9 740)
Remeasurement of provision for impairment	(123 718)	(893 565)
Consolidation effect	(490)	1 914
Joint-Stock Company Ptitsefabrika Belokalitvinskaya	(227 814)	(1 115)
Events after the end of the reporting period	(415 383)	(163 651)
Amortisation remeasurement	25 910	26 250
Other	(87 337)	238 008
Profit before tax	**1 269 099**	**2 326 726**

In thousands of Russian Roubles	**31 December 2020**	**31 December 2019**
Total reportable segment assets	**101 133 214**	**102 564 574**
Unallocated assets	18 366 369	18 119 151
Remeasurement of provision for impairment	(218 912)	46 671
Application of effective interest rate method to fee and commission income	(22 061)	(25 469)
Finance lease adjustment	(3 450)	(7 710)
Consolidation effect	190 351	215 945
Joint-Stock Company Ptitsefabrika Belokalitvinskaya	(1 056 047)	(1 327 113)
Other	(90 939)	(65 069)
Total consolidated assets	**118 298 525**	**119 520 980**
Total reportable segment liabilities	**102 826 617**	**104 314 240**
Unallocated liabilities	889 998	1 154 720
Application of effective interest rate method to fee and commission expenses	(11 759)	(15 898)
Consolidation effect	(173 585)	(151 234)
Joint-Stock Company Ptitsefabrika Belokalitvinskaya	(3 520)	(197)
Total consolidated liabilities	**103 527 751**	**105 301 631**

30 Segment Analysis (Continued)

Unallocated assets include cash, premises and equipment and intangible assets, investment properties and other assets, unallocated liabilities – other liabilities.

(f) Analysis of revenues by products and services

The Group's revenues are analysed by products and services in Note 21 (Interest Income and Expense) and Note 22 (Fee and Commission Income and Expense).

(g) Major customers

The Group does not have customers, revenues from which exceed 10% of the total revenues.

31 Management of Capital

The Group's objectives when managing capital are: (i) to comply with the capital requirements set by the Central Bank of the Russian Federation, (ii) to safeguard the Group's ability to continue as a going concern and (iii) to maintain a sufficient capital base to achieve a capital adequacy ratio based on the Basel Accord of at least 8%. Compliance with capital adequacy ratios set by the Central Bank of the Russian Federation is monitored monthly, with reports outlining their calculation reviewed and signed by the Bank's Chairman of the Executive Board and Chief Accountant. Other objectives of capital management are evaluated annually.

When calculating the total capital required, the Bank uses the CBRF methodology set by the Instruction of CBRF No. 199-I dated 29 November 2019 "On mandatory ratios and additions to capital adequacy ratios for banks holding a universal license" and the Provision of the CBRF to calculate own funds (capital) of the Bank.

At 31 December 2120 and 31 December 2019 Bank comply with regulatory capital requirements in accordance with the the Instruction of CBRF No. 199-I dated 29 November 2019 "On mandatory ratios and additions to capital adequacy ratios for banks holding a universal license".

Base capital adequacy ratios are as follows:

(%)	Base capital adequacy ratio	31 December 2020	31 December 2019
Ratio N1.1 (%)	4,5%	9,7%	9,4%
Ratio N1.2 (%)	6%	9,7%	9,4%
Ratio N1.0 (%)	8%	13,1%	11,1%

The management of the Bank believes that the Bank complied with all regulatory capital requirements throughout 2020 and 2019. Information on covenants related to borrowings is disclosed in Note 32.

32 Contingencies and Commitments

Legal proceedings. From time to time and in the normal course of business, claims against the Group may be received. At 31 December 2020, the Group was engaged in litigation proceedings in relation to claims from borrowers and lessees. Provision for such proceedings was made in the amount of RR 2 561 thousand (2019: RR 1 549 thousand), as professional advice has indicated that it is likely that a loss will eventuate.

