

IMPORTANT NOTICE

16 September 2021

Dear Ladies and Gentlemen,

Proposed offering of Perpetual Callable Loan Participation Notes (the “Notes”) issued by TCS Finance D.A.C. (the “Issuer”)

The Issuer is proposing to undertake an offering of the Notes on the terms set out in the listing particulars dated 8 September 2021 (the “**Listing Particulars**”) which is being sent or made available to you with this letter. This letter contains important information relating to restrictions with respect to the offer and sale of the Notes.

1. The Notes are complex financial instruments. They are not a suitable or appropriate investment for all investors, especially retail investors. In some jurisdictions, regulatory authorities have adopted or published laws, regulations or guidance with respect to the offer or sale of securities such as the Notes. Potential investors in the Notes should inform themselves of, and comply with, any applicable laws, regulations or regulatory guidance with respect to any resale of the Notes (or any beneficial interests therein).
2.
 - (a) In the United Kingdom (“**UK**”), the Financial Conduct Authority (“**FCA**”) Conduct of Business Sourcebook (“**COBS**”) requires, in summary, that the Notes should not be offered or sold to retail clients (as defined in COBS 3.4 and each a “**retail client**”) in the UK.
 - (b) Certain of the Managers are required to comply with COBS.
 - (c) By purchasing, or making or accepting an offer to purchase, any Notes (or a beneficial interest in such Notes) from the Issuer and/or any Manager, each prospective investor represents, warrants, agrees with and undertakes to the Issuer and each of the Managers that:
 - (i) it is not a retail client in the UK; and
 - (ii) it will not sell or offer the Notes (or any beneficial interest therein) to retail clients in the UK or communicate (including the distribution of the Listing Particulars) or approve an invitation or inducement to participate in, acquire or underwrite the Notes (or any beneficial interests therein) where that invitation or inducement is addressed to or disseminated in such a way that it is likely to be received by a retail client in the UK.
 - (d) In selling or offering the Notes or making or approving communications relating to the Notes you may not rely on the limited exemptions set out in COBS.
3. The obligations in paragraph 2. above are in addition to the need to comply at all times with all other applicable laws, regulations and regulatory guidance (whether inside or outside the European Economic Area or the UK) relating to the promotion, offering, distribution and/or sale of the Notes (or any beneficial interests therein), whether or not specifically mentioned in the Listing Particulars, including (without limitation) any requirements under the Markets in Financial Instruments Directive 2014/65/EU (as amended) or the UK FCA Handbook as to determining the appropriateness and/or suitability of an investment in the Notes (or any beneficial interests therein) for investors in any relevant jurisdiction.

Where acting as agent on behalf of a disclosed or undisclosed client when purchasing, or making or accepting an offer to purchase, any Notes (or any beneficial interests therein) from the Issuer and/or the Managers, the foregoing representations, warranties, agreements and undertakings will be given by and be binding upon both the agent and its underlying client(s).

You acknowledge that each of the Issuer and the Managers will rely upon the truth and accuracy of the representations, warranties, agreements and undertakings set forth herein and are entitled to rely upon this letter and are irrevocably authorised to produce this letter or a copy hereof to any interested party in any administrative or legal proceeding or official inquiry with respect to the matters covered hereby.

This letter is additional to, and shall not replace, the obligations set out in any pre-existing general engagement terms entered into between you and any one of the Managers relating to the matters set out herein.

Capitalised but undefined terms used in this letter shall have the meaning given to them in the Listing Particulars.

This document is not an offer to sell or an invitation to buy any Notes.

Your offer or agreement to buy any Notes will constitute your acceptance of the terms of this letter and your confirmation that the representations and warranties made by you pursuant to this letter are accurate.

This letter and any non-contractual obligations arising out of or in connection with it are governed by English law. The courts of England have exclusive jurisdiction to settle any dispute arising out of or in connection with this letter (including a dispute relating to the existence or validity of this letter or any non-contractual obligations arising out of or in connection with this letter) or the consequences of its nullity.

Should you require any further information, please do contact us.

Yours faithfully,

The Managers

IMPORTANT NOTICE

IMPORTANT: You must read the following before continuing. The following applies to the Listing Particulars following this page and you are therefore advised to read this page carefully before reading, accessing or making any other use of the Listing Particulars. In accessing the Listing Particulars, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from the Issuer or any Manager (each as defined in the Listing Particulars) as a result of such access.

NOT FOR DISTRIBUTION TO ANY U.S. PERSON OR TO ANY PERSON OR ADDRESS IN OR INTO THE UNITED STATES OTHER THAN AS PERMITTED BY REGULATION S UNDER U.S. SECURITIES ACT OF 1933, AS AMENDED (“**REGULATION S**”) EXCEPT TO QUALIFIED INSTITUTIONAL BUYERS (“**QIBs**”) AS DEFINED IN RULE 144A UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (“**RULE 144A**”) THAT ARE ALSO QUALIFIED PURCHASERS (“**QPs**”) WITHIN THE MEANING OF SECTION 2(A)(51) OF THE U.S. INVESTMENT COMPANY ACT OF 1940 (THE “**SECURITIES INVESTMENT COMPANY ACT**”). OR OTHERWISE TO PERSONS TO WHOM IT CAN LAWFULLY BE DISTRIBUTED.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE NOTES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF THE REGULATION S TO OR FOR THE ACCOUNT OR BENEFIT OF A U.S. PERSON (AS DEFINED IN REGULATION S), OR WITHIN THE UNITED STATES, ONLY TO QIBs THAT ARE ALSO QPs IN RELIANCE ON THE EXEMPTION FROM OR IN A TRANSACTION NOT SUBJECT TO THE REGISTRATION REQUIREMENTS OF SECTION 5 OF THE SECURITIES ACT AND PROVIDED BY RULE 144A, OR ANOTHER EXEMPTION THEREFROM, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES.

THE ATTACHED LISTING PARTICULARS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THESE LISTING PARTICULARS IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY NOTES.

Confirmation of your representation: In order to be eligible to view the attached Listing Particulars or make an investment decision with respect to the Notes, prospective investors must be (i) located outside the United States and not U.S. persons, nor persons who are acting for the account or benefit of U.S. persons, in accordance with Regulation S or (ii) QIBs that are also QPs that are acquiring the securities for their own account or the account of another QIB that is also a QP. These Listing Particulars are being sent to you at your request, and by accessing these Listing Particulars you shall be deemed to have represented to the Issuer and the Managers that (1) (A) you and any customers you represent are located outside the United States and are not a U.S. person or acting for the account or benefit of a U.S. person, and the electronic mail address that you have provided and to which this e-mail has been delivered is not located in the United States, its territories and possessions, any state of the United States or the District of Columbia or (B) you are a QIB that is also a QP acquiring the securities referred to herein for your own account and/or for another QIB that is also a QP and (2) you consent to delivery of such Listing Particulars by electronic transmission.

Under no circumstances shall these Listing Particulars constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the securities being offered, in any jurisdiction in which such offer, solicitation or sale would be unlawful. Recipients of these Listing Particulars who intend to subscribe for or purchase the Notes are reminded that any subscription or purchase may only be made on the basis of the information contained in these Listing Particulars. These Listing Particulars may only be provided to persons in the UK in circumstances where section 21(1) of the Financial Services and Markets Act 2000 does not apply to the Issuer. This communication is directed solely at (i) persons outside the UK, (ii) persons with professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 as amended (the “**Order**”), (iii) high-net-worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order and (iv) persons to whom an invitation

or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000, as amended) in connection with the issue or sale of any securities of the Issuer or any member of its Group (as defined in the Listing Particulars) may otherwise lawfully be communicated or caused to be communicated (all such persons in (i)-(iv) above being “**relevant persons**”). Any investment activity to which this communication relates will only be available to and will only be engaged with relevant persons. Any person who is not a relevant person should not act or rely on this communication.

These Listing Particulars or information contained herein is not an offer, or an invitation to make offers, sell, purchase, exchange or transfer any securities in Russia to or for the benefit of any Russian person or entity, and does not constitute an advertisement of offering of any securities in Russia within the meaning of Russian securities laws. Information contained in these Listing Particulars is not intended for any persons in Russia who are not “qualified investors” within the meaning of Article 51.2 of the Federal Law no. 39-FZ “On the securities market” dated 22 April 1996, as amended (“**Russian QIs**”) and must not be distributed or circulated into Russia or made available in Russia to any persons who are not Russian QIs, unless and to the extent they are otherwise permitted to access such information under Russian law. The Notes have not been and will not be registered in Russia and are not intended for “placement” or “circulation” in Russia (each as defined in Russian securities laws) unless and to the extent otherwise permitted under Russian law. Information contained in these Listing Particulars may not correspond to the risk profile of a particular investor, does not take into account personal preferences and expectations on risk and/or profitability and therefore does not constitute an individual investment recommendation for the purposes of Russian law.

You are reminded that these Listing Particulars have been delivered to you on the basis that you are a person into whose possession these Listing Particulars may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver these Listing Particulars to any other person.

The materials relating to this offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer, and the Managers or any affiliate of the Managers is a licensed broker or dealer in the relevant jurisdiction, the offering shall be deemed to be made by the Managers or such affiliate on behalf of the Issuer in such jurisdiction.

The attached Listing Particulars have been sent to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Issuer, any Manager, any person who controls them or any director, officer, employee or agent of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Listing Particulars distributed to you in electronic format and the hard copy version available to you on request from the Managers.



US\$600,000,000 6.0 PERCENT PERPETUAL CALLABLE LOAN PARTICIPATION NOTES
to be issued by, but with limited recourse to, TCS Finance D.A.C.,
for the purpose of financing a subordinated loan to
Tinkoff Bank

Issue Price: 100 percent

TCS Finance D.A.C. (the “**Issuer**”), incorporated as a designated activity company under the laws of Ireland, is offering (the “**Offering**”) US\$600,000,000 aggregate principal amount of perpetual callable loan participation notes (the “**Notes**”) for the sole purpose of financing a subordinated loan (the “**Loan**”) to Tinkoff Bank (“**Tinkoff Bank**”), a company established under the laws of Russia, subject to and in accordance with a subordinated loan agreement among the Issuer and Tinkoff Bank dated 16 September 2021 (the “**Loan Agreement**”). The Notes will have the terms and conditions (the “**Conditions**”) set out under “*Terms and Conditions of the Notes*” and will be constituted by and in all respects subject to the provisions of a trust deed dated 20 September 2021 (as the same may be amended, restated or supplemented from time to time, the “**Trust Deed**”) between the Issuer and BNY Mellon Corporate Trustee Services Limited as trustee (the “**Trustee**” which expression shall include all trustees appointed from time to time in accordance with the Trust Deed). Pursuant to the Trust Deed, the Issuer will charge in favour of the Trustee, for the benefit of the Trustee and the Noteholders (as defined in the Conditions), by way of a first fixed charge, as security for its payment obligations in respect of the Notes and under the Trust Deed certain of its rights and interests in and under the Loan Agreement and the Account (as defined in the Loan Agreement) of the Issuer into which payments will be made pursuant to the Loan Agreement, in each case other than in respect of the Reserved Rights (as defined below), all as more fully described under “*Description of the Transaction*”. The Issuer will also assign certain of its administrative rights under the Loan Agreement to the Trustee.

The Notes are secured limited-recourse obligations of the Issuer. In each case where amounts of principal, interest and additional amounts (if any) are stated to be payable in respect of the Notes, the obligation of the Issuer to make any such payment shall constitute an obligation only to account to the Noteholders, on each date upon which such amounts of principal, interest and additional amounts (if any) are due in respect of the Notes, for an amount equivalent to all principal, interest and additional amounts (if any) actually received and retained (net of tax) by or for the account of the Issuer from Tinkoff Bank pursuant to the Loan Agreement or amounts credited to the Account (as defined below) on the Issue Date (as defined below) for distribution as interest, principal and/or additional amounts excluding, however, in each case any amounts paid in respect of Reserved Rights (as defined below). The Issuer will have no other financial obligation under the Notes. Holders of the Notes will be deemed to have accepted and agreed that they will be relying solely and exclusively on the credit and financial standing of Tinkoff Bank in respect of the financial servicing of the Notes.

On each interest payment date, being 20 March, 20 June, 20 September and 20 December (each, an “**Interest Payment Date**”) in each year, commencing on 20 December 2021, the Issuer shall account to the Noteholders for an amount equivalent to amounts of interest actually received and retained by or for the account of the Issuer pursuant to the Loan Agreement, which interest under the Loan Agreement is equal to 6.0 percent per annum from (and including) 20 September 2021 (the “**Closing Date**”) to (but excluding) the First Reset Date (as defined in the Loan Agreement). Provided that the Loan is not repaid on or before the First Reset Date or any further Reset Date, the rate of interest for the Interest Period (as defined in the Loan Agreement) immediately following each Reset Date will be determined by the Calculation Agent as set out in the Loan Agreement.

**Joint Global Coordinators and
Bookrunners**

CITIGROUP

J.P. MORGAN

**Joint Lead Managers and
Bookrunners**

ALFA-BANK

**GPB-FINANCIAL SERVICES LTD
(GAZPROMBANK)**

RENAISSANCE CAPITAL

**SOCIÉTÉ GÉNÉRALE
CORPORATE & INVESTMENT BANKING**

Co-Manager

BCP SECURITIES

16 September 2021

Save as otherwise expressly provided in these Listing Particulars (the “**Listing Particulars**”) and in the Trust Deed, no proprietary or other direct interest in the Issuer’s rights under or in respect of the Loan Agreement exists for the benefit of the Noteholders. Subject to the terms of the Trust Deed, no Noteholder will have any entitlement to enforce any of the provisions in the Loan Agreement or have direct recourse to Tinkoff Bank except through action by the Trustee under any of the Security Interests (as defined in the Conditions).

AN INVESTMENT IN THE NOTES INVOLVES A HIGH DEGREE OF RISK. SEE “RISK FACTORS” BEGINNING ON PAGE 38.

PRIIPs Regulation / Prohibition of Sales to EEA Retail Investors – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the “**EEA**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; (ii) a customer within the meaning of Directive (EU) 2016/97 (the “**IDD**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (the “**PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

UK PRIIPs Regulation / Prohibition of Sales to UK Retail Investors – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (“**UK**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (“**EUWA**”); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the “**FSMA**”) and any rules or regulations made under the FSMA to implement the IDD, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the EUWA.

In addition to the above, pursuant to the UK Financial Conduct Authority Conduct of Business Sourcebook (“**COBS**”), the Notes are not intended to be offered, sold or otherwise made available and should not be offered, sold or otherwise made available to retail clients (as defined in COBS 3.4) in the UK.

If a Write Down Event (as defined in the Loan Agreement) occurs, the principal amount of the notes and/or interest amount then due in respect of the Notes (as applicable) will be subject to write down and cancellation in an amount equal to the principal amount of the Loan and/or interest amount then due in respect of the Loan so written down and cancelled (as applicable) in accordance with clause 9 (Write Down) of the Loan Agreement. Any such write down will result in noteholders losing the relevant principal and/or interest amount of the Notes so written down. Accordingly, noteholders should be aware that they may lose their entire investment in the Notes. In the event that the entire principal amount of the Notes is written down, the Notes will be cancelled. In addition, the payment of all or any part of the interest accrued on the Loan with regard to any interest payment date may be cancelled by Tinkoff Bank in its discretion in accordance with clause 5.5 (Cancellation of Interest) of the Loan Agreement. Any such cancellation will result in noteholders losing the relevant interest on the Notes so cancelled. PROSPECTIVE INVESTORS SHOULD HAVE REGARD TO THE RISK FACTORS IN THESE LISTING PARTICULARS ENTITLED “INTEREST ACCRUED ON THE LOAN AND NOTES MAY BE CANCELLED AND NON-CUMULATIVE AND THE LOAN AND NOTES MAY BE SUBJECT TO WRITE DOWN MEASURES” ON PAGE 77.

The Notes and the Loan (together, the “**Securities**”) have not been, and will not be, registered under the U.S. Securities Act of 1933 (the “**Securities Act**”), and, subject to certain exceptions, may not be offered or sold within the United States or to, or for the account or benefit of, U.S. Persons (as defined in Regulation S under the Securities Act (“**Regulation S**”)). The Notes may be offered and sold (i) within the United States only to qualified institutional buyers (“**QIBs**”), as defined in Rule 144A under the Securities Act (“**Rule 144A**”), that are also qualified purchasers (“**QPs**”), as defined in Section 2(a)(51) of the U.S. Investment Company Act of 1940 (the “**Investment Company Act**”), in reliance on the exemption from registration under Section 5 of the Securities Act provided by Rule 144A or on another exemption therefrom, (the “**Rule 144A Notes**”) and (ii) to Non-U.S. Persons in offshore transactions as defined in and in reliance on Regulation S (the “**Regulation S Notes**”). The Issuer has not been and will not be registered under the Investment Company Act. Prospective purchasers are hereby notified that sellers of the Rule 144A Notes

may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of certain restrictions on offers, sales and transfers of the notes and the distribution of these Listing Particulars, see “*Plan of distribution*” and “*Transfer Restrictions*”.

Application has been made to the Irish Stock Exchange plc trading as Euronext Dublin (“**Euronext Dublin**”) for the approval of these Listing Particulars. Application has been made to Euronext Dublin for the Notes to be admitted to the official list of Euronext Dublin and trading on the Global Exchange Market, which is the exchange-regulated market of Euronext Dublin. The Global Exchange Market is not a regulated market for the purposes of Directive 2014/65/EU (as amended, “**MiFID II**”). There is no assurance that a trading market in the Notes will develop or be maintained.

The Regulation S Notes will initially be represented by beneficial interests in a global certificate in registered form (the “**Regulation S Global Certificate**”) without interest coupons attached, which will be registered in the name of The Bank of New York Depository (Nominees) Limited as nominee for, and shall be deposited on or about the Closing Date with The Bank of New York Mellon, London Branch as common depository for, and in respect of interests held through, Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking S.A. (“**Clearstream, Luxembourg**”). The Rule 144A Notes will initially be represented by interests in a global certificate in registered form (the “**Rule 144A Global Certificate**” and, together with the Regulation S Global Certificate, the “**Global Certificates**”), which will be registered in the name of Cede & Co., as nominee of, and deposited with a custodian for, The Depository Trust Company (“**DTC**”) on or about the Closing Date. The Regulation S Global Certificate and the Rule 144A Global Certificate will be exchangeable in certain limited circumstances in whole, but not in part, for Notes in definitive certificates (“**Definitive Certificates**”), fully registered form, without interest coupons, in denominations of US\$200,000 and integral multiples of US\$1,000 in excess thereof. See “*Summary of Provisions relating to the Notes in Global Form*”. Beneficial interests in the Global Certificates will be shown on, and transfers thereof will be effected only through, records maintained by DTC, Euroclear and Clearstream, Luxembourg and their participants. It is expected that delivery of the Global Certificates will be made on or about the Closing Date. Except as described herein, certificates for Notes will not be issued in exchange for beneficial interests in the Global Certificates.

Information contained in these Listing Particulars may not correspond to the risk profile of a particular investor, does not take into account one’s personal preferences and expectations on risk and/or profitability and therefore does not constitute an individual investment recommendation for the purposes of Russian law.

Tinkoff Bank has a “BB” credit rating from Fitch Ratings CIS Limited (“**Fitch**”) with a stable outlook assigned to Tinkoff Bank on 30 September 2020, a “Ba3” credit rating from Moody’s Investors Service, Inc. (“**Moody’s**”) with a positive outlook assigned to Tinkoff Bank on 8 July 2021, an “A(RU)” credit rating from Analytical Credit Rating Agency (ACRA)(Russia) with a stable outlook assigned to Tinkoff Bank on 28 April 2021, “ruA” with positive outlook credit rating with from Expert RA (“**RAEX**”), assigned to Tinkoff Bank on 25 August 2021 and it is expected that the Notes will be rated ‘B-’ by Fitch and ‘B3(hyb)’ by Moody’s, subject to confirmation after closing. Fitch is established in the UK and is registered under Regulation (EC) No. 1060/2009 as it forms part of UK domestic law by virtue of the EUWA (the “**UK CRA Regulation**”). As such, Fitch is included in the list of credit rating agencies published by the UK Financial Conduct Authority (“**FCA**”) on its website in accordance with the UK CRA Regulation. Moody’s, ACRA and RAEX are established neither in the UK nor in the EU, have not applied for registration under the UK CRA Regulation or Regulation (EC) No. 1060/2009 and are, accordingly, not included in the list of registered credit rating agencies published on the respective websites of the FCA and the European Securities and Markets Association.

CONTENTS

Section	Page
IMPORTANT INFORMATION ABOUT THESE LISTING PARTICULARS	1
PRESENTATION OF FINANCIAL AND OTHER INFORMATION	6
FORWARD-LOOKING STATEMENTS	12
ENFORCEABILITY OF JUDGMENTS	14
OVERVIEW	15
OVERVIEW OF THE OFFERING	31
RISK FACTORS	38
DESCRIPTION OF THE TRANSACTION	88
USE OF PROCEEDS	90
CAPITALISATION	91
SELECTED CONSOLIDATED FINANCIAL AND OTHER INFORMATION	92
OPERATING AND FINANCIAL REVIEW	99
BUSINESS	144
ASSET, LIABILITY AND RISK MANAGEMENT	189
MANAGEMENT	207
SHAREHOLDERS	212
RELATED-PARTY TRANSACTIONS	213
THE ISSUER	215
SUBORDINATED LOAN AGREEMENT	217
TERMS AND CONDITIONS OF THE NOTES	246
SUMMARY OF THE PROVISIONS RELATING TO THE NOTES IN GLOBAL FORM	263
PLAN OF DISTRIBUTION	266
TRANSFER RESTRICTIONS	270
TAX CONSIDERATIONS	274
CERTAIN ERISA CONSIDERATIONS	287
GENERAL INFORMATION	288
APPENDIX A—OVERVIEW OF THE BANKING SECTOR AND BANKING REGULATION IN RUSSIA	290
INDEX TO THE FINANCIAL STATEMENTS OF THE GROUP	F-1
INDEX TO THE FINANCIAL STATEMENTS OF TINKOFF BANK	F-328

IMPORTANT INFORMATION ABOUT THESE LISTING PARTICULARS

These Listing Particulars do not constitute a prospectus for the purposes of the Prospectus Regulation (Regulation (EU) 2017/1129). These Listing Particulars have been prepared for the purpose of giving information with regard to the Issuer, Tinkoff Bank, TCS Group Holding PLC (“**TCSGH**”) and its subsidiaries taken as a whole (the “**Group**”), the Loan and the Notes, which, according to the particular nature of the Issuer, Tinkoff Bank, the Group, the Loan and the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer, Tinkoff Bank and the Group, and the rights attaching to the Loan and the Notes. TCSGH is the parent company of Tinkoff Bank. Each of Tinkoff Bank and the Issuer accepts responsibility for the information contained in these Listing Particulars. To the best of the knowledge of Tinkoff Bank and the Issuer (each of whom has taken all reasonable care to ensure that such is the case), the information contained in these Listing Particulars is in accordance with the facts and does not omit anything likely to affect the import of such information.

The distribution of these Listing Particulars and the offering of the Notes in certain jurisdictions may be restricted by law. These Listing Particulars do not constitute an offer to sell or the solicitation of an offer to subscribe for or purchase any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. In particular, these Listing Particulars are only being distributed to and are only directed at (i) persons outside the UK, (ii) persons with professional experience in matters relating to investments falling within Article 19(5) of Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “Order”), (iii) high-net-worth entities, or (iv) any other persons to whom an invitation or inducement to engage in investment activities may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons in (i)-(iv) above being “relevant persons”). The Notes are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such Notes will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

Tinkoff Bank, the Issuer and the Managers do not represent that these Listing Particulars may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by Tinkoff Bank, the Issuer and the Managers which would permit distribution of these Listing Particulars in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither these Listing Particulars nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession these Listing Particulars come are required by Tinkoff Bank, the Issuer and the Lead Managers to inform themselves about and to observe any such restrictions. Neither the Issuer nor Tinkoff Bank intends to provide any post-issuance transaction information regarding the Notes or the performance of the Loan. Further information with regard to restrictions on offers and sales of the Notes and the distribution of these Listing Particulars is set out under “*Plan of Distribution*”.

The Notes may not be a suitable investment for all investors. Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risk of investing in the Notes and the information contained in these Listing Particulars; have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio; have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes; understand thoroughly the terms of the Notes and be familiar with the behaviour of the relevant financial markets; and be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

No person is authorised to provide any information or to make any representation not contained in these Listing Particulars and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of Tinkoff Bank, the Issuer, the Trustee or the Managers. The delivery of these Listing Particulars at any time does not imply that the information contained in these Listing Particulars is correct as at any time subsequent to the date hereof. Neither the delivery of these Listing Particulars nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of Tinkoff Bank or the Issuer since the date hereof or the date upon which these Listing Particulars have been most recently amended or supplemented or that there has been no adverse change in the financial position of Tinkoff Bank or the Issuer since the date hereof or the date upon which these Listing Particulars have been most recently amended or supplemented or that any other information supplied in connection with the issue of the

Notes is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same. Without limiting the generality of the foregoing, the contents of the Tinkoff Bank's website as at the date hereof or as at any other date do not form any part of these Listing Particulars (and, in particular, are not incorporated by reference herein).

None of the Managers or the Trustee makes any representation, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in these Listing Particulars, nor to the fullest extent permitted by law, do any of the Managers or the Trustee accept any responsibility for the contents of these Listing Particulars or for any other statement, made or purported to be made by the Managers or the Trustee or on their behalf in connection with Tinkoff Bank, the Issuer, the Offering or the Notes. The Managers and the Trustee accordingly disclaim all and any liability, whether arising in tort or contract or otherwise (save as referred to above), which they might otherwise have in respect of these Listing Particulars or any such statement.

Tinkoff Bank and the Issuer have derived substantially all of the information contained in these Listing Particulars concerning the Russian banking market and its competitors, which may include estimates or approximations, from publicly available information from official data published by Russian government agencies, such as the Central Bank of Russia ("CBR"), the Federal State Statistics Service of the Russian Federation ("Rosstat") and from other publicly available sources, including data published by a market research company GFK Rus ("GFK"), a part of the GFK Group.

Each of Tinkoff Bank and the Issuer accepts responsibility that such information has been accurately reproduced and, as far as Tinkoff Bank and the Issuer are aware and are able to ascertain, no facts have been omitted which would render the information inaccurate or misleading. However, Tinkoff Bank and the Issuer have relied on the accuracy of information concerning the Russian banking market and its competitors without carrying out an independent verification.

Some of the official data published by Russian federal, regional and local government agencies may not be complete or researched to the standard of Western countries. Some official data released by the Russian government may be inaccurate. Official statistics, including those produced by the CBR, may also be produced to a different standard than those used in Western countries. In addition, the data released by the CBR related to market shares referred to in these Listing Particulars is based on Russian Accounting Standards ("RAS"), and market shares with respect to loans and deposits have been determined by gross value. Any discussion of matters relating to Russia in these Listing Particulars must, therefore, be subject to uncertainty due to the potential incompleteness or inaccuracy of available official and public information. See *"Risk Factors—Risks Relating to Russia—Other Risks—There continues to be a lack of reliable official data in Russia, which makes business planning inherently uncertain and may impair the ability of Russian companies to plan effective strategies"*.

These Listing Particulars are not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of Tinkoff Bank, the Issuer, the Trustee or the Managers that any recipient of these Listing Particulars or any financial statements should purchase the Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in these Listing Particulars and its purchase of Notes should be based upon such investigation as it deems necessary. None of the Managers or the Trustee undertakes to review the financial condition or affairs of Tinkoff Bank or the Issuer during the life of the arrangements contemplated by these Listing Particulars nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Managers or the Trustee. Furthermore, none of Tinkoff Bank, the Issuer, the Trustee or the Managers or any of their respective representatives is making any representation to any offeree or purchaser of the Notes regarding the legality of an investment by such offeree or purchaser under relevant legal investment or similar laws. Each investor should consult with their own advisers as to the legal, tax, business, financial and related aspects of purchase of the Notes.

Potential investors must comply with all laws that apply to them in any place in which they buy, offer or sell any Notes or possess these Listing Particulars. Any consents or approvals that are needed in order to purchase any Notes must be duly obtained. Tinkoff Bank, the Issuer and the Managers are not responsible for compliance with these legal requirements. The appropriate characterisation of any Notes under various legal investment restrictions, and thus the ability of investors subject to these restrictions to purchase such Notes, is subject to significant interpretative uncertainties. No representation or warranty is made as to whether, or the extent to which, any Notes constitute a legal investment for investors whose investment authority is subject to legal restrictions. Such investors should consult their legal advisers regarding such matters.

The information provided in these Listing Particulars is not an offer or an invitation to make offers, to sell, exchange or otherwise transfer the Notes in Russia or to, or for the benefit of, any Russian person or entity. These

Listing Particulars does not constitute an advertisement or offering of any securities in Russia. The Notes have not been and will not be registered in Russia or admitted to placement or public circulation in Russia. The information set forth in these Listing Particulars is not intended for any persons in Russia who are not “qualified investors” within the meaning of Federal Law No. 39-FZ “On the Securities Market”, dated 22 April 1996, as amended (“**Russian QIs**”). These Listing Particulars must not be distributed into or circulated in Russia to any persons who are not Russian QIs unless and to the extent they are otherwise allowed to access such information. No person should at any time carry out any activities in breach of the restrictions set out in “*Plan of Distribution*”. The Notes have not been and will not be registered in Russia and are not intended for “placement” or “circulation” in Russia (each as defined in Russian securities laws) unless and to the extent otherwise permitted under Russian law. Information contained in these Listing Particulars may not correspond to the risk profile of a particular investor, does not take into account one’s personal preferences and expectations on risk and/or profitability and therefore does not constitute an individual investment recommendation for the purposes of Russian law.

Any investment in the Notes does not have the status of a bank deposit and is not within the scope of the deposit protection scheme operated by the Central Bank of Ireland. The Issuer is not and will not be regulated by the Central Bank of Ireland as a result of issuing the Notes.

In connection with the issue of the Notes, J.P. Morgan Securities plc (the “**Stabilising Manager**”) (or persons acting on behalf of the Stabilising Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the final terms of the offer of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the Issue Date and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) in accordance with all applicable laws and rules.

THE NOTES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER U.S. REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THE OFFERING OF NOTES OR THE ACCURACY OR THE ADEQUACY OF THESE LISTING PARTICULARS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

THE NOTES HAVE NOT AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT AND THE NOTES MAY BE SOLD IN THE UNITED STATES ONLY TO QIBS WHO ARE ALSO QPS.

AVAILABLE INFORMATION

The Issuer and Tinkoff Bank have agreed that, for so long as any Notes are “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act, they will, during any period in which they are neither subject to Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the “**Exchange Act**”) nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, provide to any holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner or to the Trustee for delivery to such holder, beneficial owner or prospective purchaser, in each case upon the request of such holder, beneficial owner, prospective purchaser or the Trustee, the information required to be provided by Rule 144A(d)(4) under the Securities Act.

For a description of these and certain further restrictions on offers, sales and transfers of the Notes and the distribution of these Listing Particulars, see “*Plan of Distribution*”.

EACH PERSON CONTEMPLATING MAKING AN INVESTMENT IN THE NOTES MUST MAKE ITS OWN INVESTIGATION AND ANALYSIS OF THE CREDITWORTHINESS OF TINKOFF BANK AND THE ISSUER AND ITS OWN DETERMINATION OF THE SUITABILITY OF ANY SUCH INVESTMENT, WITH PARTICULAR REFERENCE TO ITS OWN INVESTMENT OBJECTIVES AND EXPERIENCE, AND ANY OTHER FACTORS WHICH MAY BE RELEVANT TO IT IN CONNECTION WITH SUCH INVESTMENT.

RESTRICTIONS ON MARKETING AND SALES TO RETAIL INVESTORS

The Notes are complex financial instruments. They are not a suitable or appropriate investment for all investors, especially retail investors. In some jurisdictions, regulatory authorities have adopted or published laws, regulations or guidance with respect to the offer or sale of securities such as the Notes. Potential investors in the Notes should inform themselves of, and comply with, any applicable laws, regulations or regulatory guidance with respect to any resale of the Notes (or any beneficial interests therein). In the UK, the COBS requires, in summary, that the Securities should not be offered or sold to retail clients (as defined in COBS 3.4 and each a “retail client”) in the UK. Certain of the Managers are required to comply with COBS.

By purchasing, or making or accepting an offer to purchase, any Notes (or a beneficial interest in such Notes) from the Issuer and/or any Manager, each prospective investor represents, warrants, agrees with and undertakes to the Issuer and each of the Managers that:

- (i) it is not a retail client in the UK; and
- (ii) it will not sell or offer the Notes (or any beneficial interest therein) to retail clients in the UK or communicate (including the distribution of the Listing Particulars) or approve an invitation or inducement to participate in, acquire or underwrite the Notes (or any beneficial interests therein) where that invitation or inducement is addressed to or disseminated in such a way that it is likely to be received by a retail client in the UK.

In selling or offering the Notes or making or approving communications relating to the Notes you may not rely on the limited exemptions set out in COBS.

The obligations in the above paragraph are in addition to the need to comply at all times with all other applicable laws, regulations and regulatory guidance (whether inside or outside the EEA) relating to the promotion, offering, distribution and/or sale of the Notes (or any beneficial interests therein), whether or not specifically mentioned in the Listing Particulars, including (without limitation) any requirements under MiFID II or the UK FCA Handbook as to determining the appropriateness and/or suitability of an investment in the Notes (or any beneficial interests therein) for investors in any relevant jurisdiction.

Where acting as agent on behalf of a disclosed or undisclosed client when purchasing, or making or accepting an offer to purchase, any Notes (or any beneficial interests therein) from the Issuer and/or the Managers, the foregoing representations, warranties, agreements and undertakings will be given by and be binding upon both the agent and its underlying client(s).

PRIIPs Regulation / Prohibition of Sales to EEA Retail Investors – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; (ii) a customer within the meaning of the IDD, where that

customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by the PRIIPs Regulation for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

UK PRIIPs Regulation / Prohibition of Sales to UK Retail Investors – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the EUWA; (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement IDD, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the EUWA.

MiFID II product governance / Professional investors and ECPs only target market – Solely for the purposes of each manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a “**distributor**”) should take into consideration the manufacturers’ target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers’ target market assessment) and determining appropriate distribution channels.

UK MiFIR product governance / Professional investors and ECPs only target market – Solely for the purposes of each manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in COBS, and professional clients, as defined in the UK MiFIR; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any distributor should take into consideration the manufacturers’ target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers’ target market assessment) and determining appropriate distribution channels.

Where acting as agent on behalf of a disclosed or undisclosed client when purchasing, or making or accepting an offer to purchase, any Notes (or any beneficial interests therein) from the Issuer and/or the Managers, the foregoing representations, warranties, agreements and undertakings will be given by and be binding upon both the agent and its underlying client.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Presentation of Financial Information

The financial information as of and for the years ended 31 December 2020 and 2019 set forth herein, except for reclassifications as described below, has been derived from the Group's audited consolidated financial statements as of and for the year ended 31 December 2020 (the "**2020 Annual Consolidated Financial Statements**"). The financial information of the Group for the year ended 31 December 2018 has been derived from or calculated based on, except for reclassifications as described below, the audited consolidated financial statements of the Group as of and for the year ended 31 December 2019 (the "**2019 Annual Consolidated Financial Statements**") together with 2020 Annual Consolidated Financial Statements the "**Annual Consolidated Financial Statements**") as set forth on pages F-200 to F-327 in these Listing Particulars. The financial information as of and for the six months ended 30 June 2021 and 2020 set forth herein, unless otherwise indicated, has been derived from the Group's unaudited consolidated condensed interim financial information as of and for the six months ended 30 June 2021, as set forth on pages F-2 to F-61 in these Listing Particulars (the "**Interim Consolidated Financial Statements**", together with the Annual Consolidated Financial Statements, the "**Financial Statements**"). The Annual Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as adopted by the EU and the requirements of the Cyprus Companies Law, Cap. 113. The Interim Consolidated Financial Statements have been prepared in accordance with IAS 34 (Interim Financial Reporting) as adopted by the EU.

The consolidated financial statements of the Group as of and for the years ended 31 December 2020 and 2019, included in these Listing Particulars, have been audited by PricewaterhouseCoopers Limited, independent accountants, as stated in their reports appearing herein. With respect to the Interim Consolidated Financial Statements, PricewaterhouseCoopers Limited reported that they applied limited procedures in accordance with professional standards for a review of such information (the "**Review Report**"). As stated in the Review Report, appearing herein, PricewaterhouseCoopers Limited have not audited and do not express an opinion on the Interim Consolidated Financial Statements. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied.

Changes in presentation of financial statements

During the six months ended 30 June 2021 and the years ended 31 December 2020 and 2019, the Group made certain presentation changes in the consolidated statement of profit or loss and other comprehensive income, which did not impact the Group's net profit. The Group's consolidated statement of profit or loss and other comprehensive income data for the years ended 31 December 2020, 2019 and 2018 presented in these Listing Particulars were reclassified to conform to presentation for the six months ended 30 June 2021 and, therefore differ from the consolidated statements of profit or loss and other comprehensive income presented in the Group's published historical annual consolidated financial statements.

Also, during the six months ended 30 June 2021 and the year ended 31 December 2020, the Group made certain presentation changes in the consolidated statements of financial position, which did not impact the Group's total assets, total liabilities and total equity. Related disclosures in the Group's consolidated statements of financial position data as at 31 December 2020, 2019 and 2018 presented in these Listing Particulars were reclassified to conform to the presentation as at 30 June 2021 and, therefore differ from the consolidated statements of financial position presented in the Group's published historical annual consolidated financial statements.

For details of reclassifications and changes in presentation see Note 22 to the Interim Consolidated Financial Statements, Note 40 to the 2020 Annual Consolidated Financial Statements and Note 3 to the 2019 Annual Consolidated Financial Statements included in these Listing Particulars.

Consolidated financial statements of the Group and financial statements of Tinkoff Bank

A substantial portion of the revenues, expenses, cash flows, assets and liabilities set out in the Financial Statements are attributable to Tinkoff Bank. As of 31 December 2020, the total assets and revenues of Tinkoff Bank represented approximately 98 percent and 98 percent of the Group's total assets and revenues, respectively. To highlight the stand alone financial position of Tinkoff Bank, these Listing Particulars also include Tinkoff Bank's audited consolidated financial statements as of and for the years ended 31 December 2020 and 2019, as set forth on pages F-387 to F-653 in these Listing Particulars and unaudited consolidated condensed interim financial statements as of and for the six months ended 30 June 2021, as set forth on pages F-329 to F-386 in these Listing Particulars (collectively, the "**Tinkoff Bank Financial Statements**"). The Tinkoff Bank Financial Statements do

not include financial information on the insurance operations component of the Group, which is represented by JSC Tinkoff Insurance, and other business reporting units of the Group, such as LLC “TCS”, LLC Microfinance Company “T-Finans”, LLC “Tinkoff Mobile” and LLC “CloudPayments”. The Tinkoff Bank Financial Statements have been prepared in accordance with IFRS issued by the International Accounting Standards Board. None of the financial information in these Listing Particulars was extracted or derived from the Tinkoff Bank Financial Statements.

Documents Incorporated by Reference

The audited financial statements of the Issuer as of and for the years ended 31 December 2019 and 2018, which are the most recent audited financial statements of the Issuer for two years, together with the audit reports thereon, have been filed with Euronext Dublin and shall be deemed to be incorporated in, and to form part of, these Listing Particulars. The financial statements are located at:

Audited financial statements: of the Issuer as of and for the year ended 31 December 2019:

<https://ise-prodnr-eu-west-1-data-integration.s3-eu-west-1.amazonaws.com/202107/9b54cc28-69cb-48af-a96f-d70043bad15f.pdf>

Audited financial statements: of the Issuer as of and for the year ended 31 December 2018:

<https://ise-prodnr-eu-west-1-data-integration.s3-eu-west-1.amazonaws.com/202107/8217f379-5380-442c-8201-0cac311f4dab.pdf>

Non-IFRS Measures

General

These Listing Particulars include certain financial measures that are not measures of performance, liquidity or asset quality specifically defined by IFRS. These include, *inter alia*, average balance sheet data, average interest rate data, net interest margin, risk adjusted net interest margin, cost to income ratio, cost of borrowing, gross interest yield, return on equity, return on assets, return on average risk-weighted assets, cost of risk ratio (excluding POCI), credit card loan portfolio growth rate, equity to total assets ratio, debt-to-equity ratio, credit loss allowance for loans and advances to customers as a percentage of gross loans, non-performing loans as a percentage of gross loans, credit loss allowance for loans and advances to customers as a percentage of non-performing loans, customer acquisition cost (CAC), lifetime value (LTV), total debt, interest-bearing liabilities, interest-earning assets, dividend payout ratio, non-performing loans, and total revenue.

For reconciliation of non-IFRS measures please refer to “*Overview—Summary Consolidated Financial Information*” and “*Selected Consolidated Financial and Other Information*”. The non-IFRS measures disclosed in these Listing Particulars are unaudited supplementary measures of the Group’s performance and liquidity that are not required by, or presented in accordance with, IFRS. Although the non-IFRS measures disclosed in these Listing Particulars are not measures of operating performance, liquidity or asset quality derived in accordance with IFRS, the Group has presented these measures in these Listing Particulars because it believes that similarly titled measures may be used by some investors and analysts. The non-IFRS measures disclosed in these Listing Particulars should not, however, be considered as an alternative to, in isolation from or as substitutes for financial information reported under IFRS. The non-IFRS measures disclosed in these Listing Particulars are not measures specifically defined by IFRS and the Group’s use of these measures may vary from other companies in its industry due to differences in accounting policies or differences in the calculation methodology of similar measures.

Average Balance Sheet and Interest Rate Data

These Listing Particulars include average balances of assets and liabilities for the Group for the six months ended 30 June 2021 and 2020 and for the years ended 31 December 2018, 2019 and 2020. The average balance of the Group’s assets and liabilities are calculated as the average of the opening and closing balances of each quarter in the period. See “*Operating and Financial Review—Selected Statistical Information for the Years Ended 31 December 2020, 2019 and 2018*” and “*Selected Consolidated Financial and Other Information*”.

The results of the analysis for the Group would likely be different if alternative or more frequent averaging methods were used and such differences could be material. Investors are cautioned that the average balances and related data presented in these Listing Particulars are based on materially less frequent average methods than those

used by other banks in the United States, Western Europe and other jurisdictions in connection with similar offers of securities.

The average interest rates disclosed in these Listing Particulars are calculated by dividing aggregate interest income or expense for the relevant line item for the relevant period by the average balance for the same item for the applicable period. Certain quarterly and half-yearly ratios were annualised by multiplying by four and two, respectively. See “*Operating and Financial Review—Selected Statistical Information for the Years Ended 31 December 2020, 2019 and 2018*” and “*Selected Consolidated Financial and Other Information*”. Average interest rates are distinct from the effective interest rates presented in the Financial Statements and referred to elsewhere in these Listing Particulars. 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 net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest re-pricing 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. See “*Notes to the Consolidated Financial Statements—Significant Accounting Policies*” in the Financial Statements.

IFRS requires that effective interest rates be used in the preparation of IFRS financial statements. The Group utilises both the effective interest rate and the average interest rate for its management’s monitoring of operational results and effectiveness.

The average interest rate measures are not defined under IFRS or other generally accepted accounting principles, nor should they be considered as substitutes for the information contained in the Financial Statements.

Supplemental Data

The Group defines non-IFRS data as follows:

- return on assets as profit for the period divided by the average balance of the Group’s total assets for the relevant period;*
- return on equity as profit for the period divided by the average balance of the Group’s total equity for the relevant period;*
- return on average risk weighted assets as profit for the period divided by average risk-weighted assets for the period;*
- gross interest yield as interest income on loans and advances to customers divided by average gross loans and advances to customers at AC for the period;*
- cost/income ratio as the Group’s operating expenses (the sum of its administrative and other operating expenses (excluding other provisions) and its customer acquisition expense) divided by its operating income (net margin, fee and commission income, insurance premiums earned, other operating income, less fee and commission expense);
- net interest margin as a ratio of net margin for the period to the average balance of total interest-earning assets for the relevant period;*
- risk-adjusted net interest margin as a ratio of net margin after credit loss allowance divided by the average balance of total interest-earning assets for the period;*
- non-performing loans as loans which are 90 days or more past due;
- cost of risk ratio (excluding POCI) represents total credit loss allowance (excluding POCI) for loans and advances to customers divided by the average balance of gross loans and advances to customers in the same period;*

- cost of borrowing as interest expense calculated using the effective interest rate method divided by average interest-bearing liabilities for the period;*
- net interest spread as the difference between the average interest rate on interest-earning assets and the average interest rate on interest-bearing liabilities;
- dividend payout ratio as dividends declared for the period divided by profit for the period;
- total debt as the sum of due to banks, customer accounts, debt securities in issue, and subordinated debt;
- debt-to-equity ratio as the closing balance of total debt (sum of due to banks, customer accounts, debt securities in issue, subordinated debt) divided by the closing balance of total equity of the respective reporting period;
- equity to total assets ratio as the balance of total equity divided by the balance of total assets as at the end of the respective reporting period;
- credit card loan portfolio growth rate as the change between gross credit card loan portfolio closing and opening balances of the respective reporting year/period, divided by gross credit card loan portfolio opening balance of the respective reporting year/period;
- CAC as marketing expenses for the period divided by number of new customers in such period;
- LTV as revenue per customer per year multiplied by the duration of the business relationship in years between the customer and the Group;
- interest-bearing liabilities as the sum of debt securities in issue, due to banks, customer accounts and subordinated debt;
- interest-earning assets as the sum of total loans and advances to customers, cash and cash equivalents due from other banks, and investments in debt securities and repurchase receivables; and
- total revenue as the sum of interest income, fee and commissions income, insurance premiums earned and other operating income.

* Annualised where applicable by multiplying the figure for the six-month period by two.

See “*Selected Consolidated Financial and Other Information—Reconciliation of Non-IFRS Measures*”.

Currency

In these Listing Particulars, the following currency terms are used:

“**RUB**”, “**RR**” (used in the Financial Statements only) or “**roubles**” means the lawful currency of Russia;

“**US\$**”, “**USD**” (used in the Financial Statements only), or “**U.S. dollars**” means the lawful currency of the United States; and

“**EUR**” or “**euros**” means the lawful currency of the member states of the EU that adopted the single currency in accordance with the Treaty on the Functioning of the EU, as amended from time to time.

Other terms

In these Listing Particulars:

“**AC**” means amortised cost;

“**active customers**” means customers that have generated revenue in the last calendar month;

“**Board of Directors**” means the board of directors of Tinkoff Bank, unless otherwise indicated;

“**Management**” means the Group’s management;

“**POCI**” means purchased or originated credit-impaired financial assets, which are financial assets that were credit-impaired upon their initial recognition;

“**Russia**” means the Russian Federation; and

“**total revenue-generating products**” means the number of active customers multiplied by the number of revenue-generating products per customer.

Exchange Rate Information

The functional currency of each of the Group's consolidated entities is the rouble, which is the currency of the primary economic environment in which each such entity operates. Management selected roubles as the presentation currency of the Financial Statements.

The following tables set forth, for the periods indicated, the high, low, average and year-end official rates set by the CBR in each case for the purchase of roubles, all expressed per U.S. dollar. These translations should not be construed as representations that rouble amounts actually represent such U.S. dollar amounts or could be converted into U.S. dollars at the rate indicated as at any of the dates mentioned in these Listing Particulars or at all.

	High	Low	Average ⁽¹⁾	Period End
		(roubles per U.S. dollar)		
2017.....	60.75	55.85	58.35	57.60
2018.....	70.06	55.82	62.71	69.47
2019.....	67.19	61.72	64.66	61.91
2020.....	80.88	60.95	72.32	73.88

	High	Low	Average ⁽¹⁾	Period End
		(roubles per U.S. dollar)		
January 2021	76.25	76.25	76.25	76.25
February 2021	76.08	76.08	76.08	76.08
March 2021	76.17	76.17	76.17	76.17
April 2021	77.68	74.33	76.09	74.87
May 2021	75.12	73.38	73.94	73.51
June 2021	73.47	71.66	72.56	72.94
July 2021	75.10	72.95	73.95	73.02
August 2021	74.36	72.79	73.58	73.57
September 2021 (up to and including 14 September 2021)	73.38	72.74	72.96	73.08

⁽¹⁾ The average rates are calculated as the average of the daily exchange rates on each business day (which rate is announced by the CBR for each such business day) and on each non-business day (which rate is equal to the exchange rate on the previous business day).

Rounding

Some numerical figures included in these Listing Particulars have been subject to rounding adjustments. Accordingly, numerical figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that preceded them.

FORWARD-LOOKING STATEMENTS

Certain statements in these Listing Particulars are forward-looking statements rather than historical facts. Forward-looking statements include statements concerning plans, objectives, goals, strategies, economic and regulatory conditions affecting the Group, future events or performance, and underlying assumptions and other statements, which are other than statements of historical facts. The words “believe,” “expect,” “anticipate,” “intend,” “plan,” “estimate,” “forecast,” “project,” “will,” “may,” “should” and similar expressions identify forward-looking statements but are not the exclusive means of identifying such statements. Forward-looking statements appear in a number of places in these Listing Particulars including, without limitation, under the headings “Overview”, “Operating and Financial Review”, “Risk Factors” and “Business”, and include, but are not limited to, statements regarding:

- strategies, outlook and growth prospects;
- future plans, expectations, projections and potential for future growth;
- plans or intentions relating to new products and acquisitions;
- future revenues and performance;
- integration of the Group’s businesses, including recently acquired businesses;
- liquidity, capital adequacy, capital resources and capital expenditures;
- economic outlook and industry trends;
- developments in markets in which the Group operates;
- the impact of regulatory initiatives;
- the Group’s competitive strengths and weaknesses; and
- the strengths of Tinkoff Bank’s competitors.

The forward-looking statements in these Listing Particulars are based upon various assumptions, many of which are based, in turn, upon further assumptions, including, without limitation, management’s examination of historical operating trends, data contained in the Groups’ records and other data available from third parties. Although Tinkoff Bank believes that these assumptions were reasonable when made, these assumptions are inherently subject to significant uncertainties and contingencies which are difficult or impossible to predict and which are beyond its control, and the Group may not achieve or accomplish these expectations, beliefs or projections. The meeting (or otherwise) of an assumption could cause the Group’s actual financial condition and results to differ from or fail to meet expectations expressed or implied by, such forward-looking statements. In addition to these important factors and matters discussed elsewhere herein, important factors that, in Tinkoff Bank’s view, could cause actual results to differ materially from those discussed in the forward-looking statements include:

- instability of the global and Russian financial sectors;
- the health of the Russian and global economy;
- significant increases in Tinkoff Bank’s provisions for loan impairment and in the proportion of non-performing loans in its gross loan portfolio, as well as reductions of its collections and recoveries rates as a result of any deterioration in the economic conditions in Russia;
- Tinkoff Bank’s failure to accurately assess customer credit risk;
- any increase in consumer protection activity challenging certain terms of consumer loans and regulatory activity aimed at strengthening consumer protection;
- changes in applicable consumer protection or banking legislation or their interpretation by courts and regulators imposing greater compliance requirements on Tinkoff Bank;

- Tinkoff Bank's inability to comply with capital adequacy requirements, in particular in the event of it being designated as a systemically important bank;
- changes in customers' personal consumption and income levels as well as in their understanding of loan products;
- the Group's inability to access domestic and international capital markets of the Russian interbank loan market;
- Tinkoff Bank's inability to receive sufficient funding from retail deposits or withdrawal of a large proportion of such deposits;
- Tinkoff Bank's inability to maintain its banking licences or a breach of any of their terms or other applicable banking regulations;
- the ability of the Group to adapt its products and services to new technologies;
- the effects of competition in the business areas in which the Group conducts its operations;
- any future expansion plans of the Group and the likelihood of such plans being successfully implemented;
- the deterioration of the commercial soundness and/or the perceived soundness of other financial institutions, which could result in systemic liquidity problems; and
- the effects of the 2019 novel coronavirus ("**COVID-19**") pandemic and related response measures, including lockdowns and travel restrictions, on economic conditions in Russia and other countries, on the Group's business and operations and on the Group's employees, customers and counterparties.

This list of important factors is not exhaustive. When reviewing forward-looking statements, investors should carefully consider the foregoing factors and other uncertainties and events, especially in light of the political, economic, social and legal environment in which the Group operates. Such forward-looking statements speak only as of the date on which they are made and are not intended to give any assurances as to future results. To the extent required by the listing conditions of Euronext Dublin and other applicable regulations, Tinkoff Bank will update or revise the information in these Listing Particulars. Otherwise Tinkoff Bank undertakes no obligation to update or revise any forward-looking statements made in these Listing Particulars whether as a result of new information, future events or otherwise and Tinkoff Bank assumes no other obligation to publish additional information. None of Tinkoff Bank, its management, the Managers can give any assurance regarding the future accuracy of the opinions set forth herein or as to the actual occurrence of any predicted developments. Accordingly, investors in the Notes should not rely on the forward-looking statements in these Listing Particulars and are strongly advised to read these Listing Particulars in their entirety.

All subsequent written or oral forward-looking statements attributable to Tinkoff Bank, or persons acting on Tinkoff Bank's behalf, are expressly qualified in their entirety by the cautionary statements contained throughout these Listing Particulars. As a result of these risks, uncertainties and assumptions, investors in the Notes should not place reliance on these forward-looking statements and should specifically consider the factors identified in these Listing Particulars that could cause actual results to differ.

ENFORCEABILITY OF JUDGMENTS

Tinkoff Bank is a company established under the laws of Russia. Most of Tinkoff Bank's directors and executive officers named in these Listing Particulars reside in Russia. Moreover, all or a substantial portion of the assets of Tinkoff Bank and of such persons are located outside the UK. As a result, it may not be possible for Noteholders and/or the Trustee to effect service of process upon Tinkoff Bank or any such person outside Russia; enforce against any of them, in courts of jurisdictions other than Russia, judgments obtained in such courts that are predicated upon the laws of such other jurisdictions; and/or enforce against any of them, in Russian courts, judgments obtained in jurisdictions other than Russia, including judgments obtained in the courts of England.

Judgments rendered by a court in any jurisdiction outside Russia are likely to be recognised by courts in Russia only (i) if an international treaty providing for the recognition and enforcement of judgments in civil cases exists between Russia and the country where the judgment is rendered, and (ii) a federal law of Russia provides for the recognition and enforcement of such foreign court judgments. No such federal law has been passed and no such treaty exists between the UK and Russia for the reciprocal enforcement of foreign court judgments. Although on 2 July 2019, Russia signed the final act of the 2019 Convention on the Recognition and Enforcement of Foreign Judgments in Civil or Commercial Matters (the **"Hague Judgments Convention"**), neither Russia nor any other state (except for Israel, Ukraine and Uruguay) has signed the Hague Judgments Convention as at the date of these Listing Particulars, and the Hague Judgments Convention has not yet entered into force. Consequently, as at the date of these Listing Particulars, Russia is not a party to any international treaty providing for the recognition and enforcement of judgments in civil cases rendered by the courts of the UK or the United States. Absent such federal law or a treaty, new proceedings in Russia may be required to be initiated in respect of a judgment already obtained abroad. Although the Russian courts have recognised and enforced a number of foreign court judgments (including the judgment of an English court), on the basis of a combination of the principle of reciprocity and, in the case of enforcement of an English court judgment, the existence of a number of bilateral and multilateral treaties to which both the UK and Russia are parties, there is no assurance that this approach will be exercised in respect of other court judgments obtained in the UK. In addition, the enforcement of any such judgment (if any) may be significantly delayed due to the limited experience of Russian courts in the enforcement of foreign court judgments.

The Loan Agreement will be governed by English law and will provide for disputes, controversies and causes of action brought by any party thereto to be settled by arbitration in accordance with the Arbitration Rules (the **"Rules"**) of the London Court of International Arbitration (**"LCIA Court"**) (such arbitration to also be administered by the LCIA Court in accordance with the Rules). Russia is a party to the United Nations (New York) Convention on the Recognition and Enforcement of Foreign Arbitral Awards of 1958. However, it may be difficult to enforce arbitral awards in Russia due to, *inter alia*: (i) the inexperience of the Russian courts in international commercial transactions; (ii) official and unofficial political resistance to the enforcement of awards against Russian companies in favour of foreign investors; and (iii) the inability of Russian courts to enforce such awards.

Furthermore, any arbitral award pursuant to arbitration proceedings in accordance with the Rules and the application of English law to the Loan Agreement may be limited by the mandatory provisions of Russian laws relating to the exclusive jurisdiction of Russian courts and the application of Russian laws with respect to bankruptcy, winding up or liquidation of Russian companies and credit organisations, in particular.

The Arbitrazh Procedure Code provides for the procedure for Russian courts to refuse to recognise and enforce any arbitral award. Recent changes to the Arbitrazh Procedure Code have allowed Russian companies that are subject to foreign restrictive measures, in certain limited circumstances, to refer disputes to Russian courts despite an arbitration agreement, to apply to Russian courts for an anti-suit injunction prohibiting the contract counterparty from initiating or continuing proceedings before a foreign arbitral tribunal, or to seek a compensatory amount from the contract counterparty that does not comply with such injunction. The practice of application of these changes is yet to develop. The Arbitrazh Procedure Code and other Russian procedural legislation as well as their interpretation by Russian courts could change; therefore, other grounds for Russian courts to refuse the recognition and enforcement of foreign courts' judgments and foreign arbitral awards could arise in the future. In practice, the requirement of international treaties may be met with resistance or a lack of understanding by a Russian court or other officials, thereby introducing delay and unpredictability into the process of enforcement of any foreign judgment or any foreign arbitral award in Russia.

OVERVIEW

This overview may not contain all the information that may be important to prospective purchasers of the Notes and, therefore, should be read in conjunction with these entire Listing Particulars, including the more detailed information regarding the Group's business and the financial statements and related notes included elsewhere in these Listing Particulars. Certain statements in these Listing Particulars include forward-looking statements that also involve risks and uncertainties as described under "Forward-Looking Statements". Prospective purchasers of the Notes should also carefully consider the information set forth under "Risk Factors".

Overview

The Group is an innovative provider of online retail financial services. Its portfolio includes Tinkoff Bank, Tinkoff Investments (the Group's retail brokerage business), Tinkoff Business (which provides small and medium enterprises ("SMEs") with transactional services, including online and offline acquiring services), Tinkoff Mobile (the mobile virtual network operator), Tinkoff Insurance, Tinkoff Capital (the asset management company), Tinkoff Software DC (which operates a network of development hubs in Russia's largest cities), and Tinkoff Education. The Group is currently developing the Tinkoff ecosystem, which incorporates financial and lifestyle services into the Group's portfolio. The Group operates in Russia through a high-tech low-cost platform and provides products and services through its best-in-class Tinkoff Super-App. The Group is the second-largest credit card issuer in the Russian market with a market share of 14 percent as at 1 January 2021, according to CBR data, and issued 2.4 million, 3.5 million and 3.2 million new credit cards in 2018, 2019 and 2020, respectively. The Group is also the second-largest issuer of unsecured retail loans up to three years, with a market share of 8.6 percent as at 31 December 2020. The Group is also the third-largest retail bank in Russia in terms of active retail customers, according to JSC "NEO" data as at October 2020.

While credit cards have historically constituted the Group's core business, the Group has been able to successfully diversify its credit product (with cash loans, point-of-sale loans, home equity loans and car loans now making up a significant portion of the loan book), but also its non-credit products and services offering made available to customers on both a proprietary and broker-service basis through its one-stop online customer service destination, the Tinkoff Super-App. See "*Business—Competitive Strengths—Track Record of Innovation and Diversification*" below. Such additional products and services typically require limited capital investment but provide a valuable opportunity to diversify the Group's sources of revenue, attract new customer segments, retain existing customers and drive customer traffic, thereby generating further opportunities for cross-selling. For example, the Group's Tinkoff Investments product launched in late 2016 already has over 1.5 million active customers, who account for 67 percent of active retail brokerage accounts at Moscow Exchange, according to the Group's estimation based on Moscow Exchange data as at 30 June 2021. In 2020 alone, the Group was named the world's Best Consumer Digital Bank and Best Consumer Digital Bank in Russia by Global Finance, and "Tinkoff Bank" was recognised among the fifty most valuable Russian brands, as ranked by Brand Finance. In the six months ended 30 June 2021, the Group increased its total customers by 1.7 million credit customers, 1.0 million Tinkoff Investments customers, and 3.1 million current account customers, thereby bringing total customers of the Group to 16.7 million (of which 11.5 million were active customers).

The Group has no branches – all customer interactions (other than deliveries) are conducted online. Accordingly, the Group's business model is focused on the Tinkoff ecosystem, an advanced high-tech online financial and lifestyle services platform, that has more than 12.5 million monthly active users. The Tinkoff ecosystem acts as a centralised customer acquisition channel through which the Group's wide range of credit and non-credit products and services are offered to customers. The main gateway into the platform is the Tinkoff Super-App, which integrates all elements of the Tinkoff ecosystem, including digital banking, Tinkoff Investments, Tinkoff Mobile, Tinkoff Business, Tinkoff Insurance and lifestyle services, among others. Customers also enjoy the support of the Group's 24/7 high-volume call centres. The Group's main marketing and distribution channels are its online channels (Internet, mobile and telesales), which, Management believes, optimise the scope of its coverage and allow it to access otherwise underserved parts of the country. The Group's "smart couriers" delivery network enables it to deliver cards and other products and services to consumers throughout Russia within one or two days while adhering to all relevant safety measures. This branchless, infrastructure-light operating structure provides a low fixed cost base and high degree of flexibility. For example, the Group was able to adapt swiftly to, and remain profitable during, the period of uncertainty and economic downturn in Russia associated with the COVID-19 pandemic, and, equally, was able to quickly ramp up product offerings to meet to increased customer demand for online services both during the height of the pandemic and as economic conditions began to improve from late 2020.

The Group's operations are supported by its advanced IT and artificial intelligence capabilities, which underpin the security, ease of use and engaging nature of the Tinkoff online platform, as well as the operational efficiency of its online / remote service business model. Furthermore, the Group's focus on data analysis and machine-learning enables it to target its marketing and product offerings effectively and give it an advantage in its underwriting, risk analysis and collection processes. Management believes that the relatively low level of retail and SME financial services penetration, relatively high margins and regulatory and technology barriers to entry for the Group's competitors make its business model attractive in terms of growth potential and competitive edge.

As of 30 June 2021, the Group's total assets, loans and advances to customers and customer accounts (including deposits) amounted to RUB 966.0 billion, RUB 507.4 billion and RUB 706.7 billion, respectively, as compared to RUB 859.3 billion, RUB 376.5 billion and RUB 626.8 billion, respectively, as of 31 December 2020. In the six months ended 30 June 2021, the Group generated profit for the period of RUB 30.3 billion, as compared to RUB 19.3 billion in the same period in 2020. In the year ended 31 December 2020, the Group generated profit for the period of RUB 44.2 billion, as compared to RUB 36.1 billion in the year ended 31 December 2019 and RUB 27.1 billion in the year ended 31 December 2018.

Competitive Strengths

Management believes that the Group enjoys an exceptional position among financial services providers and is transforming the Russian financial services market through a combination of the following strengths:

Growth Opportunities in the Russian Consumer Market and Retail Financial Services

Russia is a vast country with Europe's largest population at 146.8 million as of April 2021, according to the International Monetary Fund. According to the World Bank, Russia is the 11th-largest economy in the world and the fifth largest in Europe, with a total nominal GDP of approximately US\$ 1.48 trillion in 2020. According to the World Bank, baseline Russian GDP growth is forecast at 3.2 percent in 2021.

Although adoption rates of retail financial services have been steadily raising over the last several years, the level of adoption of retail financial services in Russia remains relatively low. Russia lags behind not only advanced economies such as the United States, the UK or Germany, but also certain large emerging economies, such as China or Brazil, in terms of the ratio of retail loans or retail deposits or insurance premiums to GDP. On the other hand, Russia enjoys relatively high levels of adoption of online and mobile technologies, with internet penetration of 83 percent and smartphone penetration of 95 percent in 2020, according to Deloitte's Media Consumption in Russia report. The combination of the low penetration of financial services and the country's high level of adoption of online/mobile consumer technology represents an attractive opportunity for an innovative, IT-driven financial and lifestyle ecosystem such as the Group's. Various segments of the retail financial services market have seen extraordinary growth in recent years, as illustrated by an increase in payment card transactions from RUB 18 billion in 2016 to RUB 50.6 billion in 2020; an increase in the share of cashless payments in retail from 34 percent in 2016 to 70 percent in 2020 (in each case, according to CBR data); an increase in the number of unique retail clients on the Moscow Exchange from 1.1 million in 2016 to 8.8 million in 2020 (according to the Moscow Exchange), and the expansion of the Russian e-commerce market by over 3.5 times between 2016 to 2020 (in terms of numbers of orders, according to Data Insight).

The Group was able to capitalize on its position and these growth opportunities by significantly enlarging its customer base, expanding its credit card and retail lending business, capturing additional market share and diversifying its financial services and product mix. The Group's customer base has grown considerably in recent years, with 7.2 million, 10.2 million, 13.3 million and 16.7 million total customers in the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2021, respectively, of which 5.2 million, 7.2 million, 9.1 million and 11.5 million were active customers. This is reflected in CBR data, according to which the Group has increased its market share of the Russian credit card market in terms of loan portfolio size from 11.8 percent as of 1 January 2018 to 14.0 percent as of 1 January 2021 and to 14.6 percent as of 1 July 2021, making the Group the second-largest credit card lender in Russia. In addition, in 2019, the Group was the third-largest issuer of retail loans up to three years, with a market share of 6.4 percent as of 1 January 2019, which had increased to 8.6 percent as of 1 July 2021. The steps taken by the Group in the last several years culminated in the creation of the comprehensive Tinkoff ecosystem primed to capture further growth of the Russian consumer and retail financial services markets.

Given the continued growth of the Group's business, including in terms of market share, transaction volumes and assets, Management believes Tinkoff Bank meets, or is close to meeting, the criteria for designation as a systemically important bank in Russia. Tinkoff Bank has not, as at the date of these Listing Particulars, been

designated as a systemically important bank, but such designation may occur in the near future. See “*Risks—Tinkoff Bank may be designated as a systemically important bank, which may result in additional regulatory requirements and scrutiny by the CBR*”.

Advanced Highly Scalable Tinkoff Ecosystem and the Tinkoff Super-App

The Group has built the advanced, high-tech, customer-centric Tinkoff ecosystem, which covers a wide spectrum of financial and lifestyle banking needs, ranging from multiple ways of obtaining a loan, funding purchases and managing wealth and investments to making travel arrangements, reserving a table at a restaurant, ordering food, shopping and purchasing cinema and theatre tickets. Key product lines offered by the Tinkoff ecosystem include, among others, retail loans, deposits, insurance, investments, mobile connectivity and data services, SME business products and services, and multiple lifestyle features, as well as partner products and services through the Tinkoff Super-App. The diverse but complementary array of products and services offered by the Tinkoff ecosystem creates a powerful network effect and drives customer traffic onto the Tinkoff online platform, thereby creating additional opportunities for cross-selling.

The Tinkoff Super-App is a versatile application designed to meet almost any financial or lifestyle need its users may have. The application aggregates all of the components of the Tinkoff ecosystem and is capable of being scaled up exponentially. The Tinkoff Super-App includes the following features: (i) the Group’s digital banking offering, including all its retail financial products; (ii) lifestyle services; (iii) seamless integration with other products and services of the Tinkoff ecosystem, including Tinkoff Investments, Tinkoff Mobile, Tinkoff Business and Tinkoff Insurance (some of which continue to operate as separate applications), which can be accessed using a single Tinkoff ID; (iv) a marketplace for products and services provided by the Group’s partners; (v) personalisation of recommendations and services and anticipation of a customer’s financial needs; (vi) end-to-end integration with the “Oleg” voice assistant; and (vii) implementation of AI technology and machine learning across the product suite and lifestyle features. One of the key components of the Tinkoff Super-App is the marketplace, which allows third-party partners to connect to the marketplace (via open API) using the “app-in-app” model and offer targeted products and services within the Tinkoff Super-App. In addition, the app is complemented by Stories, which are targeted AI-generated recommendations based on each customer’s transaction activity, and relate to restaurant reservations, shopping experiences, cinema, theatre and concert tickets, travel and many more. In addition, through the Tinkoff Super-App’s marketplace, the Group is now able to serve not only its existing customers but also other users who are allowed to conduct certain transactions using the Tinkoff Super-App without full identification and within legally prescribed limits. In addition, Management considers the recently introduced system for onboarding new customers via the Tinkoff Super-App to be a unique feature and competitive advantage of the Group. Such capability significantly increases the Group’s exposure to its addressable audience. Management believes the Tinkoff Super-App was the first of its kind to be launched in the Russian financial services market and there is currently no equivalent offering by a financial services provider in the European market. The Tinkoff Super-App sets the Group’s offering apart from the competition by encapsulating the comprehensive Tinkoff ecosystem the Group has developed and elevating user experience through convenient technology and personalization.

The Tinkoff online platform is the primary customer-acquisition channel of the Group, and is fine-tuned to attract the Group’s main customer segments, including a younger, more affluent, online-savvy customer demographic. It attracted 12.5 million monthly active users in the six months ended 30 June 2021, rising from 9.3 million, 6.0 million and 4.0 million monthly active users in the years ended 31 December 2020, 2019 and 2018. Daily active users has grown similarly, reaching 4.2 million in the six months ended 30 June 2021, compared to 3.2 million, 1.9 million and 1.1 million in the years ended 31 December 2020, 2019 and 2018. Through its online platform, the Group became the leading online originator of credit cards in Russia. This online, infrastructure-light business model is adapted for the Russian market and operating environment and allows the Group to maintain a low fixed cost base and a high degree of operating flexibility to ramp the business up or slow the business down depending on the external environment. The scalability of the Group’s online platform significantly enhances the Group’s ability to add new products and services, and to supplement or adapt existing offerings. This ability, in turn, allows the Group to further diversify its operations and revenue streams. Furthermore, the infrastructure-light model is a core operating advantage that affords flexibility and allows the Group to attract and service customers almost anywhere in Russia. The Group’s high-volume call centres (bolstered by highly efficient chat and call bot technology) together with its award-winning Internet banking and mobile banking platforms enable it to reach customers in substantially all regions, cities and towns of Russia without having to set up branches or sales offices there. As a result, the Group is not constrained by the economics of opening a branch in a particular location, while enjoying significantly lower operational costs as compared to traditional banks relying on their branch networks. In addition, the Group can achieve loan portfolio diversification throughout Russia with limited concentration of credit risk in specific large cities or regions. As of 30 June 2021, based on the number of

customers, no region of Russia accounted for more than 10 percent of the Group's active customer base, with the exception of the Central region including Moscow, which accounts for 12.8 percent. Management believes that its traditional competitors are unable to attain the same far reach as the Group in terms of acquiring and servicing customers in all parts of Russia, or offer the same level of service.

The Group's achievements with respect to its online platform and product offering have been recognized by peers, industry experts and consumers and the platform has won numerous awards throughout the years. Most recently, in 2020, Tinkoff Bank received the World's Best Consumer Digital Bank, Best Mobile Banking App, Best Website Design, Best Open Banking APIs and Best Online Treasury Services by Global Finance. Markswebb Rank&Report awarded Best Daily Banking and Digital Office and Best Mobile Banking App at the Core of a Financial Ecosystem in 2020. Tinkoff Bank was named Best European Retail Bank of the Year by Retail Banker International in 2020. Tinkoff Bank ranked third on the "The People's Ranking 2020" compiled by Banki.ru, and its products received awards in the following categories: Investment Company of the Year, Deposit of the Year and Bank Card of the Year.

The ability to rely on its successful online customer-acquisition and service platform, as well as leverage the functionality of the Tinkoff Super-App, has enhanced the Group's profitability and enabled it to grow its share of the Russian retail financial market.

Track Record of Innovation and Diversification

The Group has a strong track record of successfully launching new financial products and services for retail and SME customers in Russia, as well as developing a comprehensive suite of lifestyle banking services. The Group was the first bank in Russia to use direct mail as its main acquisition channel for credit card sales and among the first to originate new credit cards and attract deposits online in large volumes. The Group pioneered the concept of "cloud-based" client servicing and acquisitions via its Home Call Centre, as well as quick and efficient distribution via its "smart courier" network. Tinkoff Investments has been an innovator in the retail investments segment and has garnered numerous accolades, and Tinkoff Mobile was the first MVNO launched by a bank in Russia.

The Group has history of developing and launching innovative products and services, including:

- the Tinkoff Black debit card, launched in September 2012, offering interest-earning current accounts, payment and transactional services and other benefits (including free cash withdrawals worldwide, certain purchase discounts, cashback and foreign currency optionality allowing for up to 30 currency accounts to be linked to a single card);
- Tinkoff Insurance, launched in 2013, through which the Group offers car, property, travel and certain other insurance policies. The Group was the first to offer a purely online service with the policy delivered to a customers' email inbox;
- Tinkoff Business, launched in 2016, through which the Group, on a proprietary basis, provides financial, transactional, accounting and tax products and services to individual entrepreneurs and small businesses. Under the Tinkoff Business umbrella, the Group launched Tinkoff Checkout in 2021, a one-stop payment platform for corporate clients that will combine all existing payment technologies of the Tinkoff ecosystem as well as new solutions, including services provided by CloudPayments;
- Tinkoff Investments, launched in October 2016, through which the Group offers a comprehensive suite of retail investment products and services. Tinkoff Investments was designed for different types of retail customers depending on their investor activity and makes a whole range of investment instruments available, along with analytics, a roboadvisor solution and manager support available online via chatbots or offline;
- Tinkoff Travel, launched in November 2016, through which the Group offers air travel and train tickets, hotel rooms and car rentals as well package tours through its partnership with travelata.ru. Tinkoff Travel was relaunched in 2019 as an online travel agency with new improved features, such as travel insurance;

- Tinkoff Mobile, through which the Group offers mobile connectivity and data services to customers throughout Russia. It offers a user-friendly interface and tariff constructor, which allows customers to build a personalised tariff plan of their desired services without any hidden or unwanted services;
- “Oleg”, the voice assistant for financial and lifestyle tasks, launched in June 2019. Oleg is available across the core applications of the online platform and is able to recognise and interpret different user voice commands, ask follow-up questions, solve problems and communicate with the user on a variety of topics. Oleg assists customers by allowing them to use their voices to manage all the key financial and lifestyle services in the Tinkoff ecosystem. In 2021, Marksw Webb awarded Oleg first place for Best Customer Experience among the chatbots of Russia’s top-15 banks;
- Tinkoff Pro and Tinkoff Premium, services that provide access to the Tinkoff ecosystem via a subscription that features certain privileges, such as higher interest rates on current accounts and bank deposits, higher cash back, free mobile time in Tinkoff Mobile and bonuses in various services of the Tinkoff ecosystem;
- the Tinkoff Super-App, a versatile application that the Group launched in 2019. The Tinkoff Super-App aggregates all of the Group’s products under one umbrella, and provides a platform enabling third-party partners to offer their services, and allows customers to seamlessly satisfy their daily banking, credit, transactional and lifestyle needs; and
- the development of the Group’s AI Banking technology with the aim of providing technology-powered customer services and personalised user interfaces that will guide and advise customers, assist them with managing and automating their finances, and help customers save and become wealthier by automating and simplifying investments.

The Group’s innovative product development was instrumental to creating the Tinkoff online platform, which has grown into the Tinkoff ecosystem of integrated products and services tailored for customers’ financial and lifestyle needs, and remains key to the diversification of the Group’s business model and future growth.

Additional non-credit product lines help to build the Tinkoff brand and drive customer traffic onto the Tinkoff online platform, thereby creating additional opportunities for cross-selling. For example, the Group’s Tinkoff Investments product launched in late 2016 already has over 1.3 million active customers, of which over 90 percent have subsequently become Tinkoff Black users. Cross-selling opportunities such as this have allowed products per customer to grow from 1.3 as at 31 December 2019 to 1.4 as at 31 December 2020, despite the denominator having increased as a result of significant growth in the Group’s customer base. In addition, customers tend to use more Tinkoff products as time goes by, with the average products per customer rising from 1.3 for customers that have used the Group’s services for one year to 1.8 for customers that have used the Group’s services for six years.

Product and service diversification, including new credit products, also enable the Group to target new, more affluent and/or underserved customer segments, including young professionals and small businesses, and diversify the Group’s interest and fee and commission revenue streams in line with its strategy. In keeping with the Group’s infrastructure-light, flexible business model, the new products and services do not require significant capital investment and can be scaled up or down efficiently in accordance with prevailing conditions in the retail financial services market. The development and diversification of the Group’s product mix, especially in non-credit business lines, was the main contributing factor in the substantial growth of fee and commission income in the last several years, and Management expects that non-credit card income will continue to grow and will represent a valuable hedge against cyclical trends in the consumer credit market.

Reflecting the substantial diversification of the Group’s offering beyond its traditional credit product business, in 2020, for the first time, the number of customers that have used non-credit products and services exceeded the number of credit product customers of the Group. Moreover, the share of non-credit card loans in total loans and advances to customers at AC amounted to 47.5 percent and the share of secured loans amounted to 9.6 percent as of 30 June 2021, and to 9.0 percent and 7.7 percent, respectively, as of 31 December 2020 and 2019.

In order to develop better products, the Group regularly applies a “test and learn” approach by running small-scale tests to gauge customer interest and the effect of proposed innovations on its operating and financial results. The Group rolls out only those innovations or products that prove successful in these tests. In order to measure the results of these tests and obtain the necessary data for introducing new products or changing the existing ones, the Group uses holistic data analysis and modelling.

Expertise in Data Management, Analysis and Advanced Risk Management Capabilities

To effectively carry out its key functions, including marketing across different acquisition channels, sourcing of potential customers, potential customer evaluation and selection, credit risk monitoring and management or collections, the Group has built extensive and complex data management and analysis capabilities. It extensively uses its own and third party databases (including databases of credit bureaus, government agencies and marketing partners) in its scoring models, NPV models, portfolio forecast models, provisions forecasting and a variety of other sophisticated analytical tools that are essential for the success of its operations. Management believes that the significant investment and substantial operating experience that would be necessary to replicate these capabilities represent a meaningful competitive advantage and a barrier for new entrants.

The Group considers risk management to be one of its most important core competencies and a differentiating factor vis-a-vis its competitors in financial services. The Group uses its own and third-party databases and analytical models to extensively evaluate, appropriately price and effectively control the credit risk of individual customers as well as entire segments of its loan portfolio. Its rigorous loan approval process is based on four pillars – pre-selection of a large proportion of customers, sophisticated use of information from credit bureaus, verification of customer data and low initial credit limits that are increased on a regular basis for non-delinquent customers (a “low and slow” approach). The Group runs well-functioning and tested collections programmes, which combine in-house “soft” collections that rely on holistic data analysis to appropriately prioritise accounts and determine cost-effective collections strategies, conversion of some debt into personal instalment loans, a “legal” collections programme whereby the Group initiates and conducts numerous court actions remotely through standardised claims-processing and transfer collections to Phoenix (as defined below), its internal collection agency, or, to a much lesser extent, to external collection agencies. The Group sets credit loss allowances for loans and advances to customers conservatively and also applies a conservative approach to managing the market risk of its securities and other financial assets portfolio. The Group is generally not engaged in significant trading operations and manages its foreign currency positions through hedging, matching or controlled mismatching. The Group has also prioritised investing in and developing AI technologies and machine learning to enhance its risk management processes by optimizing credit scoring processes.

These advanced features of the Group’s risk management practice are reflected in the Group’s cost of risk (excluding POCI), which has averaged 10.0 percent in the ten years from 2011 to 2021, despite the adverse economic conditions in Russia in 2014-2016 and the COVID-19 pandemic in 2020.

Premium-Level Service and Brand

Management believes that the Group distinguishes itself from its competitors by offering a premium-level customer service and customer experience. The Tinkoff online platform is a convenient one-stop financial and lifestyle services destination through which a wide range of competitively priced and customized products and services are offered to customers. The Group operates a “smart couriers” delivery network throughout Russia and works to expedite customer application processes. The Group’s customers enjoy convenient 24-hours-a-day, seven-days-a-week access to their accounts and financial transaction and lifestyle services through the combination of the Tinkoff online platform and free mobile and call centre service platforms. The Group’s cards are accepted globally through the MasterCard and Visa networks, and offer “platinum” benefits, including discounts at partner merchants or rewards points and loyalty programmes. The Group maintains a focus on ensuring customer satisfaction through a well-developed complaints resolution programme and by extensively training its call centre staff to offer friendly and helpful service. Illustrating the customer service and experience is the high engagement level of the Group’s customer base, with approximately 12.5 million monthly active users and 4.2 million active daily users across the various features of the Group’s online platform.

In 2020, the Tinkoff brand was included in the global Top 500 most valuable banking brands by Brand Finance and in the top 50 most expensive Russian brands by Brand Finance. The Group’s brand recognition is very strong due to the high profile persona of its founding shareholder Mr. Tinkov, from whose last name the brand originates. The name “Tinkoff” is associated with Mr. Tinkov’s well-known entrepreneurial activity that has given birth to a number of successful businesses and brands in Russia, including beer, restaurants and frozen foods. The Group’s marketing and public relations divisions are highly attuned to the latest consumer and online trends and use a variety of communication channels, including its online platform, social networks (Instagram, Twitter, Facebook, YouTube, Odnoklassniki and V Kontakte) and social and industry events to further enhance the Group’s brand recognition. In addition, Tinkoff Bank runs an online educational journal called “Tinkoff Journal” which primarily focuses on personal finance management, investments, interaction with banks and other consumer issues. Further, from time to time the Group initiates television advertising campaigns which Management believes increase interest in the brand of Tinkoff Bank. Management believes that the Group’s brand strategy strengthens its

customer-acquisition campaigns, particularly as its online customer acquisition platform has become the Group's most significant distribution channel.

Experienced Management Team and Strong Corporate Culture of Innovation and Entrepreneurship

The Group is run by an entrepreneurial and highly-experienced management team. Its top management has previous experience at leading financial, banking and consumer companies in Russia, and most senior managers have been with the Group since inception, providing a great degree of continuity and stability. The Group has a share-based incentive plan for its managers, which aligns their interests with those of shareholders in terms of developing and growing the business to create long-term value. The organisational structure of the Group is flat, which, in addition to cost benefits, also encourages fast decision-making, quick communication and participation of non-managerial employees in the contribution of ideas. The Group's dynamic corporate culture is characterised by a strong emphasis on teamwork, clear roles for managers and employees and a culture of accountability that does not, however, prevent people from being proactive or willing to experiment. The Group benefits from a wealth of experience and know-how on smart business expansion and effective scaling up operations. Management develops growth strategies and acquisition channels on the basis of several core principles, including acquisition based on mapping the customer journey, testing and learning new channels, NPV-based scaling and constant assessment of channel efficiency through data analytics, whilst the development teams benefit from in-house infrastructure, full control over acquisition channels via in-house marketing for their respective business lines and structures to tackle cross-functional acquisition projects.

As the founder and largest shareholder of the Group, and one of the best known Russian entrepreneurs, Mr. Tinkov continues to play an important role in supporting the Group's dynamic strategic vision.

Strong Financial Performance with Attractive Combination of High Growth and Returns

The Group demonstrated strong financial results during the 2018-2020 period, with net margin growing from RUB 60,668 million in the year ended 31 December 2018, to RUB 104,702 million in the year ended 31 December 2020. Fee and commission income increased from RUB 27,423 million in the year ended 31 December 2018 to RUB 47,609 million in the year ended 31 December 2020, with its share in total revenue accounting for 23.6 percent in the year ended 31 December 2018 and 24.3 percent in the year ended 31 December 2020. Profit for the year increased by a total of 63.0 percent from RUB 27,122 million in the year ended 31 December 2018 to RUB 44,213 million in the year ended 31 December 2020, return on average equity decreased from 74.7 percent in the year ended 31 December 2018 to 40.6 percent in the year ended 31 December 2020, and the cost of risk (excluding POCI) increased from 5.8 percent for the year ended 31 December 2018 to 10.0 percent for the year ended 31 December 2020. The Group's net loans and advances to customers increased from RUB 198,489 million as of 31 December 2018 to RUB 376,521 million as of 31 December 2020. The Group's customer accounts increased from RUB 280,916 million as of 31 December 2018 to RUB 626,837 million as of 31 December 2020. The Group's results in the six months ended 30 June 2021 remained strong, with net margin amounting to RUB 62,304 million compared to RUB 52,359 million in the six months ended 30 June 2020. The Group increased its total assets to RUB 966,004 million as of 30 June 2021 from RUB 375,499 million as of 31 December 2018.

Strategy

The Group's strategic goal is to grow its business and customer base by building the most comprehensive, engaging and innovating financial and lifestyle ecosystem in the world supported by a high-tech online platform that offers premium-quality service and convenience, while maintaining profitability and effective data-driven risk management.

This overall strategic goal is underpinned by the following six pillars:

Continue to Grow the Group's Business and Customer Base

According to CBR data, the Group has increased its market share of the Russian credit card market in terms of loan portfolio from 11.8 percent as of 1 January 2018 to 14.0 percent as of 1 January 2021 and to 14.6 percent as of 1 July 2021, making the Group the second-largest credit card lender in Russia. In addition, in 2019, the Group is a major issuer of retail loans up to three years, with a market share of 8.6 percent as of both 1 January 2020 and 1 July 2021, putting it in second and third position, respectively. However, the Group's market share in the overall retail loan market in terms of loan portfolio stood at only 2.2 percent as of 1 May 2021, according to CBR data. Management believes the Russian market continues to offer considerable growth opportunities and the Group intends to capitalize on these prospects in a number of ways. See "*Business —Competitive Strengths—Growth Opportunities in the Russian Consumer Market and Retail Financial Services*" above.

The Group will continue scaling up its existing business lines with the aim of gaining a larger share of the “serviceable addressable market” which the Group defines as the aggregate of the markets that it is currently targeting. In addition to the serviceable addressable market, the Group has identified a number of market segments which it may reasonably target as part of its growth strategy (or, in some instances, has launched and is testing products for such segments) and these segments are collectively referred to as the “total addressable market”. To take just two examples, the Group is currently developing its Tinkoff Private premium banking product, as well as testing its capital markets investment banking service. Tinkoff Private aims to offer high-net-worth clients a full range of digitalised high-end services and benefits, such as wealth management, consultations with tax specialists, high credit limits, access to business lounges and a concierge service. The Group’s investment banking services will seek to assist corporates (primarily those operating in new-economy countries) with issuances of equity and debt securities. Other market segments of interest include SME lending, mortgages, merchant solutions, life and medical insurance and leasing. The Group will also seek to benefit from the deepening of the credit, retail investment and insurance markets as these markets remain underpenetrated.

While the Group continues to regard Russia as its primary market in terms of business opportunities (such as those described above) and capital allocation, Management also views international expansion as a possibility. The Group has for several years been evaluating a number of markets and looking at opportunities in various geographical regions (including south-east Asia (excluding China)) where Management believes the Group’s business model could be rolled out successfully. In the last year, Management has begun actively exploring entry strategies with respect to certain such markets. In particular, the Group plans to establish a subsidiary in the Philippines and, in August 2021, applied to the local regulator for approval of a banking licence. Management does not expect this strand of the Group’s strategy to result in any material change to the Group’s capital allocation profile in the short term.

In terms of customers, the Group plans to grow the number of active customers and increase the engagement levels with each customer. Management has identified its total addressable population as being equal to Russia’s economically active population that stood at approximately 100 million as of April 2021, according to CBR data and the Group’s estimations. The Group aims to increase its active customer base from 9.1 million as of year-end 2020 to 16.5 million by the end of 2023. The Group will also continue focusing on increasing the customer engagement level, which it defines as the number of revenue-generating products per active customer. The Group aims to reach a customer engagement level of 1.7× by the end of 2023 (as compared to 1.4× as of year-end 2020).

By implementing the growth strategy and focusing on reaching the targets described above, the Group aims to double its business by the end of 2023 and reach approximately 28 million total revenue-generating products (as compared to 12.7 million as of 31 December 2020).

Continue to Develop the Tinkoff Ecosystem as a Comprehensive One-stop Destination for Customers

The Group intends to continue to develop the Tinkoff ecosystem, in order to provide a comprehensive one-stop destination which customers can use to conveniently satisfy the full range of their financial and lifestyle needs, thereby growing both the total number of active customers and increasing the amount of products and services used by each customer.

The Group will focus on developing and expanding the Tinkoff ecosystem’s offering by focusing on products that satisfy at least one of the following purposes: (i) customer acquisition; (ii) monetization; or (iii) engagement.

The Group may also from time to time acquire controlling or minority stakes in businesses, as well as clients or portfolios, that it views as being complementary to the Tinkoff ecosystem product offering or synergistic with other business lines. For example, the Group has made two investments since the start of 2021. In the first half of 2021, it acquired an 85.4 percent stake in LLC “Beskontakt” – a fintech company developing the “Koshelek” digital wallet for loyalty and payment cards – for the purposes of integrating the Group’s various loyalty programmes further into the Tinkoff ecosystem and providing customers with an engaging and convenient way to access them. In June 2021, the Group acquired a 5.0 percent stake in PJSC SPB Exchange – Russia’s oldest stock exchange and the largest outside Moscow – for the purposes of facilitating a coordinated approach to widening the variety of financial instruments (including options and other derivatives) available for retail investors to trade on the Saint Petersburg Stock Exchange (on which Tinkoff Investments was as at 11 June 2021 the largest trader in terms of trading volumes, number of active customers and customer assets, according to PJSC SPB Exchange).

Credit Products and Services

Management expects that retail lending will remain the Group's core business for the foreseeable future and intends to continue to extend the range of its credit products, strengthen the Group's existing credit distribution channels and develop new distribution channels (such as retail partners with large distribution networks, loyalty programmes and cross-selling to customers using new products).

In particular, Management intends to continue growing the Group's non-credit card lending, such as cash, auto, SME, POS and secured loans, and to further selectively diversify its comprehensive credit product offering for the retail market. The Group seeks to first test and, if successful, develop new loan products that supplement the Tinkoff ecosystem and acquisition channels and that do not require significant capital investments. For example, in 2018 the Group began to offer home equity and car loans and after a period of testing distribution, gathering data and building models for these loan products, the Group has considerably scaled up its secured lending operations (the aggregate portfolio of secured loans amounted to RUB 53,939 million as at 30 June 2021). The Group has also been carefully testing and developing its corporate lending business lines by initially offering loan products to select SME clients since 2018, and since 2021 the Group has begun to scale up this offering.

The expansion of the Group's credit product offering for the retail market aims to increase convenience for customers by providing them with a one-stop lending shop, help to retain the Group's customer base in the Tinkoff ecosystem and increase the Group's revenue per customer, as well as provide further opportunities to cross-sell its transactional and servicing products. By expanding the corporate lending business the Group aims to further diversify its revenue sources and capitalise on lucrative cross-selling opportunities.

Furthermore, the Group intends to leverage its highly successful non-credit products, such as Tinkoff Black, as well as the increasing functionality of the Tinkoff ecosystem, to cross-sell its growing range of loan products. Management expects that the addition of these and potentially other lending products, together with the expansion of its non-lending products and services, will enable the Group to continue to grow its customer base and diversify its revenue streams.

Transactional and Lifestyle Products and Services

Diversification of the Group's products and services has been a vital component of the evolution of the Group's business model from a credit card issuer into the all-encompassing Tinkoff ecosystem that provides financial and lifestyle services to customers across Russia. The Group intends to continue developing servicing and transactional business lines available to customers, with a focus on lifestyle banking as it enables the Group to provide a customer-centric service and more extensive cross-selling opportunities. See “—*Competitive Strengths—Track Record of Innovation and Diversification*”. By expanding these products and services the Group will be able to further diversify its sources of revenue, increase customer-retention rates, attract new customers and capture a higher proportion of the financial products and services used by its existing customers. In this respect, the Group will continue to seek out potential opportunities to partner with third-party lifestyle service providers, including via investing in such providers or creating joint ventures.

The Group will continue to leverage its flexible online platform which allows it to experiment and test new products at low cost. This approach enables the Group to select products that can fit well with the Tinkoff ecosystem philosophy of its business model. The Group will continue to offer its primary non-credit products, such as Tinkoff Black debit cards, Tinkoff Business, Tinkoff Investments, Tinkoff Acquiring and Tinkoff Insurance, on a proprietary basis. Tinkoff Investments has grown rapidly during the last several years in terms of customer base, functionality and product line, and the Group will seek to maintain Tinkoff Investments' position as a leading full-service digital retail investment platform, as well as to test and develop new products and services, including equity and debt capital market services focused on new-economy companies, asset and wealth management and corporate brokerage. In respect of Tinkoff Business, the Group has been expanding its non-credit products and services to corporate clients, primarily SMEs, and has been placing more focus on addressing medium-sized corporate clients. In particular, the Group believes it can assist companies in growing their business by offering an array of merchant solutions such as acquiring, cloud accounting, website construction, delivery services and CRM tools, and plans to continue developing the corporate banking business as a source of further non-credit revenue and cross-selling. The Group also aims to continue increasing the customer base of Tinkoff Insurance and Tinkoff Acquiring via direct acquisition and through cross-selling within the Tinkoff ecosystem and potentially introduce innovative acquiring, payments and insurance products and services.

In April 2021, the Group launched its BNPL service for online purchases under the brand name “Dolyame”. This service is a first of its kind in Russia as it enables customers to pay for goods and services in instalments using

payment cards of any bank and Apple Pay and Google Pay at no additional cost to the customer (see *Business—Transactional, Servicing and Savings Products—Transaction, Servicing and Savings Products-SME—BNPL Service* for more details). Currently, transaction volumes and the customer base of the Dolyame service are immaterial compared to some of the Group's other financial services, but the Group is taking steps to expand the partner network and customer base.

The Group also aims to continue investing in Tinkoff Mobile which management considers to be an important component of the Tinkoff ecosystem and believes this business segment will become profitable in 2022.

The Group currently places and will continue to place focus on lifestyle banking as an integral part of the expanding Tinkoff ecosystem. To that end, Management aims to increase the active monthly users of its various lifestyle products and services and increase the engagement of such users. The Group also plans to continue developing relations with existing lifestyle partners and seek out new partnership opportunities. These steps will allow it to broaden the lifestyle offering, drive more traffic to the Tinkoff online platform and enhance opportunities for additional cross-selling, whilst at the same time generating fee-and-commission-based revenue without requiring balance sheet funding or causing any pressure on capital levels.

The Group's non-credit net income has grown substantially in the last several years and Management intends for such income to continue to grow and represent a significant portion of its total net income in the future.

Tinkoff Super-App

The Group's online platform has been critical to the successful evolution of its business model. To support the expansion of the Tinkoff ecosystem and elevate the customer experience further, the Group launched the Tinkoff Super-App in December 2019 (see "*Business—Competitive Strengths—Advanced Highly Scalable Tinkoff Ecosystem and the Tinkoff Super-App*"). The Group intends to continue developing the Tinkoff Super-App by adding features and enhancing functionality and integration with the Tinkoff ecosystem, as well as by expanding the partner network in number and substance.

Management believes that by constantly enhancing the Group's online presence it will improve access to customers in regions underserved by physical bank branches and to customers from more affluent demographics that spend more time online and tend to use more financial and lifestyle services. Further, the Group will continue to capitalise on increased traffic to the Tinkoff online platform to gain access to additional data on consumer trends and preferences, which it can use to further refine its marketing and credit analysis and underwriting processes, as well as to be better positioned to diversify its product mix by selectively developing and testing various products and services.

Increase Customer Engagement by Expanding and Developing its Cross-Selling Channels

Management believes that customer engagement is vital to its growth strategy and has plans to significantly increase customer-retention rates and engagement levels. Whilst the Group has achieved significant results in engaging its target audience (see "*Business—Competitive Strengths—Growth Opportunities in the Russian Consumer Market and Retail Financial Services*"), management has calculated that, as of 30 June 2021, approximately 7.1 million customers have only one product from the Group's wide portfolio. This provides the Group with ample opportunities to increase customer engagement using various cross-selling tactics. In particular, Management sees an opportunity to increase net income by cross-selling from its most popular products, such as Tinkoff Black (which has an LTV/CAC ratio of 6.4× and a CAC payback period of nine months), into its most profitable products, such as Tinkoff Investments (which has an LTV/CAC ratio of 32.9× and a CAC payback period of two months) and, in the case of SME customers, Tinkoff Business (which has an LTV/CAC ratio of 10.5× and a CAC payback period of three months) and Tinkoff Acquiring (which has an LTV/CAC ratio of 17.0× and a CAC payback period of two months).

The Group will continue to focus on: (i) complimentary cross-selling, when several products and/or services are used jointly as they complement each other and the application process is embedded in one another or aligned; (ii) digital cross-selling via the Group's online presence and the Tinkoff Super-App, in particular, by leveraging frequent traffic, targeted communications, analytics and modelling enhanced by machine learning; and (iii) proactive cross-selling using telesales and smart couriers. In addition, in late 2020, the Group launched a new subscription service (Tinkoff Pro and Tinkoff Premium) that features certain privileges, such as higher interest rates on current accounts and bank deposits, higher cashback, free mobile time in Tinkoff Mobile and bonuses in various services of the Tinkoff ecosystem. The Group believes the new subscription services have considerable potential to grow and increase customer engagement and provide additional cross-selling potential which the

Group aims to capture. For purposes of achieving maximum results, the Group will continue to tailor its cross-selling channels to its customers and products.

By developing and cross-selling new products to existing customers, the Group expects to diversify its revenue streams, increase its revenue per customer and increase its customer engagement level, retention and life time value rates.

Maintain Leadership in Customer Service and Brand Awareness

Management believes that high-quality customer service has been a key driver of the Group's growth and customer retention. Elements of the Group's premium-level service include, among others, simple application processes; streamlined documentation requirements; convenient and free twenty-four-hour, seven-days-a-week access to the Tinkoff online platform and Tinkoff ecosystem via a single Tinkoff ID using the Internet, mobile phone or call centres from wherever the customer chooses to be, whether at home, in the office or while travelling; the accessibility and resourcefulness of the Tinkoff mobile applications; the reach of its "smart courier" service in contributing to the fast processing of applications and card delivery; free loan repayments and account replenishments through a wide network of partners and the Group's own network of ATMs and payment terminals; and quick and straightforward resolution of problems and complaints. Management intends to maintain and further improve each of these components of its customer service in the future.

In addition to the above, and at the forefront of the Group's efforts to maintain leadership in cutting-edge customer service, is the development of the Group's AI Banking technology (see "*Business—Continue to Support Its Business Expansion by Using Advanced IT Systems and Develop Cutting-Edge AI Banking technology*"). The Group will focus on testing, improving and developing its AI Banking to provide technology-powered customer services and personalised user interfaces that will guide and advise customers, assist them with managing and automating their finances and help customers save and become wealthier by automating and simplifying investments, all with the assistance of the highly advanced voice assistant technology "Oleg".

The Group also intends to continue to build its premium brand, including through television, social media and other advertising media and the diversification of its product offering, including lifestyle services (see "*Competitive Strengths—Premium-Level Service and Brand*" and "*Business—Strategy—Continue to Develop the Tinkoff Ecosystem as a Comprehensive One-stop Destination for Customers*"). Furthermore, the Group aims to leverage its reputation as a "fintech" innovator to attract top talent. Management believes that strong brand awareness will drive additional traffic to its online platform and generate additional demand for its credit and non-credit products and services.

Continue to Support Its Business Expansion by Using Advanced IT Systems and Develop Cutting-Edge AI Banking technology

The Group's in-house IT team is responsible for the development, maintenance and expansion of its online platform, including all of the mobile apps that are used in the Tinkoff ecosystem, including, among others, the Tinkoff Super-App, Tinkoff Business, Tinkoff Investments and Tinkoff Mobile. The Group expects that the Tinkoff Super-App and its online platform will play a pivotal role in the further development of the Tinkoff ecosystem and the Group aims to apply its knowledge and expertise in IT to advance these applications technologically, so that they continue to support the Group's goals of scaling up, monetizing and cross-selling its business lines.

In addition to the continuous development of its online apps, Management intends to follow its "AI First" strategy which contemplates embedding AI into product design and culture, developing infrastructure and expertise suitable for AI, redesigning processes and personalisation with the use of AI, providing AI technology to customers and selling AI technology on the market. As part of this strategy, the Group has identified AI Banking as the next stage in the evolution of its technological platform. Initially, AI Banking was mainly used to save operating costs and bolster customer service. Management believes, however, that AI Banking can play an instrumental role in assisting customers in making choices with respect to their financial, lifestyle and leisure needs, thereby elevating their user experience and increasing engagement levels and loyalty. Furthermore, AI Banking will enhance the Group's risk-management practices, including through advanced face recognition solutions and scoring using AI-powered algorithms and predictive analytics tools.

Furthermore, the Group aims to continue introducing advanced technologies and products to banking and operational processes, such as further integration of the "Oleg" voice assistant throughout the Tinkoff ecosystem, the roll-out of Tinkoff RECO, algorithmic cashback technology, Tinkoff Defense, a comprehensive security

platform, and ad-blocker technology for Tinkoff Mobile, as well as implementing its in-house facial recognition solutions (Tinkoff Crater and Tinkoff Lava), as well as implementing new technologies to supplement the Tinkoff ecosystem. In 2020, the Group announced its intention to use the super-computer Kolmogorov to support AI-based processes and significantly reduce the time required for machine learning and AI-related tasks (see “— *IT Infrastructure —Big Data and Machine Learning*” for details). The Group aims to leverage its access to one of the most powerful supercomputers in Russia to streamline hypothesis-testing and decision-making processes, as well as reduce time-to-market for new products. The Group will continue to invest in the development of its advanced IT systems and expand its technological advantages over traditional Russian banks.

The Group has also started offering select IT solutions, such as its speech-to-text and text-to-speech toolkit, to third parties, and management sees demand and potential to monetise its in-house IT products in the future. The Group will continue to outsource IT tasks wherever feasible while retaining core IT functions in-house. This complementary outsourcing strategy allows the Group to retain focus on and develop core competencies to reduce capital expenditures, manage workflow and maintain a flexible cost base with low fixed expenses.

Effectively Manage Credit Risk in Reliance on Holistic Data Analysis and Modelling

As a data-driven organisation, the Group uses a wide range of its own and third-party databases in its loan approval processes and portfolio management and is constantly in search of new sources of relevant data. The Group takes loan approval decisions based on a range of available information, including credit bureau data and scores, proprietary scoring models (which are frequently updated), a proprietary application verification process and sophisticated NPV models (see “*Asset, Liability and Risk Management—Credit Risk—Loan Approval Criteria and Procedures*”). As part of its online origination process, the Group uses online data and behavioural profiles extensively, which Management believes gives the Group an edge over competitors in terms of underwriting. The Group has built an online scoring capability to enhance the speed and efficiency of its decisions. The Group uses holistic data analysis and modelling techniques to build NPV models at the acquisition channel or sub-channel level, which enable it to make loan approval decisions taking into account the cost of acquisition, cost of servicing, cost of funding and probability of default. Management will continue to develop credit risk-management capabilities and to use increasingly sophisticated data analysis and modelling to achieve this goal. Credit risk-management remains one of the core strengths of the Group and will remain vital to sustaining its competitive advantage in the future.

Risk Factors

An investment in the Notes involves a high degree of risk. For a detailed discussion of the risks and other factors to be considered when making an investment with respect to the Notes, see “Risk Factors” and “Forward-Looking Statements”. Prospective investors in the Notes should carefully consider the risks and other information contained in these Listing Particulars prior to making any investment decision with respect to the Notes. Prospective investors should note that the risks described in these Listing Particulars are not the only risks the Group faces. Tinkoff Bank and the Issuer have described only the risks they consider to be material. However, there may be additional risks that they currently consider immaterial or of which they are currently unaware.

The Group's Consolidated Statement of Profit or Loss and Other Comprehensive Income Data

	Six months ended 30 June		Year ended 31 December		
	2021	2020	2020	2019	2018
	<i>(in millions of roubles)</i>				
Interest income calculated using the effective interest rate method.....	75,041	64,376	128,084	111,129	76,945
Other similar income	113	11	83	118	456
Interest expense calculated using effective interest rate method.....	(11,699)	(11,153)	(21,581)	(21,317)	(15,559)
Other similar expense	(40)	(74)	(139)	(134)	-
Expenses on deposit insurance	(1,111)	(801)	(1,745)	(1,870)	(1,174)
Net margin	62,304	52,359	104,702	87,926	60,668
Credit loss allowance for loans and advances to customers and credit related commitments.....	(9,432)	(27,437)	(38,972)	(26,551)	(11,354)
Credit loss allowance (charge)/reversal for debt securities at FVOCI.....	(34)	(261)	(369)	139	(192)
Total credit loss allowance for debt financial instruments	(9,466)	(27,698)	(39,341)	(26,412)	(11,546)
Net margin after credit loss allowance.....	52,838	24,661	65,361	61,514	49,122
Fee and commission income.....	36,073	19,826	47,609	35,858	27,423
Fee and commission expense	(16,836)	(9,290)	(22,215)	(15,598)	(10,827)
Customer acquisition expense	(19,214)	(8,118)	(22,588)	(18,177)	(14,222)
Net gains/(losses) from derivatives revaluation.....	(241)	2,958	4,163	(2,563)	1,784
Net (losses)/gains from foreign exchange translation..	758	(4,501)	(6,850)	2,216	(2,155)
Net gains/(losses) from operations with foreign currencies	(670)	920	1,595	(968)	381
Net gains from disposals of debt securities at FVOCI.	789	6,249	7,210	301	378
Net gains/(losses) from financial instruments at FVTPL	1,502	10	603	389	(808)
Insurance premiums earned	10,128	9,386	18,567	14,110	6,674
Insurance claims incurred.....	(1,940)	(2,109)	(3,814)	(4,891)	(2,126)
Administrative and other operating expenses	(25,201)	(16,106)	(35,005)	(27,377)	(21,110)
Net gains/(losses) from repurchase of subordinated debt.....	5	150	168	-	-
Other operating income	451	728	1,445	722	710
Profit before tax.....	38,442	24,764	56,249	45,536	35,224
Income tax expense	(8,180)	(5,510)	(12,036)	(9,413)	(8,102)
Profit for the period or year	30,262	19,254	44,213	36,123	27,122

⁽¹⁾ The Group made certain presentation changes to the financial information as of and for the years ended 31 December 2020, 2019 and 2018 to conform to its presentation in the 30 June 2021 Interim Consolidated Financial Statements. See “*Presentation of Financial and Other information—Changes in presentation of financial statements*”. For details of reclassifications and changes in presentation see Note 22 to the Interim Consolidated Financial Statements, Note 40 to the 2020 Annual Consolidated Financial Statements and Note 3 to the 2019 Annual Consolidated Financial Statements included in these Listing Particulars.

Consolidated Statement of Financial Position Data

	As of 30 June	As of 31 December		
	2021	2020	2019	2018
		(in millions of Roubles)		
ASSETS				
Cash and cash equivalents	108,480	136,351	55,564	33,802
Mandatory cash balances with the CBR	6,642	5,379	3,448	2,435
Due from other banks	1,097	1,887	2,084	776
Loans and advances to customers	507,374	376,521	329,175	198,489
Financial derivatives	5,197	5,035	390	1,710
Investments in debt securities	223,645	238,454	135,178	100,140
Repurchase receivables	5,099	29	-	1,182
Current income tax	39	3,133	815	1,104
Deferred income tax	780	947	1,517	-
Guarantee deposits with payment systems	15,187	15,475	8,877	4,603
Brokerage receivables	42,077	24,064	2,799	-
Tangible fixed assets and right-of-use assets	12,705	10,481	10,560	8,369
Intangible assets	11,753	7,082	5,435	4,223
Other financial assets	21,415	31,070	21,673	15,642
Other non-financial assets	4,514	3,386	2,510	3,024
TOTAL ASSETS	966,004	859,294	580,025	375,499
LIABILITIES AND EQUITY				
LIABILITIES				
Due to banks	9,712	4,819	23	2,708
Customer accounts	706,729	626,837	411,614	280,916
Debt securities in issue	21,681	23,910	26,078	9,605
Financial derivatives	209	109	590	3
Brokerage payables	8,644	9,206	1,207	-
Current income tax liabilities	904	-	-	51
Deferred income tax liabilities	364	333	142	1,821
Subordinated debt	20,412	20,755	18,487	20,644
Insurance provisions	7,021	6,067	6,280	2,859
Other financial liabilities	33,046	34,337	14,648	11,201
Other non-financial liabilities	10,127	5,905	4,874	3,441
TOTAL LIABILITIES	818,849	732,278	483,943	333,249
EQUITY				
Share capital	230	230	230	188
Share premium	26,998	26,998	26,998	8,623
Treasury shares	(3,711)	(3,238)	(3,164)	(3,670)
Share-based payment reserve	3,496	1,548	1,039	1,232
Retained earnings	125,337	99,540	66,880	36,785
Revaluation reserve for investments in debt securities	(5,870)	1,849	3,996	(1,144)
Non-controlling interest	675	89	103	236
TOTAL EQUITY	147,155	127,016	96,082	42,250
TOTAL LIABILITIES AND EQUITY	966,004	859,294	580,025	375,499

⁽¹⁾ The Group made certain presentation changes to the financial information as of and for the years ended 31 December 2020, 2019 and 2018 to conform to its presentation in the 30 June 2021 Interim Consolidated Financial Statements. See “*Presentation of Financial and Other information—Changes in presentation of financial statements*”. For details of reclassifications and changes in presentation see Note 22 to the Interim Consolidated Financial Statements, Note 40 to the 2020 Annual Consolidated Financial Statements and Note 3 to the 2019 Annual Consolidated Financial Statements included in these Listing Particulars

The Group's Selected Non-IFRS Financial Ratios and Other Non-IFRS Measures

	Six months ended 30 June		Year ended 31 December	
	2021	2020	2019	2018
		(in %)		
Profitability				
Net interest margin ⁽¹⁾	16.1%	17.8%	21.9%	23.8%
Cost/income ratio ⁽²⁾	48.7%	37.6%	36.8%	41.7%
Return on equity ⁽³⁾	44.7%	40.6%	55.9%	74.7%
Return on assets ⁽⁴⁾	6.7%	6.4%	7.8%	9.0%

⁽¹⁾ Net interest margin is defined as a ratio of net margin to the average balance of total interest-earning assets. The average balance of the Group's assets represents the average of the beginning and closing balances of each quarter in the period. Net interest margin for the six-month period has been annualised by multiplying by two.

⁽²⁾ The cost/income ratio is calculated as the Group's operating expenses (the sum of its administrative and other operating expenses (excluding other provisions) and its customer acquisition expenses) divided by its operating income (net margin, fee and commission income, insurance premiums earned, other operating income less fee and commission expenses).

⁽³⁾ Return on equity is defined as profit for the period or profit for the year, as applicable, divided by the average balance of the Group's total equity. The average balance of the Group's total equity represents the average of the beginning and closing balances of each quarter in the period. Return on equity for the six-month period has been annualised by multiplying by two.

⁽⁴⁾ Return on assets is defined as profit for the period or profit for the year, as applicable, divided by the average balance of the Group's total assets. The average balance of the Group's total assets represents the average of the beginning and closing balances of each quarter in the period. Return on assets for the six-month period has been annualised by multiplying by two.

	As of and for the Six months ended 30 June	As of and for the year ended 31 December		
	2021	2020	2019	2018
		(in %)		
Credit card loan portfolio growth rate ⁽¹⁾	13.2%	9.2%	37.6%	21.8%
Equity to total assets ratio ⁽²⁾	15.2%	14.8%	16.6%	11.3%
Debt-to-equity ratio ⁽³⁾	515.5%	532.5%	474.8%	742.9%
Asset quality				
Cost of risk ratio (excluding POCl) ⁽⁶⁾	4.5%	10.0%	8.5%	5.8%
Credit loss allowance for loans and advances to customers as a percentage of gross loans.....	12.6%	15.9%	14.3%	15.4%
Non-performing loans as a percentage of gross loans.....	8.7%	10.4%	9.1%	9.4%
Credit loss allowance for loans and advances to customers as a percentage of non-performing loans.....	144.5%	153.5%	156.2%	163.5%
Capital adequacy				
<i>Basel III Ratio</i>				
Tier I capital ratio.....	18.1%	17.9%	18.9%	14.9%
Total capital ratio.....	18.1%	17.9%	18.9%	14.9%
<i>Statutory Ratios</i>				
CBR total capital adequacy ratio (N1.0) ⁽⁵⁾	12.2%	13.1%	12.1%	13.9%
CBR common equity Tier I capital adequacy ratio (N1.1) ⁽⁴⁾	10.0%	10.2%	9.5%	9.4%
CBR Tier I capital adequacy ratio (N1.2) ⁽⁵⁾	11.9%	12.4%	11.7%	13.2%

⁽¹⁾ Credit card loan portfolio growth rate is defined as the change between gross credit card loan portfolio closing and opening balances of the respective reporting year/period, divided by gross credit card loan portfolio opening balance of the respective reporting year/period.

⁽²⁾ Equity to total assets ratio is defined as the balance of total equity divided by the balance of total assets as at the end of the respective reporting period.

⁽³⁾ Debt-to-equity ratio is defined as the closing balance of total debt (sum of due to banks, customer accounts, debt securities in issue, subordinated debt) divided by the closing balance of total equity of the respective reporting period.

- (4) See “Operating and Financial Review—Capital Adequacy”. Calculated on a consolidated basis under the methodology set by the Basel Committee with capital adjustments as set out in Basel III. The Group’s Tier I capital is represented by net assets and perpetual subordinated debt of the Group and decreased by intangible assets.
- (5) Calculated in accordance with the rules of the CBR and is based on Tinkoff Bank’s unconsolidated RAS accounts of Tinkoff Bank that are materially different from IFRS.
- (6) The cost of risk ratio (excluding POCI) represents total credit loss allowance (excluding POCI) for loans and advances to customers divided by the average balance of gross loans and advances to customers in the same period. The average balance of the Group’s gross loans and advances to customers represents the average of the beginning and closing balances of each quarter in the period. The cost of risk ratio (excluding POCI) for the six-month period has been annualised by multiplying by two.

OVERVIEW OF THE OFFERING

The overview below describes the principal terms of the Notes. Certain of the terms and conditions described below are subject to important limitations and exceptions. The “Terms and Conditions of the Notes” section of these Listing Particulars contains a more detailed description of the terms and conditions of the Notes, including definitions of certain terms used in this overview. Terms used in this overview and not otherwise defined herein have the meanings given to them in “Terms and Conditions of the Notes”.

THE NOTES

The Notes:..... US\$ 600,000,000 aggregate principal amount of 6.0 percent perpetual callable loan participation notes.

Issuer: TCS Finance D.A.C., a designated activity company incorporated under the laws of Ireland, with its registered office at 2nd Floor, Palmerston House, Fenian Street, Dublin 2, Ireland and registered with the Irish Companies Registration Office with registration number 482626.

The Legal Entity Identifier code of the Issuer is 213800VIPIONINOCLOD68.

Borrower: Tinkoff Bank, a company established on 28 January 1994 under the laws of Russia, with its registered office at 2nd Khutorskaya ulitsa 38A, building 26, Moscow 127287, Russian Federation, with registration number 1027739642281.

The Legal Entity Identifier code of Tinkoff Bank is 2534000KL0PLD6KG7T76.

Joint Global Coordinators and

Bookrunners: J.P. Morgan Securities plc and Citigroup Global Markets Limited.

Joint Lead Managers and

Bookrunners: AO « ALFA-BANK » (acting jointly with Alfa Capital Markets Ltd), Alfa Capital Markets Ltd (acting jointly with AO « ALFA-BANK »), GPB-Financial Services Ltd, Renaissance Securities (Cyprus) Limited and Société Générale.

Co-Manager: BCP Securities, LLC.

Trustee:..... BNY Mellon Corporate Trustee Services Limited.

Principal Paying Agent: The Bank of New York Mellon, acting through its London Branch.

Registrar and Transfer Agent: The Bank of New York Mellon SA/NV, Dublin Branch.

Issue Price: 100 percent of the principal amount of the Notes.

Issue Date: 20 September 2021.

Interest: On each interest payment date, being 20 March, 20 June, 20 September and 20 December (each, an “**Interest Payment Date**”) in each year, commencing on 20 December 2021, the Issuer shall account to the Noteholders for an amount equivalent to amounts of interest actually received and retained by or for the account of the Issuer pursuant to the Loan Agreement, which interest under the Loan Agreement is equal to 6.0 percent per annum from (and including) 20 September 2021 (the “**Closing Date**”) to (but excluding) the First Reset Date (as defined in the Loan Agreement). Provided that the Loan is not repaid on or before the First Reset Date or any further Reset Date, the rate of interest for the Interest Period (as defined in the Loan Agreement) immediately

following each Reset Date will be determined by the Calculation Agent as set out in the Loan Agreement.

- Cancellation of Interest:**..... Payments of interest on the Loan will be made at the sole discretion of Tinkoff Bank and may be subject to cancellation and are non-cumulative. Where interest is cancelled under the Loan, no corresponding payment of interest will be made pursuant to the Notes. See Clause 5.5 (*Cancellation of Interest*) of the Loan Agreement and Condition 5.2 (*Cancellation of Interest*) of the Terms and Conditions of the Notes.
- Risk factors:** An investment in the Notes involves a high degree of risk. See “*Risk Factors*”.
- Use of Proceeds:** The net proceeds of the Notes will be used by the Issuer for the sole purpose of financing the Loan to Tinkoff Bank. In connection with the receipt of the Loan, Tinkoff Bank will pay a facility fee to the Issuer. Tinkoff Bank will use the proceeds of the Loan for general corporate purposes.
- Status of the Notes:** The Notes constitute secured limited-recourse obligations of the Issuer. The Notes are secured in the manner described in the Trust Deed and shall at all times rank *pari passu* and without preference amongst themselves.
- Limited recourse:**..... The Notes will constitute the obligation of the Issuer to apply the proceeds from the issue of the Notes solely for the purpose of financing the Loan to Tinkoff Bank pursuant to the terms of the Loan Agreement. The Issuer will only account to the Noteholders for all amounts equivalent to those (if any) received under the Loan Agreement or held on deposit in the Account less amounts in respect of the Reserved Rights, all as more fully described in the Conditions.
- Security Interests:** The Issuer’s payment obligations under and in respect of the Notes and the Trust Deed will be secured by a first fixed charge in favour of the Trustee for the benefit of itself and the Noteholders of (i) certain of the Issuer’s rights and interests as lender under the Loan Agreement and (ii) the Issuer’s rights, title and interest in, and all sums held on deposit in, the Account (in each case, other than the Reserved Rights and any amounts in respect thereof), all as more fully described in the Conditions. In addition, the Issuer (with full title guarantee) will assign absolutely certain administrative rights under the Loan Agreement (save for the rights charged or excluded as described above) to the Trustee for the benefit of itself and the Noteholders, as more fully described in the Conditions.
- Form of Notes:** The Notes will be issued in registered form. The Notes will be in denominations of US\$200,000 and integral multiples of US\$1,000 in excess thereof. The Regulation S Notes and the Rule 144A Notes will initially be represented by interests in the Regulation S Global Certificate and the Rule 144A Global Certificate, respectively, without interest coupons. On or before the Closing Date, the Regulation S Global Certificate shall be registered in the name of a nominee of, and deposited with a common depositary for, Euroclear and Clearstream, Luxembourg and the Rule 144A Global Certificate shall be registered in the name of Cede & Co. as nominee of, and deposited with a custodian for, DTC. The Global Certificates will be exchangeable for Definitive Certificates only in the limited circumstances described under “*Summary of the Provisions Relating to the Notes in Global Form*”.

Maturity Date: The Notes have no fixed or final redemption date and may only be redeemed in accordance with the provisions of Condition 6 (*Redemption and Purchase*) of the Terms and Conditions of the Notes.

Redemption: The Notes may be redeemed by the Issuer in whole, but not in part, at any time upon giving notice to the Noteholders, at their outstanding principal amount together with accrued and unpaid interest to the date of redemption and any additional amounts in respect thereof in the event that Tinkoff Bank elects to prepay the Loan due to changes in CBR regulations, for tax reasons or at its sole discretion on the First Reset Date or on any subsequent Reset Date. See Condition 6.2 and Clause 6 (*Repayment*) of the Loan Agreement.

Amendments/waiver: As long as any of the Notes remains outstanding, the Issuer will not, without the prior written consent of the Trustee, agree to any amendment to or any modification or waiver of, or authorise any breach or proposed breach of, the terms of the Loan Agreement, except as otherwise expressly provided in the Trust Deed or the Loan Agreement.

Withholding taxes: All payments in respect of interest and principal on the Notes will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of Ireland, save as required by law. If any such taxes, duties, assessments or governmental charges are payable, the Issuer shall (subject to certain exceptions) pay such additional amounts as will result in the receipt by the Noteholders of such amounts as would have been received by them had no such deduction or withholding been required. The sole obligation of the Issuer in this respect will be to account to the Noteholders for the sums equivalent to the sums received pursuant to the Loan Agreement from Tinkoff Bank. See Condition 8 (*Taxation*). In such circumstances, Tinkoff Bank will be required to increase the sum payable under the Loan Agreement to the extent necessary to ensure that the Issuer receives a net sum sufficient to pay to the Noteholders such additional amounts as will result in the receipt by the Noteholders of such amounts as would have been received by them had no such deduction or withholding been made or required to be made.

Write down of the Notes following

a Write Down Event: The Notes may be cancelled and all claims in respect thereof written down, in whole or in part, in the event of a write down of amounts due under the Loan Agreement following a Write Down Event (as defined in the Loan Agreement). Upon any such write down and cancellation of the Notes, (i) Noteholders shall automatically be deemed to irrevocably waive their right to receive, and shall no longer have any rights against the Issuer with respect to, repayment of any principal amount of the Notes, accrued and unpaid interest and (if any) additional amounts, in each case so written down and cancelled; and (ii) all rights of Noteholders for payment of any amounts under or in respect of the Notes (including, without limitation, accrued and unpaid interest and any additional amounts) subject to write down and cancellation shall become null and void, irrespective of whether such amounts have become due and payable. See Condition 16 (*Write Down*) and Clause 9 (*Write Down*) of the Loan Agreement.

Disapplication of Certain

Conditions: In the event that the Loan is not confirmed as Additional Tier 1 Capital prior to the Approval Date (as such terms are defined in the Loan Agreement), Condition 16 (*Write Down*) shall not apply.

Issuer's Covenants: So long as any Note remains outstanding, the Issuer will not, without the consent of the Trustee, *inter alia*, incur any other indebtedness for

borrowed moneys (other than issuing further loan participation notes on a limited-recourse basis for the sole purpose of making further loans to Tinkoff Bank or other members of the Group), engage in any business (other than granting security interests substantially similar to the Security Interests in connection with the issue of any further loan participation notes as mentioned above and performing any act incidental to or necessary in connection with any such issue), declare any dividends or have any subsidiaries or employees.

Enforcement:..... If an Acceleration Event (as defined in the Loan Agreement) or a Relevant Event (as defined in the Trust Deed) shall have occurred, the Trustee may, subject as provided in the Trust Deed, (i) in the case of an Acceleration Event, require the Issuer to declare all amounts payable under the Loan Agreement by Tinkoff Bank to be due and payable and do all such other acts in connection therewith as the Trustee may direct or (ii) in the case of a Relevant Event, enforce any rights under the security created in the Trust Deed in favour of the Noteholders.

Upon repayment of the Loan following an Acceleration Event, the Notes will be redeemed or repaid at their principal amount together with interest accrued to the date fixed for such redemption and any additional amounts due and thereupon shall cease to be outstanding, all as more particularly described in the Conditions.

Selling Restrictions:..... The Notes have not been, and will not be, registered under the Securities Act or the securities laws of any other jurisdiction and are subject to certain restrictions on transfer and resale. The Notes will only be offered or sold (i) outside the United States in offshore jurisdictions to non-U.S. persons in accordance with Regulation S or (ii) or (ii) QIBs that are also QPs that are acquiring the securities for their own account or the account of another QIB that is also a QP. The Notes may be sold in other jurisdictions (including, without limitation, Ireland, the UK, Russia and Singapore) only in compliance with all applicable laws and regulations. See “*Plan of Distribution*”.

Further issues: The Issuer may from time to time issue further notes on the same terms as existing Notes and such further notes shall be consolidated and become fungible with the existing Notes. In the event of such further issuance, the Loan will be correspondingly increased. See Condition 14 (*Further Issues*).

Substitution of the Issuer: The Trust Deed will contain provisions under which the Issuer may, with the consent of the Trustee but without the consent of the Noteholders, transfer its obligations as principal debtor under the Trust Deed and the Notes and as lender under the Loan Agreement to a third party provided that certain conditions specified in the Trust Deed are fulfilled. See Condition 12.3 (*Substitution*).

Listing:..... Application has been made to Euronext Dublin for the approval of this document as Listing Particulars. Application has been made to Euronext Dublin for the Notes to be admitted to the Official List and trading on the Global Exchange Market which is the exchange-regulated market of Euronext Dublin. The Global Exchange Market is not a regulated market for the purposes of MiFID II.

Ratings:..... It is expected that the Notes will be rated ‘B-’ by Fitch and ‘B3(hyb)’ by Moody’s subject to confirmation after closing.

A credit rating assigned to the Notes does not necessarily mean that the Notes are a suitable investment. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or

withdrawal at any time by the assigning rating organisation. Similar ratings on different types of notes do not necessarily mean the same thing. The rating does not address the marketability of the Notes or any market price. Any change in the credit ratings of the Notes or the Borrower could adversely affect the price that a subsequent purchaser would be willing to pay for the Notes. The significance of each rating should be analysed independently from any other rating.

Governing Law: The Notes and the Trust Deed and any non-contractual obligations arising from or in connection with them will be governed by the laws of England and Wales.

Clearing Systems: DTC (in the case of the Rule 144A Notes) and Euroclear and Clearstream, Luxembourg (in the case of the Regulation S Notes).

Security Codes: Regulation S Notes:

ISIN: XS2387703866
Common Code: 238770386
FISN: TCS FINANCE DES/ASST BKD PERP SUB
CFI: DAFXPR

Rule 144A Notes:
ISIN: US87251LAA44
Common Code: 238905125
CUSIP: 87251LAA4
FISN: TCS FIN D A C/NT PERP SECD 144A
CFI: DBFSQR

THE LOAN

Lender: The Issuer

Borrower: Tinkoff Bank

Principal amount of the Loan US\$600,000,000

Interest: 6.0 percent per annum from (and including) the Closing Date to (but excluding) the First Reset Date (as defined in the Loan Agreement). Provided that the Loan is not repaid on or before the First Reset Date or any further Reset Date, the rate of interest for the Interest Period (as defined in the Loan Agreement) immediately following each Reset Date will be determined by the Calculation Agent as set out in the Loan Agreement. Interest is payable quarterly in arrear 20 March, 20 June, 20 September and 20 December in each year, commencing on 20 December 2021.

Status of the Loan: The Loan and all payment obligations expressed to be assumed by the Borrower thereunder constitute direct, general, unconditional, subordinated and unsecured obligations of the Borrower which will at all times rank at least *pari passu* with the claims of all other unsecured subordinated creditors of the Borrower (whether actual or contingent) from time to time outstanding and, without prejudice to the above, will be senior to (a) the claims of holders of the Borrower's Capital Stock in their capacity as shareholders and (b) all other obligations which are subordinated to the claims of the Lender under the Loan Agreement pursuant to Russian law or pursuant to an agreement (to the extent permitted by Russian law).

Reclassification: If, by the Approval Date (as defined in the Loan Agreement), the CBR has not issued the Final Conclusion (as defined in the Loan Agreement), the Loan shall be treated as senior in priority to any subordinated debt or

Capital Stock (as defined in the Loan Agreement) of the Borrower in accordance with the terms of Clause 3.2 (*Reclassification*) of the Loan Agreement, and the provisions of Clause 3.1 (*Subordination*), Clause 5.5 (*Cancellation of Interest*), sub-Clause 6.1.3, Clause 9 (*Write Down*) and Clause 10 (*Variation or Modification due to change in Law*) and the requirement to obtain prior written consent of the CBR under sub-Clauses 6.1.2, 6.1.5, 6.2.2, Clause 6.3 (*Repayment in the Event of Taxes and Increased Costs*), Clause 6.4 (*Reduction of the Loan Upon Cancellation of Notes*), Clause 6.5 (*Repayment on the First Reset Date or any Subsequent Reset Date*), Clauses 11(a) and 11(b) and Clause 13.3 (*Mitigation*) shall not apply.

Limited Acceleration Events: Payment Default:

If the Borrower fails to pay within 14 days any amount payable under the Loan Agreement as and when such amount becomes payable in the currency and in the manner specified herein, the Lender may, other than in cases set out in Clause 5.5 (*Cancellation of Interest*) and Clause 9 (*Write Down*) of the Loan Agreement at its discretion and without further notice, institute proceedings in the manner and to the extent contemplated by the applicable law for the insolvency (bankruptcy) of the Borrower and/or to prove for its debt, and claim, in any consequent liquidation of the Borrower.

Winding-up: On the occurrence of any of the following events:

- (a) the commencement of any liquidation of the Borrower;
- (b) the entering into force of the decision of a competent court of Russia on bankruptcy of the Borrower;
- (c) any revocation of any licence for the performance of banking operations of the Borrower, or
- (d) any other event which, under applicable Russian laws, is analogous to the events specified in the foregoing paragraphs, whereby the obligations of the Borrower under the Loan Agreement are accelerated,

the Lender may give notice to the Borrower that under the laws of Russia the Loan is, and it shall accordingly become, due and repayable (subject to and in accordance with the provisions of Clause 3.1 (*Subordination*)) of the Loan Agreement at the principal amount thereof together with any interest accrued and unpaid to the date of repayment and any other sums due and payable by the Borrower pursuant to the Loan Agreement, and the Lender may, at its discretion and without further notice, take any actions in the manner and to the extent contemplated by the applicable law of Russia to prove for its debt and/or, to the extent applicable, commence liquidation or winding up proceedings of the Borrower.

Redemption: Tinkoff Bank (in certain circumstances and, in each case, subject to certain conditions having been satisfied) may elect to prepay the Loan under Clause 6.2 (*Repayment Option*), Clause 6.3 (*Repayment in the Event of Taxes or Increased Costs*) and Clause 6.5 (*Repayment on the First Reset Date or any Subsequent Reset Date*) of the Loan Agreement. See Condition 6.2 and Clause 6 (*Repayment*) of the Loan Agreement.

Withholding taxes:..... All payments in respect of interest and principal to be made by Tinkoff Bank under the Loan Agreement will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of Russia or Ireland, save as required by law. If any such taxes, duties, assessments or governmental

charges are payable, Tinkoff Bank will be required (subject to certain exceptions) to pay such additional amounts as will result in the receipt by the Issuer of such amounts as would have been received by it had no such deduction or withholding been required.