Tax contingencies. Russian tax legislation which was enacted or substantively enacted at the end of the reporting period, is subject to varying interpretations when being applied to the transactions and activities of the Group. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be challenged tax authorities. Russian tax administration is gradually strengthening, including the fact that there is a higher risk of review of tax transactions without a clear business purpose or with tax incompliant counterparties. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

The Russian transfer pricing legislation is generally aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD), although it has specific features. This legislation provides for the possibility of additional tax liability assessment for controlled transactions (transactions between related parties and certain transactions between unrelated parties) if such transactions are not on an arm's-length basis. Management has implemented internal controls to be in compliance with this transfer pricing legislation.

Tax liabilities arising from controlled transactions are determined based on their actual transaction prices. It is possible, with the evolution of the interpretation of transfer pricing rules, that such transfer prices could be challenged. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Group.

In addition to the above matters, management estimates that the Group has other possible obligations from exposure to other than remote tax risks of RR 31 148 thousand (2019: RR 27 487 thousand). These tax risks primarily relate to potential additional calculation of income tax on income of foreign entities, which the Bank should have charged as a tax agent when making interest payments to non-resident banks under interest-bearing loans received in previous periods (Note 17).

These exposures are estimates that result from uncertainties in interpretation of applicable legislation and related documentation requirements. Management will vigorously defend the Group's positions and interpretations that were applied in determining taxes recognised in these consolidated financial statements if these are challenged by the authorities.

Capital expenditure commitments. At 31 December 2020 and 2019, the Group did not have contractual capital expenditure commitments in respect of premises and equipment, and software and other intangible assets.

Future cash outflows related to lease contracts as at 31 December 2020. At 31 December 2020, the Group had no long-term leases of land plots with rentals linked to cadastral value, buildings with daily rental indexation based on the Consumer Price Index or buildings with extension options. Therefore the Group had no future cash outflows not recorded in its lease liabilities as at 31 December 2020.

Compliance with covenants. The Group is subject to certain covenants relating to its borrowings. Non-compliance with such covenants may result in negative consequences for the Group including growth in the cost of borrowings and a claim on early repayment of the loan.

The Group was in compliance with covenants at 31 December 2020 and 31 December 2019.

Credit related commitments. The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans or borrowings.

32 Contingencies and Commitments (Continued)

Commitments to extend credit represent unused portions of authorisations 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 unused commitments, if the unused amounts were to be drawn down. 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.

The Group monitors the term to maturity of credit related commitments, because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

An analysis of credit related commitments by credit quality based on credit risk stages at 31 December 2020 is as follows. Refer to Note 29 for the description of credit risk grading system used by the Group and the approach to ECL measurement, including the definition of default and SICR as applicable to credit related commitments.

In thousands of Russian Roubles	**Stage 1 (12-month ECL)**	**Stage 2 (lifetime ECL)**	**Stage 3 (lifetime ECL)**	**Total**
Commitments to extend credit or loan facilities, which are revocable only if loans become past due, to:				
- legal entities	6 222 922	964	912	**6 224 798**
- individuals	1 495 941	-	37	**1 495 978**
Financial guarantees issued	1 174 304	-	-	**1 174 304**
Unrecognised gross amount	**8 893 167**	**964**	**949**	**8 895 080**
Provision for credit related commitments	**(172 938)**	**(20)**	**(510)**	**(173 468)**

An analysis of credit related commitments by credit quality based on credit risk stages at 31 December 2019 is as follows.

In thousands of Russian Roubles	**Stage 1 (12-month ECL)**	**Stage 2 (lifetime ECL)**	**Stage 3 (lifetime ECL)**	**Total**
Commitments to extend credit or loan facilities, which are revocable only if loans become past due, to:				
- legal entities	5 873 171	470	27 520	**5 901 161**
- individuals	1 511 113	-	37	**1 511 150**
Financial guarantees issued	1 435 059	-	-	**1 435 059**
Unrecognised gross amount	**8 819 343**	**470**	**27 557**	**8 847 370**
Provision for credit related commitments	**(104 393)**	**(13)**	**(14 174)**	**(118 580)**

32 Contingencies and Commitments (Continued)

An analysis of credit related commitments by credit quality based on credit risk grades at 31 December 2020 is as follows.