Write Down Measures under

the Loan:..... The amounts due under the Loan Agreement may be written down following a Write Down Event (as defined in the Loan Agreement). On the applicable Write Down Measure Effective Date (as defined in the Loan Agreement) (a) applicable amounts under or in respect of the Loan will be written down and cancelled in an amount equal to the Write Down Amount; (b) the Lender and the Trustee on behalf of the Noteholders shall automatically be deemed to have irrevocably waived their right to receive, and will no longer have any rights against the Borrower with respect to, repayment of such portion of the accrued and unpaid interest and, if applicable, aggregate principal in respect of the Loan, in each case so written down and cancelled pursuant to (a) above and Monetary Damages (as defined in the Loan Agreement); and (c) all rights of the Lender and the Trustee for payment of any amounts under or in respect of the Loan so written down and cancelled shall become null and void, irrespective of whether such amounts have become due and payable prior to the relevant Write Down Event Notice or the Write Down Measure Effective Date.

Governing Law: The Loan Agreement and any non-contractual obligations arising from or in connection with it will be governed by the laws of England and Wales.

RISK FACTORS

Investment in the Notes involves a high degree of risk. Prospective investors should carefully review this entire Listing Particulars and, in particular, should consider all the risks inherent in making such an investment, including the risk factors set forth below, before making a decision to invest. These risk factors, individually or together, could have a material adverse effect on the Issuer's and/or the Group's business, financial condition, results of operations and prospects and/or the rights of Noteholders under the Notes.

Prospective investors should note that the risks described below are not the only risks the Issuer and the Group face. These are the risks that the Issuer and Tinkoff Bank consider material. There may be additional risks that the Issuer and Tinkoff Bank currently consider immaterial or of which the Issuer and Tinkoff Bank are currently unaware, and any of these risks could have similar effects to those set forth above.

Any deterioration in the conditions of the Russian economy, the instability of the Russian banking sector and commodity prices could have a material adverse effect on the Group's business, liquidity and financial condition

The majority of the Group's assets and customers are located in, or have businesses related to, Russia. As a result, the Group is substantially affected by the state of the Russian economy, which is, to a significant degree, dependent on exports of key commodities, such as oil, gas, iron ore and other raw materials, imports of significant amounts of consumer and other goods and access to international sources of financing.

The conditions and outlook for the Russian economy deteriorated significantly during 2014 and continued to worsen in 2015 and 2016. According to Rosstat, the Russian economy returned to growth in real gross domestic product ("GDP") terms in 2018, with GDP growing by 2.5 percent and expanding by 1.3 percent in 2019. In 2020, Russia's GDP contracted by 3.1 percent due to the COVID-19 pandemic. Inflation was 3.0 percent in 2019 and 4.9 percent in 2020. The rouble experienced significant depreciation against the U.S. dollar in 2014, 2015 and early 2016. The rouble / US\$ exchange rate remains volatile, and as at 31 December 2019 amounted to RUB 61.91 per US\$1.00, as at 31 December 2020 amounted to RUB 73.88 per US\$1.00 and as at 30 June 2021 amounted to RUB 72.37 per US\$1.00. The deterioration and fluctuations in these and other key economic indicators were the result of a combination of macroeconomic and geopolitical factors, including:

- a significant decline in the price of Brent Crude oil during 2014, 2015 and the first quarter of 2016. The price of Brent Crude oil fell from US\$112.36 per barrel on 30 June 2014 to US\$37.28 per barrel on 31 December 2015, and subsequently increasing throughout 2016 and 2017. The price of Brent Crude oil was US\$68.68 per barrel on 31 December 2019, US\$51.41 per barrel on 31 December 2020 averaging US\$50 per barrel in December 2020 and US\$55 per barrel in January 2021 according to the U.S. Energy Information Agency, and continues to be volatile and unstable as discussed below;
- economic sanctions which the United States and the EU (as well as other nations, such as Australia, Canada, Japan and Switzerland) have imposed against Russian individuals and legal entities in connection with Crimea's accession to Russia and the armed conflict in Eastern Ukraine have significantly interrupted international business relationships and seriously reduced the ability of Russian companies to access the international capital markets. The armed conflict in Eastern Ukraine between the Ukrainian army and local militia has destabilized the region and put further pressure on international relations between Russia and Western countries, including the United States, the UK and the EU, and has also led to the expansion of sanction programmes in respect of Russian legal entities and individuals;
- negative investor sentiment towards investing in Russia that resulted in higher net capital outflows as investments decreased and Russian and non-Russian investors sought out other geographies in which to hold capital and make investments. According to the CBR, such outflows increased significantly in 2014 and reached US\$151.5 billion, an increase of 148 percent from 2013. Net capital outflows amounted to US\$57.5 billion in 2015 as compared to US\$19.2 billion in 2016, US\$31.1 billion in 2017, US\$67.5 billion in 2018, US\$26.7 billion in 2019, US\$47.8 billion in 2020 and US\$28.2 billion in the first six months of 2021;
- a 24.4 percent decrease in Russia's international reserves in 2014, as significant resources were deployed in an effort to support the value of the rouble, bolster the economy and support the Russian banking sector. The level of international reserves has since stabilised and increased, reaching

US\$554.4 billion as at 1 January 2020, US\$597.4 billion as at 1 January 2021 and U.S.\$599.6 billion as at 30 July 2021.

- a global economic downturn caused by the COVID-19 outbreak (see “—*The outbreak of COVID-19 may have a material adverse effect on the Group’s business, financial condition, results of operations and prospects*”).

In 2020, the Russian economy experienced additional pressure caused by a decrease in oil prices as a result of Russia and OPEC failing to reach an agreement over proposed oil production cuts, as well as falling demand for oil triggered by the significant slowdown of business activity and a deteriorating global macroeconomic outlook caused by the spread of the COVID-19 pandemic. In early March 2020, the price of Brent Crude fell from US\$45.3 per barrel on 6 March 2020 to US\$33.3 per barrel on 12 March 2020. This drop in oil prices caused volatility in the global financial markets and caused the rouble to fall in value. In the second half of 2020, oil prices rebounded to levels above US\$40 per barrel, and continued to rise in the first half of 2021, reaching US\$76.83 per barrel on 5 July 2021, however the oil prices remain volatile. See “—*The instability of the global economy and financial markets could have a material adverse effect on the Group’s business, liquidity and financial condition*”.

Negative developments affecting the Russian economy in 2014 to 2016 gave rise to increased corporate and retail lending rates, causing Russian banks to raise their deposit rates in an effort to obtain additional funding during a period of weakening liquidity. Consequently, funding costs increased throughout the entire Russian financial system, which negatively affected the banking sector’s profitability, Russian consumer and corporate creditworthiness, and Russian banks’ ability to manage interest rate risks, raise financing and prudently allocate available liquidity. In 2019-2020, the CBR proceeded to reduce gradually its key interest rate, reaching a low in 2020 of 4.25 percent, which led to a significant decrease in funding costs and continues to adjust the key interest rate depending on prevailing market conditions and the trajectory of the Russian economy. In 2021, the key interest rate was gradually increased to 6.5 percent in response to accelerating inflation. There can be no assurance that interest rates will not rise again. The turbulence and the increased risk profile of the Russian banking sector has led some foreign financial institutions to limit or eliminate their exposure to the Russian banking sector. While the banking sector has to some extent stabilised over the past few years (prior to the onset of the COVID-19 pandemic), any renewed instability may negatively affect the ability of Russian banks, including the Group, to access further funding and liquidity for their various business needs, including, among other things, market instruments used for hedging purposes and trade finance operations.

Any adverse changes to the factors discussed in the preceding paragraphs could negatively affect the financial condition of the Group and its customers and may result, among other things, in a reduction in the Group’s capital adequacy ratios and profits, pressure on credit risk concentration levels, an increase in exchange rate risk and volatility in gains and losses from foreign exchange, higher funding costs, lower trading volumes in Tinkoff Investments, a change in the strategy of the Group or curtailment of some business operations due to increased risks. Moreover, any of these factors may cause a decrease in customer funds, a reduction in demand for loans, foreign currency, investment and other banking transaction services that customers carry out with the Group, as well as a general deterioration in the quality of the Group’s loan book and/or a reduction in the market values of securities or other assets held on the Group’s balance sheet, leading to significantly reduced operating results.

A high level of inflation could lead to market instability, reductions in consumer purchasing power and an erosion of consumer confidence. There can be no assurance that further future declines in, or periods of significant volatility of, commodity prices will not lead to GDP contraction or slower GDP growth, or adversely affect the rouble/U.S. dollar exchange rate. In line with the sovereign rating downgrades, the credit ratings of Russia’s largest state- and privately owned financial institutions, including the Group, were downgraded in early 2015 and upgraded during 2016-2019. Any rating downgrades could adversely affect the Group’s liquidity and undermine confidence in the Group, which could lead to increased borrowing costs and restrict the Group’s access to capital markets. An increase to the Group’s cost or reduction in availability of funding could render it unable to meet deposit withdrawals on demand or at their contractual maturity, to service the credit facilities of existing customers or to fund new loans, investments and businesses. The continued deterioration in the general economic conditions in Russia, depreciation and volatility of the rouble, high interest rate environment, instability of the Russian banking sector and any downgrade of credit ratings of the Group or Russia could have a material adverse effect on the Group’s business, financial condition, results of operations and prospects.

Continuation or worsening of the COVID-19 pandemic may have a material adverse effect on the Group's business, financial condition, results of operations and prospects

COVID-19 was discovered in China in December 2019 and in March 2020 was declared by the World Health Organization to be a global pandemic. It has adversely affected and continues to affect the economies and financial markets of many countries, including Russia, resulting in an economic downturn that has, in some respects, adversely affected the Group's financial results.

Governments around the world have made efforts to contain the COVID-19 outbreak. The Russian Government imposed a country-wide lockdown in March 2020, and introduced several "non-working weeks", bans on public events, closures of places where large groups of people gather, restrictions on the opening hours of certain businesses, home-working recommendations for certain categories of employees, border controls and travel and other restrictions to slow the spread of COVID-19. Such measures and similar measures in other countries have disrupted business operations globally and locally, affecting supply chains, manufacturing, tourism, consumer spending and asset prices. In most countries, the initial wave of the COVID-19 pandemic receded in summer 2020, but resurged in a second wave straddling the latter part of 2020 and early 2021. Since May 2021, Russia and a number of other countries have been experiencing a third wave of the COVID-19 pandemic associated with the more virulent "Delta variant" first identified in India, as evidenced by a rise in the number of COVID-19 cases and deaths. In Russia, infection rates accelerated sharply from late spring and into summer 2021, peaking in mid-July 2021. In response, Russian authorities re-introduced many of the restrictions previously in place and introduced new restrictions (including QR-code check-ins at certain public places and travel restrictions for non-vaccinated persons), although such measures have in some cities (including Moscow) been scaled back in light of falling infection rates since mid-July. In addition, the Russian Government's coronavirus vaccination programme launched in December 2020 continues to offer free vaccination to the whole population. Vaccination is mandatory for most public service workers and civil servants, and many private employers have also required their employees to be vaccinated. Nonetheless, overall uptake has been relatively low, with only 27.4 percent of the Russian population fully vaccinated as at 14 September 2021, according to local government data consolidated by gogov.ru. There remains significant uncertainty regarding the impact and duration of the COVID-19 pandemic in Russia and globally, which could be exacerbated by disruptions or delays in the rollout of COVID-19 vaccines and by vaccine-resistant or more virulent mutations of COVID-19. If the spread of COVID-19 persists for a significant period of time or the infection rates stagnate or further increase, this could lead to renewed nationwide lockdowns and other restrictions, which could have a material negative impact on the Russian economy and other economies worldwide.

The COVID-19 pandemic and related restrictions have adversely affected most sectors of the Russian economy, including as regards revenues, supply chains, employees, suppliers, contractors and service organisations, as well as the banking sector's ability to provide financial services to businesses. A number of industries providing transportation, tourism and other services experienced a drop in income starting from early March 2020 and suffered lower demand for their services throughout 2020 and into 2021. Falling prices for petroleum products and metals have had a negative impact on the income of Russian commodity exporters and related industries, although the prices of such commodities have increased significantly in recent months. The SME sector suffered considerably due to lower financial stability, more limited opportunities to attract financing and the complexity of organising remote work and re-focusing on services for the population under lockdown. Any decline in economic activity, turnover, profitability or the general financial position of companies and SMEs operating in Russia's industrial sectors has a knock-on effect on the local banking sector.

The Russian Government and the CBR have implemented fiscal and regulatory measures to address the economic and social impact of the COVID-19 outbreak, including a moratorium on the insolvency of certain entities, which expired in early January 2021, as well as mandatory grace periods for certain types of retail loans and loans to SMEs. In addition, the CBR put in place temporary regulatory and supervisory relaxations on, among others, the risk weightings used by banks to calculate capital adequacy ratios and the provisioning requirements for certain types of borrowers. Most of these measures ceased to apply as from 1 July 2021. It is unclear whether any of these measures has mitigated or will mitigate the adverse impact of COVID-19.

The COVID-19 pandemic has led or may lead to:

- a global economic downturn and volatility on the financial and capital markets;
- a deterioration in the conditions of the Russian economy and currency volatility;
- a sharp fall in the value of securities held by Russian banks, including the Group;

- restricted access or no access to the international capital markets as a source of funding and liquidity;
- outflows of deposits from accounts;
- reduced demand for the Group's products and services and decreases in the credit-worthiness of Russian companies and individuals, limiting the Group's ability to issue new loans or buy bonds;
- an increase in defaults by issuers and borrowers to which the Group is exposed, as well as an increase in defaults by retail customers, any of which may lead to loan provision charges, loan losses and write-offs;
- increases in borrowing costs; and
- deterioration of capital adequacy and the Group's net margin.

The COVID-19 pandemic has affected the Group's financial results in a number of ways:

- The Group's total cost of risk (excluding POCI) has decreased to 4.5 percent as at 30 June 2021, compared to 10.0 percent as at 31 December 2020 and 8.5 percent as at 31 December 2019. This reflects an increase in loan loss provisioning in 2020 in connection with the anticipated worsening of credit conditions associated with the peak of the COVID-19 pandemic, followed by a conservative reduction in loan loss provisioning to account for the improvement in credit conditions in 2021, while recognising the risks that the pandemic and economic instability may continue negatively to affect the financial health of some of the Group's retail and SME borrowers in 2021. Continuation or worsening of the COVID-19 pandemic would likely prompt the Group to increase loan loss provisioning, which would increase its cost or risk.
- Stage 3 loans decreased to 10.3 percent of the gross loan portfolio as at 30 June 2021 (10.7 percent were non-performing loans) compared to 12.5 percent as at 31 December 2020 (10.4 percent were non-performing loans) and 10.8 percent as at 31 December 2019 (9.1 percent were non-performing loans).
- Return on equity has increased to 44.7 percent for the six months ended 30 June 2021, from 40.6 percent for the year ended 31 December 2020, which was a decrease from 55.9 percent for the year ended 31 December 2019.
- Return on assets has increased to 6.7 percent for the six months ended 30 June 2021, from 6.4 percent for the year ended 31 December 2020, which was a decrease from 7.8 percent for the year ended 31 December 2019.

See "*Business—The Group's Response to the COVID-19 Pandemic*".

The long-term impact of the COVID-19 pandemic on the Group's business and financial results will depend on a range of factors that are not possible to accurately predict, including the duration, severity, further recurrence and scope of the pandemic and the extensiveness of measures adopted by the Russian Government. Should the COVID-19 pandemic adversely affect the Group's business and financial results again, it may also have the effect of heightening or aggravating many of the other risks described in this "Risk Factors" section.

Instability in the Russian banking sector could adversely affect the Russian economy, consumer confidence in credit institutions and the Group's business

In recent years a large number of Russian banks have experienced financial difficulties, or failed to make sufficient loss provisions, which has caused them to become insolvent, have their licences revoked or need to recognise large loan impairments that required steps to replenish their capital. In particular, the CBR revoked the banking licence of Tatfondbank, a major regional bank, in March 2017 and Ugra Bank, which was the 33rd largest bank in Russia by assets, in July 2017. On 29 August 2017, the CBR announced the adoption of "certain measures aimed at enhancing the financial stability" of PJSC Bank Otkritie Financial Corporation ("**Bank Otkritie**"), then Russia's largest privately-owned bank, which is also included in the list of the eleven systemically important credit organisations in Russia. The measures involved an investment by the CBR using the funds of the CBR's recently created Russian Banking Sector Stabilisation Fund, the introduction of a temporary administration by the CBR and the change of most of the bank's senior management. The measures were adopted further to the request

made by Bank Otkritie for emergency funding in an amount of US\$6.9 billion, one of the largest rescues in the Russian banking sector to date, reportedly made by the owners of Bank Otkritie in view of the insufficiency of its capital to cover the aggressive asset growth and the quality of its assets. On 21 September 2017, the CBR announced the adoption of similar measures with respect to PJSC B&N Bank (“**B&N Bank**”) (then Russia’s twelfth-largest lender by assets) and certain other banks affiliated with it, similarly in response to the bank’s own request for emergency funding due to insufficiency of capital to cover the asset base. Further, on 15 December 2017, the CBR announced the adoption of similar measures with respect to Promsvyazbank PJSC (then Russia’s ninth-largest lender by assets) in response to, *inter alia*, the bank’s insufficient provisions for impairment of loans. In May 2018, the Russian Prime Minister signed a decree on transferring ownership in the share capital in Promsvyazbank from the State Deposit Insurance Agency of the Russian Federation (the “**Deposit Insurance Agency**”) to the Russian Government. Further, as part of the measures aimed at strengthening the financial health of the recently nationalized banks the CBR has initiated the merger of B&N Bank and Bank Otkritie, which became effective on 1 January 2019, with Bank Otkritie as the successor. More recently, on 22 January 2019, similar measures were introduced by the CBR with respect to Moscow Industrial Bank, the 33rd-largest bank in Russia by assets as of 1 January 2019, in response to the breach of minimum statutory capital requirements caused by assets’ impairment.

Although the measures adopted in these cases did not include the introduction of any moratorium or bail-in with respect to creditor claims, or any curtailment of the banks’ activities, the fact they were adopted, with respect to three banks previously considered as some of Russia’s largest private banks has led to market speculation that other large Russian banks may have similar regulatory capital problems, and/or may be subject to similar measures adopted by the regulator. Furthermore, in the case of both Bank Otkritie and B&N Bank, certain subordinated bonds were written down or converted, including subordinated bonds issued in compliance with CBR Regulation No. 395-P “On the Methodology of Calculation of Value and Adequacy of Capital of Credit Organisations (Basel III)” dated 28 December 2012, as amended (“**Regulation No. 395-P**”) (currently superseded by Regulation No. 646-P “On the Method of Determination of Own Funds (Capital) of Credit Organisations (“**Basel III**”)” dated 4 July 2018 (“**Regulation No. 646-P**”). This has contributed to the overall uncertainty in the stability of the Russian banking sector and turbulence in the Russian financial markets.

The Russian banking sector has also been subject to increased pressure as a result of the negative impact of the COVID-19 pandemic on the Russian economy and the creditworthiness of some borrowers in the retail sector and other affected industries. See “—*The instability of the global economy and financial markets could have a material adverse effect on the Group business, liquidity and financial condition*”, “—*Any deterioration in the conditions of the Russian economy, the instability of the Russian banking sector and commodity prices could have a material adverse effect on the Group’s business, liquidity and financial condition*” and “—*Continuation or worsening of the COVID-19 pandemic may have a material adverse effect on the Group’s business, financial condition, results of operations and prospects*”.

Any further financial rehabilitation measures with respect to large Russian banks, withdrawal of banking licenses, significant anti-money-laundering violations, threat of the imposition of wide-spread sanctions on the banking sector or other circumstances could adversely affect the Russian economy as well as result in lower liquidity on the domestic market, lower investor and consumer confidence in the Russian banking system generally, concerns over the ability of the Deposit Insurance Agency to service pay-outs to depositors, and may lead to investors, creditors or depositors, as the case may be, reducing their exposure to Russian bank debt or deposits, including those of the Group, which could be materially adverse to the Group’s business, financial condition, results of operations and prospects, as well as the trading price of the Notes.

The instability of the global economy and financial markets could have a material adverse effect on the Group business, liquidity and financial condition

The financial markets, both globally and in Russia, have faced significant volatility, dislocation and liquidity constraints during the global economic crisis in 2008 and 2009. Disruption in the global financial markets has had a negative impact on investor confidence and has negatively affected the interbank markets and debt issuance in terms of volume, maturity and credit spreads. More recently, the global financial markets were characterized by periods of instability and uncertainty resulting from various factors, including the sovereign debt crisis in Europe, the withdrawal of the UK from the EU, regional conflicts, outbreaks of contagious diseases, mounting concerns regarding the slowing growth of the global economy and trade tensions between some of the largest economies. There is a high degree of uncertainty in relation to the global economy arising from unstable trade relations between the United States and China, as well as tensions over control of investments in technology companies, and any escalation of trade wars could result in negative repercussions in the relevant countries and have a knock-on effect on global trade and the economic environment generally.

In addition, policy positions taken by the U.S. presidential administration may result in turbulence in the financial markets and lead to greater uncertainty regarding the status of trade relations between the United States and some of its largest trade partners. Such developments could also lead to an increase in the already high level of protectionism globally. The worsening of trade relations between certain of the larger global economies could have a knock-on effect on global trade generally and the broader economic environment. Any similar events affecting the integrity of the Eurozone or EU generally or any further economic downturns could have an adverse effect on financial stability both in the EU and globally and could impact investor sentiment. The results of the 2020 presidential elections in the United States could shift the political agenda of the U.S. executive authorities and the consequences of any such policy changes remain uncertain.

The UK signed a withdrawal agreement with the EU and Euratom on 24 January 2020 and withdrew from the EU on 31 January 2020. Although a trade cooperation agreement between the UK and the EU was signed in December 2020, there remains considerable uncertainty regarding future relations between the UK and EU and the impact that the UK's withdrawal may have in the long term. These developments have had and may continue to have a material adverse effect on global economic conditions and the stability of global financial markets, and may significantly reduce global market liquidity and restrict the ability of key market participants to operate in certain financial markets. Any of these factors could depress economic activity and restrict access to capital, which could have a material adverse effect on financial institutions worldwide.

The global COVID-19 pandemic has had a severe effect on the volume of business activity and trade in the affected areas and worldwide. On 8 June 2021, the World Bank released its Global Economic Prospects report, which included a baseline forecast of a 5.6% increase in global GDP in 2021 as a result of the measures taken to combat the COVID-19 pandemic. The report estimated that economic activity in Russia is expected to increase by 3.2% in 2021, reflecting a sharp rise in oil prices and gradual economic recovery. The downturn in economic activity and export operations globally and in Russia as a result of the COVID-19 outbreak was aggravated by the substantial decline in oil prices since early March 2020 when the global oil markets experienced a precipitous decline in oil prices in response to concerns regarding the potential impacts of the COVID-19 outbreak and the anticipated increases in oil production from OPEC countries. In April 2020, OPEC countries entered into a new agreement to reduce oil production, which led to a gradual increase in crude oil prices in the second half of 2020. OPEC countries have since agreed to a gradual increase in oil production starting from January 2021 and continuing until at least the end of 2022. It remains uncertain what impact this decision may have on the crude oil prices. The depreciation of the rouble and volatility in exchange rate of the rouble against other currencies may negatively impact the Group's performance in U.S.-dollar terms, as well as have a broader effect on its operations and customers. The CBR has in the past taken measures to support the rouble by selling foreign currency, which may reduce Russia's international reserves. Although Russia's current foreign currency and gold reserves may be sufficient to sustain the domestic currency market in the short-term, there can be no assurance that the currency market will not further deteriorate in the medium or long-term due to the lack of foreign currency funding available in the global markets.

No assurance can be given that further economic downturns, financial crises or widespread stock market volatility will not occur, or that measures to support global or local banking and financial systems, if taken to address any downturn or crisis, will be sufficient to restore stability in the banking sectors and financial markets in the short term or beyond. These and other events have resulted and could result in further economic uncertainty, decrease of foreign investment into and increased capital outflows from Russia and emerging markets generally as well as persistent volatility in global and regional financial markets.

Volatility of the international or local financial markets, tightening in credit conditions and contraction of the global economy and the Russian markets in which the Group operates, has adversely impacted, and could adversely impact, should the market conditions worsen, the Group's business, financial condition, results of operations and prospects due to possible:

- decreases in the Group's net margin;
- significantly increased non-performing loans and credit loss allowance charges, loan losses and write-offs;
- decreases in the creditworthiness of Russian individuals and companies;
- fall in the value of the Group's securities portfolio;

- increases in borrowing costs and reduced, or zero, access to the capital markets due to unfavourable market conditions;
- currency volatility;
- liquidity constraints;
- outflows of deposits from accounts; and
- deterioration of capital adequacy.

The heavy reliance of Russian banks (including the Group) on their customer deposit base as a source of funding makes them vulnerable to liquidity risk in environments with limited liquidity and that are prone to disruption. In addition, limited-liquidity environments generally result in higher costs of funding, which often result in a decrease in net interest margins. During periods of heightened volatility in global financial markets, Russian banks experienced a sharp reduction in their ability to obtain funding, both from the interbank and short-term funding markets, as well as from the longer-term capital markets and through bank finance instruments. The lack of supply resulted in significant increases in the costs of funding across these markets as well as higher-than-usual interbank lending rates. A number of financial institutions suffered severe liquidity constraints, and, in certain cases, their majority shareholders had to sell their shares to other Russian institutions.

A decrease in the Group's ability to access the retail deposit market, domestic interbank loan and bond markets, the international syndicated loan and/or the capital markets, and/or the domestic securitisation market whether resulting from worsening market conditions, deterioration of the macro-economic outlook for Russia, disruptions in the financial markets, recent geopolitical instability or otherwise, or maturity mismatches between the Group's assets and liabilities, may, together or separately, have a material adverse effect on the business, financial condition or results of operations of the Group.

The Group's inability to obtain sufficient funding from retail deposits and current accounts or withdrawal of a large proportion of such deposits could adversely affect the Group's business, results of operations, financial condition and prospects

As of 30 June 2021, 80.4 percent of the Group's funding came from its deposits, current accounts and brokerage accounts. The Group's portfolio of retail deposits amounted to RUB 139,815 million as of 30 June 2021, RUB 135,995 million as of 31 December 2020, RUB 137,292 million as of 31 December 2019 and RUB 100,227 million as of 31 December 2018, and the current accounts of individuals amounted to RUB 375,172 million as of 30 June 2021, RUB 323,145 million as of 31 December 2020, RUB 199,408 million as of 31 December 2019 and RUB 137,637 million as of 31 December 2018. Due to regulatory supervision of deposit rates, the Group may be required to offer lower interest rates on deposits causing a decrease in demand for such products from its customers. On the other hand, consumers may be drawn by higher rates on deposits offered by the Group's competitors. Moreover, factors including, without limitation, increased unemployment in Russia, inflation, corporate and personal insolvencies, deterioration in the general economic conditions in Russia, depreciation and volatility of the rouble and other currencies may also result in a decrease in demand for such products. As a result of these factors, the Group may be unable to receive sufficient funding from its retail deposits. Furthermore, withdrawals of term deposits by individuals, who are entitled under Russian legislation to withdraw such deposits at any time, could lead to liquidity gaps that the Group would have to cover at the cost of incurring additional expenses, if it were able to do so at all. Moreover, a large portion of the funding comes from current accounts that are linked to the Group's debit cards as well as the current accounts of individual entrepreneurs and SMEs and there are no restrictions on the Group's customers withdrawing funds from such current accounts. Customers earn interest on the balance of their current accounts and if the Group were to decide to decrease the relevant interest rate this could lead to a decrease in the amount of funds that customers hold on such current accounts. Should a large proportion of the Group's customers simultaneously withdraw their deposits or funds from their current accounts, for example in order to meet expenditures in connection with a further exacerbation of the COVID-19 pandemic, this may have a material adverse effect the Group's liquidity, business, results of operations, financial condition and prospects.

The continued expansion of non-credit financial and lifestyle products and services via the Tinkoff online platform are material components of the Group's overall strategy and no assurance can be given that these plans will succeed or will yield expected results

In 2016, the Group launched its online platform focused on capturing all of the customer's needs for financial and lifestyle products and services in a single ecosystem. The Group has prioritised the development of this platform and has made and will continue to make substantial investments into its expansion. The continued success of the platform depends on a number of factors, including the expansion of non-credit products and services (see "*Business—Principal Business Activities*"), the attraction and retention of more customers for such products and services, the ability to maintain and increase synergies and cross-selling inside the Tinkoff ecosystem, customer demand and the level of competition in the relevant product segments and the Group's ability to properly evaluate and manage the business processes of such financial products. Many of these factors depend on the Group's ability to continue to grow the number of active users on the Tinkoff Super-App. In addition, some components of the Tinkoff ecosystem (the Tinkoff Super-App marketplace, for instance) involve the participation of partners. The expansion of the platform therefore assumes that customer and partner adoption of the Tinkoff Super-App is consistent with Management's expectations, and that lifestyle services will continue to play an important role in attracting and retaining customers, generating cross-selling, and generating success-based fee income for the Group's services as an intermediary between customers and partners.

While the Group's investments in these new business lines are relatively small, no assurance can be given that the business plan in relation to the Tinkoff online platform will continue to develop as intended. The time and resources invested by the Group in expanding the Tinkoff ecosystem may increase significantly as the scope of services on offer increases. Failure of the Tinkoff online platform to expand the Tinkoff ecosystem may cause loss of investments or clients as they move to banks that provide a wider scope of services, inability to sustain the Group's share of the credit card market, negative publicity and the diversion of Management's time to reshape the existing business plan, which could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Over the years the Group has developed and launched a number of new products and services and continues to develop, expand upon and invest in some of these products and services. These include non-credit products, such as the Tinkoff Black debit card, which remains a key driver for cross-selling the Group's products; Tinkoff Investments (the Group's retail investment platform); Tinkoff Capital (the Group's asset management business); Tinkoff Acquiring (the Group's merchant payment processing service); Tinkoff Pro and Premium (the Group's subscription services); Tinkoff Mobile (the Group's mobile virtual network operator) Tinkoff Business (a packaged offering of banking and other services to individual entrepreneurs and SMEs); Tinkoff Insurance (the Group's Insurance business); and the various lifestyle and leisure offerings available via partners in the Tinkoff Super-App. A primary purpose of developing non-credit products is to diversify the Group's revenue by increasing the share of non-credit related revenue streams. The Group's recently launched business lines, as well as any other future products or services which are under consideration or in development and which may be launched in the future, are subject to numerous risks and their success may be hindered by circumstances that may not be adequately predicted or calculated, including execution risk; potential delays or failure in rolling out new products; failure to keep up with rapid changes in technology and customer requirements; significant competition from other market participants, including larger universal or monoline banks, brokerage houses, digital ecosystem providers or insurance companies; and changes in the macroeconomic conditions or regulatory landscape. The growth and profitability of the Group's new product and service offerings could be lower than Management expects, there could be insufficient customer demand for these products, the marketing strategy for such products could be ineffective, the Group could face stronger than expected competition in these new segments, or the Group may encounter higher than expected default rates or costs. Should any of these factors impact the Group's new business lines or the roll-out of new products and services, it may adversely impact the Group's plans for future growth and diversification of revenue streams and, consequently, have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Expansion through mergers and acquisitions ("M&A") entails certain risks, and the Group may experience problems in successfully negotiating M&A transactions or in integrating and managing acquired businesses

The Group has from time to time expanded through the acquisition of businesses and believes that it has generally managed to successfully integrate such acquisitions. The Group continues to consider potential M&A transactions, including acquisitions of entities outside Russia, on a case-by-case basis to the extent desirable in the context of its business plan and potential international expansion (see "*Business—Strategy—Continue to Grow the Group's Business and Customer Base*"). However, the Group's ability to successfully negotiate M&A transactions and integrate acquired businesses into its own depends on various factors, some of which may be beyond the Group's

control. Failure to successfully negotiate M&A transactions needed for the Group's expansion or to complete or successfully integrate any acquisitions could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Tinkoff Bank's consumer lending operations may be restrained, and its financial condition and profitability may be negatively impacted, by regulatory and reporting requirements and other factors beyond its control

The CBR takes an active approach to the regulation and monitoring of the Russian consumer lending market and the regulator places particular focus on actively managing any signs of overleveraging or deterioration of credit quality in the sector. One of the main tools used by the CBR is the regulation of risk-weighting coefficients on retail loans issued by Russian banks that impact capital adequacy, which affects profitability and puts pressure on the capital of banks and, by extension, their ability or willingness to extend new loans. Higher risk-weighting coefficients are designed to prevent the Russian credit market from overheating. See *"The Banking Sector and Banking Regulation in Russia—Banking Regulation—Mandatory Economic Ratios"*.

The CBR increased the risk-weighting coefficients applicable to consumer loans (depending on their effective interest rates) three times over the course of 2018, as a result of which some banks were required to increase their capital cushions to take into account the additional capital buffers required by the CBR. These increases to the risk-weighting coefficients have had a limited impact on the Group's capital adequacy ratios, revenues and profitability as the Group has generated sufficient profit in recent years and has diversified its loan portfolio with secured loans. The CBR reduced risk-weighting ratios with effect from September 2020 as part of its response to the COVID-19 pandemic. In addition, the CBR introduced regulatory amendments aimed at supporting the Russian banking system including, among other things, temporary adjustments to rules on calculating certain regulatory ratios and risk weighting on certain retail loans (including mortgage loans issued prior to 1 April 2020 and unsecured consumer loans issued prior to 31 August 2019).

Risk-weighting ratios have since increased (albeit not to pre-pandemic levels), with the CBR publishing in July 2021 revised risk-weighting coefficients for new loans granted by Russian banks on or after 1 October 2021. Base risk-weighting coefficients were increased (i) from 70 percent to 80 percent for unsecured consumer loans with annual effective interest rates calculated based on CBR requirements ranging from 10 percent to 15 percent, (ii) from 110 percent to 120 percent for loans with annual effective interest rates ranging from 15 percent to 20 percent, (iii) from 150 percent to 160 percent for loans with annual effective interest rates ranging from 20 percent to 25 percent, (iv) from 180 percent to 200 percent for loans with annual effective interest rates ranging from 25 percent to 30 percent, (v) to 270 percent for unsecured consumer loans with annual effective interest rates ranging from 30 percent to 35 percent, and (vi) to 500 percent for loans with annual effective rate of 35 percent or more.

The annual effective interest rate must be determined at the time the loan is provided. The risk-weighting coefficients take into account the annual effective interest rates of loans calculated based on CBR requirements, rather than the average interest rates referred to elsewhere in these Listing Particulars or effective interest rates presented in the Financial Statements.

In 2019, the CBR introduced an additional metric for the purposes of determining risk-weighting coefficients on consumer loans which focuses on the overall debt burden of borrowers. This burden is determined using a payment-to-income ("**PTI**") ratio which is the ratio of the borrower's monthly debt payments under consumer loans to the borrower's average monthly income (the "**PTI ratio**"). The CBR established a set of risk-weighting coefficient premiums, varying from 30 percent to 220 percent that increase along with increases in the PTI and effective interest rate thresholds. Banks must calculate PTI ratios for any customers seeking a loan of RUB 10,000 or more, as well as when raising the borrowing limit for a credit card holder. These new risk-weighting coefficient regulations took effect from 1 October 2019. The debt component of the PTI is calculated on the basis of information obtained by the bank from credit bureaus. The banks calculate the borrower's income on the basis of a statutory list of documents and/or information, as well as their own internal regulations. The long-term effects of PTI regulations cannot yet be fully assessed and it is possible that these additional requirements could constrain the Group's retail lending. Any of the above factors could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Growth in the Group's loan portfolio may require further equity capital to strengthen the Group's capital base. The Group's loans and advances to customers at amortised cost (after credit loss allowance) ("**loans and advances to customers**" or "**net loans and advances to customers**") increased from RUB 198.5 billion as of 31 December 2018 to RUB 504.1 billion as of 30 June 2021, and Management believes that the growth of the Group's loan portfolio will continue in the near future. Failure to increase or maintain Tinkoff Bank's capital levels in order to comply with the CBR requirements or with capital adequacy-related covenants in the Group's financing

obligations could require the Group to reduce the growth of its loan portfolio, which could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

From 1 January 2019, the CBR has required banks to apply IFRS 9 for RAS accounts, which led to an increase in provisioning levels as recorded under RAS accounts. No assurance can be given that a similar standard will not be applied for regulatory reporting by banks to the CBR which may cause the banks to require additional capital.

Furthermore, in August 2019, a new federal law was enacted that prohibits subsidiaries of international payment systems operating in Russia to deny processing payment transactions of any client due to the cancellation of such client's membership in an international payment system (such as Visa or MasterCard). It has been widely reported that the law could be applied in circumstances when international payment systems decline to work with Russian persons that have been designated under foreign sanctions. As contemplated by the law, non-compliance with these new requirements could entail administrative measures from the CBR, including the exclusion of the relevant payment system from the register of payment system operators, which would result in the inability of such payment system to operate in Russia. If the legislation is enforced and international payment systems are prevented from operating in Russia, it could have a severe negative impact on the Russian banking sector as a whole, and specifically on consumer lending banks, as well as banks that rely on their customers using international payment systems. This could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Moreover, recently new amendments to the Federal Law dated 22 April 1996 N 39-FZ "On Securities Market" (the "**Securities Market Law**") were introduced. These amendments contemplate that the brokers will be required to carry out test-based admission procedures with respect to investors that are not qualified investors before such clients may invest in certain foreign securities, structured instruments or enter into repo and derivatives transactions. The testing of such clients is scheduled to begin in 1 October 2021. In addition, the State Duma recently adopted a draft law, which requires brokers to be transparent with their clients and make necessary disclosures of risks related to offered financial instruments. The draft law also enables the CBR to introduce significant restrictions on brokerage operations, if the relevant broker has not made the necessary disclosures to the client or has sold certain financial instruments in violation of securities laws. In particular, the draft law provides for the CBR to restrict brokers from entering into certain transactions and additionally entitles the CBR to require brokers to make an irrevocable offer to purchase securities or other financial instruments from any client that has suffered losses as a result of a violation of the disclosure requirements or as a result of being sold certain foreign securities or complicated financial instruments in violation of the securities laws. Although the Group believes that its operations are conducted in compliance with applicable laws and regulations and is taking steps to be in full compliance with the new testing regime and other requirements, the recent amendment to the Securities Market Law will entail additional administrative control and expenses, may result in a lower volume of transactions or a reduction in the customer base and revenue from operations. Furthermore, any breach of the comprehensive regulations could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Tinkoff Bank may be designated as a systemically important bank, which may result in additional regulatory requirements and scrutiny by the CBR

The CBR maintains a list of systemically important banks, the financial standing of which may affect the entire Russian banking sector. The CBR uses a number of criteria to determine whether a bank is a systemically important, which includes, among other things, the total assets, the market share of retail deposits, the volume of transactions in the interbank market, the significance of the bank for certain segments, such as public procurement, private public partnerships and others. Based on these criteria, the CBR may include Tinkoff Bank into the list of systemically important banks. If it does so, Tinkoff Bank will be subject to additional regulatory requirements and scrutiny by the CBR. See "*Appendix A—Overview of the Banking Sector and Banking Regulation in Russia*". The CBR is currently considering whether and on what conditions financial institutions participating in ecosystems (such as the Tinkoff ecosystem) should also be considered systemically important even if they do not satisfy the existing criteria for systemic importance.

Systemically important banks are subject to an additional capital buffer of 1.0 percent of risk-weighted assets and are subject to special requirements relating to the calculation of the CBR's short-term liquidity coverage ratio (N26(27)), measured as the sum of high quality liquid assets (as defined by the CBR) divided by total net cash outflows and net stable funding ratio (N28(29)). In January 2020, the CBR published a report which contemplates additional regulation on systemically important banks, including the implementation of a new mandatory credit exposure ratio and differential capital buffers. In addition, the CBR may, from January 2022, introduce a mandatory limitation on systemically important banks' credit risk concentration ratio (N30).

If Tinkoff Bank is designated as a systemically important bank, it may have to change the structure of its liquid assets, which may adversely affect, in particular, its return on equity. The CBR may amend the capital adequacy requirements, increase the capital adequacy and liquidity coverage ratios at any point or introduce additional capital requirements for systemically important banks. Tinkoff Bank may seek additional capital or alternative sources of funding to comply with these requirements, which may be available only at high prices.

Systemically important banks must comply with enhanced reporting and data protection requirements, and implement additional risk management policies and procedures. Failure by Tinkoff Bank to comply with these additional regulations may result in the imposition of fines or penalties or more severe sanctions. Any such decisions, requirements or sanctions, or any increase in governmental regulation of Tinkoff Bank's operations, could increase its costs and materially adversely affect its business, financial condition and results of operations. Whilst inclusion in the list of systemically important bank may result in positive rating actions, a higher likelihood of government support in the event of financial difficulties, as well as provide Tinkoff Bank with greater access to inexpensive funding from certain state bodies or state-controlled entities, there is no guarantee that Tinkoff Bank will receive such benefits. Any of these factors may have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

An increase in consumer protection activity challenging certain terms of consumer loans and regulatory activity aimed at strengthening consumer protection could have a material adverse effect on the Group's business, financial condition and results of operations

In recent years, there has been a significant increase in consumer protection activity in Russia aimed at challenging certain terms of consumer loans (including, among others, a lender's right to charge various commissions for mobile banking services, the inclusion of the borrower in an insurance programme, cash withdrawals from automatic teller machines, a lender's right to charge interest on accrued interest, a lender's right to amend the terms of the consumer loan agreement and applicable tariffs without specific consent of the borrower, a lender's right to assign loans to non-banking organisations, including collection agencies, and the resolution of disputes only at the location of the lender), some of which are or were previously present in Tinkoff Bank's standard consumer lending documentation. In addition to consumers, the Consumer Protection Agency of the Russian Federation ("**Rospotrebnadzor**") and the CBR regularly initiate administrative proceedings against Russian banks for violating consumer rights, which sometimes result in fines and the invalidation of certain terms of consumer loans by the Russian courts on the basis that such terms contradict the provisions of the Federal Law No. 2300-1 "On Consumer Protection" dated 7 February 1992, as amended ("**Consumer Protection Law**"). Banks operating in the consumer lending business in Russia have in the past faced sanctions and financial consequences as a result of regulators' and customers' activities, including, among others, administrative fines, refunds of fees and commissions charged historically under particular provisions of the loan documentation that were declared invalid by courts. According to the CBR, the CBR considered over 191.4 thousand individual claims against credit organizations in 2020 as compared with over 141.6 thousand individual claims in 2019.

Due to the nature of its business, Tinkoff Bank may, from time to time, be involved in litigation with customers, Rospotrebnadzor or the Federal Antimonopoly Service (the "**FAS**") or be subject to administrative proceedings. In the past, such customers and/or regulatory authorities have challenged certain provisions of Tinkoff Bank's standard consumer lending documentation. In some instances Tinkoff Bank has had to amend its standard documentation to be consistent with prevailing court practice and/or the approaches taken by regulatory authorities. Such court cases and administrative proceedings could result in bad publicity, the need to amend standard consumer lending documentation, administrative fines, lost revenue streams and losses from returning fees or commissions, all of which could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Russian authorities such as the CBR and Rospotrebnadzor have the power to apply statutory sanctions against Tinkoff Bank for lack of transparent disclosure of fees and interest on loan products to customers. Similar sanctions have been applied to Russian banks in the past. According to Federal Law No. 395-1 "On Banks and Banking Activity" dated 2 December 1990, as amended (the "**Banking Law**"), banks have an obligation to provide transparent, true and complete information on loan interest and fees in agreements with retail customers. Banks which fail to fulfil this obligation may be subject to administrative liability under Russian law. Furthermore, according to Federal Law No. 86-FZ "On the Central Bank of the Russian Federation (Bank of Russia)" dated 10 July 2002, as amended (the "**CBR Law**"), the CBR has the authority to demand that a bank remedy violations that are identified and to impose a fine of up to 1 percent of the bank's minimum regulatory capital and/or suspend certain operations of the bank for up to six months. For systematic violations the CBR may, *inter alia*, impose a fine of up to RUB 3,000,000 on the bank, require that the management of the bank be changed, suspend the bank's operations for up to one year and revoke its banking licence.

Management believes that Tinkoff Bank discloses information on fees and interest on loan products to customers in accordance with the relevant laws and regulations. However, if in spite of Tinkoff Bank's best efforts to comply with regulatory authorities' requirements, either the CBR or Rospotrebnadzor were to rule that Tinkoff Bank has violated such requirements or consumer protection legislation in general and apply statutory sanctions to Tinkoff Bank, this could have a material adverse effect on the Group's image or the Group's business, results of operations, financial condition and prospects.

Changes in applicable legislation or their interpretation by courts and regulators, as well as the diversification of the Group's products and services, may impose greater compliance requirements on the Group and adversely affect its operations and profitability

Federal Law No. 353-FZ dated 21 December 2013 "On consumer loan" (the "**Consumer Lending Law**") establishes specific regulation of consumer protection in the Russian banking sector, in contrast to the Consumer Protection Law, which contains more general regulations applicable to consumer protection.

Among other things, the Consumer Lending Law sets out standard terms of agreements in relation to consumer loans provided after 1 July 2014 and imposes additional obligations on lenders (such as certain notifications and disclosure requirements). The Consumer Lending Law also provides for a limitation on effective actual interest rates on consumer loans (the annual interest rate expressed as a single percentage number that represents the actual annual cost of credit over the term of a loan, including non-optional fees and costs associated with the loan, which are specified by law). While to date this has not had any significant effect on the income of Tinkoff Bank, there can be no assurance that further amendments to the Consumer Lending Law or any further legislation will not be adopted, and if adopted, such changes will not impose more stringent requirements as to the effective interest rate and, as a result, have a negative impact on Tinkoff Bank's financial condition and prospects. Since July 2019, the Consumer Lending Law has prohibited consumer loans with an interest rate above 1 percent per day. In addition, since 2020, the amount of the fines and commissions payable by the consumer under short-term consumer loans has been limited to 150 percent of the amount of the loan. Furthermore, if any fees charged by Tinkoff Bank on its retail loans were to be deemed to be in violation of any established court practice or the Consumer Lending Law, Tinkoff Bank could be required to return such fees to the relevant customers or pay monetary penalties. The Consumer Lending Law also provides for a limitation on penalties for late payments, which may limit lenders' ability to use such penalties as a disincentive against late payments by borrowers and potentially contribute to further deterioration in credit quality of the Group's loan portfolio (see "*The Banking Sector and Banking Regulation in Russia—Banking Regulation—Financial Consumer Protection*"). The Group's retail lending documentation, practices and procedures underwent an internal review process and certain changes were introduced to such documentation, practices and procedures in connection with the requirements of the Consumer Lending Law, including amendments to standardised loan documents, pricing and tariffs, servicing of loans, cooperation with partners and other segments of retail lending operations. If Tinkoff Bank is found to not be in compliance with the Consumer Lending Law, this may result in the imposition of fines and penalties and, under certain circumstances, revocation of its banking licence, which in turn could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

There can be no assurance that further amendments to the Consumer Lending Law or any further legislation or court practice in relation consumer lending will not be adopted and, if adopted, that these amendments or new legislation or court practices will not contain any provisions that would negatively affect Russian banks, including Tinkoff Bank, or impose additional requirements or restrictions that the Group would have to respond to by adapting its business practices, products offered to customers and standard consumer lending documentation in order to comply with the applicable legislation. Such measures could have an adverse effect on the Group's business, results of operations, financial condition and prospects.

The CBR monitors the consumer lending market and in the past has publicly expressed concern when it felt that the market was overheating or consumer loan defaults were on the rise. The CBR has the authority to implement initiatives aimed at slowing the growth in the consumer lending market and protecting borrowers, which may include increasing capital adequacy requirements, introducing borrowing or repayment limits based on debt-to-income ratios or limiting the level of interest and fees that may be charged on consumer loans. Despite the provisions of the Consumer Lending Law limiting the effective interest rate on consumer loans, stricter limitations on interest rates may be implemented in future. If these measures or measures similar to the above are introduced into Russian law or otherwise mandated by a governmental agency, such as the CBR, the Group could be required to reconsider its existing practices to ensure compliance with the new law and regulations, as a result of which it may need to reduce the growth of its loan portfolio and/or lower the effective interest rate it charges to individual customers on its loans, which, in turn, could have an adverse effect on its revenue and profitability.

In addition, since the Group expanded its operations beyond consumer lending to cover certain transactional and servicing products, it has become subject to additional regulatory requirements. For example, Tinkoff Business provides various transactional services to individual entrepreneurs and SME clients, and Tinkoff Investments provides customers a platform for investing in a range of securities including Russian and international shares, bonds, ETFs and other financial instruments. These activities place an additional burden on the Group in terms of financial and tax reporting and compliance with rules on brokerage and depository services, and the sale, offering and trading of securities (including with respect to qualified investors). In 2018, Russian legislation was amended to place more obligations on banks to act as tax agents and report various payments to the tax authorities, and new legislation was enacted to regulate the provision of investment advisory services and provide for a broker's responsibility for unfair business practices. These legislative reforms have resulted in a greater involvement of the Group's compliance and other staff in such operations and longer times to perform services requested by customers, and may increase costs and put pressure on the development of certain offerings of Tinkoff Business and Tinkoff Investments in the future. Furthermore, regulatory changes outside Russia may also affect the Group's operations. For example, the EU has enacted rules stipulating that restrictions on interchange fees applicable to payment cards issued in the EU will also apply, with certain exceptions, to cards issued outside the EU to the extent such cards are used in the EU or payment is made to an online retailer based in the EU. So far the impact of these developments has not had any material impact on the Group as the overwhelming majority of transactions are performed by its customers in Russia but no assurance can be given that any further changes to any applicable EU regulations will not impact all or some of the Group's operations. It is also not possible to exclude that any similar or other restrictions on interchange fees are introduced in Russia which could affect Tinkoff Bank's fee and commission income.

Russian law imposes certain obligations in respect of processing and use of biometric data and the relevant regulatory framework is still being developed. In particular, amendments dated 29 December 2020 to Federal Law No. 149-FZ dated 27 July 2006 (as amended) "On Information, Information Technology and Protection of Information", which come into force on 1 January 2022, require accreditation of entities which are entitled to conduct biometric identification and authentication. Such amendments further provide that persons whose non-Russian shareholders (each, a "**foreign shareholder**") hold in excess of 49% of their share capital may not be allowed to obtain such accreditation; however, the amendments authorise the Government of the Russian Federation to provide for specific exemptions. In June 2021, a draft regulation of the Government of the Russian Federation ("**Draft Regulation**") was published by the Russian Ministry of Digital Development, Communications and Mass Media (the "**Ministry**"). The Draft Regulation remains under review by the Ministry and commentary by market participants, including the Group. It is currently unclear whether the Draft Regulation will be amended before it is passed by the Ministry, including whether any alternative requirements for the accreditation in relation to the prohibition described above will be included in the regulation. If the Draft Regulation is passed in the form that contains the prohibition described above, this could lead to Tinkoff Bank being unable to obtain the accreditation and, as a result, could restrict its ability to collect, process and use biometric data and may force the Group to seek alternative ways of using biometric data in its operations. Such consequences could have a material impact on the Group's existing operations and business model, any of which may have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Major amendments to the consumer lending regulations, banking, securities and other applicable legislation, shifts in existing court practice in general and/or relating to cases in which the Group is or may become involved or the regulator's or courts' interpretation of the laws resulting in investigations or court and administrative proceedings against market participants, such as the Group, and greater activity of borrowers spread across different regions of Russia in which the Group operates in filing claims against the Group to protect their rights as consumers, could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Group may be unable to accurately assess customers' creditworthiness

The scoring techniques and checks used by the Group to evaluate the creditworthiness of applicants for its credit cards and other loan products, may not always present a complete and accurate picture of each customer's financial condition or be able to accurately evaluate the impact of various changes, including changes in the Russian macro-economic situation, which could significantly and quickly alter a customer's financial condition. For example, even though the Group uses a highly adaptable scoring model and regularly accesses data from credit bureaux to assess the credit quality of its potential and current customers, the Group cannot always accurately ascertain what the current indebtedness of any particular current or potential customer may be as the credit bureau databases in Russia are still developing, and a large portion of the population does not have a credit history. Additionally, the Group has no way of preventing its customers from taking an additional loan from other banks or microfinancing

organisations or otherwise taking steps that heighten the risk that a customer may default on a loan from the Group. As a result, the Group may not always be able to correctly evaluate the current financial condition of each prospective customer and accurately determine the ability of its customers to repay their loans. Failure by the Group to accurately assess customer credit risk could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Group may be unable to recover all or any of the amounts due on its loans

The Group sold or wrote off 5.5%, 4.8%, 4.0% and 9.1% of its gross loan portfolio in the six months ended 30 June 2021 (annualised) and in the years ended 30 December 2020, 2019 and 2018, respectively. The Group relies on the effectiveness of its collection services to minimize the sale or write-off of loans, and there can be no assurance that sales and write-offs of loans will not increase in the future.

On 3 July 2016 Law No. 230-FZ "On Protection of Individual Rights and Interests in Debt Collection Activities and On Amendments into Law "On Microfinance Activity and Microfinance Organisations" ("**Law on Collection Agencies**") was adopted, which has restricted debt collection activities. In particular, the Law on Collection Agencies has introduced a register of collection agencies and a number of requirements that a legal entity must satisfy in order to be registered in it. The Law on Collection Agencies has also outlined permitted ways of interacting with debtors and has prohibited collection agencies from transferring personal data on debtors without their consent to third parties. Following the adoption of the Law on Collection Agencies, the Group's internal collection business unit, Phoenix, was included into the register of collection agencies on 12 January 2017. Although the introduction of the Law on Collection Agencies has not materially affected the Group's collection business, failure by Phoenix to comply with the Law on Collection Agencies may disrupt the Group's collection activities. Notwithstanding the risk assessment procedures and systems that the Group has in place, there is no assurance that such procedures and systems, credit loss allowances and supporting collateral will be sufficient to protect the Group against increased levels of defaults, losses or potential write-offs. There can also be no guarantee that the Group's policies for dealing with non-performing loans will result in recovery of all or any of the amounts due on these loans, which may have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Tinkoff Bank's inability to comply with capital adequacy requirements may have a negative effect on the Group's business, results of operations, financial condition and prospects and lead to a need for additional capital

The Group's business depends on the availability of adequate capital, both for compliance with applicable capital adequacy requirements and for the effective conduct of its business. Tinkoff Bank is required by the CBR to have a minimum total capital adequacy ratio (the "**N1.0 Ratio**"), of at least 8.0 percent, a common equity tier 1 capital adequacy ratio (N1.1) (the "**N1.1 Ratio**") of at least 4.5 percent and a tier 1 capital adequacy ratio (N1.2) (the "**N1.2 Ratio**") of at least 6.0 percent. These ratios are based on a methodology that uses accounting records prepared in accordance with RAS. As at the date of these Listing Particulars, a capital conservation buffer of 2.50 percent is applicable to Tinkoff Bank's minimum capital adequacy requirements. A countercyclical buffer is also applicable to Tinkoff Bank. At the date of these Listing Particulars this buffer is set at zero percent by the CBR; however, there can be no assurance that the CBR will not increase it in the future. These ratios must be reported to the CBR by Tinkoff Bank each month.

Tinkoff Bank's N1.0 Ratio amounted to 12.21 percent as at 1 July 2021, 13.07 percent as at 1 January 2021, 12.12 percent as at 1 January 2020, 13.9 percent as at 1 January 2019 and 16.3 percent as at 1 January 2018, which in each case exceeded the minimum required by the CBR.

Tinkoff Bank's N1.1 Ratio amounted to 10.03 percent as at 1 July 2021, 10.20 percent as at 1 January 2021, 9.48 percent as at 1 January 2020, 9.4 percent as at 1 January 2019 and 10.2 percent as at 1 January 2018, which in each case exceeded the minimum required by the CBR.

Tinkoff Bank's N1.2 Ratio amounted to 11.93 percent as at 1 July 2021, 12.44 percent as at 1 January 2021, 11.74 percent as at 1 January 2020, 13.2 percent as at 1 January 2019 and 14.8 percent as at 1 January 2018, which in each case exceeded the minimum required by the CBR.

Tinkoff Bank's N1.0 Ratio, N1.1 Ratio and N1.2 Ratio amounted to 12.49 percent, 9.70 percent and 11.67 percent, respectively as at 31 July 2021, which in each case exceeded the minimum required by the CBR.

If Tinkoff Bank's capital position declines, its ability to implement its business strategy may be adversely affected. In addition, if Tinkoff Bank's regulatory capital adequacy ratios were repeatedly to fall below the minimum

requirements, this could lead to the introduction of punitive measures or the loss of one or more of Tinkoff Bank's licences which in turn could have a material adverse effect on the Group's business, results of operations, financial condition and prospects. Moreover, if Tinkoff Bank's N1.0 Ratio calculated pursuant to the CBR requirements were to repeatedly fall below 8 percent, it would be at risk of being excluded from membership of the Russian retail deposit insurance system and therefore prohibited from taking deposits from retail customers, which, in turn, would deprive it of a substantial portion of its funding base and could lead to its insolvency.

The CBR may amend the capital adequacy requirements, increase the capital adequacy ratios at any point or introduce additional capital requirements and, in such circumstances, the Group may be forced to seek additional capital or alternative sources of financing to comply with these requirements, which may not be available or may only be available at commercially unsustainable prices. TCSGH is under no obligation to inject additional capital into Tinkoff Bank, and there can be no assurance that TCSGH will be willing or able to provide required capital and funding support to Tinkoff Bank in the future.

The performance of the Group's credit business depends on the health and development of the Russian consumer finance market, as well as personal consumption and income levels of its customers, their creditworthiness as well as their understanding of loan products, which are factors beyond the Group's control

Performance in, and development of, the retail financial services market, as well as the SME sector, in Russia are highly dependent on the country's economic growth, as well as levels of disposable income and consumer spending, making the Group dependent on those factors. Further, a substantial portion of the Group's customer base has limited experience of financial services, including credit cards and other financial products. The Group's growth depends on increasing consumer adoption of financial products. At the same time, the likelihood that customers will become more sophisticated with financial products in the future may negatively impact the Group's yields and margins.

In addition, the Group is subject to risks related to the credit quality of loans to customers. Changes in the creditworthiness of the Group's borrowers, or in their behaviour, or arising from deteriorating economic conditions in Russia or globally, could result in significant increases in credit loss allowance for loans and advances to customers and in the proportion of non-performing loans in the Group's gross loan portfolio.

The consumer finance market began to recover as the Russian economy stabilised following the 2014-2017 recession, and again in the wake of the COVID-19 pandemic. According to the CBR, the volume of unsecured retail loans grew by 22.8 percent in the year ended 31 December 2018, 20.9 percent in the year ended 31 December 2019 and 8.6 in the year ended 31 December 2020. Since the beginning of 2021, unsecured consumer lending has continued to grow and the growth rate reached 12.5 percent as at 1 April 2021. However, the expansion of consumer lending has been happening against the backdrop of decreasing personal income levels. Based on information published by Rosstat, during 2018-2020, household personal income of the Russian population decreased by 4.4 percent and further decreased by 3.7 percent in the first quarter of 2020 before increasing in the six months ended 30 June 2021. The CBR and other government agencies have publically voiced concerns that there are signs of over-leveraging in certain sectors of the consumer finance market, as lending to households already burdened with debt has been increasing faster than lending to debt-free consumers. Taking into account these concerns, the CBR increased the risk-weighting coefficients applicable to consumer loans (depending on their effective interest rates) three times over the course of 2018, as a result of which some banks were required to increase their capital cushions to take into account the additional capital buffers required by the CBR. The risk-weighting coefficients were decreased in 2020 to support consumer lending during the economic downturn caused by the COVID-19 pandemic. Furthermore, the CBR also introduced a PTI ratio designed to restrict the issuance of loans to consumers with a high debt burden.

Any further deterioration in the performance of the Russian economy, stagnation or a reduction in levels of personal income, individual purchasing power and consumer confidence, either generally or specifically in respect of the banking sector, as well as any overleveraging or instability in the consumer finance market and any resulting regulatory restrictions, could have a material adverse effect on the Group's business, financial condition, results of operations and prospects, and, in particular, may increase the proportion of non-performing loans and credit loss allowances thus adversely impacting the Group's profitability and reducing its capital. If the consumer market overheats and consumers become overleveraged and start to default due to various factors discussed above, the Group could be required to create significantly greater provisions to reflect rising credit risk and default rates on its retail loan portfolio, which could negatively affect its profit, capital generation and capital adequacy levels. The ability of retail borrowers to service their debt has been affected by the recent depreciation of the rouble and worsening operating conditions for Russian businesses caused by the spread of COVID-19. There can be no guarantee that the Group's risk management policies will ensure that the Group adequately prices the customer

credit risk that it takes, or protect the Group from increased credit loss allowances and/or increased levels of non-performing loans in the future, especially if economic conditions in Russia deteriorate significantly again, all of which may have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Furthermore, if the state of the Russian economy were to deteriorate, this may lead to a reduction in levels of personal income, individual purchasing power or consumer confidence, weakening consumer spending and savings and increased insolvencies. As a result, the size of the Group's operations, and specifically the size of its loan portfolio or its non-credit banking operations, may grow at a slower rate or even decrease, resulting in a slowdown or decrease in the Group's income; funding costs for the Group may increase, leading to an increase in interest expense and decreasing margins; the Group may be unable to sufficiently reduce its operating expenses, especially any fixed expenses, in response to a shrinking of its business, which could lead to lower profitability; the quality of the Group's loan portfolio could deteriorate; and/or the Group could face increased loan losses and may be required to make greater provisions in respect of its loan portfolio, any of which could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

A decline in the value of, or illiquidity of, the collateral securing the Group's loans may materially and adversely affect the loan portfolio and it may be difficult for the Group to enforce security and/or guarantees under Russian law

As at 30 June 2021, 21 percent of Tinkoff Bank's retail loans were secured by collateral such as apartments or cars. This portion is likely to increase in future as the Group implements its strategy to further diversify its loan portfolio. Downturns in the relevant markets and a general deterioration of economic conditions in Russia may result in declines in the value of the collateral. As collateral values decline, the value of the collateral may not be sufficient to cover the remaining loan balances. A decline in the value of collateral securing Tinkoff Bank's loans, or an inability to realise existing collateral or obtain additional collateral may require Tinkoff Bank to reclassify the relevant loans, establish additional credit loss allowance and increase reserves, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Furthermore, the enforcement of security under Russian law generally requires either an agreement of the parties for an out-of-court enforcement procedure or, in certain cases, a court order followed by a public sale of the collateral. A court may in certain circumstances delay such public sale for a period of up to one year upon a pledgor's application. Therefore, Tinkoff Bank may have difficulty foreclosing on collateral or enforcing other security when customers default on their loans, which may adversely affect the Group's business, financial condition, results of operations and prospects.

The Group's inability to access domestic and international capital markets or the Russian interbank loan market may adversely affect the Group's business, results of operations, financial condition and prospects

The Group is exposed to liquidity risk arising out of mismatches between the maturities of the Group's assets and liabilities, which may result in the Group being unable to meet its obligations in a timely manner. See "Asset, Liability and Risk Management—Liquidity Risk".

The Group's wholesale funding has been sourced from the Russian interbank loan market and domestic and international capital markets through the issuance of rouble-denominated domestic bonds, U.S. dollar-denominated eurobonds and euro commercial paper in various currencies. The Group's ability to continue to access international and domestic interbank loan and capital markets to satisfy its funding needs, including the refinancing of outstanding debt, may be adversely affected by a number of factors, including Russian and international economic conditions and the state of the Russian and the global financial systems. Any dislocation in the international financial markets and tightening of credit conditions could create a liquidity problem for the Group, restrict its access to funding in the international and domestic capital markets or significantly increase its borrowing costs.

Any change in the extent and/or the terms of the Group's ability to access the domestic and/or international debt capital markets, as well as a potential increase in the Group's borrowing costs, or maturity mismatches between the Group's assets and liabilities may, in combination or separately, have a material adverse effect on the Group's net interest margin, or, more generally, on the Group's business, results of operations, financial condition and prospects. Any deterioration in Tinkoff Bank's credit ratings could undermine confidence in the Group and limit its access to capital markets, which could require the Group to seek alternative, more expensive sources of funding in order to maintain market share or grow the Group's business, thereby affecting the Group's competitiveness and financial condition.

Any significant impediment to the Group's ability to access international and/or domestic capital markets and/or the Russian interbank loan market to refinance outstanding debt as it falls due may have a material adverse effect on the Group's ability to repay its indebtedness or, more generally, on the Group's business, results of operations, financial condition and prospects.

The Group operates in a highly regulated environment, and an inability to maintain its banking licences (including brokerage licence) or a breach of any of their terms or of other applicable regulations could have a material adverse effect on the Group's business, results of operations, financial condition and prospects

All banking and various financial operations in Russia require licences from the CBR. Tinkoff Bank has obtained licences with respect to banking operations with individuals, legal entities and for banking operations involving foreign currencies, as well as other licences necessary in connection with its banking brokerage and depository operations. Although Tinkoff Bank has been successful in obtaining CBR licences, there is no assurance that it will be able to obtain or maintain such licences in the future. In the event that Tinkoff Bank were to lose a CBR licence, applying for a new CBR licence would be costly and time consuming. The CBR may, at its discretion, impose additional requirements or deny any request by Tinkoff Bank for licences, which could have a material adverse effect on the Group's business, results of operations, financial condition and prospects. The loss of Tinkoff Bank's banking licences would result in an inability to perform any banking operations and the introduction of either insolvency or liquidation proceedings in respect of Tinkoff Bank, as the case may be. The CBR periodically inspects Tinkoff Bank to ensure compliance with anti-money-laundering laws and other regulatory requirements.

Furthermore, in order to offer retail deposit services to its customers, Tinkoff Bank must maintain its membership in the mandatory Russian retail deposit insurance system. The loss of a CBR licence, any breach of the terms of a CBR licence by the Group, any delay or failure to obtain any CBR licence in the future, a breach of the minimum capital adequacy ratio established by the CBR's regulations or the discontinuation of its membership in the Russian mandatory system of insurance of retail deposits could result in the Group being unable to continue some or all of its banking activities. Penalties may also be imposed on the Group by the CBR for breaches of the terms of its licences. Any such failure could, in turn, affect the Group's ability to fulfil its payment obligations and could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

In addition, the CBR recommends that in setting the rates paid on deposits, Russian banks do not exceed the average maximum interest rate on deposits (calculated by reference to the average of the maximum interest rates for rouble deposits among the top 10 banks) by more than 3.5 percent. Any reduction of the Group's interest rates on deposits as a result of this recommendation or otherwise could result in a decrease in the volumes of collected deposits or in withdrawals of existing deposits, which could adversely affect the Bank's funding, which relies on such deposits, as well as on balances on retail and SME current accounts and Tinkoff Investments brokerage accounts (any of which can be withdrawn by the customer at any time with little or no restrictions). The Deposit Insurance Agency requires higher payments to the deposit insurance fund from banks that offer above-market rates on deposits, which could lead to higher payments by the Group should its rates become above-market.

The Group could be adversely affected by the deterioration of the commercial soundness and/or the perceived soundness of other financial institutions, which could result in significant systemic liquidity problems, losses or defaults by other financial institutions and counterparties

During the negative developments affecting the Russian economy during the period 2014-2016, the international and Russian interbank lending markets experienced high volatility, a lack of liquidity and high cost of funds. Between 2015 and 2018, a large number of Russian banks experienced financial difficulties, which lead to a greater counterparty risk pressure on the Russian banking system. Recessionary trends in the Russian economy and stricter enforcement action by the CBR affected a number of notable Russian banks, which were either acquired, taken over for financial rehabilitation by other Russian banks or directly by the DIA or LLC "Management Company of the Fund for Consolidation of the Banking Sector" (the "**Management Company**"), or liquidated. As at 30 June 2021, the CBR and the Deposit Insurance Agency have ongoing rehabilitation measures in respect of 14 banks.

As a result, the Group has become increasingly subject to the risk of deterioration of the actual or perceived commercial soundness of other financial institutions within and outside Russia. Financial institutions that transact with each other are interrelated as a result of trading, investment, clearing, counterparty and other relationships. This risk is sometimes referred to as "systemic risk" and may adversely affect financial intermediaries, such as banks, payment acceptance service providers, clearing agencies, clearing houses, securities firms and exchanges with which the Group interacts on a frequent basis, all of which could have an adverse effect on the Group.

The Group routinely executes a high volume of transactions with counterparties in the financial services industry, including commercial banks, payment acceptance service providers and other financial institutions. As a result, the Group is exposed to significant counterparty risk. A default by, or concerns about the stability of, one or more financial institutions could lead to further significant systemic liquidity problems, or losses or defaults by other financial institutions, which could result in losses for the Group (for example of funds deposited with other financial institutions) and thus have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The CBR regulations phasing in Basel III in Russia could have an adverse effect on Tinkoff Bank, its capital ratios and its regulatory capital

On 1 March 2013, Regulation No. 395-P "On the Methodology of Calculation of Value and Adequacy of Capital of Credit Organisations (Basel III)" of the CBR implementing Basel III principles with respect to the composition and assessment of sufficiency of bank regulatory capital ("**Regulation No. 395-P**") entered into force in Russia. In 2018, Regulation No. 395-P was superseded by Regulation No. 646-P "On the Method of Determination of Own Funds (Capital) of Credit Organisations ("Basel III")" dated 4 July 2018 ("**Regulation No. 646-P**"), which introduced certain amendments aimed at further enhancing the quality of Russian banks' capital sources. See also "*The Banking Sector and Banking Regulation in Russia—Regulation of Capital*".

Management believes that the impact of regulatory capital requirements initially under Regulation No. 395-P and now under Regulation 646-P on Tinkoff Bank's capital adequacy ratios has so far been neutral, but there can be no assurance that further implementation of Regulation No. 646-P will not have a material adverse effect on Tinkoff Bank's financial results and capital ratios, which means that the Group might be forced to either raise additional capital or reduce the amount of its lending, either of which could have a material adverse effect on the Group's business, results of operations, financial condition and prospects. The CBR may also amend the capital adequacy requirements and increase the capital adequacy ratios applicable to Russian banks at any time and, in such circumstances, Tinkoff Bank may be forced to seek additional capital or alternative sources of financing to comply with these requirements. Such additional capital or alternative sources of financing may not be available or may only be available on commercially unacceptable terms. In addition, in December 2017, the Basel Committee published the final Basel III standards (also known as Basel 3.5 or Basel IV) that are intended to enhance risk sensitivity and to implement changes to the design and calibration of the leverage ratio and capital floors. The majority of these reforms are scheduled to be implemented by January 2022. There can be no guarantee that further implementation of Basel IV will not have a material adverse effect on the Group's financial results and capital adequacy ratios.

In June 2021, the CBR published a consultation paper on approaches to regulating risks associated with bank ecosystems. According to the paper, the development of ecosystems by banks may present risks for the banking system as banks accumulate assets that are not involved in traditional banking, may not generate revenue returns on investment or may be illiquid. The following options with respect to regulations of the ecosystems were considered by the CBR in the consultation paper: (i) introduction of a risk-weighting coefficient for non-core and illiquid assets; (ii) introduction of a limit on banks' investments into non-core and illiquid assets measured as a percentage of the bank's capital or (iii) an institutional split of banking and non-banking business. It is currently unclear whether the consultation process launched by the CBR will result in any new regulations and what their impact may be on the banking sector and the Group. Any new regulatory requirements on regulatory capital or statutory ratios, including regulations related to digital ecosystems, may have a material adverse effect on the Group's business, capital ratios and regulatory capital.

Increased competition in the Russian retail banking market may result in a decrease in the Group's market share and/or profitability

The Russian market for retail financial and banking services, while relatively new and still undeveloped, is highly competitive. According to the CBR, as at 1 June 2021, 383 banks and non-banking financial institutions were operating in Russia. Notwithstanding the large number of banks, the sector is highly concentrated, with the 20 largest banks holding an aggregate of 86.9 percent of total banking sector assets as at 1 June 2021, with the strongest participants being large state-controlled banks. The ongoing consolidation in the Russian banking industry, and particularly amongst the group of largest banks, further increases competitive pressures.

The competition in the banking sector has an influence over the growth and profitability of retail financial services providers, including the growth of loans and deposit portfolios, fee and commission income, net interest margins, cost margins and funding costs, among other things. For example, competition for retail deposits may make banks

offer higher interest rates for new deposits, while increased competition in the credit card market may force the Group to offer lower interest rates on credit card loans. Management believes that its principal competitors are:

- as regards retail banking in general, the retail divisions of the largest state-owned banks and leading private universal banks, including Sberbank, VTB, Alfa-Bank, Sovcombank, Raiffeisenbank, and certain consumer lending specialists, such as Home Credit & Finance Bank and Sovcombank;
- as regards the Group's efforts to develop and expand the Tinkoff ecosystem, certain groups that are developing their own technology-driven ecosystems that partially overlap with the Group's, including Sberbank and Yandex;
- as regards investment brokerage, retail brokers and investments firms, including the trading platforms operated by Sberbank, VTB and Alfa-Bank;
- as regards SME credit and non-credit services, the well established corporate divisions of the largest state-owned banks and leading private universal banks mentioned above; and
- as regards its BNPL service, the "Halva" instalment card issued by Sovcombank.

Furthermore, the Group may be subject to further increased competition from Russian banks and other financial providers of financial services (including existing and potential new providers of digitalized online banking services) as the Group continues to grow its online platform, develops and rolls out new non-credit products and services. As such, the Group's market share and results of operations are subject to competitive pressures from existing and new retail banking products of its competitors. Many of the Group's competitors have access to much larger deposit bases and benefit from cheaper funding costs. For example, following the global economic crisis, banks such as VTB, Sberbank, Russian Agricultural Bank and Gazprombank received large amounts of funding from the Russian government at commercially favourable terms in connection with government measures to support the Russian banking sector. More recently, Bank Otkritie and Promsvyazbank have received considerable financial support from the CBR as part of its measures to financially rehabilitate these banks. As a result, some of these banks enhanced their positions in the Russian banking sector, including in retail financial services, changing the competitive environment in the retail lending and deposit markets. The continuing focus of these banks on retail financial services may lead to the Group being unable to compete successfully in this market segment. Moreover, further growth and increasing availability of credit bureaus and development of other resources allowing banks to ascertain the credit history of individual borrowers may lead to an increase in competition in the consumer finance market, which could lead to lower market share or loan volumes for the Group, as well as tighter interest rate spreads. If the Group fails to compete effectively with other banks, or potential new entrants to the market, this could have a material adverse effect on its business, results of operations, financial condition and prospects.

The Group is dependent on its consumer lending business

Consumer lending (in the form of credit card lending, cash loans, auto loans, home equity loans and POS loans) is, and is expected to remain for the foreseeable future, the Group's most significant business and source of income, although it no longer represents a majority of the Group's business and the Group is further actively developing its non-credit products and services. Due to the Group's decision to diversify its business, the Group is gradually decreasing dependence of its revenues on the success of its consumer lending business. The Group's interest income of consumer finance segment calculated using the effective interest rate method amounted to RUB 113,494 million, RUB 103,077 million and RUB 70,526 million in 2020, 2019 and 2018, respectively, which accounted for 58.0 percent, 63.7 percent and 60.6 percent of the Group's total revenues in the respective periods. In the six months ended 30 June 2021, the Group's interest income on consumer finance amounted to RUB 63,904 million which represented 52.5 percent of the Group's total revenues. However, the interest income of the Group's consumer finance segment still constitutes a significant part of the Group's total revenues. Therefore, if the Group is unsuccessful in implementing its strategy of further developing its consumer lending business or demand for consumer lending decreases, or if consumer lending is disrupted for any reason, in the absence of another major source of income, the Group's revenues could dramatically decrease, which may have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Group may be sensitive to fluctuations in the market values of the securities in its securities portfolio

The Group is exposed to the movement in market values of securities in its securities portfolio, including the risk of unfavourable market price changes relative to its positions, a decline in the market liquidity of securities,

volatility in market prices, interest rates or foreign currency exchange rates relating to these positions and the risk that instruments that the Group chooses to hedge certain positions do not track the market value of those positions. Debt securities and repurchase receivables measured at fair value through other comprehensive income represented 23.4 percent of the Group's total assets as at 30 June 2021, 27.3 percent as at 31 December 2020, 23.2 percent as at 31 December 2019 and 25.5 percent as at 31 December 2018. As at 30 June 2021, predominantly all of the securities held by the Group were debt securities in the form of Russian sovereign, domestic and municipal bonds, corporate bonds and eurobonds, as well as a relatively small holding of foreign sovereign bonds. Therefore, the Group's interest income and profit are influenced by fluctuations in interest received on and the movements in market values of the securities portfolio.

The Group determines fair value of securities based on quoted market information, where it exists, and appropriate valuation methodologies. The fair value measurement of such securities requires Management's judgement based on current economic conditions and the specific risks attributable to the relevant securities. While the Group employs rigorous risk-management tools to limit the impact of market risk, among other things, on the Group's capital, the fair value of financial instruments may not always be accurately estimated or properly reflected. This may result in an inaccurate assessment of the Group's results of operations and financial position. Any instability on the securities markets could lead to a significant devaluation of the Group's securities portfolio, which would result in financial losses to the Group and have a negative impact on Tinkoff Bank's capital ratios.

If the prices of securities held by the Group decrease or the market becomes more volatile, the Group may incur losses from these securities and suffer negative impact on its capital ratios, which could have a material adverse effect on its business, results of operations, financial condition and prospects and the value of the Notes.

The Group relies on financial intermediaries to execute and settle client orders.

The Group relies on market makers, dealers, securities exchanges, clearing houses, and other financial intermediaries to execute and settle its clients' orders in Tinkoff Investments. The unwillingness or inability of any of these parties to perform their usual functions coupled with the unavailability of alternative arrangements could result in its clients' orders not getting executed or settled, or in delays and erroneous or unanticipated execution prices and cancelled orders. This may be due to market volatility, uneconomic trading conditions, capacity constraints, financial constraints, system failures, unanticipated trading halts invoked by securities exchanges, market closures, or other reasons. Its inability to get client orders executed or settled because of the unwillingness or inability of these parties to perform their usual functions could result in client dissatisfaction and reputational harm and expose the Group to client claims for damages.

The Group is dependent upon its IT and communications systems, the failure of which could result in loss of business and reputational damage to the Group

Given the Group's branchless, data-driven and service-oriented business model, information technology plays a critical role in the Group's business. The Group's ability to maintain financial and operating controls, to monitor and manage its risk exposure, to keep accurate records, to provide high-quality customer service and to develop and sell products and services depends, in part, on the uninterrupted and efficient operation of its information and communications systems, including its information technology and other systems that protect business continuity. The Group's online and telesales distribution channels (including the Tinkoff Super-App), its AI Banking capabilities, the Oleg voice assistance and the cloud-based home call centre are all particularly dependent upon highly sophisticated information technology and systems as failures or outages could harm the Group's ability to conduct business and damage its relationship with consumers and business partners. The Group's dependence on these and other complex IT systems is likely to increase as it expands the Tinkoff ecosystem. For a detailed description of the Group's IT systems, see "*Business—IT Infrastructure*".

The Group's IT systems may be vulnerable to a number of problems, such as software or hardware malfunctions, malicious hacking, physical damage to vital IT centres and computer virus infection. The Group's IT systems have in the past been attacked by malware which corrupted certain data stored thereon. According to the Group's monitoring system statistics, the Group's IT systems are subject to multiple cyberattacks each month. In 2020, a cyberattack targeting financial institutions successfully bypassed the Group's first-line security measures, although the Group's cybersecurity experts were able to detect the breach and resolve it before any Group data was accessed or infrastructure damaged. Although cyberattacks such as these are generally quickly deflected, no assurance can be given that the Group will be able to deflect such attacks in a timely manner or at all in the future. In addition, the Group's IT systems need regular upgrading to meet changing business and regulatory requirements, adequately support the increased scale of the Group's operations and to maintain the efficiency of its network's operations, all of which needs to be done in a cost-effective manner.

The Group plans to further develop its existing IT systems and may also add new IT systems. The implementation of such plans may take longer than expected, may cost more than initially expected or result in unexpected disruption to the Group's system operations, any of which could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

While the Group devotes substantial attention and resources to the reliability, capacity and scalability of its systems, extraordinary trading volumes, such as those that have recently occurred, could cause the Tinkoff Investments platform to operate at unacceptably slow speeds or even fail, affecting the Group's ability to process customer trades and potentially resulting in some customers' orders being executed at prices they did not anticipate. Disruptions in service and slower system response times could result in substantial losses, decreased customer satisfaction, reputational damage, and regulatory inquiries.

IT systems problems or malfunctions can result from inadequate or failed internal control processes and protection systems, human error, fraud, theft or external events that interrupt normal business operations. Any material disruption to the Group's IT systems, and in particular any disruption that affects the operations of the Group's online customer acquisition platform, could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Group could be adversely affected by risks related to intellectual property

The Group relies on the availability of third-party licences. Many of its IT systems include software or other intellectual property licensed from third parties. It may be necessary in the future to renew licences relating to various aspects of these IT systems or to seek new licences. There can be no assurance that the necessary licences would be available on acceptable terms, if at all. The inability to obtain certain licences or other rights or to obtain such licences or rights on favourable terms, or the need to engage in litigation regarding these matters, could adversely affect IT systems operations until equivalent technology can be identified, licensed or developed, and integrated into the existing IT systems and could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Claims by others that the Group infringes their proprietary software or other intellectual property could harm its business. Others have asserted and may in the future assert claims of infringement of intellectual property rights against the Group. In February 2018 PJSC «Post Bank» filed a court claim alleging violation by Tinkoff Bank of its intellectual property rights by using the trademark "Leto" on bank cards issued within the framework of the project with LLC "Gals-Invest Development" which provides services at the shopping mall "Leto". On 23 March 2018, Tinkoff Bank and PJSC "Post Bank" entered into a license agreement related to this dispute; PJSC "Post Bank" relinquished the claim. Under the terms of this license agreement, Tinkoff Bank has the right to use the trademark "Leto" during the period from 15 July 2017 to 15 July 2020 subject to contractual limitations and restrictions.

Any future claim of infringement, even one without merit, could cause the Group to incur substantial costs defending against the claim and could distract its management from its business. Furthermore, a successful claimant could secure a judgment, or the Group may agree to a settlement that prevents it from using software or other intellectual property or that requires it to pay substantial damages, royalties or other fees. Any of these events could seriously harm the Group's business, results of operations financial condition and prospects.

The Group's proprietary rights may be difficult to enforce, which could enable others to copy or use aspects of its proprietary software or other intellectual property without compensating the Group. Despite the Group's efforts to protect its proprietary rights, unauthorised parties may attempt to copy aspects of its proprietary software or other intellectual property or obtain and use information that the Group regards as proprietary. The Group generally limits access to and distribution of its proprietary information. However, there can be no assurance that the steps taken by the Group will prevent misappropriation of its proprietary software or other intellectual property. Policing unauthorised use of its proprietary software or other intellectual property is difficult. If the Group is unable to protect its proprietary rights to intellectual property, it may find itself at a competitive disadvantage to others who need not incur the additional expense, time and effort required to create the innovative proprietary software or other intellectual property that have enabled it to be successful to date.

The Group may not be able to properly manage its growth

The Group increased its total assets by 12.4 percent to RUB 966,004 million as of 30 June 2021 from RUB 859,294 million as of 31 December 2020, which in turn represents an increase of 48.1 percent from RUB 580,025 million as of 31 December 2019, itself an increase of 54.5 percent increase compared to the Group's total assets

of RUB 375,499 million as of 31 December 2018. There can be no assurance that the Group will be able to properly manage its growth and continue to achieve positive returns on investments that the Group makes in the development of its retail financial services business.

As it grows, the Group's business requires the effective expansion and maintenance of the Group's financial, IT and information management control systems, the continued training of its personnel, continued efforts to maintain or enhance the quality of its customer service operations and the recruitment of additional employees. Should the Group fail to properly manage its growth, such failure could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Group's business to some extent relies on outsourcing relationships with partners, and there can be no guarantee that the Group will be able to maintain these relationships in the future

The Group's business model involves extensive outsourcing of various customer service and operating functions, which helps it to retain focus on and develop its core competences with respect to the Group's main operations, to limit capital expenditures and to increase the flexibility of its cost base. This makes the Group dependent on its outsourcing partners and exposes the Group to the risk that existing partners will fail to adequately perform these outsourcing services, as well as the risk that it will be unable to find new outsourcing partners if any existing partners terminate their relationship with the Group. The Group has established relationships with a wide range of providers of payment acceptance services. In addition, since 2009, the Group has cooperated with the Russian Federal Post Office, which allows the Group's credit card customers to pay their credit card bills without paying commission at over 40,000 Russian Federal Post Office branches. The Group also outsources various business functions, such as data centre management and some collections of overdue loans.

Although the Group expects that it will maintain its relationships with its outsourcing partners, these outsourcing agreements generally may be terminated by service providers at any time, subject to notice requirements and/or compensation for damages in certain agreements. As such, there can be no guarantee that the Group's partners will continue to provide their respective services to the Group, especially if the development of the Group's range of services results in the Group starting to meaningfully compete with some of these outsourcing partners. It is also possible that the Group's outsourcing partners will only agree to continue to provide their services on terms that are less attractive for the Group.

In particular, should any arrangements with providers of payment acceptance services be terminated, the Group's ability to collect amounts due on its credit card loans may be adversely affected. Additionally, should any such arrangement be terminated, the Group's customers' payment options would be reduced and some might have to pay amounts due on their credit card loans through other venues, such as banks, which impose charges for such payments that are currently not covered by the Group, while Management would also have to divert its time and other resources to address the adverse consequences of any such agreement terminations. Should the Group fail to maintain its relationships with its outsourcing partners, such failure could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Group's exposure to exchange rate risk may increase, particularly as it continues to access international capital markets

Most of the Group's loans to customers are currently denominated in roubles, while a portion of the Group's liabilities is denominated in foreign currencies, principally the U.S. dollar, which exposes the Group to foreign exchange risk. Although the Group sets limits and performs certain other measures aimed at reducing exchange rate risk, including the use of derivatives, fluctuations in exchange rates may have an adverse effect on the Group's business, results of operations, financial condition and prospects.

The Group plans to continue to access the international capital markets for its funding needs, and to the extent such funding is denominated in a foreign currency, the Group will be subject to risks related to currency mismatches between its assets and liabilities. Although the Group seeks to minimise such risks by entering into foreign currency derivative contracts, there is no guarantee that these risk limitation measures will continue to be available or, if they remain available, will be effectively implemented, or that they will allow the Group to substantially reduce the impact of currency volatility.

If the Group's risk management procedures and limits do not sufficiently reduce the impact of exchange rate risk on the Group's operations, adverse movements in exchange rates could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Interest rate risks inherent in the Group's business cannot be eliminated completely

Like other Russian banks, the Group is exposed to interest rate risk resulting from mismatches of its interest-bearing liabilities and interest-earning assets as well as from lending to customers and lending to other banks at fixed interest rates and in amounts and for periods that might differ from the Group's funding sources (which principally include retail deposits and, to a lesser extent, debt securities). Although the Group monitors interest rates with respect to its assets and liabilities, and seeks to manage effectively the interest rate positions on its interest-earning assets and interest-bearing liabilities, any significant adverse interest rate movements may have a material adverse effect on the Group's business, results of operations, financial conditions and prospects.

The Group's business entails operational risks, particularly fraud

The Group is exposed to operational risk, including the risk of fraud by employees, customers or outsiders, mismanagement, unauthorised transactions by employees and operational errors. In addition, the Group's ability to operate its business, and specifically its online customer acquisition and service platform, depends on its ability to protect the computer systems, networks and databases that it operates and uses from unauthorised intrusions of third parties. Although Management believes that the Group's computer systems, networks and databases are sufficiently protected from unauthorised access through a range of both physical and software security measures, given that potential attackers may be able to deploy sufficient technical and financial resources to overcome these security measures, there can be no assurance that the Group's computer systems, networks and databases will not suffer from security breaches in the future. The Group maintains a system of controls designed to keep operational risk at appropriate levels. However, there can be no assurance that it will not suffer losses from any failure of these controls to detect or contain any operational risk in the future.

There are several types of fraud being separately tracked by the Group: (i) "friendly" fraud (occurs when a consumer makes an Internet purchase with his or her own credit card and then issues a chargeback through the card provider after receiving the goods or services), (ii) "fraudulent application" (occurs when a criminal uses stolen or fake documents to open an account in someone else's name), (iii) "card not present" fraud (which involves the unauthorised use of a credit or debit card number, the security code printed on the card (if required by the merchant) and the cardholder's address details to purchase products or services in a non-face-to-face setting), (iv) "card stolen" fraud (occurs when the debit or credit card is stolen and then used by a criminal, posing as owner of the card), (v) "card lost" fraud (occurs when the card is lost and then used by a criminal, posing as owner of the card), (vi) "card never received" fraud (occurs when the issued card is never received by its rightful owner and is used instead by a criminal, posing as owner of the card), (vii) "counterfeit card" fraud (which involves the usage of counterfeit cards), (viii) "account takeover" fraud (occurs when the existing credit or debit card account is taken over by a criminal, posing as owner of the card), and (x) "fraudster" fraud (which involves opening an account for fraudulent activities, for example, for taking out money from compromised accounts with the prior transfer of funds from such compromised accounts to the fraudster's account). Particularly inventive frauds are categorized under "other" fraud and could include, for example, the situation where a customer obtains, on the basis of forged documents or otherwise, a loan secured against property that he or she does not own or which does not exist.

In the year ended 31 December 2020, the Group recorded fraud incidents with respect to 137,245 accounts, which resulted in a loss to the Group of approximately RUB 8.8 million. Among fraud incidents recorded by the Group in 2020, "account takeover" fraud accounted for the largest proportion of all fraud cases (affecting 65,674 cards), followed by "card not present" fraud (44,774 cards), "friendly" fraud (15,452 cards), "card stolen" fraud (7,331 cards), "card lost" fraud (3,376 cards), "fraudster" fraud (435 cards), "counterfeit card" fraud (196 cards), and other fraud (7 cards).

Management believes that if growth in fraud instances and resulting losses continues to increase at a higher rate than the increase in the Group's interest income or such growth in fraud results in permanent damage to the Group's reputation, this could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Damage to the Group's brand or reputation, or a decline in customer confidence in the Group or its products, could have a material adverse effect on the Group's profitability

The Group's business is dependent, in part, upon the strength of its "Tinkoff Bank" brand and the reputation of its business. The Group operates in a consumer-oriented industry where customer trust is important due to the need for public confidence in the quality of the Group's services and the security of its IT and communications systems. In addition, the Group's hiring efforts depend on the appeal of the Tinkoff brand, meaning any

reputational damage could harm the Group's ability to attract and retain skilled employees. See *“—There can be no assurance that key members of senior Management will remain at the Group or that the Group will be able to retain or recruit experienced and/or qualified personnel”*. The Group could suffer damage to its reputation and brand as a result of adverse publicity from government officials, pressure groups or the press, even if there is a relatively high level of satisfaction among the Group's current customers. In addition, any significant problems with collection practices employed by external collection agencies to which the Group outsources collections of its non-performing loans or to which the Group sells such loans could also adversely affect the Group's reputation and brand. Adverse publicity and damage to the Tinkoff Bank brand could directly affect customer willingness to use the Group's products or deposit funds with the Group, and could adversely affect the Group's ability to find new co-branding partners and damage relationships with third parties on which the Group relies, any of which may have a material adverse effect on the Group's business, results of operations, financial conditions and prospects.

Failure to maintain adequately and protect customer and employee data could have a material adverse effect on the Group

The Group collects and processes personal data (including name, address, age, bank and credit card details and other personal data) from its customers, third-party claimants, business contacts and employees as part of the operation of its business and it must comply with data protection and privacy laws and industry standards in Russia. Those laws and standards impose certain requirements on the Group in respect of the collection, use, processing and storage of such personal data. There is a risk that data collected by the Group and its appointed third parties is not processed in accordance with notifications made to, or obligations imposed by, data subjects, regulators, or other counterparties or applicable law. Failure to operate effective data controls in respect of the collection, use, processing and storage of such personal data could potentially lead to regulatory censure, fines, reputational damage and financial costs as well as result in potential inaccurate rating of risks or overpayment of claims.

The Group is also subject to certain data protection industry standards and may be contractually required to comply with those standards. For example, as a major processor of payments from payment cards, Tinkoff Bank is required to comply with the Payment Card Industry Data Security Standard (“**PCI DSS**”) as part of its contractual obligations to merchant acquirers. There is a risk that certain types of data security breaches could subject the Group to liability, contractual penalties and/or damage to the Group's reputation resulting from breaches of PCI DSS or other data protection industry standards.

In addition, the Group is exposed to the risk that the personal data it controls could be wrongfully accessed and/or used, whether by employees, agents or other third parties, or otherwise lost or disclosed or processed in breach of data protection regulations. If the Group or any of the third-party service providers on which it relies fail to process, store or protect such personal data in a secure manner or if any such theft or loss of personal data were otherwise to occur, the Group could face liability under data protection laws. This could also result in damage to the Group's reputation as well as the loss of business, which could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The “Tinkoff” and “Тинькофф” trademarks are owned by an entity outside the Group and the use of such trademarks by a non-Group entity or a dispute as to its use could have a material adverse effect on the Group

The intellectual property rights used by the Group are important to the value of the Group's business. The “Tinkoff” and “Тинькофф” trademarks, as well as several other trademarks and designs which are used by the Group are held by Larkpark Services Inc., an entity outside of the Group that is controlled by Mr. Tinkov. The Group has entered into the licensing agreements or has received consent from Larkpark Services Inc. to use relevant trademarks. In particular, Tinkoff Bank entered into licensing agreements with Larkpark Services Inc. for the use of the “Tinkoff” and “Тинькофф” trademarks in May 2013 and registered these licences with the Federal Service for Intellectual Property of the Russian Federation on 8 August 2013. The licence agreements are valid for so long as the trademarks are registered with the relevant Russian authorities (the registration of the trademarks is currently set to expire on 8 December 2029 unless it is renewed for a further 10-year period pursuant to an application from the trademark holder). Larkpark Services Inc. has an existing contractual obligation to renew the registration of the trademarks and the licence agreements. Nevertheless, there is a risk that the use of such trademarks by a non-Group entity or any dispute as to the use of the “Tinkoff” and “Тинькофф” trademarks could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

There can be no assurance that key members of senior Management will remain at the Group or that the Group will be able to retain or recruit experienced and/or qualified personnel

The Group is dependent on its senior Management for the implementation of its strategy and managing its day-to-day activities. In addition, certain business relationships of members of senior Management are important to the conduct of the Group's business. There can be no assurance that key members of senior Management will remain at the Group or that such business relationships will endure.

The Group also depends on highly qualified employees, who are difficult to attract and retain. Competition for personnel with relevant expertise is significant due to the relatively small number of available qualified individuals. The continued growth of the Group's existing operations and its ability to execute its strategy depends on the Group's ability to retain existing employees and to identify and recruit additional individuals who are not only familiar with the local customs and market, but who also have the necessary qualifications and level of experience in retail banking. The pool of individuals with the required set of skills in Russia is much smaller than in most Western European countries or in the United States. Increasing competition from international financial institutions active in Russia and from large Russian state-owned banks, which have access to significant capital resources, and from other companies in the fintech space may also continue to make it more difficult for the Group to pay competitive salaries and to attract and retain qualified employees and may lead to rising labour costs in the future.

If the Group is unable to attract, train and retain sufficiently qualified individuals or if competition for qualified employees increases its labour costs, this may have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The interests of the Group's shareholders may conflict with those of Noteholders

Tinkoff Bank is a wholly owned subsidiary of TCSGH. As at 30 June 2021, Guaranty Nominees Limited (JP Morgan Chase Bank NA) held 64.92 percent of the shares in TCSGH on behalf of holders of the Group's global depositary receipts ("GDRs"), and Mr. Tinkov indirectly owned the remaining 35.08 percent. The shareholders collectively control the Group's business via voting at general shareholders' meetings of TCSGH, where Mr. Tinkov has the largest voting stake. The interests of the Group's shareholders (notably, Mr. Tinkov) may, in some circumstances, conflict with the interests of the Noteholders, which may have a material adverse effect on the Noteholders' investment in the Notes.

Any negative publicity surrounding Mr. Tinkov may have a material adverse effect on the Group's business

Any adverse publicity with respect to Mr. Tinkov or his other business ventures could result in a negative perception of the "Tinkoff Bank" and "Tinkoff" brands. For example, in March 2020, a grand jury indictment was unsealed in the United States district court for the Northern District of California which indicted Mr. Tinkov for alleged personal income tax fraud in the United States in a matter that does not involve the Group or any member of Management. Mr. Tinkov is currently free on bail in the UK, and the court hearing with respect to his requested extradition to the United States has been postponed. The postponement of Mr. Tinkov's extradition hearing as well as the overall status of the indictment and Mr. Tinkov's personal income tax dispute with the U.S. Internal Revenue Service may change at any time with no advance notice to, or knowledge of, the Group given the indictment relates to Mr. Tinkov's personal affairs. Any allegations or events damaging to Mr. Tinkov's reputation may, even though the Group neither had nor has any involvement, also damage the Tinkoff brand or harm Tinkoff Bank's reputation and could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Any downgrade in the ratings of the Group and/or its related debt obligations could make it more expensive for the Group to raise capital in the future and may adversely affect the price that a subsequent purchaser would be willing to pay for the Notes

A significant number of the Group's debt obligations have credit ratings, upon which investors rely in varying degrees, and which may be a prerequisite to investing for certain investors holding such debt obligations. The global economic crisis witnessed credit rating agencies revising the criteria that they use to determine the credit ratings of debt obligations and/or changing their credit ratings of companies and their rated obligations. Any further change in the methodology used by rating agencies could result in a change of outlook, or a downgrade in the ratings of a company or its rated obligations. Any downgrade in the ratings of the Group and/or its rated obligations could make it more difficult and/or expensive for it to raise capital going forward and may adversely affect the market price of its outstanding debt obligations and the Notes. The Group's ratings are also sensitive to

changes in the sovereign rating of Russia. The Group's credit ratings are an assessment by the relevant rating agencies of its ability to pay its debts when due. Consequently, any change in the credit ratings of the Group's debt obligations could adversely affect the price that a subsequent purchaser would be willing to pay for the Notes.

The Group's measures to prevent money laundering and/or terrorist financing may not be completely effective

The CBR has revoked a number of licences of Russian banks for violations of reporting requirements under the Federal Law No. 115-FZ dated 7 August 2001 "Concerning the Counteraction of the Legitimization (Laundering) of the Proceeds of Crime and the Financing of Terrorism" (the "**Anti-Money-Laundering Law**").

Notwithstanding the current anti-money-laundering regulations, the risk remains, however, that Russian financial institutions could be used as vehicles for money laundering. Russia is a member country of the Financial Action Task Force on Money Laundering ("**FATF**") and the Egmond Group and has enacted laws and regulations to combat money laundering, terrorist financing and other financial crimes. In Russia, all banks and their key employees are obliged to implement and fulfil certain requirements regarding the treatment of activities that may be referred to as money laundering. The Anti-money-laundering Law and implementing regulations set forth the framework for this requirement and other anti-money-laundering procedures.

Minimum standards and duties according to the Anti-money-laundering Law include customer identification, record keeping, suspicious activity reporting, employee training, an audit function and designation of a compliance officer. Suspicious transactions must be reported on a daily basis to the Federal Service for Financial Monitoring of the Russian Federation ("**FSFMT**"). The Group complies with applicable anti-money-laundering and anti-terrorist-financing laws and regulations. The Group's anti-money-laundering measures are based on relevant Russian legislation. In particular, Russian anti-money-laundering laws contain numerous requirements with respect to identification of customers, as well as documentation and reporting to the relevant authorities of transactions subject to mandatory control and other suspicious transactions. The Group has procedures and documents aimed at preventing money laundering and financing of terrorist activities, including a general anti-money-laundering policy, employee training, the designation of a compliance officer, internal control procedures that include a refusal policy whereby the Group may refuse to conduct business with suspicious entities or individuals and rules on counteracting money laundering and financing of individuals and legal entities engaged in terrorist activities, as well as procedures for reporting to the FSFMT.

The Group has not been subject to investigation with respect to any involvement in money laundering or terrorist financing and Management believes that the Group fully complies with the reporting requirements under the Anti-money-laundering Law. However, there can be no assurance that third parties will not attempt to use the Group as a conduit for money laundering or terrorist financing without the Group's knowledge, nor that the measures described above will be completely effective. The Group has in the past been subject to administrative procedures initiated by the CBR with respect to Tinkoff Bank's internal anti-money-laundering policies and for failing to submit anti-money-laundering reports on time due to technical problems in its reporting system and if such failings repeat further administrative proceedings could be initiated in the future. Such technical or other breaches of the Anti-money-laundering Law could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Group's assets and business are not fully insured and may be subject to loss

Currently, the Group does not maintain comprehensive insurance over its assets, insurance for business interruption, key man insurance (a life and/or disability policy taken out by the employer as a beneficiary in the event of death or disability to a particular key manager) or fraud insurance. Although the Group maintains insurance covering damage to interiors, electronic equipment and furniture as well as civil liability insurance and cyber security insurance, any event which would normally be covered as an insurable risk such as fire, theft, systems disruptions or other operational risk would expose the Group to loss, which could, if significant, materially adversely affect its business, results of operations, financial condition and prospects. In addition, existing insurance cover may not or may not fully cover all insured losses.

Risks Related to Russia

Tinkoff Bank is a Russian bank and substantially all of its assets are located in Russia. There are certain risks associated with an investment linked to businesses operating in Russia.

Emerging markets such as Russia are subject to greater risks than more developed markets and a financial crisis could have a particularly significant adverse effect on banks, including the Group, operating in emerging markets such as Russia

Investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in light of those risks, their investment is appropriate. Generally, investment in emerging markets is suitable only for sophisticated investors who are familiar with and fully appreciate the significance of the risks involved in investing in emerging markets.

Investors in emerging markets such as Russia should be aware that these markets are subject to greater risk than more developed markets, including, in some cases, significant legal, tax, economic, financial, social and political risks. Investors should also note that developing economies such as the economy of Russia are subject to rapid changes and that the information set out in these Listing Particulars may become outdated relatively quickly. Moreover, financial turmoil in any large developing country may tend to adversely affect prices in equity and debt markets of other developing countries as investors move their money to more stable and developed markets. Thus, even if the Russian economy remains relatively stable, financial turmoil in other emerging market countries could have an adverse effect on the Russian economy.

As has happened in the past, financial problems, or an increase in the perceived risks associated with investing in developing economies, could dampen foreign investment in Russia and have an adverse effect on the Russian economy as a whole, which, in turn, could have an adverse effect on most Russian banks, including the Group, due to, among other factors, declines in the creditworthiness of many borrowers and an overall decrease in demand for loans. See “*Operating and Financial Review—Significant Factors Affecting Results of Operations—Russia’s Economic Conditions*”. In addition, any financial turmoil can result in severe liquidity constraints for companies that operate in emerging markets due to the withdrawal of foreign funding sources or the reluctance of foreign investors to provide financing to borrowers in such emerging markets. Since the Group derives a significant proportion of its funding from issuing eurobonds, any significant decrease in availability of funding through the international capital markets could have an adverse effect on its business, financial condition, results of operations and prospects. Accordingly, investors should exercise particular care when evaluating the risks associated with an investment in the Notes and must decide for themselves whether, in light of those risks, their investment is appropriate. Generally, investments in emerging markets are only suitable for sophisticated investors who fully appreciate the significance of the risks involved in, and are familiar with, such investments, and investors are therefore urged to consult with their own legal and financial advisers before making an investment in the Notes.

Political Risks

A worsening of the political climate in Russia may have a material adverse effect on the Group’s business, financial condition, results of operations and prospects

Since 1991, Russia has sought to transform itself from a one-party state with a centrally-planned economy to a market-oriented economy. Political conditions in Russia were highly volatile in the 1990s, as evidenced by the frequent conflicts among executive, legislative and judicial authorities, which negatively affected Russia’s business and investment climate.

Although the political situation in Russia has stabilised since 2000, future political instability could result in deterioration of economic conditions, including capital flight and a slowdown of investment and business activity.

In January 2020, President Putin proposed a number of constitutional reforms aimed at altering the balance of power between the legislative, executive and judicial branches and introducing certain other changes to the Constitution of Russia. The amendments were approved in a nation-wide vote and became effective in July 2020. These amendments may have an impact on the Russian political landscape and regulatory environment and lead to other changes that are currently difficult to predict.

Any future shifts in governmental policy and regulation in Russia could also lead to political instability and disrupt or reverse political, economic and regulatory reforms, which could have a material adverse impact on the value of investments relating to Russia, and the Notes in particular, as well as on the Group’s business, its ability to obtain financing in the international markets and its financial condition, results of operations and prospects.

The actions of the Russian legislative, executive and judicial authorities can affect the Russian securities market and consequently the Group's business, financial condition, operating results and prospects

The actions of the Russian legislative, executive and judicial authorities can affect the Russian securities market as well as banks and other businesses operating in Russia. In particular, the events surrounding claims brought by the Russian authorities against several major Russian companies, led to questions being raised regarding the progress of market and political reforms in Russia and have resulted in significant fluctuations in the market price of Russian securities and a negative impact on foreign direct and portfolio investment in the Russian economy, over and above the general market turmoil recently. Any similar actions by the Russian authorities that result in a further negative effect on investor confidence in Russia's business and legal environment could have a further material adverse effect on the Russian securities market and price of Russian securities, or securities issued or backed by Russian entities, including the Notes, as well as on the Group's business, its ability to obtain financing in the international markets, and its financial condition, results of operations and prospects.

Domestic, regional and international political conflicts could create an uncertain operating environment that could adversely impact the Group's business and hinder its long-term planning ability

Russia consists of 85 regions ("federal subjects"), some of which exercise considerable autonomy in their internal affairs. In certain areas, the division of authority between federal and regional governmental authorities remains uncertain. The lack of consensus between local and regional authorities and the federal governmental authorities may result in political instability and may have a material adverse effect on the Group's business, financial condition, prospects or ability to fulfil its financial obligations.

In addition, ethnic, religious, historical and other divisions have, on occasion, given rise to tensions and, in certain cases, military conflict, both internally and with other countries. Russian military and paramilitary forces have been engaged in the Chechen Republic in the recent past and continue to maintain a visible presence there. Moreover, in August 2008, Russia and Georgia were involved in an armed conflict. The conflict ended with Russian recognition of the independence of South Ossetia and Abkhazia. Russian stock exchanges experienced heightened volatility, significant overall price declines and capital outflow following these events and the international capital markets temporarily closed to Russia. Furthermore, differing views on the Georgia conflict, as well as the recent armed conflict in Eastern Ukraine, have had an impact on the relationship between Russia, the United States, the EU, the UK, and certain former Soviet Union countries and, if prolonged, could adversely affect business relationships among these countries and adversely affect the Russian economy. Recently, there has been a considerable deterioration of relations between Russia and a number of Western European countries including, among others, the UK, which has so far resulted in both countries expelling each other's diplomats and implementing other diplomatic sanctions. A prolonged deterioration in Russia's international relations may have a negative effect on the investment climate in Russia and the price of Russian securities. The risks associated with these events or potential future events could materially and adversely affect the investment environment and overall consumer confidence in Russia, which in turn could have a material adverse effect on the Group's business, its ability to obtain financing in the international markets, and its financial condition, results of operations and prospects.

The armed conflict in Eastern Ukraine and the international reaction to Russia's actions in connection with Crimea and Syria and Russia's alleged use of chemical and biological weapons, including sanctions imposed by the United States, the EU and the UK, create significant political and economic uncertainty which could adversely impact the Group's financial condition

The significant civil unrest and political instability in Ukraine in recent years and the armed conflict in Eastern Ukraine has affected relations between Russia and Ukraine. On 16 March 2014, a referendum was held in Crimea pursuant to which it was reported that a majority of those who voted were in favour of secession from Ukraine and joining Russia as a federal subject. On 17 March 2014, the parliament of Crimea declared independence from Ukraine and officially applied to the Russian authorities with a request to join Russia, which request was agreed by Russia the next day. On 21 March 2014, the Russian parliament passed legislation extending the effect of Russian laws and state authorities to the territory of Crimea.

These events in Crimea and the resulting change in Crimea's legal status have prompted a negative reaction from the international community with the United States, the EU, the UK, and Ukraine, amongst others, refusing to recognize the referendum in Crimea as legal. The armed conflict in Eastern Ukraine between the Ukrainian army and local militia has destabilized the region and put further pressure on international relations between Russia and Western countries. Although the armed conflict in Eastern Ukraine has subsided, relations between the Ukrainian government and the breakaway territories in Eastern Ukraine remain tense. In relation to these events, the United

States, the EU and certain other countries, such as the UK, Canada, Australia and Japan have introduced sanctions and trade restrictions on Crimea, a number of former Ukrainian governmental officials, certain Russian governmental officials and individuals, politicians, Russian businessmen and Russian and non-Russian companies and banks (including certain restrictions on the largest Russian state-controlled banks and certain state-controlled companies predominantly in the energy and defence sectors), and also adopted bans and restrictions on exporting certain goods and technologies to Russia generally and in certain cases to designated companies. Furthermore, the United States introduced sanctions against Russia's intelligence agencies, the Main Intelligence Agency and the Federal Security Service, as well as other entities and individuals associated with these agencies, in connection with certain allegations of tampering with the political process in the United States by those entities. The current sanctions regime is a result of multiple extensions by the United States, EU and other countries in the term and scope of sanctions, including specially designated national designations from April 2018 that targeted a number of Russian state officials and a number of prominent Russian businessmen and their businesses. Although such sanctions previously imposed on EN+ Group plc, United Company RUSAL plc and JSC EuroSibEnergo were, subject to strict conditions, lifted in January 2019, it is currently unclear how long the remaining sanctions imposed in April 2018 will remain in place and whether new sanctions may be imposed.

The governments of the United States and certain EU member states, as well as certain EU officials have indicated that they may consider additional sanctions should fighting in Eastern Ukraine escalate. In March 2019, EU and the United States sanctioned a number of Russian individuals and entities over a stand-off with Ukraine in the Azov Sea in November 2018. In January 2020, EU and the United States imposed additional sanctions in respect of a number of Russian individuals for organizing the elections held in the Crimea and city of Sevastopol in September 2019. Tensions between Russia and the United States, EU and UK have further increased recently as a result of the conflict in Syria, and there can be no assurance that the governments of the United States, EU, UK or other countries will not impose further sanctions on Russia related to the Syrian conflict.

On 2 August 2017, the U.S. President signed into law the Countering America's Adversaries Through Sanctions Act ("CAATSA") that, in addition to codifying and broadening the scope of the existing U.S. sanctions against Russia, authorised the Secretary of the Treasury to expand sectoral sanctions to state-owned companies operating in the railways, metals, and mining sectors of the Russian economy. In addition, CAATSA provides for the possible imposition of so-called secondary sanctions, under which non-U.S. persons who engage in certain activities in Russia or linked to certain Russian persons could face adverse economic consequences in the form of denial of access to U.S. markets or denial of other U.S.-linked benefits. The activities potentially subject to secondary sanctions include, among others, transactions related to the construction, modernisation and repair of energy export pipelines; transactions with the Russian intelligence and defence sectors; sanctions evasion and other significant transactions with sanctions targets; activities that undermine the cybersecurity of any person or government. If implemented by a U.S. President, these sanctions may have a material adverse effect on the Russian financial markets and investment climate and the Russian economy generally.

In January 2018, Mr. Tinkov was, among other Russian businessmen, included in a report on sanctions prepared under CAATSA and submitted to the U.S. Congress. Although the report states that the inclusion of individuals or entities in it does not impose sanctions on those individuals or entities, no assurance can be given that any member of the Group and/or any of the Group's directors, officers, managers or employees will not become subject to, or adversely affected by, any U.S. and/or EU or other sanctions in the future.

In August 2018, the U.S. State Department imposed sanctions on Russia under the Chemical and Biological Weapons Control and Warfare Elimination Act of 1991 (the "CBW Act"), including termination of sales of any defence articles and services and prohibition on the export to Russia of certain national security-sensitive goods and technology. In November 2018, the U.S. Department of State declared its intention to impose further CBW Act sanctions, including the prohibition on U.S. banks to provide financing to the Russian state, extensive bans on exports and imports involving Russia and the possible suspension of aviation rights into the United States. Since August 2019 US banks have been prohibited from participating in the primary market for non-rouble-denominated bonds issued by the Russian sovereign and also prohibited from lending non-rouble-denominated funds to the Russian sovereign. In April 2021, these sanctions were expanded to cover rouble-denominated bonds issued by the Russian sovereign and the lending of rouble-denominated funds to the Russian sovereign.

In December 2019, the U.S. President signed into law a bill passed by the U.S. Congress that provides for the introduction of certain sanctions on persons providing certain assistance in the construction of the Nord Stream 2 pipeline project. In January 2021, further legislation was enacted extending the imposition of sanctions to the TurkStream gas export pipeline and to a wider array of activities (including providing vessels for construction of the pipelines and the provisions of various services connected to such vessels). It is currently not possible to

predict what impact these potential new sanctions or any retaliatory measures by the Russian Government may have on the Russian economy or the Group's business.

Congressional investigation and hearings following the release of a report prepared by special counsel on the alleged Russian interference into the U.S. presidential election in 2016 could further negatively impact the Russia-U.S. bilateral relationships and could lead to further sanctions.

Several pieces of draft legislation directed at amplifying U.S. sanctions against Russia have been introduced in the U.S. Congress and are currently under consideration. The current initiatives, if enacted, could affect, among other things, Russian sovereign debt, Russian energy projects and, the Russian energy and financial sectors. It is currently unclear at which point, if at all, any of these bills could be signed into law and what would be the scope of any new sanctions that may be imposed pursuant to any such laws. Furthermore, the UK has, following its withdrawal from the EU, enacted its own sanctions regime, which is similar to that of the EU, but deviates from it in certain respects and may deviate further in future.

Further confrontation in Ukraine, Russia's involvement in the conflict in Syria and any escalation of related tensions between Russia and the United States, EU or UK, the imposition of further sanctions, or continued uncertainty regarding the scope thereof, could have a prolonged adverse impact on the Russian economy, particularly levels of disposable income, consumer spending and consumer confidence, as well as the ability of Russian banks, including Tinkoff Bank and its Russian customers, to sustain required liquidity levels and comply with their financial obligations.

Neither TCSGH nor any other member of the Group has been designated by the United States, the EU, the UK or other countries as a specific target of their respective sanctions. However, no assurance can be given that any of those persons or entities will not be so designated in the future, or broader sanctions against Russia that affect the Group, may not be imposed. Although the Group has no reason to believe that it may be specifically targeted by the U.S., EU or UK sanctions, or by other countries, if sanctions targeting the Russian banking sector generally or the Group specifically are imposed, such sanctions will likely have a material adverse impact on the Group in a number of ways. For example, Tinkoff Bank's ability to use international payment networks (such as those administered by Visa and MasterCard) could be impaired, Tinkoff Bank might become unable to deal with persons or entities bound by the relevant sanctions, including financial institutions and rating agencies, transact in U.S. dollars, raise funds from investors, or access international capital markets generally, use international settlement, clearing and/or information exchange systems, and/or existing funds of the Group might be blocked. Although none of the Group's subsidiaries is a U.S. person, the Issuer itself, as well as TCSGH, are EU persons and are therefore required to comply with the EU sanctions, including not conducting business with any sanctioned persons. None of the proceeds of the issue of the Notes will be used to fund activities or persons that are subject to sanctions introduced by the United States, EU and UK or other countries. Like many other Russian banks and credit institutions, Tinkoff Bank may transact with Sberbank, Gazprombank, or VTB in the ordinary course of business, including on the interbank market. All transactions with these financial institutions are reviewed for sanctions compliance purposes. The predominant part of transactions with these banks are rouble transfers limited to the territory of Russia.

The Group's Russian subsidiaries are restricted in dealings with sanctioned persons only to the extent those dealings are subject to U.S. and/or EU jurisdiction, such as through the involvement of U.S. and/or EU persons or entities, business conducted on the territory of the United States or EU, clearing in U.S. dollars, or some other nexus to the relevant jurisdiction. However, there can be no assurance that compliance issues under applicable U.S. and/or EU regulation, measures or similar laws and regulations will not arise with respect to the Group or its personnel. Non-compliance with applicable sanctions could result in, among other things, the inability of the relevant subsidiaries of the Group to contract with the U.S. and/or EU governments or their agencies; civil or criminal liability of such entities and/or their personnel under U.S. and/or EU law; the imposition of significant fines; the inability to use international settlement, clearing payment and information-exchange systems; the inability to transact in U.S. dollars, euros or other currencies; and negative publicity and reputational damage. In addition, should the Group's dealings with sanctioned counterparties become material, the Group's ability to transact with U.S. or EU persons could be affected, even though such dealings would comply with applicable law. As a result, the ability of the Group to raise funding from international financial institutions or the international capital markets could be inhibited.

No assurance can be given that additional persons will not be subjected to sanctions, the existing sanctions programmes will not be further expanded or that other jurisdictions or bodies will not impose similar or additional sanctions against Russia that will affect the Group.

Further escalation of the sanctions regime against Russia, including by the Biden administration in the United States, may have a further negative impact on the Russian economy and the Russian financial and banking markets, increase capital outflows as well as worsen the general business and investment climate in Russia. The continuing impact of these events, public protests, unrest, political instability or further sanctions could have a further adverse effect on the Russian economy and consequently, a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Economic Risks

Economic instability in Russia

Since the dissolution of the Soviet Union, Russia has experienced and/or is currently experiencing:

- significant declines in national GDP;
- high levels of inflation;
- an unstable currency;
- high levels of state or corporate debt, relative to GDP;
- crises in the banking sector limiting the ability of banks to provide liquidity to Russian corporate and individual borrowers;
- a large number of loss-making enterprises that continue to operate due to the lack of effective bankruptcy procedures;
- significant use of barter transactions and illiquid promissory notes to settle commercial transactions;
- widespread tax evasion;
- growth of the “black” and “grey” market economies;
- pervasive capital flight;
- high levels of corruption and extensive penetration of organised crime and government into the economy;
- dependence of the economy on exports of commodities;
- significant declines and volatility in the stock market;
- significant increases in unemployment and underemployment;
- the impoverishment of a large portion of the Russian population;
- a declining population and short life-expectancy; and
- outdated and deteriorating physical infrastructure.

Sharp declines in commodity prices, expansion of sanctions by the United States or EU, a significant decline in the economic growth of China, the EU or any of Russia's other major trading partners, including as a result of trade-related disagreements between certain countries and potential deterioration of global economic conditions, the existence of excess global oil inventories, or sustained volatility on global financial markets could have a material adverse effect on Russia's balance of trade and adversely affect economic growth. Any deterioration in the general economic conditions in Russia could also adversely influence the level of demand for various products and services, including those provided by the Group, and therefore could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

There continues to be a lack of reliable official data in Russia, which makes business planning inherently uncertain and may impair the ability of Russian companies to plan effective strategies

Official statistics and other data published by Russian federal, regional and local governments, federal agencies and the CBR are in certain respects less complete or reliable than those of some of the more developed market economies of North America and Europe. Official statistics may also be produced on different bases than those used in Western countries. In preparing these Listing Particulars, Management has relied on and referred to information from various third-party sources and its own internal estimates. For example, a significant portion of information concerning the Group's competitors and the banking industry in Russia has been derived from publicly available information, including information published by the CBR. The Group and the Issuer have not independently verified them and, therefore, any discussion of matters relating to Russia in these Listing Particulars are subject to uncertainty due to concerns about the completeness or reliability of available official and public information.

If Russia were to return to higher and sustained inflation, the Group's results of operations could be adversely affected

As a result of the deteriorating economic conditions, depreciating rouble and restrictive measures on certain imports, inflation in Russia increased significantly in 2014 and reached 11.4 percent and 12.9 percent in 2015. Inflation was subdued in the following period and amounted to 4.3 percent in 2018, 3.0 percent in 2019 and 4.9 percent in 2020.

Any return to high and sustained inflation could lead to market instability, new financial crises, reductions in consumer purchasing power and an erosion of consumer confidence. Any one of these events could lead to decreased demand for the Group's products and services and result in a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Exchange controls and repatriation restrictions could adversely affect the value of investments in Russia

Despite liberalisation, there can be no assurance that Russia's currency regulation and control regime will not impose new restrictions or prohibitions. Restrictions or prohibitions on hard currency payments and operations could limit the Group's ability pursue attractive acquisition or investment opportunities. Such restrictions or prohibitions may limit an investor's ability to repatriate earnings from securities of Russian issuers, including the Group, or otherwise have a negative impact on the Russian capital markets. The consequences of any new restrictions or prohibitions could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Social Risks

Social instability could renew support for a centralised authority, nationalism or violence, and thus materially adversely affect the Group's ability to conduct its business effectively

Social instability in Russia, coupled with difficult economic conditions and the failure of salaries and benefits generally to keep pace with the rapidly increasing cost of living have led in the past to labour and social unrest (principally in urban areas). Any future labour and social unrest may have political, social and economic consequences, such as increased support for a renewal of centralised authority, increased nationalism, including restrictions on foreign involvement in the Russian economy and increased violence. This could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Terrorism, crime and corruption could adversely affect the value of investments

Terrorist activity inside and outside Russia have had a significant effect on the international and domestic financial and commodity markets. Various acts of terrorism have been committed in population centres within Russia. The risks associated with terrorist activity or potential future events could materially and adversely affect the investment environment and overall consumer confidence in Russia.

Levels of organised criminal activity continue to be significant in Russia. The Russian and international press have reported high levels of corruption in Russia, including the bribing of officials for the purpose of initiating investigations by government agencies and facilitation payments. Additionally, published reports indicate that a significant number of the Russian media regularly publishes biased articles in exchange for payment. The Group's business, results of operations, financial condition and prospects, as well as the value of the Notes, could be

materially adversely affected by illegal activities or corruption or by claims alleging that the Group is involved in such activities.

Legal Risks

Risks related to the Russian legal system and legislative weaknesses

Russia continues to develop a legal framework adequate to facilitate the proper functioning of a market economy. In particular, amendments have recently been introduced to the Russian Civil Code and the corporate legislation, and further amendments to it are expected to be adopted in the near future that are set to amend or introduce certain new fundamental principles of Russian civil law. The recent nature of much of the Russian legislation and regulation and the rapid evolution of the Russian legal system place the enforceability of certain laws and regulations in doubt, resulting in ambiguities and inconsistencies in their application. The following aspects of Russia's legal system, many of which do not exist in countries with more developed legal systems, create uncertainty with respect to many of the legal and business decisions that the Group makes:

- since 1991, Soviet law has been largely, but not entirely, replaced by a new legal regime as established by the 1993 Russian Federal Constitution, the Russian Civil Code and other federal laws and by decrees, orders, regulations and resolutions issued by the President, the Russian government and federal ministries, which are, in turn, complemented by regional and local rules and regulations. There have been, and continue to be, inconsistencies and overlaps between such laws, presidential decrees, state resolutions and ministerial orders, and between local, regional and federal legislation and regulations;
- decrees, resolutions and regulations may be adopted by state authorities and agencies in the absence of a sufficiently clear constitutional or legislative basis and with a high degree of discretion. There is a risk that state authorities may arbitrarily nullify or terminate contracts, withdraw licences, conduct sudden and unexpected tax audits, initiate criminal prosecutions and civil actions and use common defects in accounting or share issues and registration as pretexts for court claims and other demands to liquidate companies or invalidate such issues and registrations and/or to void transactions;
- substantial gaps in the regulatory structure may be created by delay in or the absence of regulations implementing certain legislation;
- there is a lack of judicial and administrative guidance on interpreting applicable rules. For example, the potential interpretation of wide-ranging amendments to the Civil Code (the most recent of which took effect in January 2019) remains unclear, along with their impact on the Group's activities and corporate governance. See *"The Banking Sector and Banking Regulation in Russia—Banking Regulation—Recent Amendments to the Civil Code"* for detailed information regarding the scope of these amendments;
- judicial decisions have limited value as precedents;
- Russia has a judiciary with limited experience in interpreting and applying market-oriented legislation and that is vulnerable to economic and political influence; and
- Russia has weak enforcement procedures for court judgments and there is no guarantee that a foreign investor would be able to obtain effective redress in a Russian court.

The independence of the judicial system and its immunity from economic, political and other influences in Russia remains largely untested. The court system is, to a certain extent, understaffed and underfunded. Judges and courts in Russia are generally inexperienced and unsophisticated in business and corporate law. In addition, most court decisions are not readily available to the public. The enforcement of court judgments can, in practice, be very difficult in Russia.

All of these factors make judicial decisions in Russia difficult to predict and effective redress uncertain. In addition, court claims are often used to further political aims and court judgments are not always enforced or followed by law enforcement agencies.

These weaknesses of the Russian legal system create considerable uncertainty in the legal and operating environment for Russian banks and banking groups, including the Group, as compared to banks in developed countries. In such an environment, it is more difficult for the Group, as well as for the other Russian banks and banking groups, to comply with existing and future laws and regulations and the terms and conditions of its licences and permits, the violation of which may result in the imposition of fines or penalties or more severe sanctions. These weaknesses also affect the Group's costs of compliance and the costs of doing business generally and create an unfavourable environment for quick and efficient resolution of disputes with other parties. If any of these events materialise in respect of the Group, this could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Unlawful or arbitrary government action in Russia may have an adverse effect on the Group's business

State authorities have a high degree of discretion in Russia and at times exercise such discretion arbitrarily, without conducting a hearing or giving prior notice, and sometimes they illegally go beyond the limits of their discretion. Moreover, the state also has the power, in certain circumstances, by regulation or act, to interfere with the performance of, or to nullify or terminate contracts. Unlawful or arbitrary state actions have included withdrawal of licences, sudden and unexpected tax audits, criminal prosecutions and civil actions. Federal and local government agencies have also used common defects in matters surrounding documentation of financing activities as pretexts for court claims and other demands to invalidate such activities and/or to void transactions, often for political purposes. In addition, state authorities have, in the past, publicly announced interpretations and regulatory initiatives, which significantly influenced certain industries and companies. Unlawful or arbitrary state action or public announcement of any initiative or interpretation, if directed at the Group, its Management or its principal shareholder or the Group's partners or the Russian banking industry in general, could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Legislation to protect against nationalisation and expropriation may not be enforced in the event of a nationalisation or expropriation of the Group's assets

Although the Russian government has enacted legislation to protect property against expropriation and nationalisation and to provide fair compensation to be paid if such events were to occur, there can be no certainty that such protections would be enforced. This uncertainty is the result of several factors, including the lack of state budgetary resources, an independent judicial system and sufficient mechanisms to enforce judgments. The concept of property rights is not well developed in Russia and there is limited experience in enforcing legislation enacted to protect private property against nationalisation and expropriation. As a result, the Group may not be able to obtain proper redress in the courts, and may not receive adequate compensation if in the future the Russian government decides to nationalise or expropriate some or all of the Group's assets. The expropriation or nationalisation of any of the Group's assets without fair compensation may have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Russian tax legislation is relatively undeveloped and subject to frequent changes

The Russian subsidiaries of the Group are subject to a broad range of Russian taxes and charges imposed at the federal, regional and local levels, including, but not limited to, corporate income tax, value-added tax ("VAT"), property tax and payroll-related social security contributions. Russian laws and regulations related to these taxes, such as the Tax Code of the Russian Federation (the "**Russian Tax Code**"), have been in force for a relatively short period of time in comparison with tax legislation in more developed economies. The implementation of Russian tax laws and regulations is often unclear or inconsistent. Historically, the system of tax collection has been relatively ineffective, resulting in continuous changes being introduced into existing laws.

Although the quality of the Russian tax legislation has generally improved with the introduction of the Russian Tax Code, the possibility exists that Russia may impose arbitrary and/or onerous taxes and penalties in the future, which could adversely affect the Group's business. A large number of changes have been introduced to various chapters of the Russian Tax Code since its adoption. Since Russian federal, regional and local tax laws and regulations are subject to frequent changes and, in addition, some of the sections of the Russian Tax Code relating to the aforementioned taxes are comparatively new, interpretation and application of these laws and regulations is often unclear, unstable or non-existent. Contradicting interpretations of tax regulations may exist both among and within government bodies at the federal, regional and local levels, increasing the number of existing uncertainties and leading to the inconsistent enforcement of these laws and regulations in practice.

Furthermore, the taxpayers, the Russian Ministry of Finance and the Russian tax authorities often interpret tax laws and regulations differently. In some instances, the Russian tax authorities have applied new interpretations

of tax laws and regulations retroactively. In addition, there have been cases where letters of the tax authorities clarifying certain tax matters have been cancelled by the Ministry of Finance of the Russian Federation. Private clarifications to specific taxpayers' queries in respect of particular situations issued by the Russian Ministry of Finance are not binding on the Russian tax authorities and there can be no assurance that the Russian tax authorities will not take positions contrary to those set out in the private clarification letters issued by the Russian Ministry of Finance. There can be no assurance that Russian legislation and regulations will not be altered, in whole or in part, or that Russian tax authorities and/or Russian courts or other regulatory authorities will not interpret these rules and regulations in such a way that the arrangements described in these Listing Particulars would be subject to different tax treatment than the treatment described herein, whether retroactively or otherwise, or would be adversely affected in some other way. During the past several years the Russian tax authorities have shown a tendency to take more assertive positions in their interpretation of tax legislation, which has led to an increased number of material tax assessments issued by them as a result of tax audits of companies operating in various industries.

As taxpayers and the Russian tax authorities often interpret tax laws differently, taxpayers often have to resort to court proceedings to defend their position against the tax authorities. In the absence of binding precedent or consistent court practice, rulings on tax or other related matters by different courts relating to the same and similar circumstances may also be inconsistent or contradictory.

These factors, and the possibility that arbitrary or onerous taxes and penalties could be imposed in the future, could have a material adverse effect on the Group's business, results of operations, financial condition and Tinkoff Bank's ability to service its payment obligations under the Loan Agreement and as a consequence the Issuer's ability to make payments under, or the trading price of, the Notes.

Tax returns, together with related documents are subject to review and investigation by the Russian tax authorities, which are enabled by Russian law to impose severe fines and interest charges on taxpayers. Subject to certain exceptions, including tax monitoring or cooperative tax compliance regime in which Tinkoff Bank participates, tax returns remain open and subject to inspection by the Russian tax authorities for the period of three calendar years immediately preceding the year in which the decision to conduct a tax inspection is taken. A repeat tax audit may be conducted under certain conditions. Therefore, previous tax audits do not necessarily preclude subsequent claims relating to the audited period. The Russian Tax Code provides for the possibility of an extension of the three-year statute of limitations under certain conditions. Since there are precedents in which the Russian tax authorities tend to apply new interpretations of tax laws retroactively, tax audits of periods for which the statute of limitations has expired and repeated tax audits may have a material adverse effect on the Group's business, financial condition and results of operations and impose additional administrative burden by diverting the attention of Management and employees, requiring resources for defending Tinkoff Bank's tax filing position, including for any tax litigation.

The Russian transfer pricing legislation which is currently in effect allows the Russian tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of all "controlled" transactions between certain parties. Due to a number of uncertainties in the interpretation of the current Russian transfer pricing legislation, no assurance can be given that the Russian tax authorities will not challenge the Group's prices and make adjustments which could adversely affect the Group's tax position unless the Group is able to justify the use of market prices with respect to "controlled" transactions supported by the appropriate transfer pricing documentation. The imposition of additional tax liabilities under the Russian transfer pricing legislation may have a material adverse effect on the Group's tax position, business, results of operations or financial condition.