In thousands of Russian Roubles	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)	Total
Commitments to extend credit or loan facilities, which are revocable only if loans become past due, to legal entities				
- Excellent	2 701 063	-	-	**2 701 063**
- Good	3 521 859	896	-	**3 522 755**
- Satisfactory	-	68	-	**68**
- Special monitoring	-	-	912	**912**
Gross carrying amount	**6 222 922**	**964**	**912**	**6 224 798**
Credit loss allowance	(111 157)	(20)	(510)	**(111 687)**
Carrying amount	**6 111 765**	**944**	**402**	**6 113 111**

In thousands of Russian Roubles	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)	Total
Commitments to extend credit or loan facilities, which are revocable only if loans become past due, to individuals				
- Excellent	24 859	-	-	**24 859**
- Good	1 467 821	-	-	**1 467 821**
- Satisfactory	-	-	-	**-**
- Special monitoring	-	-	37	**37**
Gross carrying amount	**1 495 941**	-	**37**	**1 495 978**
Credit loss allowance	(58 863)	-	-	**(58 863)**
Carrying amount	**1 437 078**	**-**	**37**	**1 437 115**

At 31 December 2020, financial guarantees issued are classified into Stage 1 (12-month ECLs) for ECL measurement purposes include RR 747 192 thousand ("excellent" level) and RR 427 112 thousand ("good" level). Credit loss allowance for financial guarantees issued at 31 December 2020 amounts to RR 2 918 thousand.

32 Contingencies and Commitments (Continued)

An analysis of credit related commitments by credit quality based on credit risk grades at 31 December 2019 is as follows.

In thousands of Russian Roubles	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)	Total
Commitments to extend credit or loan facilities, which are revocable only if loans become past due, to legal entities				
- Excellent	2 755 217	-	-	**2 755 217**
- Good	3 117 954	470	-	**3 118 424**
- Satisfactory	-	-	-	**-**
- Special monitoring	-	-	27 520	**27 520**
Gross carrying amount	**5 873 171**	**470**	**27 520**	**5 901 161**
Credit loss allowance	(50 651)	(13)	(14 174)	**(64 838)**
Carrying amount	**5 822 520**	**457**	**13 346**	**5 836 323**

In thousands of Russian Roubles	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)	Total
Commitments to extend credit or loan facilities, which are revocable only if loans become past due, to individuals				
- Excellent	31 018	-	-	**31 018**
- Good	1 480 095	-	-	**1 480 095**
- Satisfactory	-	-	-	**-**
- Special monitoring	-	-	37	**37**
Gross carrying amount	**1 511 113**	**-**	**37**	**1 511 150**
Credit loss allowance	(50 310)	-	-	**(50 310)**
Carrying amount	**1 460 803**	**-**	**37**	**1 460 840**

At 31 December 2019, financial guarantees issued are classified into Stage 1 (12-month ECLs) for ECL measurement purposes and total RR 1 435 059 thousand, including RR 962 481 thousand ("excellent" level) and RR 472 578 thousand ("good" level). Credit loss allowance for financial guarantees issued at 31 December 2019 amounts to RR 3 432 thousand.

Refer to Note 29 for the description of credit risk grading system used by the Group and the approach to ECL measurement, including the definition of default and SICR as applicable to credit related commitments.

The total outstanding contractual amount of undrawn guarantees does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded.

All undrawn credit facilities can be automatically closed upon failure by the borrower to meet the requirements of the loan agreement. The fair value of such commitments is equal to zero.

Assets pledged and restricted. At 31 December 2020, due from other banks balances and overnight deposits with other banks of RR 62 794 thousand (31 December 2019: RR 106 478 thousand) are placed as a cover for international payment cards transactions. In addition, mandatory cash balances with the CBRF of RR 761 907 thousand (31 December 2019: RR 763 172 thousand) represent mandatory reserve deposits which are not available to finance the Bank's day to day operations.

33 Fair Value

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

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Group determines fair values using other valuation techniques.The objective of valuation techniques is to arrive at a fair value determination that reflects the price that would be received to sell the asset, or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuation techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

(a) Recurring fair value measurements

Recurring fair value measurements are those that the other IFRS require or permit in the consolidated statement of financial position at the end of each reporting period. The levels in the fair value hierarchy into which the recurring fair value measurements are categorised are as follows:

	31 December 2020				31 December 2019			
In thousands of Russian Roubles	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets at fair value								
Financial assets								
Other financial assets								
- Other securities at FVTPL	-	-	6 006	**6 006**	-	-	6 016	**6 016**
Non-financial assets								
- Investment properties	-	-	1 184 292	**1 184 292**	-	-	1 450 172	**1 450 172**
- Premises and land (Note 4)	-	-	2 498 868	**2 498 868**	-	-	2 872 277	**2 872 277**
Total assets recurring fair value measurements	**-**	**-**	**3 689 166**	**3 689 166**	**-**	**-**	**4 328 465**	**4 328 465**

There were no changes in valuation technique for level 3 recurring fair value measurements during the year ended 31 December 2020 (2019: none).

Due to absence of the current active market for the Group's premises and investment property categorised as Level 3, the estimation of fair value of these assets includes assumptions not directly supportable by observed market prices or rates.

Assessment by management of fair value of the Group’s premises and equipment and investment property has been performed by using the sales comparison method, which involves a review of available market data on sales offers of comparable properties and making adjustments in the prices to reflect the differences between the properties offered and the properties owned by the Group. The principal assumptions applied in valuation models of fair value include adjustments to price of similar items for location and area of specific properties of the Group.

33 Fair Value (Continued)

(b) Assets and liabilities not measured at fair value but for which fair value is disclosed

Fair values analysed by level in the fair value hierarchy and carrying value of assets not measured at fair value are as follows:

	31 December 2020			
In thousands of Russian Roubles	**Level 1**	**Level 2**	**Level 3**	**Carrying amount**
FINANCIAL ASSETS				
Cash and cash equivalents	11 100 866	-	-	**11 100 866**
Mandatory cash balances with the Central Bank of the Russian Federation	-	761 907	-	**761 907**
Due from other banks	-	15 001 700	-	**15 001 700**
Loans and advances to customers	-	-	88 697 950	**84 286 215**
- Corporate loans	-	-	28 767 897	**28 744 505**
- Loans to individuals – consumer and car loans	-	-	14 997 897	**14 638 723**
- Mortgage loans	-	-	44 932 156	**40 902 987**
Finance lease receivables	-	-	197 964	**186 420**
Other financial assets	-	-	806 632	**806 632**
TOTAL	**11 100 866**	**15 763 607**	**89 702 546**	**112 143 740**

	31 December 2020			
In thousands of Russian Roubles	**Level 1**	**Level 2**	**Level 3**	**Carrying amount**
FINANCIAL ASSETS				
Cash and cash equivalents	11 052 495	-	-	**11 052 495**
Mandatory cash balances with the Central Bank of the Russian Federation	-	763 172	-	**763 172**
Due from other banks	-	14 502 371	-	**14 502 371**
Loans and advances to customers	-	-	86 398 260	**84 861 226**
- Corporate loans	-	-	31 874 409	**32 084 028**
- Loans to individuals – consumer and car loans	-	-	17 554 414	**17 317 729**
- Mortgage loans	-	-	36 969 437	**35 459 469**
Finance lease receivables	-	-	209 473	**193 779**
Other financial assets	-	-	1 013 217	**1 013 217**
TOTAL	**11 052 495**	**15 265 543**	**87 620 950**	**112 386 260**

Fair values analysed by level in the fair value hierarchy and carrying value of liabilities not measured at fair value are as follows:

	31 December 2020			
In thousands of Russian Roubles	**Level 1**	**Level 2**	**Level 3**	**Carrying amount**
FINANCIAL LIABILITIES				
Customer accounts	-	100 214 969	-	**99 213 732**
Debt securities in issue	-	*1 230 595*	*455 690*	**1 674 964**
- Promissory notes	-	-	*455 690*	***455 649***
- Bonds issued on domestic market	-	*1 230 595*	-	***1 219 315***
Borrowings from international financial institutions	-	*1 028 641*	-	***1 027 408***
Subordinated loan	-	-	*745 839*	***747 312***
Other financial liabilities	-	-	*361 582*	***361 582***
TOTAL	**-**	**102 474 205**	**1 563 381**	**103 024 998**

33 Fair Value (Continued)

(b) Assets and liabilities not measured at fair value but for which fair value is disclosed (continued)

In thousands of Russian Roubles	31 December 2019 Level 1	Level 2	Level 3	Carrying amount
FINANCIAL LIABILITIES				
Customer accounts	-	99 443 062	-	**99 443 062**
Debt securities in issue	-	-	2 115 221	**2 115 221**
- Promissory notes	-	-	*883 367*	***883 367***
- Bonds issued on domestic market	-	*1 231 854*	-	***1 231 854***
Borrowings from international financial institutions	-	*2 612 025*	-	***2 612 025***
Other financial liabilities	-	-	*295 343*	***295 343***
TOTAL	**-**	**103 286 941**	**1 178 710**	**104 465 651**

The fair values in Level 2 and Level 3 of fair value hierarchy were estimated using the discounted cash flow valuation technique. The fair value of floating rate instruments that are not quoted in an active market was estimated to be equal to their carrying amount. The fair value of unquoted fixed interest rate instruments was estimated based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

Discount rates used depend on the currency, maturity of the instrument and credit risk of the counterparty. These main discount rates are analysed below:

In thousands of Russian Roubles	**2020**	**2019**
RR		
Loans to customers		
Loans to small and medium-sized businesses	8.9 – 10.3%	10.7 – 12.2%
Corporate loans	8.3 – 11%	8.8 – 10.6%
Loans to individuals – consumer loans	10.4 – 10.7%	12.1 – 12.3%
Loans to individuals – car loans	10.4 – 10.7%	11.1 – 12.5%
Loans to individuals – mortgage loans	7.3 – 7.9%	8.9 – 9.1%
Finance lease receivables	15.7 – 17.7%	15.7 - 19.1%
Customer accounts		
Term deposits of individuals	2.9 – 4.5%	2.0 – 8.5%
Term deposits of enterprises	3.9 – 4.8%	2.0 – 8.3%
Borrowings from international financial institutions	9.5-10.0%	9.5-10.8%
Subordinated loan	6.8%	-

(In thousands of Russian Roubles	**2020**	**2019**
Currency		
Loans to customers		
- Corporate loans and loans to SME	4.0%	4.0%
Loans to individuals – consumer loans	-	4.0%
Mortgage loans	7.0%	4.0%
Customer accounts		
Term deposits of individuals	0.1 – 3.5%	0.1 – 3.0%

34 Presentation of Financial Instruments by Measurement Category

For the purposes of measurement, IFRS 9 "Financial Instruments" classifies financial assets into the following categories: (a) financial assets at FVTPL; (b) financial assets at FVOCI, and (c) financial assets at AC. Financial assets at FVTPL have two sub-categories: (i) assets mandatorily measured at FVTPL, and (ii) assets designated as such upon initial recognition.

As at 31 December 2020 and 31 December 2019, all financial assets were designated as "Financial assets at amortised cost", except for foreign exchange spot contracts and other securities at fair value through profit and loss.

As at 31 December 2020 and 31 December 2019, all financial liabilities of the Group are recorded at amortised cost.

35 Related Party Transactions

For the purpose of these consolidated financial statements, parties are considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

The Group's policy is to lend funds to related parties if they have an appropriate credit history and provide sufficient guarantees from third parties or pledge collateral valued in excess of the committed credit lines.