These changing conditions create tax risks in Russia that are more significant than those typically found in jurisdictions with more developed tax systems and complicate tax planning and related business decisions of the Group. In addition, there can be no assurance that the current tax rates will not be increased, that new taxes will not be introduced or that additional sources of revenue or income, or other activities, will not be subject to new taxes, charges or similar fees in the future which may affect Tinkoff Bank's overall tax efficiency and may result in significant additional tax liabilities. Tinkoff Bank's tax burden may become greater than the estimated amount that it has paid or accrued on its balance sheet. There also can be no assurance that the Russian Tax Code will not be changed in the future in a manner adverse to the stability and predictability of the tax system. The Group cannot provide investors with any assurance that additional Russian tax exposures will not arise. Such additional tax exposures could have a material adverse effect on the Group's business, financial condition, results of operations and prospects, and the value of the Notes.

Russian anti-tax-avoidance initiatives may have an adverse impact on the Group's business, financial condition and results of operations

Russia is actively involved in introducing measures against tax avoidance by way of using low-tax jurisdictions and other aggressive international tax-planning structures. The Russian Tax Code envisages the following key rules (concepts): (1) "controlled foreign companies" (CFC) rules, pursuant to which undistributed profits of certain foreign organisations as well as foreign structures (not being legal entities) owned and/or controlled by Russian tax residents should be subject to taxation in Russia; (2) the concept of tax residency for legal entities whereby foreign legal entities would be deemed Russian tax residents if their place of management is located in Russia; and (3) the beneficial ownership concept, which provides that treaty relief should only be available to foreign income recipients which qualify as beneficial owners of income. The Group includes companies incorporated and operating outside of Russia. It is possible that with the evolution of such rules the Group might become subject to additional taxation in Russia in respect of its operations outside Russia through its foreign legal entities. These rules (concepts) are being regularly updated, with some of the amendments having retrospective effect.

In 2017, anti-avoidance rules were introduced by Article 54.1 of the Russian Tax Code. A similar "unjustified tax benefit" concept introduced by the Plenum of the Supreme Arbitration Court of the Russian Federation in its Resolution No. 53 ("**Resolution No. 53**") had been in existence for more than 10 years in Russian law. The unjustified tax benefit concept has been widely used by the Russian tax authorities to challenge the tax positions of Russian taxpayers, inter alia, with respect to application of tax treaty benefits. The new anti-avoidance rules (a) establish the framework within which taxpayers enjoy tax benefits and (b) prohibit any wilful misconduct resulting in a non-payment or underpayment of taxes by misrepresenting information on commercial events and objects of taxation. In addition to this prohibition, taxpayers may reduce their tax base and/or payable amount of tax if they can document that (i) tax evasion is not the primary purpose of a transaction and (ii) the contractual obligation is performed directly by the party named in the contract or by a person to whom such obligation has been transferred by contract or by law. Due to the fact that the court practice related to application of the new rules is still limited and underdeveloped, no assurance can currently be given as to the exact effect such rules may have on taxpayers, including Russian companies of the Group.

Implementation and further evolution of the abovementioned rules (concepts) and some other tax anti-avoidance initiatives are likely to impose additional administrative and tax burden on the Group. The Group might be subject to additional tax liabilities as a result of the application of such anti-avoidance rules to transactions carried out by the Group, which could have a material adverse effect on the Group's business, financial condition, results of operations and the value of the Notes.

The Russian public reporting requirements and accounting regulations, to which Tinkoff Bank is subject, differ significantly from those applicable to comparable companies in other jurisdictions

Tinkoff Bank's corporate affairs are governed by its charter, its internal regulations and the laws governing Russian banks and companies incorporated in Russia. The responsibilities of members of the Board of Directors and Management Board under Russian law are different from those applicable to, and may be subject to certain requirements not generally applicable to, companies organised in the UK, the United States or other developed countries. Russian banking and securities market regulations contain certain disclosure requirements, including the requirement to file periodic financial statements prepared in accordance with RAS with the CBR. Much of this financial information is subsequently made available to the public.

Material differences exist between financial information prepared under RAS and that prepared under IFRS. Therefore, investors are cautioned not to place undue reliance on such financial information prepared under RAS when evaluating the financial performance of Tinkoff Bank or the Group. In addition, despite recent initiatives to improve corporate transparency in Russia, there is less publicly available information about the Group than there is available for comparable banks and banking groups in, for example, the UK or the United States.

Difficulty in enforcing the Group's rights in Russia may have an adverse effect on the Group's business, financial condition, results of operations and prospects

The current status of the Russian legal system makes it uncertain whether the Group would be able to enforce its rights in disputes with any of its customers and/or contractual counterparties. Furthermore, the dispersion of regulatory power among a number of state agencies in Russia has resulted in inconsistent or contradictory regulations and unpredictable enforcement. The Russian Government has rapidly introduced laws and regulations and has changed its legal structure in an effort to make the Russian economy more market-oriented, resulting in

considerable legal confusion. No assurance can be given that local laws and regulations will become stable in the future. The Group's ability to operate in Russia could be adversely affected by difficulties in protecting and enforcing its rights and by future changes to local laws and regulations. Further, its ability to protect and enforce such rights is dependent on the Russian courts, which are underdeveloped, inefficient, and, in places, corrupt. Judicial precedents generally have no binding effect on subsequent decisions. Enforcement of court orders can in practice be very difficult in Russia.

The financial and other information included in these Listing Particulars has been derived from the Financial Statements of TCS Group Holding PLC and not from the financial statements of Tinkoff Bank

The financial and other information included in these Listing Particulars has, except where expressly stated otherwise, been extracted or derived from the Financial Statements of TCS Group Holding PLC (or underlying accounting records), and not from the financial statements of Tinkoff Bank. See "*Presentation of Financial and Other Information—Presentation of Financial Information*". TCS Group Holding PLC is the direct parent company of Tinkoff Bank and has subsidiaries other than Tinkoff Bank and its subsidiaries. Tinkoff Bank is the sole borrower under the Loan Agreement and its obligations are not guaranteed or otherwise indemnified or supported by TCS Group Holding PLC or any other subsidiaries of TCS Group Holding PLC. TCS Group Holding PLC has no obligation with respect to the Notes. While a substantial portion of the revenues, expenses, cash flows, assets and liabilities set out in the TCS Group Holding PLC Financial Statements are attributable to Tinkoff Bank and its subsidiaries, the financial and other information included in these Listing Particulars derived from the TCS Group Holding PLC Financial Statements may not be wholly representative of the business, financial condition or results of operations of Tinkoff Bank and its subsidiaries and should not be read as a direct reflection of the performance of Tinkoff Bank and its subsidiaries. Investors should be aware that the financial information contained in these Listing Particulars does not highlight the extent to which the revenues, assets, liabilities, expenses and cash flows of the Group are generated by Tinkoff Bank and its subsidiaries.

Risks Related to the Subordinated Nature of the Loan

Defined terms in this subsection "Risks Related to the Subordinated Nature of the Loan", have the meanings given them in the Loan Agreement.

Repayment of the Loan and Redemption of the Notes in case of CBR's failure to approve the Loan as Additional Tier 1 Capital within 90 days after the date of the Loan Agreement

Under the current bank capital regulations, the Loan will only be included in Tinkoff Bank's Additional Tier 1 Capital once the CBR approves it as eligible for inclusion into the regulatory capital of Tinkoff Bank, but not earlier than the loan amount is transferred to Tinkoff Bank, (i.e., after the settlement date for the Notes).

If the CBR does not grant final approval in respect of the Loan within 90 days after the date of the Loan Agreement, Tinkoff Bank will have the right to repay the Loan pursuant to Clause 6.2.1 of the Loan Agreement, in which circumstances the Notes will be redeemed. There can be no assurance that Noteholders will be able to reinvest their funds in other investments at comparable rates following any such redemption of the Notes.

Repayment on the First Reset Date or any Subsequent Reset Date

The Tinkoff Bank will have the right to repay in whole (but not in part) the Loan on the First Reset Date or any subsequent Reset Date at the Outstanding Principal Amount (as defined in the Loan Agreement) thereof together with interest accrued to (but excluding) the date of repayment and all other sums payable by it pursuant to the Loan Agreement, subject to having obtained the prior written consent of the CBR. In such circumstances the Notes will be redeemed.

This optional redemption feature may limit the market value of the Notes because, in the period leading up to a Reset Date when Tinkoff Bank may elect to so repay the Loan which, in turn, will result in the redemption of the Notes, the market price of the Notes generally may not rise substantially above the price at which the Notes can be redeemed. An investor might not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes and might only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Redemption for Certain Other Reasons

If at any time after the Final Conclusion, the Loan ceases to fully qualify in whole but not in part as Additional Tier 1 Capital following any amendment to, clarification of or change in (including a change in the official

interpretation or application of) CBR Regulation No. 646-P “On the methodology for determining own funds (capital) of credit organisations (Basel III)” dated 4 July 2018 (as amended, supplemented or superseded from time to time) (“**Regulation 646-P**”) and/or any other applicable requirements of the CBR, Tinkoff Bank may, at its option, and with the prior written consent of the CBR, repay the Loan in whole (but not in part) pursuant to Clause 6.2.2 of the Loan Agreement, in which circumstances the Notes will be redeemed.

Furthermore, Tinkoff Bank may, at its option, and with the prior written consent of the CBR, repay the Loan in whole (but not in part) for tax reasons or due to increase in cost pursuant to Clause 6.3 of the Loan Agreement, in which circumstances the Notes will be redeemed.

Upon such redemption, the market value of the Notes is unlikely to rise above the price at which they are to be redeemed and investors in the Notes might not be able to reinvest the amounts received at a rate that will provide the same rate of return as their investment in the Notes. These redemption features are also likely to limit the market value of the Notes during any period in which the Issuer may elect to redeem them, as the market price during this period generally will not rise substantially above the price at which they can be redeemed. This may similarly be true in any prior period when any relevant change in law is yet to become effective.

Reset Rate of Interest

The interest rate on the Notes will be reset on the First Reset Date and each subsequent Reset Date, which could affect interest payments on an investment in the Notes and the market price of any such investment. The Notes will initially bear interest at the Rate of Interest equal to 6.0 percent per annum to (but excluding) the First Reset Date, at which time the Rate of Interest will be reset as specified in the Loan Agreement. Such reset Rate of Interest will then be reset at each subsequent Reset Date in accordance with Clause 5 (*Interest*) of the Loan Agreement. Each Reset Rate of Interest could be less than the Rate of Interest and thus could affect the market value of the Notes.

Prepayment and variation of the Loan may require the consent of the CBR

Certain provisions of the Loan Agreement providing for the prepayment of the Loan are subject to the prior written consent of the CBR, in accordance with the Regulation No. 646-P. There can be no guarantee that the consent of the CBR will be received on time or at all and that Tinkoff Bank will be able to prepay the Loan in accordance with relevant provisions of the Loan Agreement.

Tinkoff Bank's obligations under the Loan Agreement are subordinated

The claims of the Issuer in respect of principal of, and interest on, the Loan will:

- be subordinated upon the occurrence of a Bankruptcy Event to the claims of Senior Creditors (as defined in the Loan Agreement) in accordance with the Insolvency Law; and
- be senior to the claims of holders of (i) Tinkoff Bank's share capital and (ii) all other obligations ranking junior or expressed to rank junior to the claims of the Issuer pursuant to applicable Russian laws or pursuant to an agreement (to the extent permitted by Russian law).

By virtue of this subordination, payments to the Issuer in respect of the Loan will, in the case of a Bankruptcy Event, only be made after all payment obligations of Tinkoff Bank ranking senior to the Loan have been satisfied. Consequently, Tinkoff Bank's assets will be available to satisfy its obligations under the Loan Agreement only after the claims of all senior ranking creditors have been satisfied in full. Such remaining assets may not be sufficient to satisfy Tinkoff Bank's obligations under the Loan. There is a significant risk that an investor in the Notes will lose all or some of its investment in the case of a bankruptcy or insolvent liquidation of Tinkoff Bank.

In addition, by virtue of its execution of the Loan Agreement, the Issuer shall be deemed to have waived any right of set-off, compensation or retention in respect of any amount owed to it by Tinkoff Bank under or in connection with the Loan Agreement.

The Loan Agreement does not limit Tinkoff Bank's ability, or the ability of any other entity in the Group (as defined on the Loan Agreement), to incur additional indebtedness, including indebtedness that ranks senior to, or *pari passu* with, the Loan in priority of payment.

As provided in the Trust Deed, so long as any Note remains outstanding, the Issuer, without the prior written consent of the Trustee, shall not, *inter alia*, incur any indebtedness for borrowed moneys other than the Notes,

except that it may issue additional loan participation notes (with limited recourse to the Issuer) in the future for the sole purpose of financing loans to Tinkoff Bank.

In each case, the incurrence of any such additional indebtedness may reduce the amount recoverable by Noteholders in the case of a bankruptcy or liquidation of Tinkoff Bank.

As of 30 June 2021, the Group had RUB 20.4 billion of subordinated debt, in addition to indebtedness incurred in the ordinary course of its banking business, such as deposits. The Group anticipates that, from time to time, it will incur additional indebtedness, including indebtedness that will be senior to the Loan.

Perpetual Securities, Limited Acceleration Events and Repayment (Redemption) Rights

The Notes are perpetual securities that have no scheduled repayment date. Noteholders have no ability to require Tinkoff Bank to repay the Loan or the Issuer to redeem the Notes.

Acceleration of Tinkoff Bank's obligation to repay the principal of, and any accrued interest on, the Loan will only occur in the limited circumstances set out in Clause 14.2 (*Winding-up*) of the Loan Agreement. See also "*Restricted Remedies*" below.

Tinkoff Bank has the option to repay the Loan in certain circumstances and, in each case, subject to certain conditions having been satisfied, as discussed in risk factors "*Repayment of the Loan and Redemption of the Notes in case of CBR's failure to approve the Loan as Additional Tier 1 Capital within 90 days after the date of the Loan Agreement*", "*Repayment on the First Reset Date or any Subsequent Reset Date*" and "*Redemption for Certain Other Reasons*" above.

This means that Noteholders have no ability to cash in their investment in any Notes, except:

- if Tinkoff Bank exercises its right to repay the Loan, in which circumstances such Notes will be redeemed, or purchases such Notes;
- if permitted following an Acceleration Event by proving for such debt, and claim, in respect of such Notes in any liquidation of Tinkoff Bank; or
- by selling such Notes.

There can be no assurance that Noteholders will be able to reinvest the amount received upon any redemption of the Notes at a rate that will provide the same rate of return as their investment in the Notes.

Restricted remedies

The only remedies against Tinkoff Bank available to the Issuer will be:

- for recovery of amounts of principal or interest owing in respect of the Loan, the institution of proceedings for the insolvency (bankruptcy) of Tinkoff Bank and/or proving for such debt, and claim, in any consequent liquidation of Tinkoff Bank;
- upon the bankruptcy or liquidation of Tinkoff Bank, the revocation of Tinkoff Bank's general banking licence or any analogous event under Russian law, to take any actions in the manner and to the extent contemplated by the applicable law of Russia to prove for its debt and/or, to the extent applicable, commence liquidation or winding up proceedings of Tinkoff Bank; or
- to enforce any obligation, condition or provision binding on Tinkoff Bank under the Loan Agreement (other than any obligation for payment of any principal or interest in respect of the Loan), to institute such other proceedings against Tinkoff Bank as it may think fit, in each case, as more particularly set out in Clause 14 of the Loan Agreement.

In a bankruptcy of Tinkoff Bank, however, the Issuer's claim in respect of the Loan would be subordinated to the claims of Senior Creditors (see "*Risk Factors—Tinkoff Bank's obligations under the Loan Agreement are subordinated*").

Interest accrued on the Loan and Notes may be cancelled and non-cumulative and the Loan and Notes may be subject to write down measures

Pursuant to Clause 9 of the Loan Agreement if a Write Down Event (defined as either of the following: (a) the Common Equity Tier 1 Capital Ratio of Tinkoff Bank is less than 5.125 percent for six or more Operational Days in aggregate during any consecutive period of 30 Operational Days in Moscow or (b) the Board of Directors of the CBR approves a plan of the participation of the CBR, or the Banking Supervision Committee of the CBR (and the Board of Directors of the CBR, if required) approves a plan for the participation of the Deposit Insurance Agency in bankruptcy prevention measures in respect of Tinkoff Bank which contemplates the provision of Financial Assistance by the CBR or the Deposit Insurance Agency in accordance with the Insolvency Law) has occurred and is continuing, Tinkoff Bank will on the Write Down Measure Effective Date firstly, cancel any applicable Monetary Damages for the purposes of the Monetary Damages Cancellation Measures, secondly, cancel the Interest Cancellation Amount for the purposes of the Interest Cancellation Measure, thirdly, write down the outstanding principal amount of the Loan by the Write Down Amount for the purposes of the Principal Write Down Measure (if applicable).

If a Write Down Event has occurred as a result of any losses incurred by Tinkoff Bank, a Write Down Measure may only be applied after undistributed profit, reserve fund and other sources of Tinkoff Bank's Common Equity Tier 1 Capital have been exhausted to absorb losses of Tinkoff Bank.

Once the principal amount of the Loan has been written down in accordance with Clause 9 of the Loan Agreement, the principal amount so written down may not be restored under any circumstances, including where the relevant Write Down Event(s) is(are) no longer continuing. Any interest payment that has been cancelled in accordance with Clause 9 of the Loan Agreement, shall not accumulate or be payable at any time thereafter, including where the relevant Write Down Event(s) is(are) no longer continuing. No interest shall accrue as long as a Write Down Event(s) is(are) continuing. The accrued interest may be cancelled, and the Loan may be written down in accordance with Clause 9 of the Loan Agreement on more than one occasion. None of the Issuer, the Trustee or any Noteholder shall have any right to such cancelled or written down amounts whether in a bankruptcy or dissolution of Tinkoff Bank or otherwise, and such non-payment shall not constitute an event entitling the Issuer to accelerate the Loan.

If a Write Down Event occurs, the principal amount of the Notes and/or interest amount then due in respect of the Notes (as applicable) will be subject to write down and cancellation in an amount equal to the principal amount of the Loan and/or interest amount then due in respect of the Loan so written down and cancelled (as applicable) in accordance with Clause 9 of the Loan Agreement upon the occurrence of a Write Down Event. Any such write-down will result in the Noteholders losing the relevant interest or principal amount of the Notes so cancelled and written down. Interest shall cease to accrue on the entire principal amount of the Notes for so long as a Write Down Event is continuing.

No accrued interest shall be paid on the principal amount of the Notes during the period from (and including) the Write Down Event Date and for so long as the Write Down Event is continuing (such period being the **"Write Down Period"**) including where an Interest Payment Date (as defined in the *"Terms and Conditions of the Notes"*) (or any other date on which interest or principal is due in respect of the Notes) falls within such Write Down Period. Any accrued but unpaid interest (or any other amount due under the Notes) which is not cancelled or written down and is not paid in such circumstances and which is then due and payable shall be paid after the end of the Write Down Period. Any deferral of the payment of such accrued interest or principal amount shall not constitute a default under the Notes.

Accordingly, Noteholders should be aware that they may lose their entire investment in the Notes. In the event that the entire principal amount of the Notes is written down, the Notes will be cancelled.

Consequently, Noteholders may lose all or part of their investment following the occurrence of a Write Down Event. To the extent that part of the principal amount of the Loan has been written down, interest will continue to accrue only on the then outstanding principal amount (as so written down) of the Loan. Consequently, the amount of interest payable (if any) on the Notes will be correspondingly smaller following implementation of the Write Down Measures.

Tinkoff Bank will give notice to the Trustee, among others, pursuant to Clause 9 of the Loan Agreement, two Business Days prior to the relevant Write Down Measure Effective Date. To the extent that, in respect of the Participation Plan Trigger, Tinkoff Bank becomes aware of the date, on which the CBR or the Deposit Insurance Agency will start to implement any Bankruptcy Prevention Measure, less than five Business Days in advance,

Tinkoff Bank shall promptly give such Write Down Measure Notice and in any event no later than the Write Down Measure Effective Date. Accordingly, Noteholders should be aware that, in respect of the Participation Plan Trigger, they may not receive notice of interest cancellation and/or write down of principal amount of the Notes before the corresponding amounts have already been cancelled or written down under the Loan.

Neither the Trustee nor any Agent shall have any responsibility for, or liability or obligation in respect of, any loss, claim or demand incurred as a result of or in connection with a Write Down Event or any consequent cancellation of the Notes or write down of any claims in respect thereof, and neither the Trustee nor the Agents shall be responsible for any calculation or determination or the verification of any calculation or determination in connection with the same.

Noteholders will not have any rights against Tinkoff Bank, the Issuer, the Trustee or the Agents with respect to (i) the repayment of such principal amount of the Notes so written down or (ii) the payment of interest amounts then due in respect of the Notes (as applicable) so written down.

Furthermore, upon the occurrence of a Write Down Event and the Write Down Measure Effective Date, Noteholders will not (i) receive any shares, participation interests or other participation rights in the Issuer or Tinkoff Bank or be entitled to any other participation in the upside potential of any equity or debt securities issued by the Issuer or Tinkoff Bank, or (ii) be entitled to any compensation in the event of any further change in Common Equity Tier 1 Capital Ratio or in the event that the bankruptcy prevention measures referred to above are withdrawn, otherwise halted or completed. A write down of a principal amount of the Notes may occur even if existing ordinary shares, preference shares, participation interests or other participation rights of the Issuer or Tinkoff Bank remain outstanding.

Interest accrued on the Loan and the Notes may be cancelled

In accordance with Clause 5.5 of the Loan Agreement, Tinkoff Bank may, with regard to any Interest Payment Date, cancel at its discretion the payment of all or any part of the interest accrued on the Loan that otherwise would have been payable on that Interest Payment Date, by sending to the Lender and the Trustee a Notice of Cancellation of Interest. Tinkoff Bank may make such election at its sole discretion and for any reason.

Any interest under the Loan which is not paid on any Interest Payment Date as a result of the foregoing event is cancelled and shall not accumulate or be payable at any time thereafter. None of the Issuer, the Trustee or any Noteholder shall have any right to interest so cancelled whether in a bankruptcy or dissolution of Tinkoff Bank or otherwise, and such non-payment shall not constitute an event entitling the Issuer to accelerate the Loan.

The Noteholders may be unable to monitor the Common Equity Tier 1 Capital Ratio of Tinkoff Bank as of each CBR Reporting Date

Russian banks (including Tinkoff Bank) are required to calculate their capital and assess capital adequacy in accordance with the methodology set out in Regulation No. 646-P and the Mandatory Economic Ratios Instruction, and submit the relevant accounting forms to the CBR. Accordingly, Tinkoff Bank is required to report its Common Equity Tier 1 Capital Ratio to the CBR as of each CBR Reporting Date. Tinkoff Bank is also required to disclose its Common Equity Tier 1 Capital Ratio on its website on a quarterly basis. However, Tinkoff Bank will not be required by law or by the Loan Agreement to disclose the Common Equity Tier 1 Capital Ratio on a more frequent basis, including as of each CBR Reporting Date to any third parties, including the Noteholders, other than the requirement to deliver to its shareholders, the Issuer and the Trustee the Write Down Event Notice in connection with the occurrence of a Write Down Event. As, according to existing regulations, Tinkoff Bank is only required to disclose its Common Equity Tier 1 Capital Ratio on a quarterly basis and, according to the Loan Agreement, it is only obliged to report to the Issuer and the Trustee the occurrence of a Write Down Event, the Noteholders will not be able to monitor the Common Equity Tier 1 Capital Ratio of Tinkoff Bank on an on-going basis.

The Circumstances Triggering a Write Down Event are Unpredictable

The occurrence of a Write Down Event is inherently unpredictable and depends on a number of factors, many of which are outside of Tinkoff Bank's control.

The occurrence of a Capital Ratio Trigger (as defined in the Loan Agreement), and a write down resulting therefrom, depends, in part, on the calculation of the Common Equity Tier 1 Capital Ratio, which can be affected, among other things, by the growth of Tinkoff Bank's business and its future earnings, regulatory changes (including possible changes in regulatory capital definitions and calculations), Tinkoff Bank's ability to mitigate

risk weighted assets and Tinkoff Bank's decisions on management of its capital position. The calculation may also be affected by changes in applicable accounting rules, or by changes to regulatory adjustments modifying the regulatory capital impact of accounting rules. Furthermore, regulatory changes that may occur which affect the basis of Tinkoff Bank's calculation of the Common Equity Tier 1 Capital Ratio subsequent to the date of these Listing Particulars may individually or in the aggregate negatively affect the Common Equity Tier 1 Capital Ratio and thus increase the risk of the occurrence of a Write Down Event.

The occurrence of a Participation Plan Trigger (as defined in the Loan Agreement), and a write down resulting therefrom, is subject to, *inter alia*, a determination by the Deposit Insurance Agency and the CBR. The Deposit Insurance Agency and the CBR may determine that a write down of Tinkoff Bank's subordinated debt is required to prevent Tinkoff Bank from becoming bankrupt. As a result, the Deposit Insurance Agency and/or the CBR may take actions contributing to the occurrence of a Write Down Event in circumstances that are beyond the control of Tinkoff Bank and with which Tinkoff Bank does not agree.

Because of the inherent uncertainty regarding the determination as to whether a Capital Ratio Trigger or a Participation Plan Trigger has occurred, it will be difficult to predict when, if at all, a Write Down Event will occur. Accordingly, trading behaviour in respect of the Notes is not necessarily expected to follow trading behaviour associated with other types of securities. Any indication that Tinkoff Bank is trending towards a Write Down Event can be expected to have a material adverse effect on the market price of the Notes.

Risks Related to the Issuer, the Notes and the Market

The Notes are a novel form of security and may not be a suitable investment for all investors

The Notes are a novel form of security. As a result, an investment in the Notes will involve certain increased risks. Each potential investor in the Notes must determine the suitability of such investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in these Listing Particulars;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the potential investor's currency;
- understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant financial markets and their potential impact on the likelihood of certain events under the Notes occurring; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Notes are novel and complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Notes unless it has the knowledge and expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the likelihood of a write down and the value of the Notes, and the impact this investment will have on the potential investor's overall investment portfolio. Prior to making an investment decision, potential investors should consider carefully, in light of their own financial circumstances and investment objectives, all the information contained in these Listing Particulars.

The Issuer is a special-purpose vehicle and payments under the Notes are limited to the amount of certain payments received by the Issuer in respect of the Loan

The Issuer is a special-purpose vehicle with no business other than issuing notes and advancing loans to Tinkoff Bank. The Issuer's balance sheet primarily includes only assets and liabilities recorded in connection with previous issuance of notes. In each case where amounts of principal, interest and additional amounts, if any, under the Conditions or the Trust Deed are to be paid by the Issuer in respect of the Notes, the obligation of the Issuer to make any such payment shall constitute an obligation only to account to the Noteholders on each date upon which such amounts of principal, interest and additional amounts, if any, are due in respect of the Notes, for an amount equivalent to sums of principal, interest and additional amounts, if any, actually received and retained (net of tax) by or for the account of the Issuer from Tinkoff Bank pursuant to the Loan Agreement less any amounts in respect of the Reserved Rights. The failure of Tinkoff Bank to generate sufficient cash and meet its payment obligations under the Loan in full would result in the Noteholders receiving less than the scheduled amount of principal or interest or other amounts, if any, on the relevant due date.

No direct recourse of the Noteholders to Tinkoff Bank

Tinkoff Bank may not have the funds to fulfil its obligations under the Loan and it may not be able to arrange for additional financing. Except as otherwise disclosed in the "Terms and Conditions of the Notes" and in the Trust Deed, no proprietary or other direct interest in the Issuer's rights under or in respect of the Loan Agreement or the Loan exists for the benefit of the Noteholders. Therefore, subject to the terms of the Trust Deed, no Noteholder will have any entitlement to enforce any of the provisions of the Loan Agreement or have direct recourse to Tinkoff Bank except through action by the Trustee to enforce the security under the Trust Deed. As further described in, and subject to the provisions of, the Trust Deed, neither the Issuer nor the Trustee, pursuant to the assignment of the Assigned Rights (as defined in the Trust Deed), shall be required to enter into proceedings to enforce payment under the Loan Agreement unless it has been indemnified and/or prefunded and/or secured by the Noteholders to its satisfaction against all liabilities, proceedings, claims and demands to which it may thereby become liable and all costs, charges and expenses which may be incurred by it in connection therewith.

Uncertainty of public market for the Notes

There is no existing market for the Notes. The Issuer has applied for the Notes to be admitted to the Official List and trading on the Global Exchange Market. However, an active trading market in the Notes may not develop or be maintained after the Notes have been admitted to trading. If an active trading market does not develop or cannot be maintained, this could have a material adverse effect on the liquidity and the trading price of the Notes. In addition, stock markets in recent years have experienced significant price fluctuations. These fluctuations were often unrelated to the operating performance of the companies whose securities were traded on such stock markets. Market fluctuations as well as adverse economic conditions have negatively affected the market price of many securities and may affect the market price of the Notes.

Payments on the Loan and on the Notes may be subject to Russian withholding tax

In general, interest payments on borrowed funds made by a Russian legal entity or organization to a non-Russian legal entity or organisation having no registered presence and/or no permanent establishment or no tax residency in Russia are subject to Russian withholding tax at the rate of 20 percent (or such other rate that may be effective at the time of payment), which could be reduced or eliminated pursuant to the terms of an applicable double tax treaty subject to treaty clearance formalities to be satisfied by the foreign legal entity in a timely fashion and provided that the foreign interest income recipient can qualify as the person having the actual right to income as defined in the Russian tax legislation (see "Tax Considerations—Russia").

Generally, no withholding tax should arise on interest on the loan provided to the Russian borrower in connection with issuance of the notes by a foreign entity (the "eurobond structure") by virtue of the special exemption envisaged by the Russian Tax Code. Specifically, the Russian Tax Code provides, among other things, that Russian borrowers should be fully released from the obligation to withhold income tax from interest and other payments on debt obligations made to foreign entities provided that certain conditions are met throughout the term of the loan and the notes. Therefore, Tinkoff Bank should be released from the obligation to withhold Russian income tax from interest and other payments provided that the respective conditions are met throughout the term of the Loan and the Notes (see "Tax Considerations—Russia").

Importantly, the Russian Tax Code does not provide an exemption to the foreign interest income recipients from Russian withholding tax. However, there is currently no requirement and mechanism in the Russian tax legislation

for foreign income recipients being the legal entities and organisations to self-assess and pay the tax on the Russian-source income to the Russian tax authorities if the tax was not withheld at source. There can be no assurance that such rules will not be introduced in the future or that the Russian tax authorities would not change their position on the matter in connection with eurobond structures or would not make attempts to collect the tax from the foreign income recipients, including the Issuer or the Noteholders.

If interest and/or any other amounts due under the Loan become payable to the Trustee pursuant to the Trust Deed, there is some residual uncertainty whether the Trustee can qualify for the “entity authorised to receive interest income payable on the issued bonds” and hence whether the release from the obligation to withhold income tax from interest and other payments on the Loan would be available to Tinkoff Bank under the Russian Tax Code. It is not expected that under such circumstances the Trustee will, or will be able to, claim a Russian withholding tax exemption or reduction under any applicable double tax treaty due to the nature of its functions. In addition, while some Non-Resident Noteholders-Individuals may be eligible for the exemption from or the reduction in Russian withholding tax or personal income tax, as applicable, under double tax treaties entered into between their countries of tax residence and Russia, where such treaties exist and to the extent they are applicable, there can be no assurance that the respective treaty relief will be available to them due to difficulties related to the advance tax relief. See *“Tax Considerations—Russia”*. In addition, as under the Loan Agreement Tinkoff Bank may cancel at its discretion the payment of all or any part of the interest accrued on the Loan, there is a potential risk that such Loan may not be regarded as a “debt obligation”, but rather may be considered as equity. We are aware of the court practice to date (albeit in context of structures which are different from the eurobond structures) where, as a result of non-payment of interest (or on other grounds), long-term borrowings were reclassified into equity for tax purposes. Therefore, although there are grounds to conclude that the Loan should be regarded as a “debt obligation” as of the date of the Loan disbursement, there is some residual uncertainty regarding whether the release from the obligation to withhold tax under the Russian Tax Code would be available in practice. Recently, the Federal Tax Service opined that a loan issued in connection with a placement of loan participation notes issued under similar circumstances should generally qualify as a “debt obligation” for Russian tax purposes. Nonetheless, this letter is not binding on the Russian tax authorities. If the Loan is reclassified as equity for tax purposes, the release from the obligation to withhold tax may not be available, and payments on the Loan may be subject to withholding tax as dividends or other type of Russian-source income.

On 7 June 2017, a number of countries, including Russia, signed the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (the “**MLI**”). The MLI sets forth additional requirements for the application of the double taxation treaty benefits, including the reduced tax rates. It is expected that changes to specific bilateral treaties would come into effect after the parties to the treaties deposit their instruments of ratification, acceptance or approval of the MLI, subject to an additional phase-in period. On 1 May 2019 a Federal law relating to ratification of the MLI in Russia was adopted. The MLI entered into force for Russia on 1 October 2019. Russia has submitted through the OECD diplomatic channels its notifications of completion of the internal procedures required for the MLI’s enforcement in respect of the double tax treaties concluded with a number of countries beginning from 1 January 2021. The MLI-related changes, when implemented, might negatively affect the availability of certain double taxation treaty benefits to Non-Resident Noteholders.

If interest payments or any other amounts due under the Loan become subject to Russian withholding tax (as a result of which the Issuer would reduce the respective payments made under the corresponding Notes by the amount of such withholding tax), Tinkoff Bank will be obliged (subject to certain conditions) under the terms of the Loan Agreement to increase the respective payments or to make such additional payments, respectively, as may be necessary to ensure that the net amount of payments received by the Issuer or the Trustee will not be less than the amount they would have received in absence of such withholding. It is unclear, however, whether provisions of the Loan Agreement obliging Tinkoff Bank to gross up any payments under the Loan will be enforceable under Russian law as currently in effect. There is a risk that the tax gross-up for withholding tax will not take place insofar as Russian law is concerned and that payments made by Tinkoff Bank under the Loan Agreement will be reduced by the amount of the Russian income tax withheld by Tinkoff Bank at the rate of 20 percent (or such other rate as may be in force at the time of payment) or, potentially, with respect to Non-Resident Noteholders – Individuals Russian personal income tax at a rate of 30 percent (or such other rate as may be in force at the time of payment). See *“Tax Considerations—Russia”*.

Disposal of the Notes in Russia may be subject to Russian taxes, thereby reducing their value

Where proceeds from the sale or other disposal of the Notes (including proceeds attributable to accrued and unpaid interest on the Notes) are deemed to be received from a source within Russia by a Non-Resident Noteholder Individual, Russian personal income tax at a tax rate of 30 percent (or such other tax rate as could be effective at

the time of such sale or other disposal) will apply to the gross amount of sales or other disposal proceeds realised upon such sale or other disposal of the Notes less any available duly documented cost deductions (including the acquisition cost of the Notes and other documented expenses related to the acquisition, holding and the sale or other disposition of the Notes), provided that the Notes qualify as securities under Russian and applicable foreign law and duly executed documentation supporting cost deductions is made available in a timely manner to the tax agent that is required to calculate and withhold Russian personal income tax in a timely manner. If no documentation supporting the cost deduction is provided to the tax agent, Russian personal income tax will be determined based on the gross amount of sales or other disposal proceeds. The Russian personal income tax base should be determined in rubles. For this purpose, deductible costs and sales or other disposal proceeds should be converted into rubles based on the exchange rate of the CBR as of the date when the costs were incurred and sales or other disposal proceeds were received. This may result in taxable income occurring for Russian personal income tax purposes even though there may be no gain or a capital loss in the currency in which the Notes are traded.

Although technically Russian personal income tax due on proceeds from sale or disposal of the Notes may be reduced or eliminated based on provisions of an applicable double tax treaty entered into between Russia and the country of tax residency of a particular Non-Resident Noteholder Individual subject to timely compliance by that Non-Resident Noteholder Individual with the treaty clearance formalities, in practice such Non-Resident Noteholder Individual may not be able to obtain the advance treaty relief in relation to sales or disposal proceeds and/or accrued interest income, as may be relevant, received from a source within Russia. Obtaining a refund of Russian personal income taxes that were excessively withheld in relation to this income can be difficult, or impossible in some cases.

Generally, there should be no Russian tax on gains from the sale or other disposition of the Notes imposed on a Non-Resident Noteholder Legal Entity. There is, however, some uncertainty regarding the tax treatment of the portion of the sales or disposal proceeds, if any, attributable to accrued interest (coupon) on the Notes (i.e. debt obligations) where proceeds from the sale or other disposition of the Notes are received from a source within Russia by a Non-Resident Noteholder Legal Entity. The uncertainty is driven by isolated instances in which the Russian tax authorities challenged the non-application of the Russian tax to the amount of accrued interest (coupon) embedded into the sale price of the eurobonds. Although the Russian Ministry of Finance in its most recent clarification letters opined that the amount of sale or other disposal proceeds attributable to the accrued interest on the eurobonds paid to a non-Russian organisation should not be regarded as Russian source income and on this basis should not be subject to taxation in Russia, there remains a possibility that a Russian entity or a foreign entity having registered tax presence in Russia which purchases the Notes from the Non-Resident Noteholder Legal Entity or acts as an intermediary for other persons may seek to assess Russian withholding tax at the rate of 20 percent (or such other rate as could be effective at the time of such sale or other disposal) on the accrued interest portion of the disposal proceeds of the Notes.

While some Non-Resident Noteholders might be eligible for an exemption from or a reduction in Russian withholding tax under applicable double tax treaties, there is no assurance that such exemption or reduction will be available in practice.

An imposition or possibility of imposition of this withholding tax, as applicable, under such circumstances could adversely affect the value of the Notes. See *“Tax Considerations—Russia”*.

The U.S. Foreign Account Tax Compliance Act rules could materially affect the Group, the Issuer and Noteholders

Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (the provisions commonly known as “**FATCA**”) require foreign banks and investment funds to provide information to the U.S. Internal Revenue Service (the “**IRS**”) about U.S. customers and investors. This is achieved through a comprehensive information reporting regime that requires foreign financial institutions (such as Tinkoff Bank and the Issuer) to conduct diligence on their account holders and investors to determine whether their accounts are “U.S. accounts”, and either provide detailed information about these U.S. accounts to the IRS or suffer a 30 percent withholding tax on certain payments. Although the U.S. Treasury Department has released final regulations clarifying the statutory language of FATCA, these regulations do not currently provide guidance on a number of issues. Accordingly, the scope and application of FATCA is uncertain at this time. It is possible that FATCA could operate to impose U.S. withholding tax on payments to Tinkoff Bank and the Issuer in respect of certain types of income from sources in the United States and, subject to the proposed regulations below, of gross proceeds from the disposition of, among other things, securities that give rise to United States source income if Tinkoff Bank or the Issuer (as the case may be) is not compliant with FATCA, and, subject to the proposed regulations below, (a) certain “pass-thru payments” to Tinkoff Bank and the Issuer, if Tinkoff Bank or the Issuer (as the case may

be) are not compliant with FATCA, or (b) certain “pass-thru payments” from the Issuer to certain Noteholders, if the Issuer is FATCA compliant but the payee, including any paying agent, is not FATCA compliant. It is also possible that Tinkoff Bank and the Issuer could incur material costs in implementing information-gathering systems to comply with FATCA. Proposed regulations eliminate withholding under FATCA on payments of gross proceeds entirely. Under the same proposed regulations, any withholding on foreign pass-thru payments on the Notes would apply to pass-thru payments made on or after the date that is two years after the date of publication in the U.S. Federal Register of applicable final regulations defining foreign pass-thru payments. Taxpayers may generally rely on these proposed regulations until final Treasury regulations are issued. The United States have entered into intergovernmental agreements (“IGAs”) with many non-US jurisdictions implementing FATCA, which change the application of FATCA described above. By purchasing the Notes, Noteholders agree to provide an IRS form W-9 or W-8 (as applicable), and whatever other information may be necessary for Tinkoff Bank and the Issuer to comply with these reporting obligations.

If an amount of, or in respect of, withholding tax under FATCA or any IGA were to be deducted or withheld from interest or other payments on the Notes as a result of an investor’s failure to comply with these rules, neither Tinkoff Bank nor the Issuer nor any paying agent nor any other person would be required to pay additional amounts with respect to any Notes as a result of the deduction or withholding of such tax.

There is a significant risk that the Notes will be treated as equity in a passive foreign investment company (“PFIC”) for U.S. federal income tax purposes, and U.S. investors in the Notes may suffer adverse U.S. federal income tax consequences as a result of such treatment

The Issuer intends, to the extent it is required to take a position, to treat the Notes as equity in the Issuer for U.S. federal income tax purposes, although it is also possible that the Notes should properly be treated as equity in Tinkoff Bank. Additionally, the Issuer believes that there is a significant risk that the Notes will be treated as equity in a PFIC as a result of the Issuer and/or Tinkoff Bank being treated as a PFIC, and the Issuer has not made any determinations regarding its or Tinkoff Bank’s PFIC status. U.S. investors in the Notes therefore may be subject to adverse U.S. federal income tax consequences on a disposition of the Notes and on certain payments made by the Issuer on the Notes. A U.S. investor generally will be subject to U.S. federal income tax at ordinary income tax rates, plus an interest charge, in respect of gain derived from a disposition of the Notes. Payments of interest on the Notes may also be subject to U.S. federal income tax with an interest charge.

For a more detailed discussion of the potential tax impact on a U.S. Holder of the Notes being treated as equity in a PFIC, see “*Taxation - U.S. Federal Income Tax Consequences*”.

Tinkoff Bank’s credit ratings may not reflect all risks of an investment in the Notes

The credit ratings of Tinkoff Bank may not reflect the potential impact of all risks related to structure and other factors on any trading market for, or trading value of, the Notes. In addition, real or anticipated changes in Tinkoff Bank’s credit ratings will generally affect any trading market for, or trading value of, the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time. There is no assurance that a credit rating will remain for any given period of time or that a credit rating will not be lowered or withdrawn by the relevant rating agency if, in its judgment, circumstances so warrant. The impact of other activities that Tinkoff Bank undertakes, including increases in its debt levels, could also result in future declines in its credit ratings. In the event that a credit rating assigned to the Notes or Tinkoff Bank is subsequently lowered for any reason, no person or entity is obliged to provide any additional support or credit enhancement with respect to the Notes, and the market value of the Notes is likely to be adversely affected.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances while the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified rating agencies published by ESMA on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list.

Investors should not rely solely on the rating of the Notes

It is expected that the Notes will be rated 'B-' by Fitch and 'B3(hyb)' by Moody's subject to confirmation after closing. The Notes may or may not be rated by any other rating agency. There can be no assurance that a rating will be assigned to the Notes by Fitch and Moody's, and, if assigned, what that rating would be. Also, such a rating, if assigned, could be higher or lower than the ratings assigned to the Notes by other rating agencies.

Prospective investors should not rely solely on the rating of the Notes and should make an independent decision, based on their own analysis and experience, whether to invest in the Notes. A credit rating is not a recommendation to buy, sell or hold the Notes. There can be no assurance that a rating will remain for any given period of time or that a rating will not be lowered or withdrawn by the relevant rating agency if, in its judgment, circumstances in the future so warrant. In the event that a rating initially assigned to the Notes is subsequently lowered for any reason, no person or entity is obliged to provide any additional support or credit enhancement with respect to the Notes, and the market value of the Notes is likely to be adversely affected.

The Issuer is subject to certain legal risks, including the location of its centre of main interest ("COMI"), the appointment of an examiner in the event the Issuer experiences financial difficulties, the claims of examiners, preferred creditors under Irish law and floating charges

Centre of main interest

The Issuer has its registered office in Ireland. Under Regulation (EU) No. 2015/848 of the European Parliament and of the Council of 20 May 2015 on insolvency proceedings (recast) (the "**Recast EU Insolvency Regulation**"), the Issuer's centre of main interest ("**COMI**") is presumed to be the place of its registered office (i.e., Ireland) in the absence of proof to the contrary and provided that the Issuer did not move its registered office within the 3 months prior to a request to open insolvency proceedings.

As the Issuer's COMI is presumed to be Ireland, any main insolvency proceedings in respect of the Issuer would fall within the jurisdiction of the courts of Ireland. As to what might constitute "*proof to the contrary*" regarding the location of a company's COMI, the key decision is that in **Re Eurofood IFSC Ltd** ([2004] 4 IR 370 (Irish High Court); [2006] IESC 41 (Irish Supreme Court); [2006] Ch 508; ECJ Case C-341/04 (European Court of Justice)), given in respect of the equivalent provision in the previous EU Insolvency Regulation (Regulation (EC) No. 1346/2000). In that case, on a reference from the Irish Supreme Court, the European Court of Justice concluded that "*factors which are both objective and ascertainable by third parties*" would be needed to demonstrate that a company's actual situation is different from that which the location of its registered office is deemed to reflect. For instance, if a company with its registered office in Ireland does not carry on any business in Ireland, that could rebut the presumption that the company's COMI is in Ireland.

As the Issuer has its registered office in Ireland, has Irish directors, is registered for tax in Ireland and has retained an Irish corporate services provider, the Issuer does not believe that factors exist that would rebut the presumption that its COMI is located in Ireland, although this would ultimately be a matter for the relevant court to decide based on the circumstances existing at the time when it was asked to make that decision. If the Issuer's COMI was found to be in another EU jurisdiction and not in Ireland, main insolvency proceedings would be opened in that jurisdiction instead.

Examinership

Examinership is a court moratorium/protection procedure which is available under Irish company law to facilitate the survival of Irish companies in financial difficulties. Where a company, which has its COMI in Ireland is, or is likely to be, unable to pay its debts an examiner may be appointed on a petition to the relevant Irish court under Section 509 of the Companies Act 2014 (as amended, the "**Companies Act 2014**").

The Issuer, the directors of the Issuer, a contingent, prospective or actual creditor of the Issuer, or shareholders of the Issuer holding, at the date of presentation of the petition, not less than one tenth of the voting share capital of the Issuer are each entitled to petition the court for the appointment of an examiner. The examiner, once appointed, has the power to halt, prevent or rectify acts or omissions, by or on behalf of the company after his appointment and, in certain circumstances, negative pledges given by the company prior to his appointment will not be binding on the company.

Furthermore, where proposals for a scheme of arrangement are to be formulated, the company may, subject to the approval of the court, affirm or repudiate any contract under which some element of performance other than the payment remains to be rendered both by the company and the other contracting party or parties.

During the period of protection, the examiner will compile proposals for a compromise or scheme of arrangement to assist in the survival of the company or the whole or any part of its undertaking as a going concern. A scheme of arrangement may be approved by the relevant Irish court when a minimum of one class of creditors, whose interests are impaired under the proposals, has voted in favour of the proposals and relevant Irish court is satisfied that such proposals are fair and equitable in relation to any class of members or creditors who have not accepted the proposals and whose interests would be impaired by implementation of the scheme of arrangement and the proposals are not unfairly prejudicial to any interested party.

The fact that the Issuer is a special-purpose entity and that all its liabilities are of a limited-recourse nature means that it is unlikely that an examiner would be appointed to the Issuer. If, however, for any reason, an examiner was appointed while any amounts due by the Issuer under any Notes were unpaid, the primary risks to the holders of such Notes would be as follows:

- the Trustee, acting on behalf of the Noteholders, would not be able to enforce rights against the Issuer during the period of examinership; and
- a scheme of arrangement may be approved involving the writing down of the debt due by the Issuer to the Noteholders irrespective of the Noteholders' views.

Preferred creditors

If the Issuer becomes subject to an insolvency proceeding and the Issuer has obligations to creditors that are treated under Irish law as creditors that are senior relative to the Noteholders, the Noteholders may suffer losses as a result of their subordinated status during such insolvency proceedings. In particular:

- under the terms of the Trust Deed, the Notes will be secured in favour of the Trustee for the benefit of itself and the Noteholders by security over the Loan Agreement and sums held in the related account with the Principal Paying Agent. Under Irish law, the claims of creditors holding fixed charges may rank behind other creditors (namely fees, costs and expenses of any examiner appointed and certain capital gains tax liabilities) and, in the case of fixed charges over book debts, may rank behind claims of the Irish Revenue Commissioners for PAYE, local property tax and VAT;
- under Irish law, for a charge to be characterised as a fixed charge, the charge holder is required to exercise the requisite level of control over the assets purported to be charged and the proceeds of such assets including any bank account into which such proceeds are paid. There is a risk therefore that even a charge which purports to be taken as a fixed charge may take effect as a floating charge if a court deems that the requisite level of control was not exercised; and
- in an insolvency of the Issuer, the claims of certain other creditors (including the Irish Revenue Commissioners for certain unpaid taxes), as well as those of creditors mentioned above, will rank in priority to claims of unsecured creditors and claims of creditors holding floating charges.

OECD Action Plan on Base Erosion and Profit Shifting & EU Anti-Tax Avoidance Directive

Fiscal and taxation policy and practice is constantly evolving and recently the pace of change has increased due to a number of developments. In particular, a number of changes of law and practice are occurring as a result of the OECD Base Erosion and Profit Shifting project (“BEPS”). Investors should note that certain action points which form part of the OECD BEPS project (such as Action 4, which can deny deductions for financing costs, see “—EU Anti-Tax Avoidance Directive” below or Action 6 on the prevention of treaty abuse) may be implemented in a manner which affects the tax position of the Issuer.

EU Anti-Tax-Avoidance Directive

As part of its anti-tax-avoidance package, and to provide a framework for a harmonised implementation of a number of the BEPS conclusions across the EU, the EU Council adopted Council Directive (EU) 2016/1164 (the “**Anti-Tax Avoidance Directive**”) on 12 July 2016.

The EU Council adopted Council Directive (EU) 2017/952 (the “**Anti-Tax-Avoidance Directive 2**”) on 29 May 2017, amending the Anti-Tax-Avoidance Directive, to provide for minimum standards for counteracting hybrid mismatches involving EU member states and third countries.

EU member states were required to implement the Anti-Tax Avoidance Directive by 2019 (subject to derogations for EU member states which have equivalent measures in their domestic law) and had until 31 December 2019 to implement the Anti-Tax-Avoidance Directive 2 (except for measures relating to reverse hybrid mismatches, which must be implemented by 31 December 2021).

The Directives contain various measures that could, depending on their implementation in Ireland, potentially result in certain payments made by the Issuer ceasing to be fully deductible. This could increase the Issuer's liability to tax and reduce the amounts available for payments on the Notes. There are two measures of particular relevance.

Firstly, the Anti-Tax-Avoidance Directive provides for an "interest limitation rule" which restricts the deductible interest of an entity to 30 percent of its earnings before interest, tax, depreciation and amortisation. However, the interest limitation only applies to the net borrowing costs of an entity (being the amount by which its borrowing costs exceed its taxable interest revenues and other economically equivalent taxable revenues). This measure has not yet been implemented in Ireland and is expected to be implemented with effect from 1 January 2022. The exact scope of the measure and its impact on the Issuer's tax position will depend on how this is implemented in Ireland.

Secondly, the Anti-Tax-Avoidance Directive (as amended by the Anti-Tax Avoidance Directive 2) provides for hybrid mismatch rules. These rules apply in Ireland with effect from 1 January 2020 and are designed to neutralise arrangements where amounts are deductible from the income of one entity but are not taxable for another, or the same amounts are deductible for two entities. These rules could potentially apply to the Issuer where: (i) the interest that it pays under the Notes, and claims deductions from its taxable income for, is not brought into account as taxable income by the relevant Noteholder, either because of the characterisation of the Notes, or the payments made under them, or because of the nature of the Noteholder itself; and (ii) the mismatch arises between associated enterprises, between the Issuer and an associated enterprise or under a structured arrangement. It is not clear if the Issuer will have any associated enterprise, however if the Issuer has an associated enterprise holding Notes, then the measures should not impact payments on the Notes to that enterprise where the amounts of the payment are fully included for tax purposes and brought into account as taxable income by that enterprise.

For the purposes of the hybrid rules, a structured arrangement is one involving a mismatch outcome where the mismatch outcome is priced into the terms of the arrangement or the arrangement was designed to give rise to a mismatch outcome. Absent any specific guidance from the Irish Revenue Commissioners on how they will approach structured arrangements, it is not yet clear if this would apply to the issue of the Notes to bring it within scope of the hybrid rules.

Any adverse change to the Issuer's tax position as a result of these measures could increase the costs payable by the Borrower, or, failing which, result in the Issuer having insufficient funds after payment of applicable tax to fulfil its obligations under the Notes.

Modification, waivers and substitution

The Conditions contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority. The Conditions also provide that the Trustee may, without the consent of Noteholders, agree to: (i) the modification of the provisions of the Notes, the Trust Deed, the Loan Agreement or the Agency Agreement, in each case, other than in respect of a Reserved Matter (as defined in the Trust Deed), if, in the opinion of the Trustee, such modification would not be materially prejudicial to the interests of Noteholders, or (ii) any modification to the Notes, the Trust Deed, the Loan Agreement or the Agency Agreement which in the opinion of the Trustee is of a formal, minor or technical nature or is to correct and manifest error; and (iii) waive or authorise any breach or proposed breach of the Notes, the Trust Deed, the Agency Agreement or the Loan Agreement or determine that certain events which would or might otherwise give rise to a right of acceleration under the Loan Agreement shall not be treated as such, if, in the opinion of the Trustee, the interests of Noteholders would not be materially prejudiced thereby.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Notes in U.S. dollars. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than U.S. dollars. These include the risk that exchange rates may

significantly change (including by changes due to devaluation of U.S. dollars or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to U.S. dollars would decrease: (i) the Investor's Currency equivalent yield on the Notes; (ii) the Investor's Currency equivalent value of the principal payable on the Notes; and (iii) the Investor's Currency equivalent market value of the Notes. Government and monetary authorities may impose (as some have imposed in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected or no interest or principal at all.

Definitive Certificates will not be issued in integral multiples of less than US\$200,000

As the Notes will have denominations of US\$200,000 and integral multiples of US\$1,000 in excess thereof, it is possible that the Notes may be traded in amounts in excess of US\$200,000 (or its equivalent) that are not integral multiples of US\$200,000 (or its equivalent). In such a case a Noteholder who, as a result of trading such amounts, holds a principal amount of less than the minimum denomination will not receive a Definitive Certificate in respect of such holding (should Definitive Certificates be printed) and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more minimum denominations.

As the Global Certificates are held by or on behalf of Euroclear, Clearstream, Luxembourg and DTC investors will have to rely on their procedures for transfer, payment and communication with the Issuer

The Notes will be represented by the Global Certificates except in certain limited circumstances described therein. The Regulation S Global Certificate will be deposited with a common depositary on behalf of Euroclear and Clearstream, Luxembourg. The Rule 144A Global Certificates will be registered in the name of a nominee of, and deposited with a custodian for, DTC. Except in certain limited circumstances described in the Global Certificates, investors will not be entitled to receive Definitive Certificates. Euroclear, Clearstream, Luxembourg and DTC will maintain records of the beneficial interests in the Global Certificates. While the relevant Notes are represented by the Global Certificates, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg and/or DTC, as applicable.

The Issuer will discharge its payment obligations under the Notes by making payments through DTC to the common depositary for Euroclear and Clearstream, Luxembourg for distribution to their accountholders. A holder of a beneficial interest in Global Certificates must rely on the procedures of DTC, Euroclear and Clearstream, Luxembourg to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificates.

Holders of beneficial interest in the Global Certificates will not have a direct right to vote in respect of the Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by DTC, Euroclear and Clearstream, Luxembourg to appoint appropriate proxies. We cannot guarantee that procedures implemented for the granting of such proxies will be sufficient to enable such holders to vote on any requested actions or to take any other action on a timely basis.

DESCRIPTION OF THE TRANSACTION

The following summary contains basic information about the Notes and the Loan and should be read in conjunction with, and is qualified in its entirety by, the information set forth under “The Subordinated Loan Agreement” and “Terms and Conditions of the Notes” appearing elsewhere in these Listing Particulars.

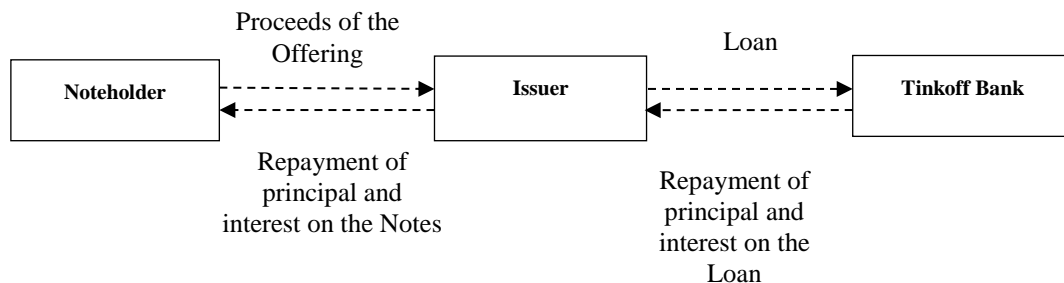
The transaction will be structured as a subordinated loan to be made pursuant to and on the terms of the Loan Agreement from the Issuer as lender to Tinkoff Bank as borrower.

The Issuer will issue the Notes, which will be secured limited-recourse loan participation notes issued for the sole purpose of funding the Loan to Tinkoff Bank. The Notes are limited-recourse obligations. The Issuer will not have any obligation to the Noteholders other than the obligation to account to the Noteholders for payment of principal, interest and additional amounts (if any) received and retained (net of tax) by it under the Loan. In the event that the amount due and payable by the Issuer under such Notes exceeds the sums so received or recovered and retained (net of tax), the right of any person to claim payment of any amount exceeding such sums from the Issuer shall be extinguished, and Noteholders may take no further action against the Issuer to recover such amounts.

The Notes will have the benefit of, and be constituted by, the Trust Deed. As provided in the Trust Deed, the Issuer will charge in favour of the Trustee for the benefit of itself and the Noteholders as security for its payment obligations in respect of the Notes (a) its rights to all principal, interest and additional amounts (if any) payable by Tinkoff Bank under the Loan Agreement, (b) its right to receive all sums which may be or become payable by Tinkoff Bank under any claim award or judgment relating to the Loan Agreement and (c) its rights, title and interest in and to all sums of money now or in the future deposited in an account with the Principal Paying Agent in the name of the Issuer, together with the debt represented thereby (the “**Account**”) (collectively, the “**Charged Property**”), in each case other than the Reserved Rights (as defined in the “*Terms and Conditions of the Notes*”) and amounts relating thereto. The Issuer will assign absolutely certain administrative rights under the Loan Agreement to the Trustee for the benefit of itself and the Noteholders.

Tinkoff Bank will make payments under the Loan to the Issuer in accordance with the terms of the Loan Agreement to the Account or as otherwise instructed by the Trustee following a Relevant Event. The Issuer will agree in the Trust Deed not to make or consent to any amendment to or any modification or waiver of, or authorise any breach or proposed breach of, the terms of the Loan Agreement unless the Trustee has given its prior written consent. The Issuer will further agree to act at all times in accordance with any instructions of the Trustee from time to time with respect to the Loan Agreement. Any amendments, modifications, waivers or authorisations made with the Trustee’s consent shall be notified to the Noteholders in accordance with Condition 15 (*Notices*) and shall be binding on the Noteholders. Formal notice of the security interests created by the Trust Deed will be given to the Principal Paying Agent and Tinkoff Bank.

The Notes are limited-recourse obligations of the Issuer and the Issuer will not have any obligation to the Noteholders other than the obligation to account to the Noteholders for payment of principal, interest and additional amounts (if any) received by it pursuant to the Loan Agreement. The security under the Trust Deed will become enforceable upon the occurrence of a Relevant Event, as further described in the “*Terms and Conditions of the Notes*”. Set out below is a diagrammatic representation of the structure:



Payments in respect of the Notes will be made without any deduction or withholding for, or on account of, taxes of Ireland or Russia, except as required by law. See “*Terms and Conditions of the Notes—Taxation*”. In that event, the Issuer will only be required to pay an additional amount to the extent it receives and retains (net of tax) corresponding amounts from Tinkoff Bank under the Loan Agreement. The Loan Agreement provides for Tinkoff Bank to pay such corresponding amounts in these circumstances. In addition, payments under the Loan Agreement will be made without any deduction or withholding for, or on account of, any taxes in Russia or any jurisdiction

from, or through, which any payments are made, except as required by law, in which event Tinkoff Bank will be obliged to increase the amounts payable under the Loan Agreement. See “*Risk Factors—Risks Related to the Issuer, the Notes and the Market—Payments on the Loan may be subject to Russian withholding tax*”.

Tinkoff Bank may repay the Loan only in the limited circumstances set out in Clause 6 (*Repayment*) of the Loan Agreement. To the extent that the Issuer has actually received the relevant funds from Tinkoff Bank, the Issuer will repay the Notes together with accrued interest and additional amounts (if any) thereon. See Clause 6 (*Repayment*) of the Loan Agreement and Condition 6 (*Redemption and Purchase*) of the “Terms and Conditions of the Notes”.

Tinkoff Bank may, following the occurrence of a Write Down Event, write down and cancel all or a portion of the Loan as set out in Clause 9 (*Write Down*) of the Loan Agreement. Such write down measures may be implemented on more than one occasion and the Loan may be written down on more than one occasion. In addition, no interest shall accrue on the Loan during any period when a Write Down Event has occurred and is continuing and no amounts of interest or principal may be paid by Tinkoff Bank during such period. Any write down and cancellation of the Loan will trigger a simultaneous and equal write down and cancellation of the Notes in accordance with Condition 16 (*Write down*).

Payments of interest on the Loan will be made at the sole discretion of Tinkoff Bank and may be subject to cancellation and are non-cumulative. Where interest is cancelled under the Loan, no corresponding payment of interest will be made pursuant to the Notes. See Clause 5.5 (*Cancellation of Interest*) of the Loan Agreement and Condition 5.2 (*Cancellation of Interest*) of the Terms and Conditions of the Notes.

As at the date of these Listing Particulars, Tinkoff Bank has received the preliminary conclusion (*podtverzhdenie*) of the CBR on the eligibility of the Loan for inclusion as Additional Tier 1 Capital under Regulation No. 646-P. Tinkoff Bank has not yet received the Final Conclusion. There can be no guarantee that the Final Conclusion will be granted within the specified time period or at all. If the CBR does not grant such final approval and conclusion in respect of the Loan within 90 days after the date of the Loan Agreement, Tinkoff Bank will have the right to repay the Loan pursuant to the Loan Agreement.

USE OF PROCEEDS

The net proceeds of the Notes will be used by the Issuer for the sole purpose of financing the Loan to Tinkoff Bank. In connection with the receipt of the Loan, Tinkoff Bank will pay a facility fee to the Issuer. Tinkoff Bank will use the proceeds of the Loan for general corporate purposes.

Tinkoff Bank will not directly or indirectly use the proceeds of the Loan, or lend, contribute or otherwise make available all or part of such proceeds to any individual or entity (a “**Person**”), (i) to fund or facilitate an activity specified or referenced in the U.S. Countering America’s Adversaries Through Sanctions Act of 2017, as amended, supplemented or supplanted from time to time, as a basis for the imposition of sanctions or penalties on any person as a result of such person engaging in such activity, any activities of or business with any person that, at the time of such funding or facilitation, is the subject or the target of any sanctions administered or enforced by the United States, the United Nations, the EU, the UK or any governmental or regulatory authority, institution or agency of any of the foregoing including, without limitation, the Office of Foreign Assets Control of the U.S. Department of the Treasury, the U.S. Department of State, the United Nations Security Council and Her Majesty’s Treasury of the United Kingdom (“**Sanctions**”), and would result in violation of Sanctions if such activity or business were conducted by a U.S. or EU person, (ii) to fund or facilitate any activities of or business in any country or territory that is the subject of country-wide or territory-wide Sanctions, including, without limitation, Cuba, Crimea and Sevastopol, Iran, North Korea and Syria or (iii) in any other manner that will result in a violation by any person (including any person participating in the transaction, whether as Manager, advisor, investor or otherwise) of the Sanctions.

Tinkoff Bank confirms that it does not make the undertaking above to the extent that this would result in a breach of (i) any provision of Council Regulation (EC) 2271/1996 of 22 November 1996 (or any law or regulation implementing such Regulation in any member state of the EU) or (ii) or (ii) Council Regulation (EC) No 2271/96 as it forms part of UK domestic law by virtue of the EUWA.

CAPITALISATION

The following table sets forth the Group's capitalisation as of 30 June 2021 on a historical basis as extracted from the Interim Consolidated Financial Statements. For further information regarding the Group's financial position, see "Selected Consolidated Financial and Other Information", "Operating and Financial Review" and the Financial Statements.

	As of 30 June 2021
	(in millions of roubles)
Customer accounts	706,729
Debt securities in issue	21,681
Subordinated debt	20,412
Total borrowings and customer accounts	748,822
Equity	
Share capital	230
Share premium	26,998
Treasury shares	(3,711)
Share-based payment reserve	3,496
Retained earnings	125,337
Revaluation reserve for investments in debt securities	(5,870)
Equity attributable to shareholders of the Issuer	146,480
Non-controlling interest	675
Total equity	147,155
Total capitalisation⁽¹⁾	895,977

⁽¹⁾ Total capitalisation is calculated as the sum of total borrowings and customer accounts and total equity.

Except as set forth in the "Business—Recent Developments", since 30 June 2021, there have been no material changes in the capitalisation of the Group.

SELECTED CONSOLIDATED FINANCIAL AND OTHER INFORMATION

The following tables set forth selected financial data of the Group as of and for the six months ended 30 June 2021 derived from the Interim Consolidated Financial Statements and as of and for the years ended 31 December 2020, 2019 and 2018 derived from (except for reclassifications as described in “*Presentation of Financial and Other Information - Changes in presentation of financial statements*”) the Annual Consolidated Financial Statements included elsewhere in these Listing Particulars.

The information in this section should be read in conjunction with sections entitled “*Presentation of Financial and Other Information*” and “*Operating and Financial Review*”.

The Group’s Consolidated Statement of Profit or Loss and Other Comprehensive Income Data

	Six months ended 30 June		Year ended 31 December		
	2021	2020	2020	2019	2018
	<i>(in millions of roubles)</i>				
Interest income calculated using the effective interest rate method.....	75,041	64,376	128,084	111,129	76,945
Other similar income	113	11	83	118	456
Interest expense calculated using effective interest rate method.....	(11,699)	(11,153)	(21,581)	(21,317)	(15,559)
Other similar expense	(40)	(74)	(139)	(134)	-
Expenses on deposit insurance	(1,111)	(801)	(1,745)	(1,870)	(1,174)
Net margin	62,304	52,359	104,702	87,926	60,668
Credit loss allowance for loans and advances to customers and credit related commitments.....	(9,432)	(27,437)	(38,972)	(26,551)	(11,354)
Credit loss allowance (charge)/reversal for debt securities at FVOCI.....	(34)	(261)	(369)	139	(192)
Total credit loss allowance for debt financial instruments	(9,466)	(27,698)	(39,341)	(26,412)	(11,546)
Net margin after credit loss allowance.....	52,838	24,661	65,361	61,514	49,122
Fee and commission income.....	36,073	19,826	47,609	35,858	27,423
Fee and commission expense	(16,836)	(9,290)	(22,215)	(15,598)	(10,827)
Customer acquisition expense	(19,214)	(8,118)	(22,588)	(18,177)	(14,222)
Net gains/(losses) from derivatives revaluation.....	(241)	2,958	4,163	(2,563)	1,784
Net (losses)/gains from foreign exchange translation..	758	(4,501)	(6,850)	2,216	(2,155)
Net gains/(losses) from operations with foreign currencies	(670)	920	1,595	(968)	381
Net gains from disposals of debt securities at FVOCI.	789	6,249	7,210	301	378
Net gains/(losses) from financial instruments at FVTPL	1,502	10	603	389	(808)
Insurance premiums earned	10,128	9,386	18,567	14,110	6,674
Insurance claims incurred.....	(1,940)	(2,109)	(3,814)	(4,891)	(2,126)
Administrative and other operating expenses	(25,201)	(16,106)	(35,005)	(27,377)	(21,110)
Net gains/(losses) from repurchase of subordinated debt.....	5	150	168	-	-
Other operating income	451	728	1,445	722	710
Profit before tax.....	38,442	24,764	56,249	45,536	35,224
Income tax expense	(8,180)	(5,510)	(12,036)	(9,413)	(8,102)
Profit for the period or year	30,262	19,254	44,213	36,123	27,122

⁽¹⁾ The Group made certain presentation changes to the financial information as of and for the years ended 31 December 2020, 2019 and 2018 to conform to its presentation in the 30 June 2021 Interim Consolidated Financial Statements. See “*Presentation of Financial and Other information—Changes in presentation of financial statements*”. For details of reclassifications and changes in presentation see Note 22 to the Interim Consolidated Financial Statements, Note 40 to the 2020 Annual Consolidated Financial Statements and Note 3 to the 2019 Annual Consolidated Financial Statements included in these Listing Particulars.

Consolidated Statement of Financial Position Data

	As of 30 June 2021	As of 31 December		
		2020	2019	2018
		(in millions of Roubles)		
ASSETS				
Cash and cash equivalents	108,480	136,351	55,564	33,802
Mandatory cash balances with the CBR	6,642	5,379	3,448	2,435
Due from other banks	1,097	1,887	2,084	776
Loans and advances to customers	507,374	376,521	329,175	198,489
Financial derivatives	5,197	5,035	390	1,710
Investments in debt securities	223,645	238,454	135,178	100,140
Repurchase receivables	5,099	29	-	1,182
Current income tax	39	3,133	815	1,104
Deferred income tax	780	947	1,517	-
Guarantee deposits with payment systems	15,187	15,475	8,877	4,603
Brokerage receivables	42,077	24,064	2,799	-
Tangible fixed assets and right-of-use assets	12,705	10,481	10,560	8,369
Intangible assets	11,753	7,082	5,435	4,223
Other financial assets	21,415	31,070	21,673	15,642
Other non-financial assets	4,514	3,386	2,510	3,024
TOTAL ASSETS	966,004	859,294	580,025	375,499
LIABILITIES AND EQUITY				
LIABILITIES				
Due to banks	9,712	4,819	23	2,708
Customer accounts	706,729	626,837	411,614	280,916
Debt securities in issue	21,681	23,910	26,078	9,605
Financial derivatives	209	109	590	3
Brokerage payables	8,644	9,206	1,207	-
Current income tax liabilities	904	-	-	51
Deferred income tax liabilities	364	333	142	1,821
Subordinated debt	20,412	20,755	18,487	20,644
Insurance provisions	7,021	6,067	6,280	2,859
Other financial liabilities	33,046	34,337	14,648	11,201
Other non-financial liabilities	10,127	5,905	4,874	3,441
TOTAL LIABILITIES	818,849	732,278	483,943	333,249
EQUITY				
Share capital	230	230	230	188
Share premium	26,998	26,998	26,998	8,623
Treasury shares	(3,711)	(3,238)	(3,164)	(3,670)
Share-based payment reserve	3,496	1,548	1,039	1,232
Retained earnings	125,337	99,540	66,880	36,785
Revaluation reserve for investments in debt securities	(5,870)	1,849	3,996	(1,144)
Non-controlling interest	675	89	103	236
TOTAL EQUITY	147,155	127,016	96,082	42,250
TOTAL LIABILITIES AND EQUITY	966,004	859,294	580,025	375,499

⁽¹⁾ The Group made certain presentation changes to the financial information as of and for the years ended 31 December 2020, 2019 and 2018 to conform to its presentation in the 30 June 2021 Interim Consolidated Financial Statements. See “*Presentation of Financial and Other information—Changes in presentation of financial statements*”. For details of reclassifications and changes in presentation see Note 22 to the Interim Consolidated Financial Statements, Note 40 to the 2020 Annual Consolidated Financial Statements and Note 3 to the 2019 Annual Consolidated Financial Statements included in these Listing Particulars.

Consolidated Statement of Cash Flows

	Six months ended 30 June	Six months ended 30 June	Year ended 31 December		
	2021	2020	2020	2019	2018
Net cash (used in)/from operating activities	(10,005)	86,708	195,285	36,517	62,899
Net cash from/(used in) investing activities	(7,226)	(77,416)	(98,874)	(41,568)	(32,497)
Net cash (used in)/from financing activities	(8,032)	(8,719)	(17,062)	27,985	(21,462)
Effect of exchange rate changes on cash and cash equivalents.....	(2,608)	1,545	1,438	(1,172)	1,012
Net increase/(decrease) in cash and cash equivalents..	(27,871)	2,118	80,787	21,762	9,952
Cash and cash equivalents at the beginning of the period	136,351	55,564	55,564	33,802	23,850
Cash and cash equivalents at the end of the period.....	108,480	57,682	136,351	55,564	33,802

The Group's Selected Non-IFRS Financial Ratios and Other Non-IFRS Measures

	Six months ended 30 June		Year ended 31 December	
	2021	2020	2019	2018
		(in %)		
Profitability				
Net interest margin ⁽¹⁾	16.1%	17.8%	21.9%	23.8%
Cost/income ratio ⁽²⁾	48.7%	37.6%	36.8%	41.7%
Return on equity ⁽³⁾	44.7%	40.6%	55.9%	74.7%
Return on assets ⁽⁴⁾	6.7%	6.4%	7.8%	9.0%

⁽¹⁾ Net interest margin is defined as a ratio of net margin to the average balance of total interest-earning assets. The average balance of the Group's assets represents the average of the beginning and closing balances of each quarter in the period. Net interest margin for the six-month period has been annualised by multiplying by two.

⁽²⁾ The cost/income ratio is calculated as the Group's operating expenses (the sum of its administrative and other operating expenses (excluding other provisions) and its customer acquisition expenses) divided by its operating income (net margin, fee and commission income, insurance premiums earned, other operating income less fee and commission expenses).

⁽³⁾ Return on equity is defined as profit for the period or profit for the year, as applicable, divided by the average balance of the Group's total equity. The average balance of the Group's total equity represents the average of the beginning and closing balances of each quarter in the period. Return on equity for the six-month period has been annualised by multiplying by two.

⁽⁴⁾ Return on assets is defined as profit for the period or profit for the year, as applicable, divided by the average balance of the Group's total assets. The average balance of the Group's total assets represents the average of the beginning and closing balances of each quarter in the period. Return on assets for the six-month period has been annualised by multiplying by two.

	As of and for the Six months ended 30 June	As of and for the year ended 31 December		
	2021	2020	2019	2018
		(in %)		
Credit card loan portfolio growth rate ⁽¹⁾	13.2%	9.2%	37.6%	21.8%
Equity to total assets ratio ⁽²⁾	15.2%	14.8%	16.6%	11.3%
Debt-to-equity ratio ⁽³⁾	515.5%	532.5%	474.8%	742.9%
Asset quality				
Cost of risk ratio (excluding POCI) ⁽⁶⁾	4.5%	10.0%	8.5%	5.8%
Credit loss allowance for loans and advances to customers as a percentage of gross loans.....	12.6%	15.9%	14.3%	15.4%
Non-performing loans as a percentage of gross loans.....	8.7%	10.4%	9.1%	9.4%
Credit loss allowance for loans and advances to customers as a percentage of non-performing loans.....	144.5%	153.5%	156.2%	163.5%
Capital adequacy				
<i>Basel III Ratio</i>				
Tier I capital ratio.....	18.1%	17.9%	18.9%	14.9%
Total capital ratio.....	18.1%	17.9%	18.9%	14.9%
<i>Statutory Ratios</i>				
CBR total capital adequacy ratio (N1.0) ⁽⁵⁾	12.2%	13.1%	12.1%	13.9%
CBR common equity Tier I capital adequacy ratio (N1.1) ⁽⁴⁾	10.0%	10.2%	9.5%	9.4%
CBR Tier I capital adequacy ratio (N1.2) ⁽⁵⁾	11.9%	12.4%	11.7%	13.2%

⁽¹⁾ Credit card loan portfolio growth rate is defined as the change between gross credit card loan portfolio closing and opening balances of the respective reporting year/period, divided by gross credit card loan portfolio opening balance of the respective reporting year/period.

⁽²⁾ Equity to total assets ratio is defined as the balance of total equity divided by the balance of total assets as at the end of the respective reporting period.

⁽³⁾ Debt-to-equity ratio is defined as the closing balance of total debt (sum of due to banks, customer accounts, debt securities in issue, subordinated debt) divided by the closing balance of total equity of the respective reporting period.

- (4) See “Operating and Financial Review—Capital Adequacy”. Calculated on a consolidated basis under the methodology set by the Basel Committee with capital adjustments as set out in Basel III. The Group’s Tier I capital is represented by net assets and perpetual subordinated debt of the Group and decreased by intangible assets.
- (5) Calculated in accordance with the rules of the CBR and is based on Tinkoff Bank’s unconsolidated RAS accounts of Tinkoff Bank that are materially different from IFRS.
- (6) The cost of risk ratio (excluding POCI) represents total credit loss allowance (excluding POCI) for loans and advances to customers divided by the average balance of gross loans and advances to customers in the same period. The average balance of the Group’s gross loans and advances to customers represents the average of the beginning and closing balances of each quarter in the period. The cost of risk ratio (excluding POCI) for the six-month period has been annualised by multiplying by two.

Reconciliation of Non-IFRS Measures

Reconciliation of Net Interest Margin

	Six months ended 30 June ⁽¹⁾		Year ended 31 December ⁽²⁾		
	2021	2020	2020	2019	2018
	<i>(in millions of roubles, except percentages)</i>				
Net margin.....	62,304	52,359	104,702	87,926	60,668
Divide by					
Average balance of total interest-earning assets	772,464	532,566	588,559	400,832	255,127
Net interest margin	16.1%	19.7%	17.8%	21.9%	23.8%

(1) Net interest margin for the six-month period has been annualised by multiplying by two.

(2) The Group made certain presentation changes to the financial information as of and for the years ended 31 December 2020, 2019 and 2018 to conform to its presentation in the 30 June 2021 Interim Consolidated Financial Statements. See “*Presentation of Financial and Other Information—Changes in presentation of financial statements*”. For details of reclassifications and changes in presentation, see Note 22 to the Interim Consolidated Financial Statements, Note 40 to the 2020 Annual Consolidated Financial Statements and Note 3 to the 2019 Annual Consolidated Financial Statements included in these Listing Particulars.

Reconciliation of Cost/Income Ratio

	Six months ended 30 June		Year ended 31 December ⁽¹⁾		
	2021	2020	2020	2019	2018
	<i>(in millions of roubles, except percentages)</i>				
Administrative and other operating expenses.	(25,201)	(16,106)	(35,005)	(27,377)	(21,110)
Less					
Other provisions	(445)	652	1,206	260	-
Plus					
Customer acquisition expense	(19,214)	(8,118)	(22,588)	(18,177)	(14,222)
Divide by					
Net margin.....	62,304	52,359	104,702	87,926	60,668
Plus					
Insurance premiums earned	10,128	9,386	18,567	14,110	6,674
Plus					
Fee and commission income.....	36,073	19,826	47,609	35,858	27,423
Plus					
Other operating income	451	728	1,445	722	710
Less					
Fee and Commission Expenses	(16,836)	(9,290)	(22,215)	(15,598)	(10,827)
Cost/income ratio.....	48.7%	32.3%	37.6%	36.8%	41.7%

(1) The Group made certain presentation changes to the financial information as of and for the years ended 31 December 2020, 2019 and 2018 to conform to its presentation in the 30 June 2021 Interim Consolidated Financial Statements. See “*Presentation of Financial and Other Information—Changes in presentation of financial statements*”. For details of reclassifications and changes in presentation, see Note 22 to the Interim Consolidated Financial Statements, Note 40 to the 2020 Annual Consolidated Financial Statements and Note 3 to the 2019 Annual Consolidated Financial Statements included in these Listing Particulars.

Reconciliation of Return on Equity

	Six months ended 30 June		Year ended 31 December		
	2021	2020	2020	2019	2018
	<i>(in millions of roubles, except percentages)</i>				
Profit for the period/year	30,262	19,254	44,213	36,123	27,122
Divide by					
Average balance of the Group's total equity	135,474	100,247	108,849	64,633	36,300
Return on equity	44.7%	38.4%	40.6%	55.9%	74.7%

(1) Return on equity for the six-month period has been annualised by multiplying by two.

Reconciliation of Return on Assets

	Six months ended 30 June		Year ended 31 December		
	2021	2020	2020	2019	2018
	<i>(in millions of roubles, except percentages)</i>				
Profit for the period/year	30,262	19,254	44,213	36,123	27,122
Divide by					
Average balance of the Group's total assets	899,601	619,331	688,835	464,822	301,947
Return on assets	6.7%	6.2%	6.4%	7.8%	9.0%

(1) Return on assets for the six-month period has been annualised by multiplying by two.

Reconciliation of Cost of Risk Ratio

	Six months ended 30 June		Year ended 31 December		
	2021	2020	2020	2019	2018
	<i>(in millions of roubles, except percentages)</i>				
Credit loss allowance for loans and advances to customers	(9,432)	(27,437)	(38,972)	(26,551)	(11,354)
Divide by					
Average balance of gross loans and advances to customers	510,081	392,927	408,578	320,071	194,539
The cost of risk ratio (excluding POCI)	4.5%	14.2%	10.0%	8.5%	5.8%
The cost of risk ratio	3.7%	14.0%	9.5%	8.3%	5.8%

(1) Cost of risk ratio for the six-month period has been annualised by multiplying by two.

Reconciliation of Equity to Total Assets Ratio

	As of 30 June	As of 31 December		
	2021	2020	2019	2018
	<i>(in millions of roubles, except percentages)</i>			
Total equity	147,155	127,016	96,082	42,250
Divide by				
Total assets	966,004	859,294	580,025	375,499
Equity to total assets ratio	15.2%	14.8%	16.6%	11.3%

Reconciliation of Debt-to-equity Ratio

	As of 30 June	As of 31 December		
	2021	2020	2019	2018
	<i>(in millions of roubles, except percentages)</i>			
Total debt ⁽¹⁾	758,534	676,321	456,202	313,873
Divide by				
Total equity	147,155	127,016	96,082	42,250
Debt to total equity ratio	5.2	5.3	4.7	7.4

(1) Total debt represents the sum of amounts due to banks, customer accounts, debt securities in issue, and subordinated debt.

Selected RAS Quarterly Data

The tables set out below contain selected supplemental financial data for Tinkoff Bank for the interim periods set out below (the “**Quarterly Financial Information**”). The Quarterly Financial Information was derived from Tinkoff Bank’s unaudited quarterly standalone financial statements prepared in accordance with RAS. Investors should note that the Quarterly Financial Information is not based on IFRS, has not been reported on by PricewaterhouseCoopers Limited, and is provided for the purposes of supplemental information only. Investors are strongly cautioned not to place undue reliance on the Quarterly Financial Information.

Quarterly Growth / (Decline) of Retail Deposits

As of	Quarter-on-quarter percentage increase / (decline) in retail deposits	
	Banking Sector ⁽¹⁾	Tinkoff Bank
30 September 2019	1.1%	9.8%
31 December 2019.....	0.2%	4.7%
31 March 2020	1.9%	2.8%
30 June 2020.....	(5.0)%	1.9%
30 September 2020.....	(0.5)%	(3.5)%
31 December 2020.....	(4.6)%	(1.9)%
31 March 2021	(2.7)%	3.5%
30 June 2021.....	(3.5)%	(0.6)%

(1) Source: CBR.

Quarterly Growth / (Decline) of Retail Loans

As of	Quarter-on-quarter percentage increase / (decline) in retail loans	
	Banking Sector ⁽¹⁾	Tinkoff Bank
30 September 2019	5.0%	10.2%
31 December 2019.....	3.4%	3.0%
31 March 2020	3.4%	3.4%
30 June 2020.....	(0.3)%	(3.4)%
30 September 2020.....	5.6%	4.3%
31 December 2020.....	3.2%	7.5%
31 March 2021	4.4%	12.3%
30 June 2021.....	7.1%	16.8%

+

(1) Source: CBR.

OPERATING AND FINANCIAL REVIEW

The following discussion and analysis of the Group's operating and financial results is based on, and should be read in conjunction with, the Financial Statements. Investors should read the following discussion together with the whole of these Listing Particulars, including "Risk Factors", "Selected Consolidated Financial and Other Information", "Presentation of financial and other information" and the Financial Statements (including the related notes) and should not rely solely on the information set out in this section.

The following discussion includes certain forward-looking statements that, although based on assumptions that the Group considers to be reasonable, are subject to risks and uncertainties that could cause actual events or conditions to differ materially from those expressed or implied in these Listing Particulars. Among the important factors that could cause the Group's actual results, performance or achievements to differ materially from those expressed in such forward-looking statements are those factors that are discussed in "Forward-Looking Statements" and "Risk Factors" in these Listing Particulars. All statements other than statements of historical fact, such as statements regarding the Group's future financial position and risks and uncertainties related to the Group's business, plans and objectives for future operations, are forward-looking statements.

Overview

The Group is an innovative provider of online retail financial services. Its portfolio includes Tinkoff Bank, Tinkoff Investments (the Group's retail brokerage business), Tinkoff Business (which provides SMEs with transactional services, including online and offline acquiring services), Tinkoff Mobile (the mobile virtual network operator), Tinkoff Insurance, Tinkoff Capital (the asset management company), Tinkoff Software DC (which operates a network of development hubs in Russia's largest cities), and Tinkoff Education. The Group is currently developing the Tinkoff ecosystem, which incorporates financial and lifestyle services into the Group's portfolio. The Group operates in Russia through a high-tech low-cost platform and provides products and services through its best-in-class Tinkoff Super-App. The Group is the second-largest credit card issuer in the Russian market with a market share of 14 percent as at 1 January 2021, according to CBR data, and issued 2.4 million, 3.5 million and 3.2 million new credit cards in 2018, 2019 and 2020, respectively. The Group is also the second-largest issuer of unsecured retail loans up to three years, with a market share of 8.6 percent as at 31 December 2020. The Group is also the third-largest retail bank in Russia in terms of active retail customers, according to JSC "NEO" data as at October 2020.

While credit cards have historically constituted the Group's core business, the Group has been able to successfully diversify its credit product (with cash loans, point-of-sale loans, home equity loans and car loans now making up a significant portion of the loan book), but also its non-credit products and services offering made available to customers on both a proprietary and broker-service basis through its one-stop online customer service destination, the Tinkoff Super-App. See "*Business—Competitive Strengths—Track Record of Innovation and Diversification*" below. Such additional products and services typically require limited capital investment but provide a valuable opportunity to diversify the Group's sources of revenue, attract new customer segments, retain existing customers and drive customer traffic, thereby generating further opportunities for cross-selling. For example, the Group's Tinkoff Investments product launched in late 2016 already has over 1.5 million active customers, who account for 67 percent of active retail brokerage accounts at Moscow Exchange, according to the Group's estimation based on Moscow Exchange data as at 30 June 2021. In 2020 alone, the Group was named the world's Best Consumer Digital Bank and Best Consumer Digital Bank in Russia by Global Finance, and "Tinkoff Bank" was recognised among the fifty most valuable Russian brands, as ranked by Brand Finance. In the six months ended 30 June 2021, the Group increased its total customers by 1.7 million credit customers, 1.0 million Tinkoff Investments customers, and 3.1 million current account customers, thereby bringing total customers of the Group to 16.7 million (of which 11.5 million were active customers).

The Group has no branches – all customer interactions (other than deliveries) are conducted online. Accordingly, the Group's business model is focused on the Tinkoff ecosystem, an advanced high-tech online financial and lifestyle services platform, that has more than 12.5 million monthly active users. The Tinkoff ecosystem acts as a centralised customer acquisition channel through which the Group's wide range of credit and non-credit products and services are offered to customers. The main gateway into the platform is the Tinkoff Super-App, which integrates all elements of the Tinkoff ecosystem, including digital banking, Tinkoff Investments, Tinkoff Mobile, Tinkoff Business, Tinkoff Insurance and lifestyle services, among others. Customers also enjoy the support of the Group's 24/7 high-volume call centres. The Group's main marketing and distribution channels are its online channels (Internet, mobile and telesales), which, Management believes, optimise the scope of its coverage and allow it to access otherwise underserved parts of the country. The Group's "smart couriers" delivery network enables it to deliver cards and other products and services to consumers throughout Russia within one or two days

while adhering to all relevant safety measures. This branchless, infrastructure-light operating structure provides a low fixed cost base and high degree of flexibility. For example, the Group was able to adapt swiftly to, and remain profitable during, the period of uncertainty and economic downturn in Russia associated with the COVID-19 pandemic, and, equally, was able to quickly ramp up product offerings to meet increased customer demand for online services both during the height of the pandemic and as economic conditions began to improve from late 2020.

The Group's operations are supported by its advanced IT and artificial intelligence capabilities, which underpin the security, ease of use and engaging nature of the Tinkoff online platform, as well as the operational efficiency of its online / remote service business model. Furthermore, the Group's focus on data analysis and machine-learning enables it to target its marketing and product offerings effectively and give it an advantage in its underwriting, risk analysis and collection processes. Management believes that the relatively low level of retail and SME financial services penetration, relatively high margins and regulatory and technology barriers to entry for the Group's competitors make its business model attractive in terms of growth potential and competitive edge.

As of 30 June 2021, the Group's total assets, loans and advances to customers and customer accounts (including deposits) amounted to RUB 966.0 billion, RUB 507.4 billion and RUB 706.7 billion, respectively, as compared to RUB 859.3 billion, RUB 376.5 billion and RUB 626.8 billion, respectively, as of 31 December 2020. In the six months ended 30 June 2021, the Group generated profit for the period of RUB 30.3 billion, as compared to RUB 19.3 billion in the same period in 2020. In the year ended 31 December 2020, the Group generated profit for the period of RUB 44.2 billion, as compared to RUB 36.1 billion in the year ended 31 December 2019 and RUB 27.1 billion in the year ended 31 December 2018.

Significant Factors Affecting Results of Operations

Russia's Economic Conditions

Substantially all of the Group's assets, operations and customers are located in and/or have businesses related to Russia. As a result, the Group is substantially affected by Russian economic conditions (see "*Risk Factors—Risks Related to the Group's Business and the Russian Financial Sector—Risk Factors—Any deterioration in the conditions of the Russian economy, could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.*"). Russia's economy is to a significant degree dependent on exports of key commodities, such as oil, gas, iron ore and other raw materials. Dramatic decreases in the prices of these commodities in the world market can lead to sharp decreases in Russian Government revenues and the revenues of privately held Russian companies operating in these sectors, which, in turn, can have a severely negative effect on the overall Russian economy.

While the Russian economy demonstrated limited growth during the period of 2017-2019, Russian GDP declined by 3.0 percent in 2020 due to the COVID-19 pandemic and the related fall in oil and gas prices, economic downturn and disruption to business activity. See "*Risk Factors—Continuation or worsening of the COVID-19 pandemic may have a material adverse effect on the Group's business, financial condition, results of operations and prospects.*". The rouble / US\$ exchange rate was volatile during the period of 2017 to 2019 and the rouble depreciated against the U.S. dollar by 19.3 percent during 2020. As at 31 December 2020, the rouble / US\$ exchange rate amounted to RUB 73.8757 per US\$1.00 and RUB 69.9513 per US\$1.00 as at 30 June 2021. The net capital outflows amounted to US\$65.5 billion in 2018, US\$22.1 billion in 2019 and US\$48.4 billion in 2020, and are estimated to amount to US\$53 billion in 2021.

According to Rosstat, inflation was 4.3 percent in 2018, 3.0 percent in 2019, 4.9 percent in 2020 and in the first six months of 2021 inflation accelerated rapidly to reach 4.2 percent. So far in 2021, the CBR has increased the key interest rate several times to reach 6.5 percent in an attempt to tackle the rising inflation rate.

Although the Russian economy has shown signs of stabilisation and, according to Rosstat, Russia's GDP returned to growth in the second quarter of 2021 (growing 10.3 percent), the negative developments mentioned above still affect the Russian economy.

While the Russian banking sector has shown resilience to the effects of the COVID-19 pandemic, as illustrated by the increased profitability and robust liquidity of major Russian banks in 2020, Russian banks remain exposed to the risk of credit losses caused by fluctuations in macroeconomic factors, including industrial production levels, retail consumption, capital outflows and volatility of the local financial markets. The Group was well positioned to leverage its highly scalable business model to expand its customer base, capture market share and diversify its product offering during 2018 and 2019, as well leverage its branchless online platform during the onset of the

COVID-19 pandemic and ensuing disruption to economic and social interactions in 2020. The Group's loans and advances to customers increased from RUB 198.5 billion as at 31 December 2018 to RUB 329.2 billion as at 31 December 2019, and further to RUB 376.5 billion as at 31 December 2020 and to RUB 507.4 billion as at 30 June 2021. The Group recorded profit for the year of RUB 27.1 billion in 2018, RUB 36.1 billion in 2019, RUB 44.2 billion in 2020 and RUB 30.3 billion for the six months ended 30 June 2021.

Growth of the Loan Portfolio

Consumer lending is the Group's core business with the biggest segment being credit card lending (see *"Business—Strengths—Growth Opportunities in the Russian Consumer Market and Retail Financial Services"*). Therefore, the growth (or reduction in size) of the Group's credit card portfolio has a significant effect on its results of operation and financial position (see *"Risk Factors—Risks Related to the Group's Business and the Russian Financial Sector—The Group is dependent on its credit card lending business"*). In addition, the Group's non-credit card lending has seen substantial growth during the period under review and, therefore, any material changes to the non-credit card loan portfolio also affects the Group's results of operation and financial position.

Following significant growth in its retail loan portfolio during the period 2018 – 2019, the Group adopted a more conservative approach to new customer acquisitions and loan issuance in the first half of 2020 in response to the worsening macroeconomic conditions and anticipated deterioration of credit quality in the Russian market resulting from the outbreak of the COVID-19 pandemic (see *"—Russia's Economic Conditions"* and *"Risk Factors—Risks Related to the Group's Business and the Russian Financial Sector—Risk Factors—Any deterioration in the conditions of the Russian economy, could have a material adverse effect on the Group's business, financial condition, results of operations and prospects"*). By the fourth quarter of 2020, the Group's loan issuance had returned to pre-COVID-19 levels. During the first half of 2021, the Group's retail loan portfolio continued to demonstrate significant growth in line with the Group's aim of scaling up its various lending operations and continuing to take a cautious approach to risk management.

The Group issued 2.4 million, 3.5 million and 3.2 million new credit cards in 2018, 2019 and 2020, respectively, and 1.9 million in the six months ended 30 June 2021. The Group is currently the second-largest credit card issuer in the Russian market, a position it reached during 2015, and had a market share of 14.6 percent as at 30 June 2021, 14.0 percent as at 1 January 2021, 13.3 percent as at 1 January 2020 and 11.8 percent as at 1 January 2019, according to CBR data. The Group's expanded loan portfolio and product offering allowed its average total loans and advances to customers to increase by 29.3 percent in 2018, by 74.8 percent in 2019, by 24.2 percent in 2020 and by 32.9 percent in the first half of 2021. In addition, the Group has been able to maintain an average interest rate on total loans and advances to customers of 44.8 percent in 2018, 37.6 percent in 2019, 33.4 percent in 2020 and 29.5 percent in the six months ended 30 June 2021, which has allowed the Group to increase interest income calculated using effective interest rate method on loans and advances to customers by 24.1 percent in 2018, by 46.7 percent in 2019, by 10.2 percent in 2020 and by 10.2 percent in the six months ended 30 June 2021 comparing to the same prior periods, respectively.

Key indicators of the Group's financial position also closely correlate with loan portfolio growth dynamics. During phases when the portfolio starts growing more quickly after a slow or no-growth period, returns and capital adequacy ratios tend to decrease, whilst during phases of continued growth, returns are generally higher. The reason for this is the lag between the time when an investment in growth is made and the time when the newly acquired assets begin to generate income.

In addition, CBR regulation has affected, and may continue to affect, the growth of the Group's loan portfolio and the results of its operations. See *"Banking Regulation in Russia"*. For example, during the period under review the CBR revised risk weighting coefficients for consumer loans several times. Increases in risk weighting coefficients have previously affected the Group's lending operations, including the growth of its loan portfolio, its revenues and profitability, and the CBR may increase applicable risk weighting coefficients for loans in the future. See *"Risk Factors—Risks Related to the Group's Business and the Russian Financial Sector—Tinkoff Bank's inability to comply with capital adequacy requirements may have a negative effect on the Group's business, results of operations, financial condition and prospects and lead to a need for additional capital"*. Further, in 2016, the CBR introduced three additional minimum capital adequacy ratios to bring the Russian market into line with Basel III: the N1.1 Ratio (5.0 percent), the N1.2 Ratio (5.0 percent) and the N1.0 Ratio (8.0 percent). As at the date of these Listing Particulars, these minimum capital adequacy ratios are as follows: the N1.1 Ratio is 4.5 percent, the N1.2 Ratio is 6.0 percent and the N1.0 Ratio is 8.0 percent. To date, the Group's capital adequacy ratios remain well in excess of such minimum levels. However, there can be no assurance that the CBR will not further increase risk weighting coefficients for consumer loans, amend the specified minimum capital adequacy ratios or introduce any other restrictions on consumer lending activities that may affect capital,

in which event the Group may have to reduce the growth of its loan portfolio and/or seek to raise additional capital in order to retain sufficient capital. See *“Risk Factors—Risks Related to Group’s Business and the Russian Financial Sector—The CBR regulations phasing in Basel III in Russia could have an adverse effect on Tinkoff Bank, its capital ratios and its regulatory capital”*, *“Risk Factors—Risks Related to the Group’s Business and the Russian Financial Sector—Changes in applicable consumer protection or banking legislation or their interpretation by courts and regulators may impose greater compliance requirements on the Group and adversely affect its profitability”* and *“Risk Factors—Risks Related to the Group’s Business and the Russian Financial Sector—The Group is dependent on credit card lending being its principal product”*.

Development of New Products and Services and Fee and Commission Income

Although Management expects that credit card lending will remain its core consumer lending business for the foreseeable future, the Group has been developing and introducing new credit and non-credit products and services and intends to continue to develop and diversify its product offering in the future. The Group has also placed focus on expanding its non-credit card lending operations, such as cash and POS loans and secured lending, which includes car loans and home equity loans, as well as testing the issuance of loans to individual entrepreneurs and SMEs. Moreover, in line with the Group’s overall strategy of developing the comprehensive Tinkoff ecosystem, the Group will continue to build out its offering of transactional banking and lifestyle products and services. In keeping with the Groups’ infrastructure-light online business model, the Group’s online platform and the various new products and services generally do not require significant capital expenditure. However, they do require additional investment in the form of research and development, customer acquisition and marketing, staff and ancillary costs and expenses. As such investment must necessarily be incurred in large part at the early stages of the development of a new product or service, there is a lag between the incurrence of such costs and expenses and the point at which the product reaches its revenue-generating potential. Costs and expenses related to promoting the Tinkoff ecosystem and new products and services helped to drive a 46.3 percent increase in customer acquisition expenses in 2018, a 27.8 percent increase in 2019, a 24.3 percent increase in 2020 as compared to the same prior periods and a 136.7 percent increase in the six months ended 30 June 2021, as compared to the six months ended 30 June 2020. The Group’s administrative and other operating expenses increased by 30.3 percent in 2018, by 29.7 percent in 2019, by 27.9 percent in 2020 as compared to the prior respective year and by 56.5 percent in the six months ended 30 June 2021, as compared to the six months ended 30 June 2020. The growth of the Group’s loan portfolio and the expansion of its non-credit products and services, in particular Tinkoff Business and Tinkoff Investments, have had a significant impact on the Group’s fee and commission income, which grew from RUB 27.4 billion in 2018 to RUB 35.9 billion in 2019 (representing an increase of 31.0 percent), to RUB 47.6 billion in 2020 (representing an increase of 32.6 percent) and to RUB 36.1 billion (representing an increase of 82.3 percent) in the six months ended 30 June 2021, as compared to the six months ended 30 June 2020. Other non-credit revenue (which includes net gains/(losses) from operations with foreign currencies, net gains from disposal of debt securities at fair value through other comprehensive income (“FVOCI”), net gains from debt instruments at fair value through profit or loss (“FVTPL”), insurance premiums earned, net gains from investment securities available for sale and other operating income) has also increased during the period under review. According to the Group’s estimates, as of 30 June 2021, 43.7 percent of the Group’s total revenue originated from non-credit business lines (i.e., total revenue except for consumer finance segment revenue) (Tinkoff Black, Tinkoff Investments, Tinkoff Business and Tinkoff Acquiring). Management intends that non-credit revenue will represent a significant portion of its total revenue within the next few years.

The Group’s cost/income ratio (measured as the Group’s operating expenses (the sum of its administrative and other operating expenses (excluding other provisions)) and its customer acquisition expenses) divided by its operating income (net margin, fee and commission income, insurance premiums earned and other operating income less fee and commission expenses) remained relatively stable during the period under review amounting to 41.7 percent in 2018, 36.8 percent in 2019, 37.6 percent in 2020 and 48.7 percent in the six months ended in 30 June 2021. The effects of the introduction of new credit and other products, or the scaling up of existing business lines, on the Group’s results of operations depend on the characteristics of such products. For example, secured and POS loans have lower interest rates and thus put pressure on the Group’s net margin, whilst at the same time do not require the Group to create credit loss allowance in the same amounts as credit card loans that have higher interest rates.

Fluctuations in Interest Rates and Cost of Funds

Changes in interest rates affect the Group’s operations. During the period under review, the interest rate environment has affected the Group’s interest income and interest expense.

Interest rates on the Group's loans and advances to customers and retail deposits and current accounts are affected by the interest rates set by the CBR. In response to accelerated inflation, the depreciation of the rouble and the volatility of the financial markets in 2014, the CBR progressively increased its key interest rate up to 17.0 percent in December 2014 before gradually lowering it during a prolonged period of easing monetary policy and by 2019 the key interest rate stood at 6.25 percent. In 2020, the CBR responded to the COVID-19 pandemic by further decreasing the key interest rate to 4.25 percent in order to create the monetary stimulus for economic recovery. In 2021, the key interest rate was gradually increased to 6.5 percent in response to accelerating inflation. Interest rates are affected by a number of factors such as inflation, competition among banks, general macroeconomic conditions and access to funding sources.

CBR regulations and recommendations have also affected, and may continue to affect, interest rates on the Group's loans and advances and its term deposits and current accounts. For example, in response to new risk weighting factors introduced by the CBR on 1 March 2017, the Group set all nominal interest rates on its credit card loans to below 30 percent at the end of March 2017. See *"Risk Factors—Risks Related to the Group's Business and the Russian Financial Sector—Tinkoff Bank's inability to comply with capital adequacy requirements may have a negative effect on the Group's business, results of operations, financial condition and prospects and lead to a need for additional capital"*. The CBR also sets recommended deposit rates caps on a monthly basis. See *"Banking Regulation in Russia"*, *"Risk Factors—Risks Related to the Group's Business and the Russian Financial Sector—The Group operates in a highly regulated environment, and an inability to maintain its banking licences or a breach of any of their terms or of other applicable banking regulations could have a material adverse effect on the Group's business, results of operations, financial condition and prospects"* and *"Risk Factors—Risks Related to the Group's Business and the Russian Financial Sector—Changes in applicable consumer protection or banking legislation or their interpretation by courts and regulators may impose greater compliance requirements on the Group and adversely affect its profitability"* and *"Risk Factors—Risks Related to the Group's Business and the Russian Financial Sector—The Group is dependent on its credit card lending business"*.

Term deposits and current accounts are the Group's primary source of funding and interest payable thereon constituted most of its interest expense for the period under review. See *"Risk Factors—Risks Related to the Group's Business and the Russian Financial Sector—the Group's inability to receive sufficient funding from retail deposits or withdrawal of a large proportion of such deposits could adversely affect the Group's business, results of operations, financial condition and prospects"*. The Group was able to reduce deposit rates throughout 2018 – 2020 in response to improved rouble liquidity conditions, the reduction in the CBR's key interest rate, and increased competition among banks in the Russian bank market. Consequently, the average interest rate on the Group's customer accounts fell from 5.8 percent in 2018 to 5.3 percent in 2019, to 3.5 percent in 2020. The average interest rate on the Group's customer accounts amounted to 2.9 percent in the six months ended 30 June 2021. At the same time, there has been an increase in the average balance of customer accounts, from RUB 216.7 billion in 2018 to RUB 327.2 billion in 2019, to RUB 489.1 billion in 2020 and to RUB 655 billion in the six months ended 30 June 2021. The Group's total interest expense (excluding expenses associated with deposit insurance) increased by 37.9 percent in 2019 as compared to 2018, slightly increased by 1.3 percent in 2020 as compared to 2019 and increased by 4.6 percent in the six months ended 30 June 2021 compared to the same period in 2020. As a result, the Group's cost of borrowing fell from 6.3 percent in 2018 to 5.7 percent in 2019, and continued to decrease in 2020 amounting to 4.0 percent in 2020. In the six months ended 30 June 2021, the Group's cost of borrowing amounted to 3.3 percent. In each of the first, second, third and fourth quarters of 2020, the Group's cost of borrowing amounted to 4.7 percent, 4.4 percent, 3.9 percent and 3.3 percent, respectively.

The Group's other significant source of funding is the issuance of debt securities and subordinated debt. In line with market trends, average interest rates on debt securities in issue slightly increased throughout the period under review, from 7.9 percent in 2018 to 8.1 percent in 2020 for debt securities in issue and decreased from 10.2 percent in 2018 to 9.6 percent in 2020 for subordinated debt. The average interest rates on debt securities in issue and subordinated debt amounted to 8.4 percent and 9.5 percent, respectively, for the six months ended 30 June 2021. The average balances of debt securities in issue and subordinated debt increased from 2018 to 2020 as the Group sought to keep its funding mix relatively diversified in line with the growth of its retail deposits and to benefit from a lower interest rate environment. See Notes 15 and 16 of the 2020 Annual Consolidated Financial Statements and Notes 16 and 17 of the 2019 Annual Consolidated Financial Statements for a description of the debt securities and subordinated debt issued and redeemed by the Group.

Loans and advances to customers are the Group's primary source of interest income. The average total loans and advances to customers (the majority of which consist of credit card loans) increased from RUB 157.8 billion in 2018 to RUB 275.8 billion in 2019, or by 74.8 percent. In 2020 and in the six months ended 30 June 2021, the

Group's loan portfolio continued to grow as illustrated by the increase in average total loans and advances to customers from RUB 275.8 billion in 2019 to RUB 342.4 billion in 2020, or by 24.2 percent, and to RUB 438.3 billion, or by 28.0 percent, in the six months ended 30 June 2021. The Group's average interest rate on total loans and advances to customers showed a declining trend in 2018 – 2020 due to lower interest rates in the consumer market and the increase of non-credit card loans in the Group's loan portfolio, which generate lower yield. The Group's average interest rate on total loans and advances to customers amounted to 44.8 percent in 2018, 37.6 percent in 2019 and 33.4 percent in 2020. The average interest rate on total loans and advances to customers amounted to 29.5 percent during the six months ended 30 June 2021, as compared to 35.6 percent during the same period in 2020. The Group's interest income increased in each of 2018, 2019 and 2020 in line with the growth of its lending operations although at lower average interest rates on the Group's loans. Interest income on loans and advance to customers was RUB 70.8 billion in 2018, RUB 103.8 billion in 2019 and RUB 114.3 billion in 2020, and RUB 64.7 billion in the six months ended 30 June 2021. In the six months ended 30 June 2021, the Group's gross interest yield on its gross loans and advances to customers at AC amounted to 25.5 percent. In 2020, the Group's gross interest yield on its gross loans and advances to customers at AC amounted to 28.0 percent compared to 32.4 percent in 2019 and 36.4 percent in 2018. In each of the first, second, third and fourth quarters of 2020, the Group's gross interest yield on its gross loans and advances to customers at AC amounted to 29.8 percent, 29.8 percent, 26.7 percent and 26.3 percent respectively.

The average interest rate on cash and cash equivalents and due from other banks amounted to 4.6 percent in 2018, 2.3 percent in 2019, 1.6 percent in 2020 and 0.8 percent in the first half of 2021. The average interest rate on investments in debt securities and repurchase receivables amounted to 6.6 percent in 2018, 6.4 percent in 2019, 5.4 percent in 2020 and 5.2 percent in the first half of 2021. Net interest spread decreased from 23.9 percent in 2018 to 22.0 percent in 2019 and decreased to 17.8 percent in 2020. Net interest spread amounted to 16.1 percent in the six months ended 30 June 2021 compared to 19.6 percent in the same period in 2020. Net interest margin decreased marginally in 2019 to 21.9 percent from 23.8 percent in 2018, fell to 17.8 percent in 2020 and decreased to 16.1 percent in the six months ended 30 June 2021. Risk-adjusted net interest margin, which is a ratio of net margin after credit loss allowance to the average balance of total interest-earning assets amounted to 13.7 percent and 9.3 percent in the six months ended 30 June 2021 and 2020, and to 11.1 percent in 2020, 15.3 percent in 2019 and 19.3 percent in 2018. In each of the first, second, third and fourth quarters of 2020, the Group's risk adjusted net interest margin amounted to 7.9 percent, 10.6 percent, 12.6 percent and 12.9 percent, respectively.

Loan Portfolio and Impairment

During periods of deteriorating economic activity, the ability of the Group's borrowers to repay amounts due may decrease. See *“Risk Factors—Risks Related to the Group's Business and the Russian Financial Sector—The performance of the Group's credit business depends on the health and development of the Russian consumer finance market, as well as personal consumption and income levels of its customers, their creditworthiness as well as their understanding of loan products, which are factors beyond the Group's control”*. In particular, developments such as reduced corporate liquidity and profitability, foreign currency exchange rate fluctuations, restrictions on funding, increased unemployment, rising inflation, increased corporate and personal insolvencies and increased interest rates may adversely affect the ability of the Group's customers to repay loans. Reduced creditworthiness amongst the Group's customers, as well as sharp decreases in the market value of the property pledged to secure some of the Group's loans, also may tend to increase the Group's credit loss allowance during such periods, possibly significantly, resulting in a possible decrease in the Group's net margin after credit loss allowance. At the same time, the Group's credit loss allowance is usually lower during periods characterised by stronger economic conditions.

By 2018, the recessionary trends of the Russian economy had subsided and the consumer loan market continued to strengthen as lending volumes grew on a quarterly basis. The Group has continued to actively expand its consumer lending during 2018 and 2019 and more cautiously in 2020 and the first half of 2021 (see *“—Growth of the Loan Portfolio”*). Whilst cost of risk (excluding POCI) increased from 5.8 percent in 2018 to 8.5 percent in 2019, this increase was primarily attributable to the full implementation of IFRS 9. Reflecting Management's cautious approach to risk assessment, the Group preemptively increased its credit loss allowance in 2020, resulting in the rise in cost of risk (excluding POCI) from 8.5 percent in 2019 to 10.0 percent in 2020. Cost of risk (excluding POCI) decreased during the six months of 2021 and stood at 4.5 percent as of 30 June 2021 reflecting a decrease in credit loss allowance for loans and advances to customers. In the six months ended 30 June 2021, the Group's non-performing loans increased by 8.7 percent from RUB 46.2 billion as at 31 December 2020 to RUB 50.2 billion due to growth of the loan portfolio. In the years ended 31 December 2020, 2019 and 2018, non-performing loans amounted to RUB 46.2 billion, RUB 35.0 billion and RUB 22.2 billion, respectively. The ratio of non-performing loans to gross loans amounted to 8.7 percent as at 30 June 2021, 10.4 percent as at 31 December 2020, 9.1 percent as at 31 December 2019 and 9.4 percent as at 31 December 2018. Charge of credit loss allowance for loans and

advances to customers and credit-related commitments in 2020 increased to RUB 38,972 million as compared to RUB 26,551 million in 2019.

Factors Affecting Insurance Results of Operations

The amount of insurance premiums earned by the Group is primarily driven by the number of insurance policyholders. Changes in the number of policyholders are the result of a number of factors, including the Group's ability to attract new, and its ability to retain existing, customers. In the six months ended 30 June 2021 and in the years ended 31 December 2020, 2019 and 2018, the number of policyholder amounted to 0.5 million, 0.4 million, 0.6 million and 0.2 million, respectively. The insurance premiums earned by the Group in the six months ended 30 June 2021 and in the years ended 31 December 2020, 2019 and 2018 amounted to RUB 10,128 million, RUB 18,567 million, RUB 14,110 million and RUB 6,674 million, respectively.

The amount of insurance claims incurred by the Group depend, to a significant extent, on the Group's ability to appropriately select risks and set prices for its insurance products. Appropriate risk assessment and price adequacy are necessary to generate sufficient premiums to cover any losses and underwriting expenses and to earn profit from the Group's insurance operations. In the six months ended 30 June 2021 and in the years ended 31 December 2020, 2019 and 2018, insurance claims incurred amounted to RUB 1,940 million, RUB 3,814 million, RUB 4,891 million and RUB 2,126 million. The Group's loss ratio, calculated as insurance claims incurred divided by insurance premiums earned, amounted to 19.2 percent, 20.5 percent, 34.7 percent and 31.9 percent in the six months ended 30 June 2021 and in the years ended 31 December 2020, 2019 and 2018, respectively.

Implementation of IFRS 9

The Group adopted IFRS 9 with a date of transition of 1 January 2018, which resulted in changes in accounting policies for recognition, classification and measurement of financial assets and liabilities and impairment of financial assets. A summary of the Group's significant accounting policies is set out in Note 3 to the Financial Statements appearing elsewhere in these Listing Particulars and the effects of the implementation of IFRS 9 are set out in Note 5 to the 2018 Annual Consolidated Financial Statements.

Results of Operations of the Group in the Six Months Ended 30 June 2021 and 2020

The following table sets forth selected consolidated statement of profit or loss and other comprehensive income data for the Group for the six months ended 30 June 2021 and 2020.

	Six months ended 30 June	
	2021	2020
	<i>(in millions of roubles)</i>	
Interest income calculated using the effective interest rate method.....	75,041	64,376
Other similar income	113	11
Interest expense calculated using the effective interest rate method.....	(11,699)	(11,153)
Other similar expense	(40)	(74)
Expenses on deposit insurance	(1,111)	(801)
Net margin	62,304	52,359
Credit loss allowance for loans and advances to customers	(9,432)	(27,437)
Credit loss allowance for debt securities at FVOCI.....	(34)	(261)
Net margin after credit loss allowance.....	52,838	24,661
Fee and commission income.....	36,073	19,826
Fee and commission expense	(16,836)	(9,290)
Customer acquisition expense	(19,214)	(8,118)
Net (losses)/gains from derivatives revaluation.....	(241)	2,958
Net gains/(losses) from foreign exchange translation.....	758	(4,501)
Net losses from operations with foreign currencies.....	(670)	920
Net gains from disposals of debt securities at FVOCI.....	789	6,249
Net gains/(losses) from debt instruments at FVTPL.....	1,502	10
Insurance premiums earned	10,128	9,386
Insurance claims incurred.....	(1,940)	(2,109)
Administrative and other operating expenses	(25,201)	(16,106)
Net gains from repurchase of subordinated debt	5	150
Other operating income	451	728
Profit before tax.....	38,442	24,764
Income tax expense	(8,180)	(5,510)

Profit for the period	30,262	19,254
Selected Statistical Information for the Six Months Ended 30 June 2021 and 2020		

Average Balances and Interest Rates Data

The following table sets forth the consolidated average balances of interest-earning assets and interest-bearing liabilities of the Group in the six months ended 30 June 2021 and 2020. The table also sets forth the amount of interest income earned and interest expense incurred by the Group in the same periods, as well as the average interest rates at which interest income was earned on such assets and interest expense was incurred on such liabilities. For the purposes of this table, the average balances of assets and liabilities for the Group in the six months ended 30 June 2021 represent the average of the balances as of 31 December 2020 and 30 June 2021 and the average balances of assets and liabilities for the Group in the six months ended period 30 June 2020 represent the average of the balances as of 31 December 2019 and 30 June 2020. The results of this analysis would likely be different if alternative averaging methods were used. The average rates below are calculated by dividing aggregate interest income or expense for the relevant line item below by the average balance for the same line item and then annualising the resulting numbers through multiplication by four. Average interest rates are distinct from the effective interest rates presented in the Financial Statements and referred to elsewhere in these Listing Particulars.

	Six months ended 30 June					
	2021	Average		2020	Average	
Average balance	Interest Income/Expense	Interest Rate(7)	Average balance	Interest Income/Expense	Interest Rate(7)	
(in millions of roubles, except percentages)						
Interest-earning assets						
Total loans and advances to customers (1)(2)	438,286	64,748	29.5%	329,747	58,777	35.6%
Cash and cash equivalents ⁽³⁾ , due from other banks.....	58,437	237	0.8%	29,288	404	2.8%
Investments in debt securities and repurchase receivables	240,021	6,297	5.2%	166,760	4,601	5.5%
Brokerage receivables	35,720	3,759	21.0%	6,771	594	17.5%
Total interest-earning assets	772,464	75,041	19.4%	532,566	64,376	24.2%
Interest-bearing liabilities						
Local bonds	23,046	973	8.4%	23,650	1,008	8.5%
Euro-Commercial Papers	-	-	-	2,121	18	1.7%
Debt securities in issue	23,046	973	8.4%	25,770	1,026	8.0%
Due to banks	8,897	399	9.0%	6,738	221	6.6%
Customer accounts	654,951	9,346	2.9%	435,049	8,958	4.1%
Subordinated debt .	20,701	981	9.5%	19,592	948	9.7%
Total interest-bearing liabilities	707,595	11,699	3.3%	487,149	11,153	4.6%
Gross loans and advances to customers	507,226	64,748	25.5%	392,927	58,777	29.9%
Total assets	899,601	75,041	16.7%	619,331	64,376	20.6%
Total equity	135,474	-	-	100,247	-	-
Net interest spread ⁽⁴⁾	-	-	16.1%	-	-	19.6%
Net margin ⁽⁵⁾	-	62,304	-	-	52,359	-
Net interest margin ⁽⁶⁾	-	-	16.1%	-	-	19.7%

(1) Net of credit loss allowance.

(2) Includes credit card loans, POS loans, cash loans, car loans, secured loans and loans to SMEs.

(3) Excludes cash on hand and cash balances with the CBR (other than mandatory reserve deposits) as these assets are not interest-earning.

(4) Net interest spread is defined as a difference between the average interest rate on interest-earning assets and the average interest rate on interest-bearing liabilities.

(5) Net margin is defined as a difference between interest income calculated using the effective interest rate method plus other similar income, less interest expense calculated using the effective interest rate method, other similar expense and expenses on deposit insurance.

(6) Net interest margin is defined as a ratio of net margin to the average balance of total interest-earning assets.

(7) Average interest rate on interest-earning assets was calculated as the total interest income divided by average interest-earning assets. Average interest rate on interest-bearing liabilities was calculated as total interest expense calculated using the effective interest rate method divided by average interest-bearing liabilities.

Interest-Earning Assets

Average Balances

The increase in interest-earning assets in the six months ended 30 June 2021 as compared to the same period in 2020 was principally the result of an increase in the Group's loans and advances to customers, the average balance of which increased by RUB 108,539 million, or 32.9 percent, from RUB 329,747 million in the six months ended 30 June 2020 to RUB 438,286 million in the same period in 2021. This was primarily due to the growth of the Group's credit card lending business, cash loans, car loans and other secured loans. The increase in interest-earning assets was supported by an increase in investments in debt securities and repurchase receivables. The average balance of the Group's investments in debt securities and repurchase receivables increased in the six months ended 30 June 2021 as compared to the same period in 2020 by RUB 73,261 million, or 43.9 percent, from RUB 166,760 million in the six months ended 30 June 2020 to RUB 240,021 million in the same period in 2021 as the Group continued to accumulate liquidity from customer accounts in liquid financial assets.

Average Interest Rates

The decrease in the average interest rate on the Group's loans and advances to customers in the six months ended 30 June 2021 as compared to the same period in 2020 was primarily due to the growth of the lower rate credit products as well as increased competition in the banking sector. The average interest rate on the Group's investments in debt securities and repurchase receivables decreased in the six months ended 30 June 2021 as compared to the same period in 2020 in line with the general market trend.

Interest-Bearing Liabilities

Average Balances

The total average balance of interest-bearing liabilities increased by RUB 220,446 million, or 45.3 percent, in the six months ended 30 June 2021 as compared to the same period in 2020. The increase was primarily due to (i) a RUB 219,902 million, or 50.5 percent, increase in the average balance of customer accounts between the six months ended 30 June 2021 and the same period in 2020, which in turn was driven by new customer acquisitions during 2021, as the Group maintained competitive deposit rates and expanded its offering of new non-credit products, (including the Tinkoff Investments), that offer, amongst other things, brokerage accounts, current and settlement accounts and term deposits, and (ii) a RUB 2,159 million increase in amounts due to banks. This increase was partially offset by (i) a RUB 2,724 million, or 10.6 percent, decrease in the debt securities in issue in the six months ended 30 June 2021 as compared to the same period in 2020 primarily due to the redemption of the Bank's euro commercial paper, and (ii) a RUB 604 million, or 2.6 percent, decrease in the local bonds in the six months ended 2021 as compared to the same period in 2020 due to the full redemption of the Bank's BO-07 series rouble-denominated domestic bonds.

Average Interest Rates

The decrease in the average interest rate on the Group's total interest-bearing liabilities from 4.6 percent in the six months ended 30 June 2020 to 3.3 percent in the six months ended 30 June 2021 was principally due to the reduction in the average interest rate for customer accounts from 4.1 percent in the six months ended 30 June 2020 to 2.9 percent in the same period in 2021, which primarily resulted from a decrease in the CBR's key interest rate.

Net Interest Margin

Net interest margin decreased from 19.7 percent in the six months ended 30 June 2020 to 16.1 percent in the six months ended 30 June 2021 as the 45.0 percent increase in the average balance of interest-earning assets in the six months ended 30 June 2021, as compared to the same period in 2020 exceeded the 19.0 percent increase in the net margin.

Changes in Interest Income and Interest Expense—Volume and Rate Analysis

The following table provides a comparative analysis of changes in interest income and interest expense of the Group in the six months ended 30 June 2021 as compared to the same period in 2020. Changes in interest income or interest expense are attributed to either (i) changes in average balances (volume change) of interest-earning assets or interest-bearing liabilities or (ii) changes in average rates (rate change) at which interest income was earned on such assets or at which interest expense was incurred on such liabilities or (iii) changes in volume/rate. Changes in interest income and expense due to changes in volume have been calculated as the change in volume

multiplied by the prior comparative period's rate. Changes in interest income and expense due to changes in rate have been calculated as the change in the rate multiplied by the prior comparative period's volume. Average volume/rate changes have been allocated between the average volume and average rate variances on a consistent basis based upon the absolute percentage changes in average balances and average rates:

	Six months ended 30 June		
	2021/2020		
	Increase/(decrease) due to changes in		
	Volume	Rate	Net change
	<i>(in millions of roubles, except percentages)</i>		
Interest income calculated using the effective interest rate method			
Cash and cash equivalents, due from other banks	236	(403)	(167)
Investments in debt securities and repurchase receivables	1,932	(236)	1,696
Brokerage receivables	3,024	141	3,165
Total loans and advances to customers	17,168	(11,197)	5,971
Total interest income calculated using the effective interest rate method	22,360	(11,695)	10,665
Interest expense calculated using the effective interest rate method			
Local bonds	(26)	(9)	(35)
Euro-Commercial Papers	(9)	(9)	(18)
Total debt securities in issue	(35)	(18)	(53)
Due to banks	83	95	178
Customer accounts	3,663	(3,275)	388
Subordinated debt	53	(20)	33
Total interest expense calculated using the effective interest rate method	3,764	(3,218)	546

Results of Operations in the Six Months Ended 30 June 2021 and 2020

The following table sets out the Group's operating results in the six months ended 30 June 2021 and 2020:

	Six months ended 30 June		Change
	2021	2020	2021/2020
	<i>(in millions of roubles)</i>		<i>(in %)</i>
Interest income calculated using the effective interest rate method	75,041	64,376	16.6%
Other similar income	113	11	927.3%
Interest expense calculated using effective interest rate method	(11,699)	(11,153)	4.9%
Other similar expense	(40)	(74)	(45.9)%
Expenses on deposit insurance	(1,111)	(801)	38.7%
Net margin	62,304	52,359	19.0%
Credit loss allowance for loans and advances to customers	(9,432)	(27,437)	(65.6)%
Credit loss allowance for debt securities at FVOCI	(34)	(261)	(87.0)%
Total credit loss allowance for debt financial instruments	(9,466)	(27,698)	(65.8)%
Net margin after credit loss allowance	52,838	24,661	114.3%
Fee and commission income	36,073	19,826	81.9%
Fee and commission expense	(16,836)	(9,290)	81.2%
Customer acquisition expense	(19,214)	(8,118)	136.7%
Net gains/(losses) from derivative revaluation	(241)	2,958	(108.1)%
Net gains/(losses) from foreign exchange translation	758	(4,501)	(116.8)%
Net losses from operations with foreign currencies	(670)	920	(172.8)%
Net gains from disposals of debt securities at FVOCI	789	6,249	(87.4)%
Net gains from financial assets at FVTPL	1,502	10	14,920.0%
Insurance premiums earned	10,128	9,386	7.9%
Insurance claims incurred	(1,940)	(2,109)	(8.0)%
Administrative and other operating expenses	(25,201)	(16,106)	56.5%

	Six months ended 30 June		Change
	2021	2020	2021/2020
	<i>(in millions of roubles)</i>		<i>(in %)</i>
Net gains from repurchase of subordinated debt	5	150	(96.7)%
Other operating income	451	728	(38.0)%
Profit before tax.....	38,442	24,764	55.2%
Income tax expense	(8,180)	(5,510)	48.5%
Profit for the period	30,262	19,254	57.2%

Interest Income

The following table sets out the principal components of the Group's interest income in the six months ended 30 June 2021 and 2020:

	Six months ended 30 June			
	2021		2020	
	Amount	% of total	Amount	% of total
	<i>(in millions of roubles, except percentages)</i>			
Loans and advances to customers, including:				
Credit card loans ⁽¹⁾	46,799	62.3%	46,486	72.2%
Cash loans	7,542	10.0%	6,104	9.5%
POS loans ⁽²⁾	3,362	4.5%	2,156	3.3%
Secured loans	3,274	4.4%	2,281	3.5%
Car loans	2,979	4.0%	1,494	2.3%
Loans to IE and SME	792	1.1%	256	0.4%
Debt securities and repurchase receivables at FVOCI	6,297	8.4%	4,601	7.1%
Placements with other banks and non-bank credit organizations with original maturities of less than three months	237	0.3%	404	0.6%
Brokerage operations	3,759	5.0%	594	0.9%
Total interest income calculated using the effective interest rate method	75,041	99.8%	64,376	99.98%
Other similar income				
Debt securities and repurchase receivables at FVTPL	113	0.2%	11	0.02%
Total interest income	75,154	100.0%	64,387	100.0%

⁽¹⁾ Includes all fees received that are an integral part of the effective interest rate, such as cash withdrawal fees, credit insurance fees and other fees.

⁽²⁾ These loans represent point-of-sale unsecured lending to customers making online purchases through Internet retailers and offline purchases through offline shops.

Interest Income on Loans and Advances to customers

In six months ended 30 June 2021, the interest income on loans and advances to customers increased by RUB 5,971 million, or 10.2 percent, to RUB 64,748 million from RUB 58,777 million in six months ended 30 June 2020. This increase was primarily due to the increase in the average balance of total loans and advances to customers reflecting the growth of the Group's loan portfolio. The increase was partially offset by a decrease in the average interest rate on loans and advances to customers from 35.6 percent for the six months ended 30 June 2020 to 29.5 percent for the six months ended 30 June 2021 primarily due to the diversification of the Group's loan portfolio and the increase of the portion of secured loans that typically have lower interest rates than credit card loans.

Interest Income on Debt Securities and Repurchase Receivables

Interest income on debt securities and repurchase receivables represented 8.4 percent and 7.1 percent of total interest income for the six months ended 30 June 2021 and 2020, respectively. For the six months ended 30 June 2021, interest income on debt securities and repurchase receivables increased by RUB 1,696 million, to RUB 6,297 million from RUB 4,601 million for the six months ended 30 June 2020 as a result of the continued growth of the Group's securities portfolio. The average interest rate earned on debt securities and repurchase receivables decreased to 5.2 percent for the six months ended 30 June 2021 (annualised) from 5.5 percent for the six months ended 30 June 2020 (annualised) in line with market trends.

Interest Expense

The following table sets out the principal components of the Group's consolidated interest expense in the six months ended 30 June 2021 and 2020, calculated as the average of the balances as of 31 December and 31 June of the relevant period:

	Six months ended 30 June		Change
	2021	2020	2021 / 2020
	(in millions of roubles)		(in %)
Interest expense calculated using effective interest rate method			
Customer accounts, including:			
<i>Individuals</i>			
- Current/demand accounts	6,284	4,789	31.2
- Term deposits	2,520	3,636	(30.7)
<i>IE and SME</i>	531	519	2.3
<i>Other legal entities</i>	11	14	(21.4)
Subordinated debt	981	948	3.5
Due to banks	399	221	80.5
Rouble-denominated bonds	973	1,008	(3.5)
Euro-Commercial Papers	-	18	(100.0)
Total interest expense calculated using the effective interest rate method	11,699	11,153	4.9
Other similar expense			
Lease liabilities	40	74	(45.9)
Expenses on deposit insurance	1,111	801	38.7

In the six months ended 30 June 2021, interest expense calculated using effective interest rate method increased by RUB 546 million, or 4.9 percent, to RUB 11,699 million from RUB 11,153 million in the six months ended 30 June 2020. This increase was principally due to (i) an increase in interest expenses on the current/demand accounts from RUB 4,789 million in the six months ended 30 June 2020 to RUB 6,284 million in the same period in 2021, and was partially offset by a decrease in the average interest rate on customer accounts from 4.1 percent in the six months ended 30 June 2020 to 2.9 percent in the six months ended 30 June 2021.

Net Margin

The Group's net margin increased by RUB 9,945 million, or 19.0 percent, from RUB 52,359 million in the six months ended 30 June 2020 to RUB 62,304 million in the six months ended 30 June 2021. The increase in net margin in the six months ended 30 June 2021 as compared to the same period in 2020 was primarily due to the growth in total interest income, which primarily resulted from the increase in the average balance of loans and advances to customers.