The consolidated financial statements of the Group include the following transactions and balances with related parties:

	31 December 2020		
In thousands of Russian Roubles	**Major shareholders**	**Associate**	**Executive Board and Board of Directors**
In thousands of Russian Roubles			
Correspondent accounts with banks	34 706	-	-
Gross amount of loans and advances to customers (contractual interest rate: 8.0%-13.5%)	-	-	11 441
Customer accounts (contractual interest rate: 0.01% − 7.25%)		31 674	101 478
Subordinated borrowings (contractual interest rate 7.32%)	747 312	-	-
Bonds issued (coupon rate: 5.25%-8.0%)	-	-	30 549

	31 December 2019		
In thousands of Russian Roubles	**Major shareholders**	**Associate**	**Executive Board and Board of Directors**
Correspondent accounts with banks	98 433	-	-
Gross amount of loans and advances to customers (contractual interest rate: 8.0%-13.5%)	-	-	5 801
Customer accounts (contractual interest rate: 0.01% − 7.25%)		15 118	104 966
Borrowings from international financial institutions (contractual interest rate: 9.5%)	988 591	-	-
Bonds issued (coupon rate: 7.5%-8.5%)	-	-	37 869

	2020		
In thousands of Russian Roubles	**Major shareholders**	**Associate**	**Executive Board and Board of Directors**
Interest income	-	123	1 036
Interest expense	(127 311)	(1 281)	(6 538)
Fee and commission income	-	224	22
Administrative expenses excluding management remuneration	-	-	(1 417)
Other operating income	-	(7 183)	-

35 Related Party Transactions (Continued)

In thousands of Russian Roubles	2019 Major shareholders	Associate	Executive Board and Board of Directors
Interest income	-	1 502	737
Interest expense	(59 664)	(697)	(7 653)
Fee and commission income	-	1 335	31
Administrative expenses excluding management remuneration	-	-	1 453
Other operating income	-	-	-

Major shareholders mean shareholders holding over five percent of the Bank's voting shares. The major shareholders of the Bank at 31 December 2020 and 31 December 2019 are as follows:

	2020		2019	
Shareholder	**Equity share, %**	**Voting rights, %**	**Equity share, %**	**Voting rights, %**
European Bank for Reconstruction and Development	17.82	19.74	17.82	19.74
DEG (Deutsche Investitions und Entwicklungsgesellschaft GmbH)	14.57	16.14	14.57	16.14
Vasiliy Vasilievich Vysokov	11.10	12.30	11.10	12.30
Tatiana Nikolaevna Vysokova	10.96	12.13	10.96	12.13
ResponsAbility Participations AG, ResponsAbility SICAV (Lux) Micro and SME Finance Leaders	9.05	10.03	9.05	10.03
Erste Bank	9.09	9.01	9.09	9.01
Firebird Funds	8.22	9.11	8.22	9.11
Rekha Holdings Limited	6.77	7.49	6.77	7.49

Compensation paid to members of the Executive Board and Board of Directors is presented below:

	2020		2019	
In thousands of Russian Roubles	**Expense**	**Accrued liability**	**Expense**	**Accrued liability**
Short-term benefits:				
- Salaries	29 769	-	26 924	-
- Short-term and other bonuses	54 649	-	61 019	-
Long-term bonus scheme	17 295	25 636	13 560	52 039
Total	**101 713**	**25 636**	**101 503**	**52 039**

Short-term bonuses fall due wholly within twelve months after the end of the period in which management rendered the related services.

Long-term bonuses fall due within three years after their accrual, provided the qualified employees reach the targets set. The liability accrued as at 31 December 2020 falls due in the years 2020, 2021 and 2022.

Benefits paid to the key management personnel of the subsidiaries for 2020 were RR 2 666 thousand (2019: RR 2 031 thousand).

In 2020, the Board of Directors consisted of seven persons (2019: seven persons). As at the end of 2020, the Group’s Executive Board consisted of seven persons (2019: five persons).