Changes in Credit loss allowance

The following table sets out changes in credit loss allowance of the Group for six months ended 30 June 2021 and 2020:

	30 June 2021		30 June 2020	
	Credit loss allowance	Gross carrying amount	Credit loss allowance	Gross carrying amount
	(in millions of roubles)			
Credit card loans				
At 1 January	54,242	267,586	44,129	244,937
Total movements with impact on credit loss allowance charge for the six months ended 30 June	8,325	45,555	22,068	19,130
Total movement without impact on credit loss allowance charge	(10,092)	(10,164)	(10,173)	(10,266)
At 30 June	52,475	302,977	56,024	253,801
Cash loans				
At 1 January	11,055	68,131	8,029	62,265
Total movements with impact on credit loss allowance charge	3,540	46,414	4,707	(508)

for the six months ended 30 June				
Total movement without impact on credit loss allowance charge.....	(1,710)	(1,733)	(2,389)	(2,406)
At 30 June.....	12,885	112,812	10,347	59,351
POS loans				
At 1 January.....	1,611	32,690	1,057	25,940
Total movements with impact on credit loss allowance charge for the six months ended 30 June.....	495	11,059	658	(3,224)
Total movement without impact on credit loss allowance charge.....	(336)	(341)	(296)	(298)
At 30 June.....	1,770	43,408	1,419	22,418
Other loans				
At 1 January.....	3,992	77,122	1,522	50,770
Total movements with impact on credit loss allowance charge for the six months ended 30 June.....	1,687	40,578	1,550	8,748
Total movement without impact on credit loss allowance charge.....	(284)	(284)	(96)	(96)
At 30 June.....	5,395	117,416	2,976	59,422
Total at 30 June	72,525	576,613	70,766	394,992

The total amount of the credit loss allowance at 30 June 2021 increased to RUB 72,525 million as compared to RUB 70,766 million at 30 June 2020. This increase was due to an increase in the total amount of loans and advances to customers across the period, primarily as a result of an increase in credit card portfolio, cash loans and car loans and was partially offset by ongoing write-offs in accordance with the Group's policies and applicable regulations, lower cost of risk (excluding POCI) as a result of the stabilisation of the macro-economic environment and the increase of the share of non-credit card loans in the loan portfolio, which require lower credit loss allowance as compared to credit card loans.

Customer Acquisition Expenses

In six months ended 30 June 2021, customer acquisition expenses increased by RUB 11,096 million to RUB 19,214 million from RUB 8,118 million in the six months ended 30 June 2020. This 136.7 percent increase was due to an increase in costs incurred in connection with the development of the Group's non-credit and credit products and services.

Net Losses/Gains from Operations with Foreign Currencies

Net losses/gains from operations with foreign currencies are attributable to movements in foreign exchange rates and the Group's efforts to manage such movements. The Group's assets are predominantly denominated in roubles while its wholesale funding sources are denominated, in the large part, in foreign currencies, including in U.S. dollars. Some of the Group's customer accounts are also denominated in foreign currencies.

The net losses from operations with foreign currencies amounted to RUB 670 million in the six months ended 30 June 2021 compared to a gain of RUB 920 million in the six months ended 30 June 2020 and were principally attributable to the revaluation of subordinated debt, foreign currency deposits and swaps.

Net gains from disposal of debt securities at fair value through other comprehensive income

The net gains from disposal of debt securities at fair value through other comprehensive income amounted to RUB 789 million in the six months ended 30 June 2021 compared to net gains of RUB 6,249 million in the six months ended 30 June 2020 and were principally attributable to increased market volatility and a decrease in the disposal of securities during the six months ended 30 June 2021 compared to the same period in 2020.

Net gains from debt instruments at fair value through profit or loss

For the six months ended 30 June 2021, the Group recorded a net gain from debt instruments at fair value through profit or loss of RUB 1,502 million compared to net gain of RUB 10 million for the six months ended 30 June 2020. The increase in net gain on debt instruments at fair value through profit or loss was attributed to revaluation of financial instruments categorised at fair value through profit or loss.

Fee and Commission Income

The following table sets out the breakdown of the Group's fee and commission income in the six months ended 30 June 2021 and 2020:

	Six months ended 30 June			
	2021		2020	
	Amount	% of total	Amount	% of total
	<i>(in millions of roubles, except percentages)</i>			
Fee and commission income				
Acquiring commission.....	9,510	26.4%	4,558	23.0%
Brokerage fee	5,107	14.2%	1,613	8.2%
SME services commission.....	4,485	12.4%	3,258	16.4%
Interchange fee	2,880	8.0%	1,116	5.6%
Foreign currency exchange transactions fee.....	2,867	7.9%	1,904	9.6%
Fee for selling credit protection.....	2,558	7.1%	2,399	12.1%
SMS fee.....	2,365	6.6%	1,887	9.5%
Fee for money transfers	2,503	6.9%	1,249	6.3%
Income from MVNO services	1,244	3.4%	776	3.9%
Subscription fee.....	650	1.8%	-	-
Cash withdrawal fee	477	1.3%	320	1.6%
Marketing services fee.....	183	0.5%	196	1.0%
Replenishment fee	97	0.3%	62	0.3%
Other fees receivable	1,147	3.2%	488	2.5%
Total fee and commission income.....	36,073	100%	19,826	100%

In the six months ended 30 June 2021, fee and commission income increased by RUB 16,247 million, or 81.9 percent, to RUB 36,073 million from RUB 19,826 million in the same period in 2020. This increase was mainly driven by an increase in the scope and volume of non-credit products and services made available to and sold to customers, primarily through the Tinkoff online platform.

Fee and Commission Expense

The following table sets out the principal components of the Group's fee and commission expense in the six months ended 30 June 2021 and 2020:

	Six months ended 30 June		Change
	2021	2020	2021 / 2020
	<i>(in millions of roubles)</i>		<i>(in %)</i>
Fee and commission expense			
Payment systems	11,810	5,968	97.9%
Service fees	1,869	925	102.1%
Costs of MVNO services.....	1,652	1,193	38.5%
Banking and other fees	808	536	50.7%
Payment channels.....	697	668	4.3%
Total fee and commission expense.....	16,836	9,290	81.2%

In the six months ended 30 June 2021, fee and commission expense increased by RUB 7,546 million, or 81.2 percent, to RUB 16,836 million from RUB 9,290 million in the six months ended 30 June 2020, principally due to an increase of RUB 5,842 million in payment system fees primarily resulting from an increase in the volume of non-credit products and services sold to customers, including payment and transactional services.

Administrative and Other Operating Expenses

The following table sets out the principal components of the Group's administrative and other expenses in the six months ended 30 June 2021 and 2020:

	Six months ended 30 June		Change
	2021	2020	2021 / 2020
	<i>(in millions of roubles)</i>		<i>(in %)</i>
Staff costs	19,690	11,304	74.2%
Amortization of intangible assets.....	1,448	894	62.0%
Depreciation of fixed assets	981	815	20.4%

IT and software support	1,022	624	63.8%
Short-term and low-value lease	479	367	30.5%
Office maintenance and office supplies	267	189	41.3%
Depreciation of right-of-use assets	284	318	(10.7)%
Professional services	503	239	110.5%
Communication services	222	174	27.6%
Collection expenses	215	214	0.5%
Security expenses	91	101	(9.9)%
Other provisions (recovery) / charge	(445)	652	(168.3)%
Other administrative expenses	444	216	105.6%
Total administrative and other operating expenses ...	25,201	16,106	56.5%

In the six months ended 30 June 2021, the Group's administrative and other expenses increased by RUB 9,095 million, or 56.5 percent, to RUB 25,201 million from RUB 16,106 million in the six months ended 30 June 2020. This increase was primarily due to an increase in staff costs, which accounted for 92.2 percent of the total increase in administrative and other expenses in the six months ended 30 June 2021, which in turn was attributable to an increase in employee headcount as the Group continued to grow its credit and non-credit business.

Staff Costs

In the six months ended 30 June 2021, staff costs increased by RUB 8,386 million, or 74.2 percent, to RUB 19,690 million from RUB 11,304 million in the six months ended 30 June 2020. This increase was attributed to an increase in employee headcount, as the Group continued to develop, maintain and grow its various credit and non-credit business lines.

Amortisation of intangible assets

In the six months ended 30 June 2021, amortisation of intangible assets costs increased by RUB 554 million, or 62.0 percent, to RUB 1,448 million from RUB 894 million in the six months ended 30 June 2020 due to an increase in intangible assets, such as accounting software, retail banking software, licenses and development of software.

Depreciation of Fixed Assets

In the six months ended 30 June 2021, the Group's depreciation of fixed assets charges increased by RUB 166 million, or 20.4 percent, to RUB 981 million from RUB 815 million in the six months ended 30 June 2020. This increase was primarily due to capital repairs and the purchase of servers and other equipment by the Group.

IT and software support

In the six months ended 30 June 2021, the Group's IT and software support expenses increased by RUB 398 million, or 63.8 percent, to RUB 1,022 million from RUB 624 million in the six months ended 30 June 2020. The increase principally reflects expenses incurred in the six months ended 30 June 2021 due to the Group's continued investments in the development of its online platform and development of its e-commerce products.

Income Tax Expense

In the six months ended 30 June 2021, the Group's income tax expense increased by RUB 2,670 million, or 48.5 percent, to RUB 8,180 million from RUB 5,510 million in the six months ended 30 June 2020. The corporate tax rate applicable to Tinkoff Bank and other Russian subsidiaries of the Group was 20 percent in the six months ended 30 June 2021 and 2020.

The Group's effective tax rate (defined as income tax expense divided by profit before tax) was 21.3 percent in the six months ended 30 June 2021 and 22.3 percent in the six months ended 30 June 2020.

Profit for the Period

As a result of the above, in the six months ended 30 June 2021, the Group's profit for the period increased by RUB 11,008 million, or 57.2 percent, to RUB 30,262 million from RUB 19,254 million in the six months ended 30 June 2020.

Results of Operations of the Group in the Years Ended 31 December 2020, 2019 and 2018

The following table sets forth selected consolidated statement of profit or loss and other comprehensive income data for the Group for 2020, 2019 and 2018.

	Year ended 31 December		
	2020	2019	2018
	<i>(in millions of roubles)</i>		
Interest income calculated using the effective interest rate method	128,084	111,129	76,945
Other similar income	83	118	456
Interest expense calculated using the effective interest rate method	(21,581)	(21,317)	(15,559)
Other similar expense	(139)	(134)	-
Expenses on deposit insurance	(1,745)	(1,870)	(1,174)
Net margin	104,702	87,926	60,668
Credit loss allowance for loans and advances to customers and credit related commitments	(38,972)	(26,551)	(11,354)
Credit loss allowance (charge)/reversal for debt securities at FVOCI.....	(369)	139	(192)
Total credit loss allowance for debt financial instruments.....	(39,341)	(26,412)	(11,546)
Net margin after credit loss allowance.....	65,361	61,514	49,122
Fee and commission income.....	47,609	35,858	27,423
Fee and commission expense	(22,215)	(15,598)	(10,827)
Customer acquisition expense	(22,588)	(18,177)	(14,222)
Net gains/(losses) from derivatives revaluation.....	4,163	(2,563)	1,784
Net (losses)/gains from foreign exchange translation.....	(6,850)	2,216	(2,155)
Net gains/(losses) from operations with foreign currencies.....	1,595	(968)	381
Net gains from disposals of debt securities at FVOCI.....	7,210	301	378
Net gains/(losses) from financial instruments at FVTPL.....	603	389	(808)
Insurance premiums earned	18,567	14,110	6,674
Insurance claims incurred.....	(3,814)	(4,891)	(2,126)
Administrative and other operating expenses	(35,005)	(27,377)	(21,110)
Net gains/(losses) from repurchase of subordinated debt	168	-	-
Other operating income	1,445	722	710
Profit before tax.....	56,249	45,536	35,224
Income tax expense	(12,036)	(9,413)	(8,102)
Profit for the year	44,213	36,123	27,122

The Group made certain presentation changes to the financial information as of and for the years ended 31 December 2020, 2019 and 2018 to conform to its presentation in the 30 June 2021 Interim Consolidated Financial Statements. See “*Presentation of Financial and Other information—Changes in presentation of financial statements*”. For details of reclassifications and changes in presentation see Note 3 to the Interim Consolidated Financial Statements, Note 40 to the 2020 Annual Consolidated Financial Statements and Note 3 to the 2019 Annual Consolidated Financial Statements included in these Listing Particulars.

Selected Statistical Information for the Years Ended 31 December 2020, 2019 and 2018

Average Balances and Interest Rates Data

The following table sets forth the consolidated average balances of interest-earning assets and interest-bearing liabilities of the Group in 2020, 2019 and 2018. The table also sets forth the amount of interest income earned and interest expense incurred by the Group in the same periods, as well as the average interest rates at which interest income was earned on such assets and interest expense was incurred on such liabilities. For the purposes of this table, the average balances of assets and liabilities for the Group in 2020 represent the average of the balances as of 31 December 2019, 31 March 2020, 30 June 2020, 30 September 2020 and 31 December 2020. The average balances of assets and liabilities for the Group in 2019 represent the average of the balances as of 31 December 2018, 31 March 2019, 30 June 2019, 30 September 2019 and 31 December 2019. The average balances of assets and liabilities for the Group in 2018 represent the average of the balances as of 1 January 2018 (taking into effect transition to IFRS 9), 31 March 2018, 30 June 2018, 30 September 2018 and 31 December 2018. The results of this analysis would likely be different if alternative averaging methods were used. The average rates below are calculated by dividing aggregate interest income or expense for the relevant line item below by the average balance for the same line item and then annualising the resulting numbers. Average interest rates are distinct from the effective interest rates presented in the Financial Statements and referred to elsewhere in these Listing Particulars.

Year ended 31 December(8)									
	2020			2019			2018		
	Average balance	Interest Income / Expense	Average interest Rate(7)	Average balance	Interest Income / Expense	Average interest Rate	Average balance	Interest Income / Expense	Average interest Rate(7)
(in millions of roubles, except percentages)									
Interest-earning assets									
Total loans and advances to customers ⁽¹⁾⁽²⁾	342,415	114,319	33.4%	275,794	103,777	37.6%	157,762	70,752	44.8%
Cash and cash equivalents ⁽³⁾ , due from other banks	38,313	626	1.6%	19,910	463	2.3%	9,549	440	4.6%
Investments in debt securities and repurchase receivables..	195,381	10,510	5.4%	104,568	6,705	6.4%	87,816	5,753	6.6%
Brokerage receivables ..	12,450	2,629	21.1%	560	184	32.9%			
Total interest-earning assets.....	588,559	128,084	21.8%	400,832	111,129	27.7%	255,127	76,945	30.2%
Interest-bearing liabilities									
Local bonds	23,624	2,027	8.6%	14,516	1,282	8.8%	7,352	706	9.6%
Euro-Commercial Papers	1,710	32	1.9%	3,832	100	2.6%	3,126	124	4.0%
Debt securities in issue	25,333	2,059	8.1%	18,348	1,382	7.5%	10,478	830	7.9%
Due to banks.....	7,356	439	6.0%	9,721	634	6.5%	884	92	10.4%
Customer accounts	489,082	17,135	3.5%	327,196	17,455	5.3%	216,705	12,548	5.8%
Subordinated debt.....	20,379	1,948	9.6%	19,288	1,846	9.6%	20,562	2,089	10.2%
Total interest-bearing liabilities	542,150	21,581	4.0%	374,553	21,317	5.7%	248,629	15,559	6.3%
Gross loans and advances to customers..	407,913	114,319	28.0%	320,071	103,777	32.4%	194,539	70,752	36.4%
Total assets.....	688,835			464,822			301,947		
Total equity	108,849			64,633			36,300		
Net interest spread ⁽⁴⁾			17.8%			22.0%			23.9%
Net margin ⁽⁵⁾		104,702			87,926			60,668	
Net interest margin ⁽⁶⁾			17.8%			21.9%			23.8%

(1) Net of credit loss allowance.

(2) Includes credit card loans, POS loans, cash loans, car loans, secured loans and loans to SMEs.

(3) Excludes cash on hand and cash balances with the CBR (other than mandatory reserve deposits) as these assets are not interest-earning.

(4) Net interest spread is defined as a difference between the average interest rate on interest-earning assets and the average interest rate on interest-bearing liabilities.

(5) Net margin is defined as a difference between interest income calculated using the effective interest rate method plus other similar income, less interest expense calculated using the effective interest rate method, other similar expenses and expenses on deposit insurance.

(6) Net interest margin is defined as a ratio of net margin to the average balance of total interest-earning assets.

(7) Average interest rate on interest-earning assets was calculated as the total interest income on interest-bearing assets divided by average interest-earning assets. Average interest rate on interest-bearing liabilities was calculated as total interest expense on interest-bearing liabilities calculated using the effective interest rate method divided by average interest-bearing liabilities.

(8) The Group made certain presentation changes to the financial information as of and for the years ended 31 December 2020, 2019 and 2018 to conform to its presentation in the 30 June 2021 Interim Consolidated Financial Statements. See "Presentation of Financial and Other Information—Changes in presentation of financial statements". For details of reclassifications and changes in presentation, see Note 3 to the Interim Consolidated Financial Statements, Note 40 to the 2020 Annual Consolidated Financial Statements and Note 3 to the 2019 Annual Consolidated Financial Statements included in these Listing Particulars.

Interest-Earning Assets

Average Balances

The increase in interest-earning assets in 2020 as compared to 2019 was mainly due to a 24.2 percent increase in the average balance of the Group's loans and advances to customers from RUB 275,794 million in 2019 to RUB 342,415 million in 2020 and a 86.8 percent increase in the average investments in debt securities and repurchase

receivables from RUB 104,568 million in 2019 to RUB 195,381 million in 2020. The increase in interest-earning assets in 2019 as compared to 2018 resulted primarily from the increase in the average balance of loans and advances by RUB 118,032 million, or 74.8 percent. The increases in the Group's average balances of loans and advances during the period under review reflected the growth of the Group's lending operations, in particular its credit card lending business. The Group's loan portfolio also expanded because during the period under review the Group continued to grow its POS and cash loan businesses and continued to scale up its other loan products offerings, such as car loans and other secured loans. In addition, the increase in interest-earning assets during the period under review is attributed to an increase in the average balances of debt securities as the Group accumulated liquidity from its growing current account balances (including due to the expansion of the customer base of Tinkoff Investments, Tinkoff Business and Tinkoff Black) by acquiring and holding a portfolio of liquid securities. In addition, growth of the Group's customer accounts resulted in an increase in the average balances of cash and cash equivalents as the Group maintains cash in a certain proportion to the remaining balances on customer accounts.

Average Interest Rates

The decrease in the average interest rate on the Group's loans and advances to customers from 37.6 percent in 2019 to 33.4 percent in 2020 was primarily due to the growth of loan products with lower interest rates in the Group's overall loan portfolio, reduction by the CBR of the key interest rate in 2020, as well as renewed competition in the banking sector amidst increased demand for loans from consumers. In addition, the average interest rates on the Group's investments in debt securities and repurchase receivables decreased from 6.4 percent in 2019 to 5.4 percent in 2020 in line with market trends.

An increase in the risk weighting coefficients on consumer loans by the CBR contributed to a decrease in the average interest rate on the Group's loans and advances to customers from 44.8 percent in 2018 to 37.6 percent in 2019. In addition, a decrease in the average interest rates on consumer loans was attributed to an increase of the share of products with lower margins in the Group's loan portfolio and the CBR's gradual reduction of the key interest rate in 2019 and earlier. The decrease in the average interest rate on cash and cash equivalents and due from other banks from 4.6 percent in 2018 to 2.3 percent in 2019 was caused by a continuing reduction in the CBR's key interest rate.

Interest-Bearing Liabilities

Average Balances

The total average balance of interest-bearing liabilities increased by RUB 167,597 million, or 44.7 percent, between 2019 and 2020. This increase was primarily due to a RUB 161,886 million, or 49.5 percent, increase in the average balance of customer accounts between 2019 and 2020 in line with the Group's strategy to increase and diversify its customer base through its Tinkoff Investments, non-credit product Tinkoff Black, as well as the scaling up of Tinkoff Business, which among other things offers current account services to SMEs. The Group also issued a number of debt instruments in 2019 as illustrated by increases in the average balances of debt securities in issue but these increases were immaterial compared with the growth of amounts attracted via customer accounts.

The total average balance of interest-bearing liabilities increased by RUB 125,924 million, or 50.6 percent, between 2018 and 2019. This increase was primarily due to a RUB 110,491 million, or 51.0 percent, increase in the average balance of customer accounts between 2018 and 2019, which in turn was driven by new customer acquisitions during 2019, as the Group maintained competitive deposit rates and expanded its offering of new non-credit products, that offer, amongst other things, current and settlement accounts and term deposits. The Group's increase of the average balances of interest-bearing liabilities in 2019 in comparison with 2018 was also attributed to the increase in the amounts due to banks by RUB 8,837 million, or 999.7 percent, due to the increase in amounts held on the correspondent accounts opened with the Group, increase in overnight placements of other banks, as well as due to an increase in volume of the repurchase transactions with other banks.

Average Interest Rates

The decrease in the average interest rate on the Group's total interest-bearing liabilities from 5.7 percent in 2019 to 4.0 percent in 2020 was principally due to the reduction in the average interest rate on customer accounts from 5.3 percent in 2019 to 3.5 percent in 2020. This reduction reflected the growth of current accounts in the Group's funding mix as such accounts allow the Group to pay lower interest rates on balances held.

The decrease in the average interest rate on the Group's total interest-bearing liabilities from 6.3 percent in 2018 to 5.7 percent in 2019 was principally due to the reduction in the average interest rate for customer accounts from 5.8 percent in 2018 to 5.3 percent in 2019 and certain other sources of funding, which primarily resulted from (i) the continued reduction in the CBR's key interest rate; and (ii) improved rouble liquidity in the market and relatively less competition for new customer deposits.

Net Interest Margin

As a result of the factors described above, net interest margin decreased from 23.8 percent in 2018 to 21.9 percent in 2019 and further decreased to 17.8 percent in 2020.

Changes in Interest Income and Interest Expense—Volume and Rate Analysis

The following table provides a comparative analysis of changes in interest income and interest expense of the Group in 2020 as compared to 2019. Changes in interest income or interest expense are attributed to either (i) changes in average balances (volume change) of interest-earning assets or interest-bearing liabilities or (ii) changes in average rates (rate change) at which interest income was earned on such assets or at which interest expense was incurred on such liabilities or (iii) changes in volume/rate. Changes in interest income and expense due to changes in volume have been calculated as the change in volume multiplied by the prior comparative year's (2019 for 2020) rate. Changes in interest income and expense due to changes in rate have been calculated as the change in the rate multiplied by the prior comparative year's (2019 for 2020) volume. Average volume/rate changes have been allocated between the average volume and average rate variances on a consistent basis based upon the absolute percentage changes in average balances and average rates:

	Year ended 31 December		
	2020/2019		
	Increase/(decrease) due to changes in		
	Volume	Rate	Net change
	(in millions of roubles, except percentages)		
Interest income calculated using the effective interest rate method			
Cash and cash equivalents, due from other banks ...	332	(169)	163
Investments in debt securities and repurchase receivables.....	5,032	(1,227)	3,805
Brokerage receivables	2,534	(89)	2,445
Total loans and advances to customers	23,142	(12,600)	10,542
Total interest income calculated using the effective interest rate method	31,040	(14,085)	16,955
Interest expense calculated using the effective interest rate method			
Local bonds.....	782	(37)	745
Euro-Commercial Papers	(45)	(23)	(68)
Total debt securities in issue	737	(60)	677
Due to banks	(145)	(50)	(195)
Customer accounts	6,886	(7,206)	(320)
Subordinated debt	104	(2)	102
Total interest expense calculated using the effective interest rate method	7,582	(7,318)	264

Results of Operations in 2020, 2019 and 2018

The following table sets out the Group's operating results in 2020, 2019 and 2018:

	Year ended 31 December			Change	
	2020	2019	2018	2020/2019	2019/2018
	(in millions of roubles)			(in %)	
Interest income calculated using the effective interest rate method.....	128,084	111,129	76,945	15.3%	44.4%
Other similar income	83	118	456	(29.7)%	(74.1)%
Interest expense calculated using the effective interest rate method.....	(21,581)	(21,317)	(15,559)	1.2%	37.0%
Other similar expense	(139)	(134)	-	3.7%	-
Expenses on deposit insurance.....	(1,745)	(1,870)	(1,174)	(6.7)%	59.3%

	Year ended 31 December			Change	
	2020	2019	2018	2020/2019	2019/2018
	(in millions of roubles)			(in %)	
Net margin	104,702	87,926	60,668	19.1%	44.9%
Credit loss allowance for loans and advances to customers and credit related commitments ⁽³⁾	(38,972)	(26,551)	(11,354)	46.8%	133.8%
Credit loss allowance (charge)/reversal for debt securities at FVOCI.....	(369)	139	(192)	(365.5)%	(172.4)%
Total credit loss allowance for debt financial instruments	(39,341)	(26,412)	(11,546)	49.0%	128.8%
Net margin after credit loss allowance	65,361	61,514	49,122	6.3%	25.2%
Fee and commission income.....	47,609	35,858	27,423	32.8%	30.8%
Fee and commission expense.....	(22,215)	(15,598)	(10,827)	42.4%	44.1%
Customer acquisition expense.....	(22,588)	(18,177)	(14,222)	24.3%	27.8%
Net gains/(losses) from derivatives revaluation.....	4,163	(2,563)	1,784	(262.4)%	(243.7)%
Net (losses)/gains from foreign exchange translation.....	(6,850)	2,216	(2,155)	(409.1)%	(202.8)%
Net gains/(losses) from operations with foreign currencies.....	1,595	(968)	381	(264.8)%	(354.1)%
Net gains from disposals of debt securities at FVOCI.....	7,210	301	378	2295.3%	(20.4)%
Net gains/(losses) from financial instruments at FVTPL.....	603	389	(808)	55.0%	(148.1)%
Insurance premiums earned.....	18,567	14,110	6,674	31.6%	111.4%
Insurance claims incurred.....	(3,814)	(4,891)	(2,126)	(22.0)%	130.1%
Administrative and other operating expenses.....	(35,005)	(27,377)	(21,110)	27.9%	29.7%
Net gains from repurchase of subordinated debt.....	168	-	-	-	-
Other operating income.....	1,445	722	710	100.1%	1.8%
Profit before tax	56,249	45,536	35,224	23.5%	29.3%
Income tax expense.....	(12,036)	(9,413)	(8,102)	27.9%	16.2%
Profit for the year	44,213	36,123	27,122	22.4%	33.2%

The Group made certain presentation changes to the financial information as of and for the years ended 31 December 2020, 2019 and 2018 to conform to its presentation in the 30 June 2021 Interim Consolidated Financial Statements. See “Presentation of Financial and Other information—Changes in presentation of financial statements”. For details of reclassifications and changes in presentation see Note 3 to the Interim Consolidated Financial Statements, Note 40 to the 2020 Annual Consolidated Financial Statements and Note 3 to the 2019 Annual Consolidated Financial Statements included in these Listing Particulars.

Interest Income

The following table sets out the principal components of the Group’s total interest income in 2020, 2019 and 2018:

	Year ended 31 December					
	2020		2019		2018	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of roubles, except percentages)					
Loans and advances to customers, including:						
Credit card loans ⁽¹⁾	89,253	69.6%	84,325	75.8%	65,122	84.1%
Cash loans.....	11,439	8.9%	11,878	10.7%	4,029	5.2%
Secured loans.....	4,950	3.9%	2,285	2.1%	41	0.1%
POS loans ⁽²⁾	4,806	3.7%	3,452	3.1%	1,454	1.9%
Car loans.....	3,342	2.6%	1,512	1.3%	38	0.0%
Loans to SMEs.....	529	0.4%	325	0.3%	68	0.1%
Debt securities and repurchase receivables at FVOCI.....	10,510	8.2%	6,705	6.0%	5,753	7.4%
Brokerage operations	2,629	2.1%	184	0.2%	0	0.0%
Placements with other banks and non-bank credit organizations with original maturities of less than three months.....	626	0.5%	463	0.4%	440	0.6%
Total Interest income calculated using	128,084	99.9%	111,129	99.9%	76,945	99.4%

	Year ended 31 December					
	2020		2019		2018	
	Amount	% of total	Amount	% of total	Amount	% of total
	<i>(in millions of roubles, except percentages)</i>					
the effective interest rate method.....						
Other similar income						
Financial assets at FVTPL.....	83	0.1%	118	0.1%	456	0.6%
Total interest income.....	128,167	100%	111,247	100%	77,401	100%

(1) Includes all fees received that are an integral part of the effective interest rate, such as cash withdrawal fees, credit insurance fees and other fees.

(2) These loans represent point-of-sale unsecured lending to customers making online purchases through Internet retailers and offline purchases through offline shops.

Interest Income on Loans and Advances to customers

The Group's credit card loans accounted for 69.6 percent of the Group's total interest income in 2020 and 75.8 percent of the Group's total interest income in 2019. In the year ended 31 December 2020, the total interest income increased by RUB 16,920 million, or 15.2 percent, to RUB 128,167 million from RUB 111,247 million in the year ended 31 December 2019. This increase was primarily due to the increase in the average balance of total loans and advances to customers reflecting the expansion of the Group's lending operations and the diversification of the Group's loan portfolio. The increase was partially offset by a decrease in the average interest rate on interest-earning assets from 27.7 percent for the year ended 31 December 2019 to 21.8 percent for the year ended 31 December 2020, reflecting declining interest rates due to key interest rate cuts by the CBR, increased competition and an increase in share of lower interest rates products in the Group's loan portfolio.

The Group's credit card loans accounted for 75.8 percent of the Group's total interest income in 2019 and 84.1 percent of the Group's total interest income in 2018. In the year ended 31 December 2019, the total interest income increased by RUB 33,846 million, or 43.7 percent, to RUB 111,247 million from RUB 77,401 million in the year ended 31 December 2018. This increase was primarily due to the increase in the average balance of total loans and advances to customers as the Group continued to grow its loan portfolio in line with its strategy. The increase was partially offset by a decrease in the average interest rate on interest-earning assets from 30.2 percent in 2018 to 27.7 percent in 2019, which was in line with the lower interest rate environment due to the decreasing CBR key interest rate and increasing competition for high quality borrowers among banks.

Interest Income on Debt Securities and Repurchase Receivables

Interest income on debt securities and repurchase receivables represented 8.2 percent, 6.0 percent and 7.5 percent of total interest income for the years ended 31 December 2020, 2019 and 2018, respectively.

For the year ended 31 December 2020, interest income on debt securities and repurchase receivables increased by RUB 3,805 million, to RUB 10,510 million from RUB 6,705 million for the year ended 31 December 2019 as a result of the continued growth of the Group's securities portfolio. The average interest rate earned on debt securities and repurchase receivables declined to 5.4 percent for the year ended 31 December 2020 from 6.4 percent for the year ended 31 December 2019 in line with market trends.

For the year ended 31 December 2019, interest income on debt securities increased by RUB 952 million, to RUB 6,705 million from RUB 5,753 million for the year ended 31 December 2018. The growth of the Group's securities portfolio reflected Management's decision to accumulate liquidity from customer accounts in liquid financial assets. The average interest rate earned on debt securities and repurchase receivables slightly decreased to 6.4 percent for the year ended 31 December 2019 as compared to 6.6 percent for the year ended 31 December 2018 due to the continued reduction of the key interest rate by the CBR and the effects of such reductions on the interest rate environment.

Interest Expense

The following table sets out the principal components of the Group's total interest expense calculated using the effective interest rate method in 2020, 2019 and 2018:

	Year ended 31 December				
	2020		2019		2018
	(in millions of roubles)	Change from the prior year (in %)	(in millions of roubles)	Change from the prior year (in %)	(in millions of roubles)
Interest expense					
Customer accounts, including					
<i>Individuals:</i>	16,089	0.6%	15,994	42.2%	11,246
Current/demand accounts.....	9,590	6.7%	8,988	50.7%	5,963
Term deposits.....	6,499	(7.2)%	7,006	32.6%	5,283
<i>SME</i>	1,022	(28.1)%	1,421	17.2%	1,212
<i>Other legal entities</i>	24	(40.0)%	40	(55.6)%	90
Subordinated debt.....	1,948	5.5%	1,846	(11.6)%	2,089
Rouble-denominated bonds	2,027	58.1%	1,282	81.6%	706
Due to banks	439	(30.8)%	634	589.1%	92
Euro-Commercial Papers.....	32	(68.0)%	100	(19.4)%	124
Total interest expense calculated using the effective interest rate method	21,581	1.2%	21,317	37.0%	15,559
Other similar expense					
Lease liabilities.....	139	3.7%	134	-	-
Total interest expense.....	21,720	1.3%	21,451	37.9%	15,559
Expenses on deposit insurance	1,745	(6.7)%	1,870	59.3%	1,174
Net margin	104,702	19.1%	87,926	44.9%	60,668

The Group made certain presentation changes to the financial information as of and for the years ended 31 December 2020, 2019 and 2018 to conform to its presentation in the 30 June 2021 Interim Consolidated Financial Statements. See “*Presentation of Financial and Other Information—Changes in presentation of financial statements*”. For details of reclassifications and changes in presentation, see Note 3 to the Interim Consolidated Financial Statements, Note 40 to the 2020 Annual Consolidated Financial Statements and Note 3 to the 2019 Annual Consolidated Financial Statements included in these Listing Particulars.

In 2020, total interest expense calculated using the effective interest rate method increased by RUB 264 million, or 1.2 percent, to RUB 21,581 million from RUB 21,317 million in 2019. The overall increase in interest expense in 2020 mainly resulted from increases in interest expense on customers’ accounts in 2020, due to the Group’s policy to develop this source of funding. This increase was partially offset by a decrease in the average interest rate accrued by the Group on interest-bearing liabilities from 5.7 percent in 2019 to 4.0 percent in 2020.

In 2019, total interest expense calculated using the effective interest rate method increased by RUB 5,758 million, or 37.0 percent, to RUB 21,317 million from RUB 15,559 million in 2018. The overall increase in interest expense in 2019 mainly resulted from an increase in interest expense on customer accounts associated with the Group’s expanding customer base.

Net Margin

In 2020, the Group’s net margin increased by RUB 16,776 million, or 19.1 percent, from RUB 87,926 million in 2019 to RUB 104,702 million in 2020 primary due to the growth in interest income exceeding the growth in interest expense for the reasons discussed above.

In 2019, the Group’s net margin increased by RUB 27,258 million, or 44.9 percent, from RUB 60,668 million in 2018 to RUB 87,926 million in 2019 due to the growth in interest income exceeding the growth in interest expense for the reasons discussed above.

Changes in Credit Loss Allowance and Provision for Loan Impairment

The following table sets out changes in the Group’s credit loss allowance for the year ended 31 December 2020:

	Credit loss allowance	Gross carrying amount
	(in millions of roubles)	
Credit card loans		
At 31 December 2019.....	44,129	244,937
Total movements with impact on credit loss allowance charge for the year ...	32,421	45,142
Total movement without impact on credit loss allowance	(22,308)	(22,493)
At 31 December 2020	54,242	267,586

	Credit loss allowance	Gross carrying amount
	<i>(in millions of roubles)</i>	
Cash loans		
At 31 December 2019	8,029	62,265
Total movements with impact on credit loss allowance charge for the year	7,245	10,114
Total movement without impact on credit loss allowance	(4,219)	(4,248)
At 31 December 2020	11,055	68,131
Secured loans		
At 31 December 2019	496	29,601
Total movements with impact on credit loss allowance charge for the year ...	680	10,708
Total movement without impact on credit loss allowance	(77)	(77)
At 31 December 2020	1,099	40,232
POS loans		
At 31 December 2019	1,057	25,940
Total movements with impact on credit loss allowance charge for the year ...	1,096	7,295
Total movement without impact on credit loss allowance	(542)	(545)
At 31 December 2020	1,611	32,690
Car loans		
At 31 December 2019	913	20,156
Total movements with impact on credit loss allowance charge for the year ...	1,409	14,013
Total movement without impact on credit loss allowance	(178)	(178)
At 31 December 2020	2,144	33,991
Loans to SMEs		
At 31 December 2019	113	1,013
Total movements with impact on credit loss allowance charge for the year ...	639	1,889
Total movement without impact on credit loss allowance	(3)	(3)
At 31 December 2020	749	2,899
Total	70,900	445,529

The following table sets out changes in credit loss allowance for the years ended 31 December 2019 and 2018:

	As of 31 December	
	2019⁽¹⁾	2018⁽²⁾
	<i>(in millions of roubles)</i>	
Credit loss allowance at the beginning of the year	36,221	36,951
Unwinding of discount of impaired loans	3,310	3,162
Write-off of impaired loans	(11,654)	(17,306)
Sales of impaired loans	(1,123)	(425)
Modification of original cash flows without derecognition of impaired loans	(2,480)	(1,533)
Credit loss allowance during the year	30,463	15,372
Credit loss allowance at the end of the year	54,737	36,221

Credit loss allowance during 2019 increased from RUB 36,221 million in 2018 to RUB 54,737 million in 2019. This increase was principally due to an increase in the total amount of loans and advances to customers, primarily as a result of an increase in credit card acquisitions and increase in cash loans, partially offset by a lower cost of risk (excluding POCI) as a result of the stabilisation of the macroeconomic environment, steps taken by the Group to tighten credit requirements and write-offs, and its efforts to diversify its loanbook towards collateralised home equity loans and car loans.

Customer Acquisition Expenses

In 2020, customer acquisition expenses increased by RUB 4,411 million to RUB 22,588 million from RUB 18,177 million in 2019. In 2019, customer acquisition expenses increased by RUB 3,955 million to RUB 18,177 million from RUB 14,222 million in 2018. These increases during the period under review were principally because the Group incurred additional marketing and staff costs required to launch and develop the Group's new credit and non-credit products and services through the Tinkoff online platform.

Net Gains from Operations with Foreign Currencies

The following table sets forth information on the Group's net gains/losses from operations with foreign currencies in 2020, 2019 and 2018:

	Year ended 31 December				
	2020 (in millions of roubles)	Change from the prior year (in %)	2019 (in millions of roubles)	Change from the prior year (in %)	2018 (in millions of roubles)
Net gains/(losses) from derivative revaluation	4,163	(262.4)%	(2,563)	(243.7)%	1,784
Foreign exchange translation (losses)/gains	(6,850)	(409.1)%	2,216	(202.8)%	(2,155)
Net gains/(losses) from trading in foreign currencies	1,595	(264.8)%	(968)	(354.1)%	381
Net gains/(losses) from operations with foreign currencies	(1,092)	(17.0)%	(1,315)	(13,250.0)%	10

Net gains/losses from operations with foreign currencies are attributable to movements in foreign exchange rates and the Group's efforts to manage such movements. The Group's assets are predominantly denominated in roubles while its wholesale funding sources are denominated, in the large part, in foreign currencies, including in U.S. dollars. Some of the Group's customer accounts are also denominated in foreign currencies.

Net foreign exchange translation losses of RUB 6,850 million in 2020 compared to net gains of RUB 2,216 million in 2019 and net losses of RUB 2,155 million in 2018 were the result of revaluation of subordinated debt, foreign currency deposits, cash and cash equivalents and debt securities.

The net gains from derivative revaluation in the amount of RUB 4,163 million in 2020 compared to net losses of RUB 2,563 million in 2019 and a net gains of RUB 1,784 million in 2018, were principally attributable to revaluation of swaps.

The net gains and losses from trading in foreign currencies amounted to net gains of RUB 1,595 million in 2020, net losses of RUB 968 million in 2019 and net gains of RUB 381 million in 2018 were the result of volatility of the rouble to the U.S. dollar, which was partially offset by gains from transactions with short-term derivatives.

Net gains from disposal of debt securities at fair value through other comprehensive income

The Group had a net gain from disposal of debt securities at fair value through other comprehensive income of RUB 7,210 million for the year ended 31 December 2020 and a net gain of RUB 301 million for the year ended 31 December 2019 mainly due to the changes in market valuation of the securities portfolio.

The Group had a net gain from disposal of debt securities at fair value through other comprehensive income of RUB 301 million for the year ended 31 December 2019 and a net gain of RUB 378 million for the year ended 31 December 2018 mainly due to the changes in market valuation of the securities portfolio.

Net gains / losses from financial assets at fair value through profit or loss

For the year ended 31 December 2020, the Group had a net gain on financial assets at fair value through profit or loss of RUB 603 million compared to a net gain of RUB 389 million in the same period in 2019. For the year ended 31 December 2019, the Group had a net gain on financial assets at fair value through profit or loss of RUB 389 million compared to a net loss of RUB 808 million in the same period of 2018. These changes were primarily attributable to revaluation of financial instruments categorised at fair value through profit or loss.

Fee and Commission Income

The following table sets out the breakdown of the Group's fee and commission income in 2020, 2019 and 2018:

	Year ended 31 December					
	2020		2019		2018	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of roubles, except percentages)					
Fee and commission income						
Acquiring commission.....	11,049	23.2%	8,342	23.3%	4,765	17.4%
Brokerage fee	4,998	10.5%	635	1.8%	210	0.8%
SME services commission.....	7,437	15.6%	6,757	18.8%	6,340	23.1%
Interchange fee	3,963	8.3%	3,473	9.7%	3,046	11.1%

	Year ended 31 December					
	2020		2019		2018	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of roubles, except percentages)					
Fee and commission income						
Foreign currency exchange transactions fee	3,943	8.3%	3,024	8.4%	1,785	6.5%
Fee for selling credit protection	4,657	9.8%	5,550	15.5%	5,601	20.4%
SMS fee	3,945	8.3%	3,244	9.0%	2,256	8.2%
Fee for money transfers	3,117	6.5%	1,980	5.5%	1,279	4.7%
Income from MVNO services	1,815	3.8%	890	2.5%	186	0.7%
Cash withdrawal fee	746	1.6%	720	2.0%	885	3.2%
Marketing services fee	394	0.8%	340	0.9%	108	0.4%
Replenishment fee	141	0.3%	141	0.4%	167	0.6%
Other fees receivable	1,404	2.9%	762	2.1%	795	2.9%
Total fee and commission income	47,609	100.0%	35,858	100.0%	27,423	100.0%

In 2020, fee and commission income increased by RUB 11,751 million, or 32.8 percent, to RUB 47,609 million from RUB 35,858 million in 2019. This increase was principally driven by growth of all of the components of fee and commission income, including, most prominently, a 687.1 percent increase in brokerage fees and a 57.4 percent increase in fees for money transfers. Other fee and commission revenue streams also saw substantial increases in 2020, namely merchant acquiring commission, SMS fees and foreign currency exchange transaction fees as the Group's customer base continued to grow. Credit protection fees also increased reflecting the continued expansion of the Group's loan portfolio.

In 2019, fee and commission income increased by RUB 8,435 million, or 30.8 percent, to RUB 35,858 million from RUB 27,423 million in 2018. This increase was principally driven by a substantial increase in merchant acquiring commission and foreign currency exchange transaction fees.

Fee and Commission Expense

The following table sets out the principal components of the Group's fee and commission expense in 2020, 2019 and 2018:

	Year ended 31 December				
	2020	Change from the prior year	2019	Change from the prior year	2018
	(in millions of roubles)	(in %)	(in millions of roubles)	(in %)	(in millions of roubles)
Fee and commission expense, including					
Payment systems	14,684	40.9%	10,420	46.8%	7,098
Banking and other fees	2,361	401.3%	471	1.5%	464
Service fees	2,653	8.5%	2,446	44.5%	1,693
Costs of MVNO services	1,225	34.6%	910	269.9%	246
Payment channels	1,291	(4.4)%	1,351	2.0%	1,325
Total fee and commission expense.	22,214	42.4%	15,598	44.1%	10,827

The Group made certain presentation changes to the financial information as of and for the years ended 31 December 2020, 2019 and 2018 to conform to its presentation in the 30 June 2021 Interim Consolidated Financial Statements. See "*Presentation of Financial and Other Information—Changes in presentation of financial statements*". For details of reclassifications and changes in presentation, see Note 3 to the Interim Consolidated Financial Statements, Note 40 to the 2020 Annual Consolidated Financial Statements and Note 3 to the 2019 Annual Consolidated Financial Statements included in these Listing Particulars.

In 2020, fee and commission expense increased by RUB 6,617 million, or 42.4 percent, to RUB 22,215 million from RUB 15,598 million in 2019. This 42.4 percent increase was principally due to an increase in 2020 compared to 2019 of RUB 4,264 million in payment systems fees, reflecting growth of the Group's customer base and the higher volume of operations performed by the customers. This increase was also attributed to an increase in banking and other fees, service fees and to the costs of recently launched Tinkoff Mobile services.

In 2019, fee and commission expense increased by RUB 4,771 million, or 44.1 percent, to RUB 15,598 million from RUB 10,827 million in 2018. This 44.1 percent increase was principally due to an increase in 2019 compared to 2018 of RUB 3,322 million in payment systems fees, increase of RUB 753 million in service fees resulting from an increase in the volume of credit and non-credit products and services sold to customers, including payment

and transactional services, as well as due to increase in costs related to Tinkoff Mobile services in the amount of RUB 664 million.

Administrative and Other Operating Expenses

The following table sets out the principal components of the Group's administrative and other operating expenses in 2020, 2019 and 2018:

	Year ended 31 December				
	2020 (in millions of roubles)	Change from the prior year (in %)	2019 (in millions of roubles)	Change from the prior year (in %)	2018 (in millions of roubles)
Staff costs	24,365	26.5%	19,260	23.1%	15,647
Amortisation of intangible assets	1,961	47.3%	1,331	48.1%	899
Depreciation of fixed assets...	1,617	25.6%	1,287	56.4%	823
IT and software support.....	1,449	65.8%	874	40.1%	624
Short-term and low-value lease.....	788	33.8%	589	(36.0)%	921
Office maintenance and office supplies.....	454	0.4%	452	48.2%	305
Depreciation of right-of-use assets	702	(3.4)%	727	-	-
Professional services	643	(23.5)%	840	132.7%	361
Communication services	387	(3.5)%	401	17.3%	342
Collection expenses	421	127.6%	185	(4.1)%	193
Security expenses	198	15.1%	172	(3.9)%	179
Other provisions	1,206	363.8%	260	-	-
Other administrative expenses	814	(18.5)%	999	22.6%	815
Total administrative and other operating expenses..	35,005	27.9%	27,377	29.7%	21,110

In 2020, the Group's administrative and other operating expenses increased by RUB 7,628 million, or 27.9 percent, to RUB 35,005 million from RUB 27,377 million in 2019. This increase was mainly due to a 26.5 percent increase in staff costs, as well as increases in other expenses, such as other provisions, information services, amortisation of intangible assets, depreciation of fixed assets, reflecting the Group's expanding business and diversifying operations that require more resources.

In 2019, the Group's administrative and other operating expenses increased by RUB 6,267 million, or 29.7 percent, to RUB 27,377 million from RUB 21,110 million in 2018. This increase was principally due to an increase in staff costs, professional services, amortisation of intangible assets and depreciation of fixed assets, which collectively accounted for 79.6 percent of the total increase in administrative and other expenses in 2019 as compared to 2018.

Staff Costs

In 2020, staff costs increased by RUB 5,105 million, or 26.5 percent, to RUB 24,365 million from RUB 19,260 million in 2019. In 2019, staff costs increased by RUB 3,613 million, or 23.1 percent, to RUB 19,260 million from RUB 15,647 million in 2018. This increase was principally the result of an increase in employee compensation and bonuses in 2020 and an increase in employee headcount to 12,886 as at 31 December 2019 from 11,620 as at 31 December 2018, as the Group continued to develop, maintain and grow its various credit and non-credit business lines. Management anticipates that staff costs will further increase in the future as the Group continues to expand its business and, therefore, will need to further increase its headcount to adequately support its expanded operations.

Amortisation of Intangible Assets

In 2020, the Group's amortisation of intangible assets increased by RUB 630 million, or 47.3 percent, to RUB 1,961 million from RUB 1,331 million in 2019. In 2019, the Group's amortisation of intangible assets increased by RUB 432 million, or 48.1 percent, to RUB 1,331 million from RUB 899 million in 2018. This increase was primarily due to the growth of intangible assets, such as software, licenses and IT systems.

Depreciation of Fixed Assets

In 2020, the Group's depreciation charges increased by RUB 330 million, or 25.6 percent, to RUB 1,617 million from RUB 1,287 million in 2019. In 2019, the Group's depreciation charges increased by RUB 464 million, or 56.4 percent, to RUB 1,287 million from RUB 823 million in 2018. This increase was primarily due to the purchase of real estate, capital repairs, inseparable improvements of the leased property and purchase of servers and other equipment by the Group.

IT and software support

In 2020, the Group's IT and software support expenses increased by RUB 575 million, or 65.8 percent, to RUB 1,449 million from RUB 874 million in 2019. In 2019, the Group's IT and software support expenses increased by RUB 250 million, or 40.1 percent, to RUB 874 million from RUB 624 million in 2018. The increase principally reflects expenses incurred in 2020 and 2019 due to the Group's continued investments in the development of its online platform and development of its e-commerce products.

Income Tax Expense

In 2020, the Group's income tax expense increased by RUB 2,623 million, or 27.9 percent, to RUB 12,036 million from RUB 9,413 million in 2019. In 2019, the Group's income tax expense increased by RUB 1,311 million, or 16.2 percent, to RUB 9,413 million from RUB 8,102 million in 2018. The corporate tax rate applicable to Tinkoff Bank and other Russian subsidiaries of the Group was 20 percent in 2020, 2019 and 2018.

The Group's effective tax rate (defined as income tax expense divided by profit before tax) was 21.4 percent in 2020, 20.7 percent in 2019 and 23.0 percent in 2018.

Profit for the Year

As a result of the above, in 2020 the Group's profit for the year increased by RUB 8,090 million, or 22.4 percent, to RUB 44,213 million from RUB 36,123 million in 2019 and in 2019 by RUB 9,001 million, or 33.2 percent, to RUB 36,123 million from RUB 27,122 million in 2018.

Financial Position of the Group

Assets

The following table sets out the breakdown of total assets of the Group as of 30 June 2021, 31 December 2020, 2019 and 2018:

	As of 30 June		As of 31 December					
	2021		2020		2019		2018	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
<i>(in millions of roubles, except percentages)</i>								
Cash and cash equivalents ..	108,480	11.2%	136,351	15.9%	55,564	9.6%	33,802	9.0%
Mandatory cash balances with the CBR	6,642	0.7%	5,379	0.6%	3,448	0.6%	2,435	0.6%
Due from other banks	1,097	0.1%	1,887	0.2%	2,084	0.4%	776	0.2%
Loans and advances to customers	507,374	52.5%	376,521	43.8%	329,175	56.8%	198,489	52.9%
Financial derivatives	5,197	0.5%	5,035	0.6%	390	0.1%	1,710	0.5%
Investments in securities	223,645	23.2%	238,454	27.8%	135,178	23.3%	100,140	26.7%
Repurchase receivables	5,099	0.5%	29	0%	-	0%	1,182	0.3%
Guarantee deposits with payment systems	15,187	1.6%	15,475	1.8%	8,877	1.5%	4,603	1.2%
Brokerage receivables	42,077	4.4%	24,064	2.8%	2,799	0.5%	-	0%
Current income tax assets ...	39	0.0%	3,133	0.4%	815	0.1%	1,104	0.3%
Deferred income tax assets .	780	0.1%	947	0.1%	1,517	0.3%	-	0%
Tangible fixed assets and right-of-use assets	12,705	1.3%	10,481	1.2%	10,560	1.8%	8,369	2.2%
Intangible assets	11,753	1.2%	7,082	0.8%	5,435	0.9%	4,223	1.1%
Other financial assets	21,415	2.2%	31,070	3.6%	21,673	3.7%	15,642	4.2%
Other non-financial assets...	4,514	0.5%	3,386	0.4%	2,510	0.4%	3,024	0.8%
Total assets	966,004	100.0%	859,294	100.0%	580,025	100.0%	375,499	100.0%

Loans and Advances to Customers

Loans and advances to customers (after credit loss allowance) was the largest category of the Group's assets throughout the period under review and represented 52.5 percent, 43.8 percent, 56.8 percent and 52.9 percent of total assets as of 30 June 2021, 31 December 2020, 2019 and 2018, respectively.

The Group's net loans and advances to customers increased to RUB 507,374 million as of 30 June 2021 as compared to RUB 376,521 million as of 31 December 2020. The Group's net loans and advances to customers increased to RUB 376,521 million as of 31 December 2020 as compared to RUB 329,175 million as of 31 December 2019 due to the expansion and diversification of the Group's business through a combination of new customer acquisitions and distribution channels, increasing credit limits for its existing customers and further scaling up of non-credit card business lines, including, among others, car loans and secured loans.

The Group's net loans and advances to customers increased to RUB 329,175 million as of 31 December 2019 as compared to RUB 198,489 million as of 31 December 2018 reflecting the organic growth of the Group's loan portfolio and expansion of secured loans and car loans.

Composition of Loan Portfolio by Types of Loans. The following table sets out (i) the breakdown of the Group's gross loans and advances to customers, (ii) credit loss allowance and (iii) the Group's net loans and advances to customers as of 30 June 2021, 31 December 2020, 2019 and 2018:

	As of 30 June 2021	As of 31 December (in millions of roubles)		
		2020	2019	2018
Loans to individuals:				
Credit card loans.....	302,977	267,586	244,937	177,990
Cash loans	112,812	68,131	62,265	35,495
Secured loans.....	55,421	40,232	29,601	2,644
POS loans	43,408	32,690	25,940	15,380
Car loans.....	56,177	33,991	20,156	2,838
Loans to SMEs	5,818	2,899	1,013	363
Total gross loans and advances to customers at AC.....	576,613	445,529	383,912	234,710
Less: Credit loss allowance for loans and advances to customers	(72,525)	(70,900)	(54,737)	(36,221)
Total loans and advances to customers at AC.....	504,088	374,629	329,175	198,489

For the breakdown of the Group's credit card loan portfolio by credit limits on issued, activated and used cards, see "Business—Principal Business Activities—Consumer Lending and Other Credit Products—Consumer Lending—Credit Cards". For the regional distribution of the Group's credit card loan portfolio by outstanding principal amount, see "Business—Principal Business Activities—Consumer Lending and Other Credit Products—Consumer Lending—Credit Cards—Customer Base—Regional Distribution".

Composition of Loan Portfolio by Credit Quality

Starting from 2018, the Group assesses its loan portfolio using the expected credit losses model, which applies a three-stage model for credit loss allowance measurement, based on changes in credit quality since initial recognition.

The following table sets out the composition of the gross loan portfolio of the Group as of 30 June 2021, 31 December 2020, 2019 and 2018 by credit quality:

	As of 30 June 2021	As of 31 December 2020	As of 31 December 2019	As of 31 December 2018
Credit card loans:		(in millions of roubles)		
Excellent.....	107,582	68,398	87,716	74,078
Good.....	125,841	133,848	103,602	65,362
Monitor.....	15,073	13,476	11,782	9,478
Sub-Standard	15,782	15,436	12,789	8,242
NPL	38,699	36,428	29,048	20,830
Total gross credit card loans.....	302,977	267,586	244,937	177,990

Cash loans:				
Excellent.....	64,525	33,877	34,258	22,238
Good.....	37,887	25,242	20,636	11,540
Monitor.....	1,389	802	931	354
Sub-Standard	2,199	2,021	1,892	367
NPL	6,812	6,189	4,548	996
Total gross cash loans.	112,812	68,131	62,265	35,495
Secured loans:				
Excellent.....	33,535	21,201	19,941	1,805
Good.....	19,191	17,244	8,815	834
Monitor.....	1,033	547	428	5
Sub-Standard	419	366	219	-
NPL	1,243	874	198	-
Total gross Secured loans.....	55,421	40,232	29,601	2,644
POS loans:				
Excellent.....	32,121	25,159	19,525	10,293
Good.....	8,952	5,791	5,169	4,591
Monitor.....	565	242	217	121
Sub-Standard	318	194	199	66
NPL	1,452	1,304	830	309
Total gross POS loans	43,408	32,690	25,940	15,380
Car loans:				
Excellent.....	34,083	21,444	15,581	1,876
Good.....	18,898	10,563	3,753	908
Monitor.....	852	399	250	28
Sub-Standard	533	322	201	20
NPL	1,811	1,263	371	6
Total gross Car loans..	56,177	33,991	20,156	2,838
Loans to SMEs:				
Excellent.....	3,155	1,673	622	224
Good.....	2,257	1,055	320	109
Monitor.....	150	19	10	14
Sub-Standard	66	16	9	6
NPL	190	136	52	10
Total gross loans to SMEs	5,818	2,899	1,013	363
Total gross loans and advances to customers as AC	576,613	445,529	383,912	234,710

The following tables sets out the split of the gross loan portfolio of the Group into performing and non-performing and provides certain ratios involving non-performing loans as of 30 June 2021, 31 December 2020, 31 December 2019 and 31 December 2018:

	As of 30 June	As of 31 December		
	2021	2020	2019	2018
	<i>(in millions of roubles, except percentages)</i>			
Performing loans	526,406	399,335	348,865	212,559
Non-performing loans ⁽¹⁾	50,207	46,194	35,047	22,151
Gross carrying amount	576,613	445,529	383,912	234,710
Less credit loss allowance	(72,525)	(70,900)	(54,737)	(36,221)
Net loans	504,088	374,629	329,175	198,489
Credit loss allowance as a percentage of gross loans.....	12.6%	15.9%	14.3%	15.4%
Credit loss allowance as a percentage of non-performing loans	144.5%	153.5%	156.2%	163.5%
Non-performing loans as a percentage of gross loans	8.7%	10.4%	9.1%	9.4%

⁽¹⁾ As of 30 June 2021, 31 December 2020, 2019 and 2018, non-performing loans ("NPLs") represented loans with payment of principal and/or interest overdue by more than 90 and all instalment loans.

The proportion of non-performing loans in the Group's gross loans portfolio has decreased to 8.7 percent as of 30 June 2021 as compared to 10.4 percent as at 31 December 2020.

The portion of the non-performing loans in the Group's gross loans portfolio increased from 9.1 percent as of 31 December 2019 to 10.4 percent as of 31 December 2020 due to the outbreak of the COVID-19 pandemic and related economic downturn and disruption to business activity.

The proportion of non-performing loans in the Group's gross loans portfolio decreased from 9.4 percent as of 31 December 2018 to 9.1 percent as of 31 December 2019 as a result of improvement of the portfolio credit quality and collection efficiency.

Credit loss allowance: credit loss allowance consists of credit loss allowance for credit card loans, cash loans, POS loans, car loans, secured loans and loans to SMEs.

The following table sets forth credit loss allowance for loans and advances to customers for the Group in the six months ended 30 June 2021 and 30 June 2020:

	Six months ended 30 June		Change
	2021	2020	2021/2020
	<i>(in millions of roubles)</i>		<i>(in %)</i>
Credit card loans.....	52,475	56,024	(6.3)%
Cash loans	12,885	10,347	24.5%
POS loans ⁽¹⁾	1,770	1,419	24.7%
Car loans.....	3,407	1,651	106.4%
Secured loans.....	1,482	907	63.4%
SME loans	506	418	21.1%
Total Credit loss allowance for loans and advances to customers	72,525	70,766	2.5%

⁽¹⁾ These loans represent point-of-sale unsecured lending to customers making online purchases through Internet retailers and offline purchases through offline shops.

The following table sets forth credit loss allowance for loans and advances to customers for the Group as of 31 December 2020, 2019 and 2018:

	2020	Change from the	2019	Change from	2018
	<i>(in millions of roubles)</i>	<i>(in %)</i>	<i>(in millions of roubles)</i>	<i>(in %)</i>	<i>(in millions of roubles)</i>
Credit card loans.....	54,242	22.9%	44,129	32.5%	33,296
Cash loans	11,055	37.7%	8,029	244.4%	2,331
Secured loans ⁽¹⁾	1,099	121.6%	496	3,000.0%	16
POS loans ⁽¹⁾	1,611	52.4%	1,057	129.8%	460
Car loans.....	2,144	134.8%	913	974.1%	85
SME loans	749	562.8%	113	242.4%	33
Total Credit loss allowance for loans and advances to customers	70,900	29.5%	54,737	51.1%	36,221

⁽¹⁾ These loans represent point-of-sale unsecured lending to customers making online purchases through Internet retailers and offline purchases through offline shops.

As of 30 June 2021, credit loss allowance increased to RUB 72,525 million from RUB 70,900 million as of 31 December 2020. As of 31 December 2020, credit loss allowance increased to RUB 70,900 million from RUB 54,737 million as of 31 December 2019. As of 31 December 2019, provision for loan impairment increased to RUB 54,737 million from RUB 36,221 million as of 31 December 2018. These increases were due to an increase in the total amount of loans and advances to customers across the periods, primarily as a result of an increase in credit card acquisitions and selective increases to credit card limits, partially offset by a lower cost of risk (excluding POCI) and steps taken by the Group to tighten credit requirements and write offs.

Cash and cash equivalents

Cash and cash equivalents represent cash on hand, which includes cash balances in ATMs and cash in transit, cash balances with the CBR and placements with other banks and non-bank credit organisations.

As at 30 June 2021, the Group had cash and cash equivalents of RUB 108,480 million, representing a decrease from RUB 136,351 million as at 31 December 2020, which was largely due to a decrease in cash balances with the CBR and placements with other banks and non-bank credit organizations.

As at 31 December 2020, the Group's cash and cash equivalents increased by 145.4 percent to RUB 136,351 million from RUB 55,564 million as at 31 December 2019. As at 31 December 2019, cash and cash equivalents increased by 64.4 percent to RUB 55,564 million from RUB 33,802 million as at 31 December 2018. These increases in the periods under review were primarily due to an increase in placements with other banks caused by the Group's liquidity management and growth in brokerage operations requiring the Group to deposit cash with non-bank credit organizations such as the National Settlement Depository, as well as due to an increase in cash-on-hand and cash balances with the CBR caused by overall growth of the Group's banking operations.

Investments in securities and repurchase receivables

The Group's securities portfolio includes corporate bonds, Russian government bonds, municipal bonds and foreign government bonds.

The following table sets forth information relating to the Group's investments in securities and repurchase receivables as at the dates indicated.

In millions of RR	As at 30 June	As at 31 December ⁽¹⁾		
	2021	2020	2019	2018
Investments in securities				
Russian government bonds	125,710	123,916	56,382	23,560
Corporate bonds	83,714	96,200	72,032	65,140
Municipal bonds	9,138	9,474	6,351	5,774
Foreign government bonds	2,258	4,599	-	-
Other securities measured at fair value through profit or loss	2,825	4,265	413	5,666
Total investments in securities	223,645	238,454	135,178	100,140
Repurchase receivables				
Russian government bonds	5,099	-	-	1,110
Corporate bonds	-	29	-	72
Total investments in securities and repurchase receivables	228,744	238,483	135,178	101,322

⁽¹⁾ The Group made certain presentation changes to the financial information as of and for the years ended 31 December 2020, 2019 and 2018 to conform to its presentation in the 30 June 2021 Interim Consolidated Financial Statements. See "*Presentation of Financial and Other Information—Changes in presentation of financial statements*". For details of reclassifications and changes in presentation, see Note 3 to the Interim Consolidated Financial Statements, Note 40 to the 2020 Annual Consolidated Financial Statements and Note 3 to the 2019 Annual Consolidated Financial Statements included in these Listing Particulars.

As at 30 June 2021, the Group's investments in securities and repurchase receivables amounted to RUB 228,744 million, as compared to RUB 238,483 million as at 31 December 2020.

As at 31 December 2020, the Group's investments in securities and repurchase receivables amounted to RUB 238,483 million, as compared to RUB 135,178 million as at 31 December 2019. As at 31 December 2019, the Group's investments in securities and repurchase receivables amounted to RUB 135,178 million, as compared to RUB 101,322 million as at 31 December 2018. The Group has accumulated a securities portfolio in order to maintain a liquidity cushion and enable the Group to generate stable low-risk income. A significant part of the securities in the Group's portfolio are included in the CBR's lombard list and can be sold directly or under repurchase contracts any time. The Group is able to derive liquidity from its securities portfolio via the interbank market and the CBR by selling securities directly or under repurchase contracts at any time.

Liabilities

The following table sets out the breakdown of total liabilities of the Group as of 30 June 2021, 31 December 2020, 2019 and 2018:

	As of 30 June 2021		2020		As of 31 December 2019		2018	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	<i>(in millions of roubles, except percentages)</i>							
Due to banks	9,712	1.2%	4,819	0.7%	23	0%	2,708	0.8%
Customer accounts	706,729	86.3%	626,837	85.6%	411,614	85.1%	280,916	84.3%
Debt securities in issue	21,681	2.6%	23,910	3.3%	26,078	5.4%	9,605	2.9%
Financial derivatives	209	0.1%	109	0%	590	0.1%	3	0%
Brokerage payables	8,644	1.1%	9,206	1.3%	1,207	0.3%	-	-
Deferred income tax liability	364	0.0%	333	0%	142	0%	1,821	0.5%
Subordinated debt	20,412	2.5%	20,755	2.8%	18,487	3.8%	20,644	6.2%
Insurance provisions	7,021	0.9%	6,067	0.8%	6,280	1.3%	2,859	0.9%
Current income tax liabilities	904	0.1%	-	-	-	-	51	0%
Other financial liabilities	33,046	4.0%	34,337	4.7%	14,648	3.0%	11,201	3.4%
Other non-financial liabilities	10,127	1.2%	5,905	0.8%	4,874	1.0%	3,441	1.0%
Total liabilities	818,849	100.0%	732,278	100.0%	483,943	100.0%	333,249	100.0%

Customer Accounts

Customer accounts represent the Group's principal source of funding. Customer accounts increased to RUB 706,729 million, or 86.3 percent of the Group's total liabilities, as of 30 June 2021 as compared to RUB 626,837 million, or 85.6 percent, of the Group's total liabilities, as of 31 December 2020 due to organic growth of the Group's customers base and an increase in balances on brokerage accounts and SME accounts.

Customer accounts increased to RUB 626,837 million, or 85.6 percent of the Group's total liabilities, as of 31 December 2020, as compared to RUB 411,614 million, or 85.1 percent, of the Group's total liabilities, as of 31 December 2019, as a result of growth in new current accounts and term deposits in 2020, reflecting the Group's continuing efforts to expand the Tinkoff Black, Tinkoff Business and Tinkoff Investments products and to attract new customers through the Tinkoff online platform.

Average interest rates on customer accounts decreased from 3.5 percent in 2020 to 2.9 percent in the six months ended 30 June 2021. Average interest rates on customer accounts decreased from 5.8 percent in 2018 to 5.3 percent in 2019 and to 3.5 percent in 2020.

The following table sets out the composition of customer accounts of the Group as of 30 June 2021, 31 December 2020, 2018 and 2019:

	As of 30 June 2021		2020		As of 31 December 2019		2018	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	<i>(in millions of roubles, except percentages)</i>							
Individuals								
Current/demand accounts	375,172	53.1%	323,145	51.6%	199,408	48.4%	137,637	49.0%
Brokerage accounts	94,880	13.4%	73,970	11.8%	12,253	3.0%	-	-
Term deposits of individuals	139,815	19.8%	135,995	21.7%	137,292	33.4%	100,227	35.7%
SME								
Current/demand accounts	90,243	12.8%	89,199	14.2%	60,174	14.6%	41,702	14.8%
Term deposits	2,479	0.3%	2,213	0.3%	1,880	0.5%	-	-
Other legal entities								
Current/demand accounts	4,096	0.6%	2,267	0.4%	495	0.1%	552	0.2%
Term deposits	44	0%	48	0%	112	0%	798	0.3%
Total Customer Accounts ..	706,729	100%	626,837	100%	411,614	100%	280,916	100%

Composition of Customer Accounts by Maturity. The following table sets out the Group's customer accounts by expected maturity as of 30 June 2021, 31 December 2020, 2019 and 2018:

	As of 30 June		As of 31 December					
	2021		2020		2019		2018	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	<i>(in millions of roubles, except percentages)</i>							
Demand and less than one month.....	376,201	53.2%	321,104	51.2%	180,017	43.7%	119,413	42.5%
From one to three months	95,030	13.5%	63,601	10.1%	60,879	14.8%	42,478	15.1%
From three to six months	89,893	12.7%	52,958	8.5%	41,259	10.0%	28,554	10.2%
From six to 12 months	84,215	11.9%	61,899	9.9%	61,298	14.9%	43,657	15.5%
From one year to five years	61,390	8.7%	127,275	20.3%	68,161	16.6%	46,814	16.7%
Total	706,729	100%	626,837	100%	411,614	100%	280,916	100%

The increase in the proportion of longer-term deposits in 2020 was the result of the Group's decision to diversify its loan portfolio by expanding the share of longer-term credit products.

While the table above sets out expected maturities, in accordance with the Russian Civil Code, individuals have a right to withdraw their term deposits prior to maturity if they forfeit their right to the contractually agreed accrued interest (but in this instance they will still be entitled to accrued interest at the rate applicable to callable deposits at the bank). Should a large portion of the Group's customers withdraw their deposits simultaneously or nearly simultaneously, particularly during a banking, financial or economic crisis in Russia, this may have a material adverse effect on the Group's liquidity and business and financial condition in general. To avoid such a situation, the Group relies primarily on the following three elements of its liquidity risk management. Firstly, it maintains a deposit liquidity cushion calculated as at least 15 percent of total deposits at all times (however, in practice this cushion is usually maintained at a level between 20 and 25 percent). See "Asset, Liability and Risk Management—Liquidity Risk". Secondly, a large proportion of deposits 86 percent of all deposits as of 31 December 2020 are deposits below the RUB 1,400,000 threshold, all of which are fully protected under the Russian mandatory deposit insurance system. Thirdly, all the Group's retail depositors have a free option to convert, at any time, deposited funds into U.S. dollars or euro without losing any accrued interest, which could be particularly useful in circumstances when the rouble's exchange rate against the main foreign currencies is depreciating and depositors are tempted to withdraw their funds and convert them into such foreign currencies to avoid losses. The Group has accumulated a securities portfolio in order to maintain a liquidity cushion and enable the Group to generate stable low-risk income. See "Investments in securities and repurchase receivables".

Debt Securities in Issue

The following table sets out outstanding amounts of the Group's rouble-denominated bonds (including incurred and unpaid interest), rouble, U.S. dollar and EUR-denominated euro-commercial papers and structured debt notes as of 30 June 2021, 31 December 2020, 2019 and 2018:

	As of June		As of 31 December					
	2021		2020		2019		2018	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	<i>(in millions of roubles, except percentages)</i>							
RUB-denominated bonds issued in April 2019	10,116	46.7%	10,134	42.4%	10,158	39.0%	-	-
RUB-denominated bonds issued in September 2019.....	10,167	46.9%	10,166	42.5%	10,157	38.9%	-	-
RUB-denominated bonds issued in April 2017	1,112	5.1%	2,492	10.4%	2,468	9.5%	5,067	52.7%
RUB-denominated bonds issued in June 2016	-	-	836	3.5%	835	3.2%	784	8.2%
Structured debt notes issued in December 2020	121	0.6%	119	0.5%	-	-	-	-
Structured debt notes issued in October 2020	91	0.4%	89	0.4%	-	-	-	-
Structured debt notes issued in December 2020	74	0.3%	74	0.3%	-	-	-	-
EUR-denominated ECP issued in December 2019	-	-	-	-	1,030	3.9%	-	-
EUR-denominated ECP issued in February 2019	-	-	-	-	831	3.2%	-	-
US\$-denominated ECP issued	-	-	-	-	599	2.3%	-	-

	As of June		As of 31 December					
	2021		2020		2019		2018	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	<i>(in millions of roubles, except percentages)</i>							
in December 2019								
EUR-denominated ECP issued in December 2018	-	-	-	-	-	-	2,392	24.9%
US\$-denominated ECP issued in December 2018	-	-	-	-	-	-	1,266	13.2%
RUB-denominated ECP issued in December 2018	-	-	-	-	-	-	96	1.0%
Total.....	21,681	100%	23,910	100%	26,078	100%	9,605	100%

On 3 April 2019, the Group issued bonds denominated in RUB with a nominal value of RUB 10,000 million at 9.25 percent coupon maturing on 21 March 2029.

On 25 September 2019, the Group issued bonds denominated in RUB with a nominal value of RUB 10,000 million at 8.25 percent coupon maturing on 12 September 2029.

On 28 April 2017, the Group issued bonds denominated in RUB with a nominal value of RUB 5,000 million, initially with a 9.65 percent coupon, maturing on 22 April 2022.

On 30 June 2016, the Group issued bonds denominated in RUB with a nominal value of RUB 3,000 million at 11.7 percent coupon maturing on 24 June 2021.

Between October and December 2020, the Group issued structured debt notes with the total nominal value of RUB 331 million at 0.01 percent coupon maturing in October and December 2023. The structured debt notes are linked to the performance of the underlying assets, such as the gold trust and equity indexes. The derivative instruments embedded in the structured notes were separated by the Group and accounted within financial derivatives line in the consolidated statement of financial position in 2020 Annual Consolidated Financial Statements.

On 20 December 2019, the Group issued two tranches of euro-commercial paper (“ECP”) denominated in US\$ and EUR maturing on 20 November 2020. The tranche denominated in US\$ has a nominal value of US\$ 10 million and was issued with a discount of 3.6 percent. The tranche denominated in EUR has a nominal value of EUR 15 million and was issued with a discount of 1.0 percent.

On 19 February 2019, the Group issued ECP denominated in EUR with a nominal value of EUR 12 million with a discount of 1.25 percent maturing on 18 February 2020.

Subordinated Debt

On 15 June 2017, the Group issued perpetual subordinated loan participation notes with a nominal value of US\$ 300 million with zero premium. The notes have no stated maturity. The Group has a right to repay the notes at its discretion starting from 15 September 2022 and they are repayable in case of certain events other than liquidation. The notes bear a fixed interest rate of 9.25 percent payable quarterly starting from 15 September 2017. Interest payments may be cancelled by the Group at any time.

In the six months ended 30 June 2021 and in the years ended 31 December 2020, 2019 and 2018, the carrying value of the subordinated debt was RUB 20,412 million, RUB 20,755 million, RUB 18,487 million and RUB 20,644 million.

Wholesale Debt Maturity Profile

As a result of the issues of debt securities described above in “—Debt Securities in Issue” and “—Subordinated Debt”, Group wholesale debt (funding sourced from the Russian interbank loan market and domestic and international capital markets through the issuance of rouble-denominated domestic bonds, U.S.-dollar-denominated eurobonds and euro commercial paper in various currencies) in amounts equivalent to (i) RUB 1.1 billion shall be payable in April 2022; (ii) RUB 20.4 billion shall be payable in September 2022; (iii) RUB 10.1 billion shall be payable in March 2029 and (iv) RUB 10.2 billion shall be payable in September 2029. Item (ii) relates to the perpetual subordinated loan participation notes described above in “—Subordinated Debt” and assumes the Group exercises its discretion to repay the notes at such date.

Contingent Liabilities and Credit Commitments

The Group's contingent liabilities and credit commitments primarily consist of unused limits on credit cards.

Unused Limits on Credit Cards

The primary purpose of the Group's credit-related commitments is to ensure that funds are available as required by credit card customers. Unused limits on credit cards represent unused portions of authorisations to extend credit in the form of loans. The total outstanding contractual amount of unused limits on credit lines does not necessarily represent future cash requirements, as these commitments may expire or terminate without being funded.

With respect to credit risk on commitments to extend credit, the Group is potentially exposed to a loss in the amount equal to the total of unused irrevocable commitments. However, the likely amount of loss is less than the total unused commitments since most of the commitments to extend credit are contingent upon customers maintaining specific credit standards and, for example, could be terminated in the event of customer default. 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.

	As of 30 June	As of 31 December		
	2021	2020	2019	2018
		(in millions of roubles)		
Unused limits on credit card loans.....	238,363	208,405	168,059	110,478
Unused limits on SME loans	10,411	7,291	-	-
Credit loss allowance.....	(2,960)	(3,537)	(2,242)	(2,041)
Total credit related commitments	245,814	212,159	165,817	108,437

The increases in credit-related commitments primarily reflected increased demand for, and issuance of, credit cards and related increases in unused limits on credit card loans.

Performance Guarantees

Performance guarantees are contracts that provide compensation if another party fails to perform a contractual obligation. Such contracts do not transfer credit risk. The risk under performance guarantee contracts is the possibility that the insured event (i.e. the failure to perform the contractual obligation by another party) occurs. The key risks the Group faces are significant fluctuations in the frequency and severity of payments incurred on such contracts relative to expectations. The Group uses a scoring model to predict levels of such payments. Claims must be made before the contract matures and most claims are settled within the short term. This allows the Group to achieve a high degree of certainty about the estimated payments and future cash flows.

The following table sets out the information on the Group's commitments under the performance guarantees for the periods indicated:

	As of 30 June	As of 31 December		
	2021	2020	2019	2018
		(in millions of roubles)		
Performance guarantees issued.....	163	498	660	44
Provisions.....	(1)	(4)	(3)	-
Total performance guarantees commitments.....	162	494	657	44

Derivative Financial Instruments

The Group uses derivative transactions to manage its foreign currency risks that arise because the Group's assets are denominated in roubles while a proportion of its funding is denominated in U.S. dollars and in euro. The following tables set out fair values of currencies receivable or payable under foreign exchange forwards and swap contracts entered into by the Group. The tables reflect gross positions before the netting of any counterparty positions (and payments) and cover the contracts with settlement dates after 31 December 2020, 2019 and 2018, respectively.

As of 31 December 2020	
Contracts with positive fair value	Contracts with negative fair value
(in millions of roubles)	

Foreign exchange forwards and swaps:

fair values as of 31 December 2020 of

—US\$ receivable on settlement (+)	29,311	-
—US\$ payable on settlement (-)	-	(104)
—RUB receivable on settlement (+)	75	-
—RUB payable on settlement (-)	(24,351)	-
—EUR payable on settlement (-)	-	(5)
—GBP payable on settlement (-)	-	-
Net fair value of foreign exchange forwards and swaps.	5,035	(109)

As of 31 December 2019

Contracts with positive fair value	Contracts with negative fair value
(in millions of roubles)	

Foreign exchange forwards and swaps:**fair values as of 31 December 2019 of**

—US\$ receivable on settlement (+)	8,768	8,888
—US\$ payable on settlement (-)	(1,570)	(2,664)
—RUB receivable on settlement (+)	1,896	2,971
—RUB payable on settlement (-)	(8,388)	(9,474)
—EUR payable on settlement (-)	(301)	(294)
—GBP payable on settlement (-)	(15)	(17)
Net fair value of foreign exchange forwards and swaps...	390	(590)

As of 31 December 2018

Contracts with positive fair value	Contracts with negative fair value
(in millions of roubles)	

Foreign exchange forwards and swaps:**fair values as of 31 December 2018 of**

—US\$ receivable on settlement (+)	9,373	-
—US\$ payable on settlement (-)	(1,146)	(982)
—RUB receivable on settlement (+)	1,619	1,360
—RUB payable on settlement (-)	(7,666)	(596)
—EUR receivable on settlement (+)	-	596
—EUR payable on settlement (-)	(459)	(370)
—GBP payable on settlement (-)	(11)	(11)
Net fair value of foreign exchange forwards and swaps...	1,710	(3)

Analysis by Segment

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

- *Consumer finance*, representing retail loans (credit cards, cash loans, consumer loans, car loans, secured loans), deposits and savings, also lifestyles and travel services to individuals.
- *Retail debit cards*, representing customer current accounts services to individuals with the loyalty programmes, co-branded offers, and also lifestyles and travel services to individuals.
- *InsurTech*, representing insurance services provided to individuals, such as personal accident insurance, personal property insurance, travel insurance and vehicle insurance.
- *SME services*, representing customer current accounts, savings, deposits services and loans to individual entrepreneurs and small to medium businesses.
- *Acquiring and payments*, providing merchants and businesses the ability to process payments online using internet and offline acquiring services, through direct-to-merchant agreements, aggregators and the Group's own aggregator CloudPayments.
- *InvestTech*, representing online brokerage platform for investing in a range of securities including Russian and international securities.
- *MVNO services*, providing full coverage across Russia and international roaming, offering a number of value-added options such as virtual numbers, music and video streaming services.

Management monitors the operating results of business segments for the purposes of allocating resources and assessing performance.

The Group's segments are strategic business units that focus on different services to the customers of the Group. They are managed separately because each business unit requires different marketing strategies and represents different types of businesses.

The following table set forth certain data for each of the Group's operating segments for the six months ended 30 June 2021.

	Consumer Finance	Retail Debit Cards	InsurTech	SME Services	Acquiring and Payments (in millions of roubles)	InvestTech	MVNO services	Eliminations	Total
External revenues									
Interest income calculated using the effective interest rate method.....	63,904	5,622	210	1,624	-	3,789	5	-	75,154
Fee and commission income on cards' and current accounts' services	1,445	8,110	-	5,813	-	247	59	-	15,674
Fee for selling credit protection	2,558	-	-	-	-	-	-	-	2,558
Acquiring commission	-	39	-	-	9,471	-	-	-	9,510
MVNO and investments services	-	-	-	-	-	5,107	1,244	-	6,351
Other fees receivable	380	1,542	-	-	58	-	-	-	1,980
Total fee and commission income	4,383	9,691	-	5,813	9,529	5,354	1,303	-	36,073
Insurance premiums earned	-	-	10,128	-	-	-	-	-	10,128
Other operating income	294	-	145	-	12	-	-	-	451
Total external revenues	68,581	15,313	10,483	7,437	9,541	9,143	1,308	-	121,806
Revenues from other segments									
Interest income	-	1,762	66	868	-	-	-	(2,696)	-
Acquiring commission	-	-	-	-	49	-	-	(49)	-
Other fees receivable	2	153	-	-	-	-	269	(424)	-
Insurance premiums earned	-	-	80	-	-	-	-	(80)	-
Other operating income	122	-	-	-	-	-	-	(122)	-
Total revenues from other segments ..	124	1,915	146	868	49	-	269	(3,371)	-
TOTAL REVENUES	68,705	17,228	10,629	8,305	9,590	9,143	1,577	(3,371)	121,806
Interest expense	(8,061)	(6,665)	-	(661)	-	(159)	-	2,696	(12,850)
Credit loss allowance (charge)/reversal ..	(9,609)	(71)	-	214	-	-	-	-	(9,466)
Fee and commission expense	(1,391)	(6,664)	(45)	(447)	(6,207)	(1,343)	(808)	69	(16,836)
Customer acquisition expense	(8,384)	(4,050)	(891)	(1,462)	(169)	(4,100)	(667)	509	(19,214)
Insurance claims incurred	-	-	(1,992)	-	-	-	-	52	(1,940)
Administrative and other operating expenses	(10,735)	(5,441)	(2,206)	(2,897)	(1,356)	(1,959)	(652)	45	(25,201)
Other (losses)/ gains	97	1,740	(50)	106	-	250	-	-	2,143
SEGMENT RESULT	30,622	(3,923)	5,445	3,158	1,858	1,832	(550)	-	38,442

The following table set forth certain data for each of the Group's operating segments for the year ended 31 December 2020.

	Consumer Finance	Retail Debit Cards	InsurTech	SME Services	Acquiring and Payments (in millions of roubles)	InvestTech	MVNO services	Eliminations	Total
External revenues									
Interest income calculated using the effective interest rate method.....	113,494	9,092	409	2,358	-	2,804	10	-	128,167
Fee and commission income on cards' and current accounts' services	2,715	11,154	-	9,147	-	261	15	-	23,292
Fee for selling credit protection	4,657	-	-	-	-	-	-	-	4,657
Acquiring commission	-	-	-	-	11,049	-	-	-	11,049
MVNO and investments services.....	-	-	-	-	-	4,998	1,815	-	6,813
Other fees receivable	739	982	-	-	77	-	-	-	1,798
Total fee and commission income ...	8,111	12,136	-	9,147	11,126	5,259	1,830	-	47,609
Insurance premiums earned	-	-	18,567	-	-	-	-	-	18,567
Other operating income	1,169	-	250	-	26	-	-	-	1,445
Total external revenues	122,774	21,228	19,226	11,505	11,152	8,063	1,840	-	195,788
Revenues from other segments									
Interest income	-	2,737	56	1,244	-	-	-	(4,037)	-
Acquiring commission	-	-	-	-	85	-	-	(85)	-
Other fees receivable	2	251	-	-	-	-	379	(632)	-
Insurance premiums earned	-	-	72	-	-	-	-	(72)	-
Other operating income	371	-	-	-	-	-	-	(371)	-
Total revenues from other segments	373	2,988	128	1,244	85	-	379	(5,197)	-
TOTAL REVENUES	123,147	24,216	19,354	12,749	11,237	8,063	2,219	(5,197)	195,788
Interest expense	(16,965)	(9,322)	-	(1,215)	-	-	-	4,037	(23,465)
Credit loss allowance (charge)/reservall	(38,243)	(372)	-	(726)	-	-	-	-	(39,341)
Fee and commission expense	(1,889)	(9,266)	(88)	(803)	(6,976)	(1,491)	(1,214)	128	(21,599)
Customer acquisition expense	(12,466)	(4,042)	(1,143)	(1,385)	(311)	(3,111)	(1,028)	898	(22,588)
Insurance claims incurred	-	-	(3,842)	-	-	-	-	28	(3,814)
Administrative and other operating expenses	(17,304)	(5,698)	(3,759)	(4,322)	(1,656)	(2,027)	(961)	106	(35,621)
Other (losses)/ gains	(610)	5,935	219	1,345	-	-	-	-	6,889
SEGMENT RESULT	35,670	1,451	10,741	5,643	2,294	1,434	(984)	-	56,249

The following table set forth certain data for each of the Group's operating segments for the year ended 31 December 2019.

	Consumer Finance	Retail Debit Cards	InsurTech	SME Services	Acquiring and Payments (in millions of roubles)	InvestTech	MVNO services	Eliminations	Total
External revenues									
Interest income calculated using the effective interest rate method.....	103,077	5,673	322	1,883	-	284	8	-	111,247
Fee and commission income on cards' and current accounts' services	2,665	8,759	-	7,867	-	33	15	-	19,339
Fee for selling credit protection	5,550	-	-	-	-	-	-	-	5,550
Acquiring commission	-	-	-	-	8,342	-	-	-	8,342
MVNO and investments services	-	-	-	-	-	635	890	-	1,525
Other fees receivable	456	592	-	-	54	-	-	-	1,102
Total fee and commission income ...	8,671	9,351	-	7,867	8,396	668	905	-	35,858
Insurance premiums earned	-	-	14,110	-	-	-	-	-	14,110
Other operating income	364	-	288	69	-	-	1	-	722
Total external revenues	112,112	15,024	14,720	9,819	8,396	952	914	-	161,937
Revenues from other segments									
Interest income	-	3,739	83	1,327	-	-	1	(5,150)	-
Acquiring commission	-	-	-	-	85	-	-	(85)	-
Other fees receivable	-	83	-	-	-	-	250	(333)	-
Insurance premiums earned	-	-	135	-	-	-	-	(135)	-
Other operating income	380	-	-	-	-	-	-	(380)	-
Total revenues from other segments	380	3,822	218	1,327	85	-	251	(6,083)	-
TOTAL REVENUES	112,492	18,846	14,938	11,146	8,481	952	1,165	(6,083)	161,937
Interest expense	(18,273)	(8,561)	-	(1,632)	-	-	(5)	5,150	(23,321)
Credit loss allowance (charge)/reservall	(26,429)	61	-	(44)	-	-	-	-	(26,412)
Fee and commission expense	(2,581)	(4,682)	(21)	(729)	(6,119)	(166)	(910)	85	(15,123)
Customer acquisition expense	(11,380)	(2,024)	(1,392)	(2,150)	(112)	(841)	(1,064)	786	(18,177)
Insurance claims incurred	-	-	(4,891)	-	-	-	-	-	(4,891)
Administrative and other operating expenses	(15,052)	(4,615)	(2,320)	(3,408)	(967)	(715)	(837)	62	(27,852)
Other (losses)/ gains	(1,299)	581	(16)	109	-	-	-	-	(625)
SEGMENT RESULT	37,478	(394)	6,298	3,292	1,283	(770)	(1,651)	-	45,536

In 2019 and 2018, the Group had a different breakdown of business segments comprised of the following four segments:

- *Retail banking*, representing customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans, car loans, secured loans and brokerage services to individuals.
- *SME accounts services*, representing customer current accounts, savings, deposits services and providing loans to individual entrepreneurs and small to medium businesses.
- *Insurance operations*, representing insurance services provided to individuals, such as personal accident insurance, personal property insurance, travel insurance and vehicle insurance
- *MVNO services*, providing full coverage across Russia and international roaming, offering a number of value-added options such as virtual numbers, music and video streaming services.

Due to the use of different approach with respect to the segment reporting in the year ended 31 December 2019 the breakdown of certain data for each of the Group's operating segments for the year ended 31 December 2018 will be differing from disclosed above.

The following table set forth certain data for each of the Group's operating segments for the year ended 31 December 2018.

	Retail banking	SME accounts services	Insurance operations	MVNO services	Elimination s	Total
	(in millions of roubles)					
External revenues						
Interest income calculated using the effective interest rate method	74,283	1,807	179	-	-	76,269
Other similar income	456	-	-	-	-	456
Fee and commission income	19,550	7,687	-	186	-	27,423
Net gains from derivatives revaluation ..	1,784	-	-	-	-	1,784
Net gains from operations with foreign currencies	363	-	18	-	-	381
Net gains from disposals of debt securities at FVOCI	378	-	-	-	-	378
Insurance premiums earned	320	-	6,354	-	-	6,674
Other operating income	2,726	39	202	4	-	2,971
Total external revenues	99,860	9,533	6,753	190	-	116,336
Revenues from other segments						
Interest income	50	-	71	-	(121)	-
Acquiring commission	40	-	-	-	(40)	-
Income from MVNO services	-	-	-	53	(53)	-
Other fees receivable	17	-	-	-	(17)	-
Net gains from disposals of debt securities at FVOCI	79	-	-	-	(79)	-
Insurance premiums earned	-	-	311	-	(311)	-
Other operating income	59	-	-	-	(59)	-
Total revenues from other segments...	245	-	382	53	(680)	-
Total revenues	100,105	9,533	7,135	243	(680)	116,336
Interest expense calculated using the effective interest rate method	(14,418)	(1,212)	-	(50)	121	(15,559)
Expenses on deposit insurance	(1,090)	(84)	-	-	-	(1,174)
Credit loss allowance for loans and advances to customers and credit related commitments	(11,574)	(33)	-	-	-	(11,607)
Credit loss allowance for debt securities at FVOCI	(192)	-	-	-	-	(192)
Fee and commission expense	(10,453)	(1,125)	-	(246)	54	(11,770)
Customer acquisition expense	(11,189)	(2,374)	(772)	(254)	367	(14,222)
Net losses from foreign exchange translation	(2,153)	-	-	(2)	-	(2,155)

	Retail banking	SME accounts services	Insurance operations	MVNO services	Elimination s	Total
	(in millions of roubles)					
Net losses from debt instruments at FVTPL	(808)	-	-	-	-	(808)
Insurance claims incurred	-	-	(2,126)	-	-	(2,126)
Administrative and other operating expenses	(17,372)	(2,370)	(1,002)	(814)	59	(21,499)
Segment result	30,856	2,335	3,235	(1,123)	(79)	35,224

Capital Adequacy

The Group's capital adequacy ratios are calculated (i) on a consolidated basis under the methodology set by the Basel Committee with capital adjustments as set out in Basel III ("**Basel CAR**") and (ii) under CBR requirements (for Tinkoff Bank), which apply a methodology set by the CBR based on stand-alone accounting records prepared in accordance with RAS, with the relevant ratios for the period under review set out at the end of this subsection.

The Group's Tier I capital is represented by net assets of the Group increased by perpetual subordinated debt and decreased by intangible assets. The Group's Tier II capital is represented by subordinated debt which does not qualify for Tier I capital.

The following table sets out the principal components of the Group's Basel CAR and information on N1.0, N1.1 and N1.2 Ratios as of 30 June 2021, 31 December 2020, 2019 and 2018:

	As of 30 June 2021	As of 31 December 2020 2019 2018		
		(in millions of roubles)		
Risk-weighted assets	859,336	786,809	577,792	393,319
Tier I capital	155,814	140,689	109,134	58,671
Total capital	155,814	140,689	109,134	58,671
<i>Basel III Ratio</i>				
Tier I capital ratio ⁽¹⁾	18.1%	17.9%	18.9%	14.9%
Total capital adequacy ratio⁽¹⁾	18.1%	17.9%	18.9%	14.9%
<i>Statutory Ratios</i>				
CBR common equity Tier I capital adequacy ratio (N1.1)⁽²⁾	10.0%	10.2%	9.5%	9.4%
CBR Tier I capital adequacy ratio (N1.2) ⁽²⁾	11.9%	12.4%	11.7%	13.2%
CBR total capital adequacy ratio (N1.0) ⁽²⁾	12.2%	13.1%	12.1%	13.9%

⁽¹⁾ Calculated on a consolidated basis under the methodology set by the Basel Committee with capital adjustments as set out in Basel III. The Group's Tier I capital is represented by net assets of the Group increased by perpetual subordinated debt and decreased by intangible assets.

⁽²⁾ Calculated in accordance with the rules of the CBR and is based on Tinkoff Bank's unconsolidated RAS accounts which are materially different from IFRS.

Although the Group is not bound to comply with capital adequacy ratios calculated under the methodology set by the Basel Committee, the Group regularly monitors its compliance with these ratios on a voluntary basis. Despite growth in risk-weighted assets throughout the period under review, the Group was able to maintain a Basel CAR significantly above the minimum capital requirements of 6 percent for the Tier I capital ratio and 8 percent for the total capital ratio set by the Basel Committee as of each period end under review. As at 30 June 2021, the Group's Basel III total capital adequacy ratio and Tier I capital ratio amounted to 18.1 percent. As at 31 December 2020, the Group's Basel III total capital adequacy ratio and Tier I capital ratio amounted to 17.9 percent.

At the end of each of the first, second, third and fourth quarters of 2020, Basel III total capital adequacy ratio and Tier I capital ratio amounted to 19.2 percent and 19.2 percent, 19.3 percent and 19.3 percent, 19.7 percent and 19.7 percent, 17.9 percent and 17.9 percent, respectively.

The Group's return on average risk-weighted assets, which is profit for the period divided by average risk-weighted assets, increased to 8.7 percent in 2018 and subsequently decreased to 7.6 percent in 2019 and 6.8 percent in 2020, before increasing to 7.4 percent in the six months ended 30 June 2021. The Group's risk weighted assets growth rate accounted for 46.9 percent in 2019, 36.2 percent in 2020 and 9.3 percent in the six months ended 30 June 2021.

Given the broad and evolving nature of Basel III rules, recommendations and calculation methodologies, Management can exercise a significant degree of discretion over their application. Moreover, given that the Group has commenced calculating and reporting figures related to Basel III capital adequacy only in recent years, it may not have the same resources and experience in this area as banks that had adopted Basel III a longer time ago. As such, there can be no assurance that figures related to Basel III capital adequacy as reported by the Group are fully comparable to similar figures reported by other banks, or that Basel III methodologies and calculations currently used by the Group would not be amended in the future. Furthermore, with the introduction of IFRS 9 from 1 January 2018, which replaced IAS39, the Group capital ratios calculated in accordance with Basel III rules, recommendations and calculations methodologies from its IFRS financial statements are being negatively affected due to changes to how its assets and impairment charges are being calculated. This change to IFRS did not have an impact on its CBR ratios or its statutory regulatory capital requirement which are calculated under different methodology using RAS financial information.

On 1 March 2013, Regulation No. 395-P entered into force and from 1 January 2014 Russian banks started applying Regulation No. 395-P for calculation of their capital and capital adequacy ratios, which was subsequently replaced with Regulation No. 646-P.

Tinkoff Bank's N1.0 Ratio, on a stand-alone RAS basis was 13.9 percent as of 1 January 2019, 12.1 percent as of 1 January 2020, 13.1 percent as of 1 January 2021 and 12.2 percent as of 1 July 2021. The CBR requires banks to maintain a N1.0 Ratio of at least 8 percent, N1.1 Ratio of at least 5.5 percent and N1.2 Ratio of at least 5 percent based on RAS (see *"Overview of the Banking Sector and Banking Regulation in Russia—Banking Regulation—Mandatory Economic Ratios"*).

Significant Accounting Policies and New Accounting Pronouncements

A detailed description of the Group's significant accounting policies, effect of adoption of new or revised standards and new accounting pronouncements are set forth in Note 40, Note 41 and Note 42 to the 2020 Annual Consolidated Financial Statements and in Note 22 to the Interim Consolidated Financial Statements. Certain new standards and amendments to IFRS became effective from 1 January 2021 and have been adopted by the Group, including IFRS 17 (Insurance Contracts).

A number of new standards and amendments to standards, including IFRS 16 (Leases) are effective for annual periods beginning after 1 January 2019. The Group adopted IFRS 16 Leases from 1 January 2019. The Group applied the standard using the modified retrospective method, without restatement of comparatives. The Group recognised a right-of-use asset of RUB 1,671 million against a corresponding lease liability on 1 January 2019.

Effective for annual periods beginning on or after 1 January 2023, IFRS 17 (Insurance Contracts) will replace IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. As a consequence, it was difficult for investors to compare and contrast the financial performance of otherwise similar insurance companies. IFRS 17 is a single principle-based standard to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. Insurers will be recognising the profit from a group of insurance contracts over the period they provide insurance coverage, and as they are released from risk. If a group of contracts is or becomes loss-making, an entity will recognise the loss immediately. The Group is currently assessing the impact of the above standard on its consolidated financial statements.

Critical Accounting Estimates and Judgments

In the application of the Group's accounting policies, Management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. As a result of the volatility in the global and Russian financial markets, Management's estimates may change and result in a significant impact on the Group. Actual results may differ from these estimates.

Judgements that have the most significant effect on the amounts recognized in the Annual 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: (a) ECL measurement; (b) credit exposure on revolving credit facilities; (c) perpetual subordinated bonds; (d) interest income recognition; (e) unbundling of loans and insurance products; and (f) tax legislation. Refer to Note 3 to the 2020 Annual Consolidated Financial Statements and Interim Consolidated Financial Statements appearing elsewhere in these Listing Particulars for further details.

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

Expected credit losses measurement

Management regularly reviews the Group's loan portfolio to assess credit loss allowance. In determining whether an impairment loss should be recorded in profit or loss for the period, the Group uses expected credit losses model. Calculation and measurement of the expected credit losses is an area of significant judgement and involves methodology, models and data inputs. The Group assesses on a forward-looking basis the expected credit losses for debt instruments (including loans) measured at amortized cost and fair value through other comprehensive income and for the exposure arising from loan commitments and financial guarantee contracts. The Group measures expected credit losses and recognises credit loss allowance at each reporting date.

The following components of expected credit losses calculation have a major impact on credit loss allowance: probability of default, which estimates the likelihood of default to occur over a given time period and loss given default, which is based on the difference between the contractual cash flows due and those that the Group would expect to receive. The Group regularly reviews and validates models and inputs to the models to reduce differences between the expected credit loss estimates and actual credit loss experience. See Note 29 to the 2020 Annual Consolidated Financial Statements.

Tax Legislation

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 by 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 noncompliant counterparties. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year when decision about review was made. 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) but has specific characteristics. This legislation provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions (transactions with related parties and some types of transactions with unrelated parties), provided that the transaction price is not arm's length.

Tax liabilities arising from transactions between companies are determined using actual transaction prices. It is possible, with the evolution of the interpretation of the 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.

The Group includes companies incorporated outside of Russia. The tax liabilities of the Group are determined on the assumption that these companies are not subject to Russian profits tax, because they do not have a permanent establishment in Russia. TCSGH is a tax resident of Cyprus only and full beneficial owner of Tinkoff Bank and JSC Tinkoff Insurance. This interpretation of relevant legislation may be challenged but the impact of any such challenge cannot be reliably estimated currently; however, it may be significant to the financial position and/or the overall operations of the Group. The Controlled Foreign Company ("CFC") legislation introduced Russian taxation of profits of foreign companies and non-corporate structures (including trusts) controlled by Russian tax residents (controlling parties). The CFC income is subject to a 20 percent tax rate if the CFC is controlled by a legal entity and a rate of 13 percent if it is controlled by an individual. As a result, Management reassessed the Group's tax positions and recognised current tax expense as well as deferred taxes that arose from the expected taxable manner of recovery of the relevant the Group's operations to which the CFC legislation applies to and to the extent that the Group (rather than its owners) is obliged to settle such taxes.

As Russian tax legislation does not provide definitive guidance in certain areas, the Group adopts, from time to time, interpretations of such uncertain areas that reduce the overall tax rate of the Group. While Management currently estimates that the tax positions and interpretations that it has taken can probably be sustained, there is a possible risk that outflow of resources will be required should such tax positions and interpretations be challenged by the tax authorities. 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.

As of 30 June 2021, 31 December 2020, 2019 and 2018, no material tax risks were identified.

BUSINESS

Overview

The Group is an innovative provider of online retail financial services. Its portfolio includes Tinkoff Bank, Tinkoff Investments (the Group's retail brokerage business), Tinkoff Business (which provides SMEs with transactional services, including online and offline acquiring services), Tinkoff Mobile (the mobile virtual network operator), Tinkoff Insurance, Tinkoff Capital (the asset management company), Tinkoff Software DC (which operates a network of development hubs in Russia's largest cities), and Tinkoff Education. The Group is currently developing the Tinkoff ecosystem, which incorporates financial and lifestyle services into the Group's portfolio. The Group operates in Russia through a high-tech low-cost platform and provides products and services through its best-in-class Tinkoff Super-App. The Group is the second-largest credit card issuer in the Russian market with a market share of 14 percent as at 1 January 2021, according to CBR data, and issued 2.4 million, 3.5 million and 3.2 million new credit cards in 2018, 2019 and 2020, respectively. The Group is also the second-largest issuer of unsecured retail loans up to three years, with a market share of 8.6 percent as at 31 December 2020. The Group is also the third-largest retail bank in Russia in terms of active retail customers, according to JSC "NEO" data as at October 2020.

While credit cards have historically constituted the Group's core business, the Group has been able to successfully diversify its credit product (with cash loans, point-of-sale loans, home equity loans and car loans now making up a significant portion of the loan book), but also its non-credit products and services offering made available to customers on both a proprietary and broker-service basis through its one-stop online customer service destination, the Tinkoff Super-App. See "*Competitive Strengths—Track Record of Innovation and Diversification*" below. Such additional products and services typically require limited capital investment but provide a valuable opportunity to diversify the Group's sources of revenue, attract new customer segments, retain existing customers and drive customer traffic, thereby generating further opportunities for cross-selling. For example, the Group's Tinkoff Investments product launched in late 2016 already has over 1.5 million active customers, who account for 67 percent of active retail brokerage accounts at Moscow Exchange, according to the Group's estimation based on Moscow Exchange data as at 30 June 2021. In 2020 alone, the Group was named the world's Best Consumer Digital Bank and Best Consumer Digital Bank in Russia by Global Finance, and "Tinkoff Bank" was recognised among the fifty most valuable Russian brands, as ranked by Brand Finance. In the six months ended 30 June 2021, the Group increased its total customers by 1.7 million credit customers, 1.0 million Tinkoff Investments customers, and 3.1 million current account customers, thereby bringing total customers of the Group to 16.7 million (of which 11.5 million were active customers).

The Group has no branches – all customer interactions (other than deliveries) are conducted online. Accordingly, the Group's business model is focused on the Tinkoff ecosystem, an advanced high-tech online financial and lifestyle services platform, that has more than 12.5 million monthly active users. The Tinkoff ecosystem acts as a centralised customer acquisition channel through which the Group's wide range of credit and non-credit products and services are offered to customers. The main gateway into the platform is the Tinkoff Super-App, which integrates all elements of the Tinkoff ecosystem, including digital banking, Tinkoff Investments, Tinkoff Mobile, Tinkoff Business, Tinkoff Insurance and lifestyle services, among others. Customers also enjoy the support of the Group's 24/7 high-volume call centres. The Group's main marketing and distribution channels are its online channels (Internet, mobile and telesales), which, Management believes, optimise the scope of its coverage and allow it to access otherwise underserved parts of the country. The Group's "smart couriers" delivery network enables it to deliver cards and other products and services to consumers throughout Russia within one or two days while adhering to all relevant safety measures. This branchless, infrastructure-light operating structure provides a low fixed cost base and high degree of flexibility. For example, the Group was able to adapt swiftly to, and remain profitable during, the period of uncertainty and economic downturn in Russia associated with the COVID-19 pandemic, and, equally, was able to quickly ramp up product offerings to meet to increased customer demand for online services both during the height of the pandemic and as economic conditions began to improve from late 2020.

The Group's operations are supported by its advanced IT and artificial intelligence capabilities, which underpin the security, ease of use and engaging nature of the Tinkoff online platform, as well as the operational efficiency of its online / remote service business model. Furthermore, the Group's focus on data analysis and machine-learning enables it to target its marketing and product offerings effectively and give it an advantage in its underwriting, risk analysis and collection processes. Management believes that the relatively low level of retail and SME financial services penetration, relatively high margins and regulatory and technology barriers to entry for the Group's competitors make its business model attractive in terms of growth potential and competitive edge.

As of 30 June 2021, the Group's total assets, loans and advances to customers and customer accounts (including deposits) amounted to RUB 966.0 billion, RUB 507.4 billion and RUB 706.7 billion, respectively, as compared to RUB 859.3 billion, RUB 376.5 billion and RUB 626.8 billion, respectively, as of 31 December 2020. In the six months ended 30 June 2021, the Group generated profit for the period of RUB 30.3 billion, as compared to RUB 19.3 billion in the same period in 2020. In the year ended 31 December 2020, the Group generated profit for the period of RUB 44.2 billion, as compared to RUB 36.1 billion in the year ended 31 December 2019 and RUB 27.1 billion in the year ended 31 December 2018.

Incorporation and History

Tinkoff Bank is a Russian bank organised as a non-public joint-stock company and operates under the laws of Russia, with its registered office located at 2nd Khutorskaya ulitsa 38A, building 26, 127287 Moscow, Russia. Tinkoff Bank is registered with the Unified State Register of Legal Entities of the Russian Federation with the Principal State Registration Number 1027739642281. The telephone number of Tinkoff Bank's registered office is +7 495 648 1000.

As of the date of these Listing Particulars, Tinkoff Bank operates under two banking licences (both of which are registered under No. 2673) received from the CBR that cover a wide range of banking activities. These licences were issued on 28 January 1994 and were last re-issued on 24 March 2015 owing to a change in the name of Tinkoff Bank's name from TCS Bank to Tinkoff Bank. Tinkoff Bank's banking licences allow it to conduct banking operations that include, but are not limited to, operations in roubles and foreign currencies, acceptance of deposits from individuals and legal entities in roubles and foreign currencies, opening and maintaining bank accounts of individuals and legal entities, wire transfers and settlements. Tinkoff Bank has been a member of the Russian mandatory deposit insurance system (for retail deposits) registered under No. 696 since February 2005. In March 2018, Tinkoff Bank also obtained the necessary licences to conduct brokerage and depositary activities.

Tinkoff Bank was incorporated in January 1994, and was initially known as Joint-Stock Company AKB Khimmashbank ("**Khimmashbank**"). Khimmashbank was a small bank focused on customers from the pharmaceutical and chemical industries primarily operating in Moscow and the Moscow region.

In November 2006, TCSGH, a Cypriot company at that point under the sole control of Mr. Tinkov, acquired 100 percent of the share capital of Khimmashbank. In December 2006, Khimmashbank was renamed "Tinkoff Credit Systems" (Tinkoff Bank).

From late 2006 to early 2007, the Group hired its core management team, put in place its core IT systems and key business processes. In the spring of 2007, it launched its credit card lending programme using direct mail as the primary customer acquisition channel.

In October 2007, ELQ Investors II Ltd (a vehicle owned by Goldman Sachs Group Inc.) acquired a 10.0 percent stake in TCSGH together with a 5.0 percent option to increase its stake. In September 2008, Vostok Nafta acquired a 15.0 percent stake in TCSGH. Concurrently, ELQ Investors II Ltd exercised its 5.0 percent option increasing its stake in TCSGH to 13.6 percent after dilution.

In 2009, as part of its strategy to diversify its funding sources, the Group launched its retail deposit programme in four regions of Russia. This programme was expanded to all other regions in 2010.

In mid-2010, Tinkoff Bank redesigned its website to create a new tool for customer acquisition and made it possible for its potential customers to submit credit card applications through the Internet, which allowed it to speed up the processing of such applications, reduce the average cost of new customer acquisitions, target younger customers more effectively and significantly increase the potential for faster growth of its credit card business. In 2011, the Group launched the mobile and telesales sub-channel of its online customer acquisition platform. In the same year, the online channel became the largest customer acquisition channel for the Group.

In 2012, Baring Vostok and Horizon Capital acquired minority stakes in TCSGH by making investments in May 2012 and October 2012, respectively.

In October 2013, TCSGH completed an IPO of 62,111,802 GDRs with one GDR representing an interest in one Class A Share (with the offer price of US\$ 17.50 per GDR). The GDRs are admitted to the official list maintained by the UK Financial Conduct Authority and to trading on the main market for listed securities of the London Stock Exchange plc. In 2013, the Group launched Tinkoff Insurance.

The period of 2014 – 2016 marked the evolution of the Group’s business model as it launched a variety of new non-credit products and services, including Tinkoff Business, Tinkoff Investments and Tinkoff Travel, some of which were offered on a proprietary basis, and others via the Group’s broker channels. In 2016, the Group launched the Tinkoff online platform, which remains the cornerstone of the Tinkoff ecosystem and significantly enhanced its mobile offerings. At the same time, the Group was able to successfully navigate through the recession in Russia and instability in the financial and banking markets, including significant depreciation of the rouble against major currencies.

During 2017 and 2018, the Group further diversified its business lines and expanded the Tinkoff ecosystem with a particular focus on introducing new servicing and transactional offerings, lifestyle services and select loan products, as well as growing its existing non-credit operations, including Tinkoff Insurance. The expansion was predominantly achieved via the organic development or launch of new products on the basis of existing offerings, additional brokerage channels and select investments in partners or other market participants. In addition, these years were characterised by significant growth of the Group’s credit card portfolio and market share of the credit card market.

In the second half of 2017, the Group launched Tinkoff Mobile, its mobile virtual network operator, and also acquired a 55 percent stake in CloudPayments for purposes of enhancing its merchant acquiring services as part of the strategy to expand Tinkoff Business. The Banker, a member of The Financial Times, named Tinkoff Bank Russia’s “Bank of the Year” in 2017 and in 2020 and the “Most Profitable Bank in Central and Eastern Europe” in 2017 and 2019, and the Group received various awards from Global Finance and Marksw Webb Rank&Report. In the first half of 2018, the Group began offering Tinkoff Investments services on a proprietary basis, and further expanded the services available via this platform later in 2018, and also established a collective of twelve (plus one cloud virtual) development hubs at the Skolkovo innovation centre. The CBR added Tinkoff Bank to the register of significant credit organisations in the payment services market. The Group continued its strategy of enhancing its non-credit card offering and providing more synergetic lifestyle services to its. In 2018, the Group also started to offer car loans, secured loans and loans to individual entrepreneurs and SMEs. In 2018 and 2020, Tinkoff Bank received the “Best Consumer Digital Bank (Global)” and “Best Mobile Banking App” awards from Global Finance, and Tinkoff Investments was named “Best Investment Management Services” by Global Finance.

2019 was a key year in the development of the business. The Group launched its “Oleg” voice assistant, which is able to recognise and interpret different user voice commands, ask follow-up questions, solve problems and communicate with the user on a variety of topics to help him or her to manage all the key financial and lifestyle services in the Tinkoff ecosystem via the Tinkoff mobile app. This app was itself subject to a major upgrade in 2019, with the launch of the Tinkoff Super-App, which serves as a single mobile access point for all of the components of the Tinkoff ecosystem, including Tinkoff Investments, Tinkoff Business and Tinkoff Insurance, together with lifestyle services (such as movies, concerts, theatres, restaurants, travel, shopping and sporting events), personalised recommendations and an online marketplace open to external retail partners, all supported by the Oleg voice assistant. Also in 2019, the Group launched Tinkoff Capital, which offers a line of Russian ETFs to retail investors. Tinkoff Capital customers can manage their ETFs on the Tinkoff online platform, including accessibility via the Tinkoff Investments mobile app. See “—*Transactional, Servicing and Savings Products—Transactional, Servicing and Savings Products - Retail—Tinkoff Investments*”. Operationally, the Group was in 2019 able to significantly diversify its loan mix with various collateralised loans – home equity loans and car loans – and unsecured cash loans and point-of-sale loans.

In November 2020, the Group launched an all-in-one premium subscription services branded “Tinkoff Pro” and “Tinkoff Premium”, which allow customers to use the products and privileges of the Tinkoff ecosystem and its partners on special terms. See “—*Lifestyle Banking—Loyalty Programmes*”.

In April 2021, the Group launched the first buy-now-pay-later (“BNPL”) service in Russia under the brand “Dolyame”. Dolyame allows customers to spread payments for goods purchased at participating online retailers over a period of several weeks without paying extra or needing to fill out lengthy documents, while the retailer receives the entire purchase price immediately. See “— *Transactional, Servicing and Savings Products—Transactional, Servicing and Savings Products - SME—BNPL Service*”.

Also in April 2021, as part of its commitment to good economic, social and governance practices, the Group joined the United Nations Environment Programme Finance Initiative, which aims to ensure that participating organisations’ strategies align with the UN Sustainable Development Goals and the Paris Climate Agreement.

Most recently, The Group acquired a controlling stake in LLC “Beskontakt” – a fintech company developing the “Koshelek” digital wallet for customers’ loyalty and payment cards. See “—*Lifestyle Banking—Loyalty Programmes*”.

Credit Ratings of Tinkoff Bank

Tinkoff Bank is rated by two internationally-recognised rating agencies: Moody’s and Fitch. As at the date of these Listing Particulars, Moody’s long-term foreign and local currency deposit ratings and senior unsecured local currency debt rating of Tinkoff Bank is “Ba3” (with a “positive” outlook), and was revised by Moody’s on 8 July 2021. The Fitch long-term foreign and local currency deposit ratings and senior unsecured local currency debt rating of Tinkoff Bank is “BB” (with a “stable” outlook), and was revised by Fitch on 30 September 2020.

Tinkoff Bank is also rated by two Russian rating agencies: Analytical Credit Rating Agency (“ACRA”) and Expert RA (“RAEX”). As at the date of these Listing Particulars, ACRA’s rating of Tinkoff Bank is “A(RU)” with stable outlook, and was revised by the ACRA on 28 April 2021. RAEX’s rating of rating of Tinkoff Bank is “ruA” with positive outlook, and was revised by the RAEX on 25 August 2021.

Recent Developments

On 6 July 2021, the Group completed its debut securitisation of home equity loans, which involved the placement to retail and institutional investors of RUB 5.6 billion of 7.9 percent bonds secured by a portfolio of home equity loans evidenced by ‘electronic’ mortgage certificates. The transaction also involved a non-public placement of similar securities. The Group intends to conduct further securitisation transactions in the future.

Also in July 2021, the Group acquired a further stake in LLC “Beskontakt” (the company behind the “Koshelek” digital wallet), bringing the Group’s total stake from 77.4 percent to 85.4 percent.

On 10 September 2021, the board of directors of TCSGH was strengthened by the appointment of Pavel Fedorov as a non-executive director and Marilou Pavlou as an executive director. Their combined market-leading expertise in business development, international markets, legal and compliance, acquisitions and partnerships is expected to be a valuable resource to the Group as it pursues its growth strategy.

Competitive Strengths

Management believes that the Group enjoys an exceptional position among financial services providers and is transforming the Russian financial services market through a combination of the following strengths:

Growth Opportunities in the Russian Consumer Market and Retail Financial Services

Russia is a vast country with Europe’s largest population at 146.8 million as of April 2021, according to the International Monetary Fund. According to the World Bank, Russia is the 11th-largest economy in the world and the fifth largest in Europe, with a total nominal GDP of approximately US\$ 1.48 trillion in 2020. According to the World Bank, baseline Russian GDP growth is forecast at 3.2 percent in 2021.

Although adoption rates of retail financial services have been steadily raising over the last several years, the level of adoption of retail financial services in Russia remains relatively low. Russia lags behind not only advanced economies such as the United States, the UK or Germany, but also certain large emerging economies, such as China or Brazil, in terms of the ratio of retail loans or retail deposits or insurance premiums to GDP. On the other hand, Russia enjoys relatively high levels of adoption of online and mobile technologies, with internet penetration of 83 percent and smartphone penetration of 95 percent in 2020, according to Deloitte’s Media Consumption in Russia report. The combination of the low penetration of financial services and the country’s high level of adoption of online/mobile consumer technology represents an attractive opportunity for an innovative, IT-driven financial and lifestyle ecosystem such as the Group’s. Various segments of the retail financial services market have seen extraordinary growth in recent years, as illustrated by an increase in payment card transactions from RUB 18 billion in 2016 to RUB 50.6 billion in 2020; an increase in the share of cashless payments in retail from 34 percent in 2016 to 70 percent in 2020 (in each case, according to CBR data); an increase in the number of unique retail clients on the Moscow Exchange from 1.1 million in 2016 to 8.8 million in 2020 (according to the Moscow Exchange), and the expansion of the Russian e-commerce market by over 3.5 times between 2016 to 2020 (in terms of numbers of orders, according to Data Insight).

The Group was able to capitalize on its position and these growth opportunities by significantly enlarging its customer base, expanding its credit card and retail lending business, capturing additional market share and

diversifying its financial services and product mix. The Group's customer base has grown considerably in recent years, with 7.2 million, 10.2 million, 13.3 million and 16.7 million total customers in the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2021, respectively, of which 5.2 million, 7.2 million, 9.1 million and 11.5 million were active customers. This is reflected in CBR data, according to which the Group has increased its market share of the Russian credit card market in terms of loan portfolio size from 11.8 percent as of 1 January 2018 to 14.0 percent as of 1 January 2021 and to 14.6 percent as of 1 July 2021, making the Group the second-largest credit card lender in Russia. In addition, in 2019, the Group was the third-largest issuer of retail loans up to three years, with a market share of 6.4 percent as of 1 January 2019, which had increased to 8.6 percent as of 1 July 2021. The steps taken by the Group in the last several years culminated in the creation of the comprehensive Tinkoff ecosystem primed to capture further growth of the Russian consumer and retail financial services markets.

Given the continued growth of the Group's business, including in terms of market share, transaction volumes and assets, Management believes Tinkoff Bank meets, or is close to meeting, the criteria for designation as a systemically important bank in Russia. Tinkoff Bank has not, as at the date of these Listing Particulars, been designated as a systemically important bank, but such designation may occur in the near future. See *"Risks—Tinkoff Bank may be designated as a systemically important bank, which may result in additional regulatory requirements and scrutiny by the CBR"*.

Advanced Highly Scalable Tinkoff Ecosystem and the Tinkoff Super-App

The Group has built the advanced, high-tech, customer-centric Tinkoff ecosystem, which covers a wide spectrum of financial and lifestyle banking needs, ranging from multiple ways of obtaining a loan, funding purchases and managing wealth and investments to making travel arrangements, reserving a table at a restaurant, ordering food, shopping and purchasing cinema and theatre tickets. Key product lines offered by the Tinkoff ecosystem include, among others, retail loans, deposits, insurance, investments, mobile connectivity and data services, SME business products and services, and multiple lifestyle features, as well as partner products and services through the Tinkoff Super-App. The diverse but complementary array of products and services offered by the Tinkoff ecosystem creates a powerful network effect and drives customer traffic onto the Tinkoff online platform, thereby creating additional opportunities for cross-selling.

The Tinkoff Super-App is a versatile application designed to meet almost any financial or lifestyle need its users may have. The application aggregates all of the components of the Tinkoff ecosystem and is capable of being scaled up exponentially. The Tinkoff Super-App includes the following features: (i) the Group's digital banking offering, including all its retail financial products; (ii) lifestyle services; (iii) seamless integration with other products and services of the Tinkoff ecosystem, including Tinkoff Investments, Tinkoff Mobile, Tinkoff Business and Tinkoff Insurance (some of which continue to operate as separate applications), which can be accessed using a single Tinkoff ID; (iv) a marketplace for products and services provided by the Group's partners; (v) personalisation of recommendations and services and anticipation of a customer's financial needs; (vi) end-to-end integration with the "Oleg" voice assistant; and (vii) implementation of AI technology and machine learning across the product suite and lifestyle features. One of the key components of the Tinkoff Super-App is the marketplace, which allows third-party partners to connect to the marketplace (via open API) using the "app-in-app" model and offer targeted products and services within the Tinkoff Super-App. In addition, the app is complemented by Stories, which are targeted AI-generated recommendations based on each customer's transaction activity, and relate to restaurant reservations, shopping experiences, cinema, theatre and concert tickets, travel and many more. In addition, through the Tinkoff Super-App's marketplace, the Group is now able to serve not only its existing customers but also other users who are allowed to conduct certain transactions using the Tinkoff Super-App without full identification and within legally prescribed limits. In addition, Management considers the recently introduced system for onboarding new customers via the Tinkoff Super-App to be a unique feature and competitive advantage of the Group. Such capability significantly increases the Group's exposure to its addressable audience. Management believes the Tinkoff Super-App was the first of its kind to be launched in the Russian financial services market and there is currently no equivalent offering by a financial services provider in the European market. The Tinkoff Super-App sets the Group's offering apart from the competition by encapsulating the comprehensive Tinkoff ecosystem the Group has developed and elevating user experience through convenient technology and personalization.

The Tinkoff online platform is the primary customer-acquisition channel of the Group, and is fine-tuned to attract the Group's main customer segments, including a younger, more affluent, online-savvy customer demographic. It attracted 12.5 million monthly active users in the six months ended 30 June 2021, rising from 9.3 million, 6.0 million and 4.0 million monthly active users in the years ended 31 December 2020, 2019 and 2018. Daily active users has grown similarly, reaching 4.2 million in the six months ended 30 June 2021, compared to

3.2 million, 1.9 million and 1.1 million in the years ended 31 December 2020, 2019 and 2018. Through its online platform, the Group became the leading online originator of credit cards in Russia. This online, infrastructure-light business model is adapted for the Russian market and operating environment and allows the Group to maintain a low fixed cost base and a high degree of operating flexibility to ramp the business up or slow the business down depending on the external environment. The scalability of the Group's online platform significantly enhances the Group's ability to add new products and services, and to supplement or adapt existing offerings. This ability, in turn, allows the Group to further diversify its operations and revenue streams. Furthermore, the infrastructure-light model is a core operating advantage that affords flexibility and allows the Group to attract and service customers almost anywhere in Russia. The Group's high-volume call centres (bolstered by highly efficient chat and call bot technology) together with its award-winning Internet banking and mobile banking platforms enable it to reach customers in substantially all regions, cities and towns of Russia without having to set up branches or sales offices there. As a result, the Group is not constrained by the economics of opening a branch in a particular location, while enjoying significantly lower operational costs as compared to traditional banks relying on their branch networks. In addition, the Group can achieve loan portfolio diversification throughout Russia with limited concentration of credit risk in specific large cities or regions. As of 30 June 2021, based on the number of customers, no region of Russia accounted for more than 10 percent of the Group's active customer base, with the exception of the Central region including Moscow, which accounts for 12.8 percent. Management believes that its traditional competitors are unable to attain the same far reach as the Group in terms of acquiring and servicing customers in all parts of Russia, or offer the same level of service.

The Group's achievements with respect to its online platform and product offering have been recognized by peers, industry experts and consumers and the platform has won numerous awards throughout the years. Most recently, in 2020, Tinkoff Bank received the World's Best Consumer Digital Bank, Best Mobile Banking App, Best Website Design, Best Open Banking APIs and Best Online Treasury Services by Global Finance. Markswebb Rank&Report awarded Best Daily Banking and Digital Office and Best Mobile Banking App at the Core of a Financial Ecosystem in 2020. Tinkoff Bank was named Best European Retail Bank of the Year by Retail Banker International in 2020. Tinkoff Bank ranked third on the "The People's Ranking 2020" compiled by Banki.ru, and its products received awards in the following categories: Investment Company of the Year, Deposit of the Year and Bank Card of the Year.

The ability to rely on its successful online customer-acquisition and service platform, as well as leverage the functionality of the Tinkoff Super-App, has enhanced the Group's profitability and enabled it to grow its share of the Russian retail financial market.

Track Record of Innovation and Diversification

The Group has a strong track record of successfully launching new financial products and services for retail and SME customers in Russia, as well as developing a comprehensive suite of lifestyle banking services. The Group was the first bank in Russia to use direct mail as its main acquisition channel for credit card sales and among the first to originate new credit cards and attract deposits online in large volumes. The Group pioneered the concept of "cloud-based" client servicing and acquisitions via its Home Call Centre, as well as quick and efficient distribution via its "smart courier" network. Tinkoff Investments has been an innovator in the retail investments segment and has garnered numerous accolades, and Tinkoff Mobile was the first MVNO launched by a bank in Russia.

The Group has history of developing and launching innovative products and services, including:

- the Tinkoff Black debit card, launched in September 2012, offering interest-earning current accounts, payment and transactional services and other benefits (including free cash withdrawals worldwide, certain purchase discounts, cashback and foreign currency optionality allowing for up to 30 currency accounts to be linked to a single card);
- Tinkoff Insurance, launched in 2013, through which the Group offers car, property, travel and certain other insurance policies. The Group was the first to offer a purely online service with the policy delivered to a customers' email inbox;
- Tinkoff Business, launched in 2016, through which the Group, on a proprietary basis, provides financial, transactional, accounting and tax products and services to individual entrepreneurs and small businesses. Under the Tinkoff Business umbrella, the Group launched Tinkoff Checkout in 2021, a one-stop payment platform for corporate clients that will combine all existing payment

technologies of the Tinkoff ecosystem as well as new solutions, including services provided by CloudPayments;

- Tinkoff Investments, launched in October 2016, through which the Group offers a comprehensive suite of retail investment products and services. Tinkoff Investments was designed for different types of retail customers depending on their investor activity and makes a whole range of investment instruments available, along with analytics, a roboadvisor solution and manager support available online via chatbots or offline;
- Tinkoff Travel, launched in November 2016, through which the Group offers air travel and train tickets, hotel rooms and car rentals as well package tours through its partnership with travelata.ru. Tinkoff Travel was relaunched in 2019 as an online travel agency with new improved features, such as travel insurance;
- Tinkoff Mobile, through which the Group offers mobile connectivity and data services to customers throughout Russia. It offers a user-friendly interface and tariff constructor, which allows customers to build a personalised tariff plan of their desired services without any hidden or unwanted services;
- “Oleg”, the voice assistant for financial and lifestyle tasks, launched in June 2019. Oleg is available across the core applications of the online platform and is able to recognise and interpret different user voice commands, ask follow-up questions, solve problems and communicate with the user on a variety of topics. Oleg assists customers by allowing them to use their voices to manage all the key financial and lifestyle services in the Tinkoff ecosystem. In 2021, Markswebb awarded Oleg first place for Best Customer Experience among the chatbots of Russia’s top-15 banks;
- Tinkoff Pro and Tinkoff Premium, services that provide access to the Tinkoff ecosystem via a subscription that features certain privileges, such as higher interest rates on current accounts and bank deposits, higher cash back, free mobile time in Tinkoff Mobile and bonuses in various services of the Tinkoff ecosystem;
- the Tinkoff Super-App, a versatile application that the Group launched in 2019. The Tinkoff Super-App aggregates all of the Group’s products under one umbrella, and provides a platform enabling third-party partners to offer their services, and allows customers to seamlessly satisfy their daily banking, credit, transactional and lifestyle needs; and
- the development of the Group’s AI Banking technology with the aim of providing technology-powered customer services and personalised user interfaces that will guide and advise customers, assist them with managing and automating their finances, and help customers save and become wealthier by automating and simplifying investments.

The Group’s innovative product development was instrumental to creating the Tinkoff online platform, which has grown into the Tinkoff ecosystem of integrated products and services tailored for customers’ financial and lifestyle needs, and remains key to the diversification of the Group’s business model and future growth.

Additional non-credit product lines help to build the Tinkoff brand and drive customer traffic onto the Tinkoff online platform, thereby creating additional opportunities for cross-selling. For example, the Group’s Tinkoff Investments product launched in late 2016 already has over 1.3 million active customers, of which over 90 percent have subsequently become Tinkoff Black users. Cross-selling opportunities such as this have allowed products per customer to grow from 1.3 as at 31 December 2019 to 1.4 as at 31 December 2020, despite the denominator having increased as a result of significant growth in the Group’s customer base. In addition, customers tend to use more Tinkoff products as time goes by, with the average products per customer rising from 1.3 for customers that have used the Group’s services for one year to 1.8 for customers that have used the Group’s services for six years.

Product and service diversification, including new credit products, also enable the Group to target new, more affluent and/or underserved customer segments, including young professionals and small businesses, and diversify the Group’s interest and fee and commission revenue streams in line with its strategy. In keeping with the Group’s infrastructure-light, flexible business model, the new products and services do not require significant capital investment and can be scaled up or down efficiently in accordance with prevailing conditions in the retail financial services market. The development and diversification of the Group’s product mix, especially in non-credit business lines, was the main contributing factor in the substantial growth of fee and commission income in the

last several years, and Management expects that non-credit card income will continue to grow and will represent a valuable hedge against cyclical trends in the consumer credit market.

Reflecting the substantial diversification of the Group's offering beyond its traditional credit product business, in 2020, for the first time, the number of customers that have used non-credit products and services exceeded the number of credit product customers of the Group. Moreover, the share of non-credit card loans in total loans and advances to customers at AC amounted to 47.5 percent and the share of secured loans amounted to 9.6 percent as of 30 June 2021, and to 9.0 percent and 7.7 percent, respectively, as of 31 December 2020 and 2019.

In order to develop better products, the Group regularly applies a "test and learn" approach by running small-scale tests to gauge customer interest and the effect of proposed innovations on its operating and financial results. The Group rolls out only those innovations or products that prove successful in these tests. In order to measure the results of these tests and obtain the necessary data for introducing new products or changing the existing ones, the Group uses holistic data analysis and modelling.

Expertise in Data Management, Analysis and Advanced Risk Management Capabilities

To effectively carry out its key functions, including marketing across different acquisition channels, sourcing of potential customers, potential customer evaluation and selection, credit risk monitoring and management or collections, the Group has built extensive and complex data management and analysis capabilities. It extensively uses its own and third party databases (including databases of credit bureaus, government agencies and marketing partners) in its scoring models, NPV models, portfolio forecast models, provisions forecasting and a variety of other sophisticated analytical tools that are essential for the success of its operations. Management believes that the significant investment and substantial operating experience that would be necessary to replicate these capabilities represent a meaningful competitive advantage and a barrier for new entrants.

The Group considers risk management to be one of its most important core competencies and a differentiating factor vis-a-vis its competitors in financial services. The Group uses its own and third-party databases and analytical models to extensively evaluate, appropriately price and effectively control the credit risk of individual customers as well as entire segments of its loan portfolio. Its rigorous loan approval process is based on four pillars – pre-selection of a large proportion of customers, sophisticated use of information from credit bureaus, verification of customer data and low initial credit limits that are increased on a regular basis for non-delinquent customers (a "low and slow" approach). The Group runs well-functioning and tested collections programmes, which combine in-house "soft" collections that rely on holistic data analysis to appropriately prioritise accounts and determine cost-effective collections strategies, conversion of some debt into personal instalment loans, a "legal" collections programme whereby the Group initiates and conducts numerous court actions remotely through standardised claims-processing and transfer collections to Phoenix (as defined below), its internal collection agency, or, to a much lesser extent, to external collection agencies. The Group sets credit loss allowances for loans and advances to customers conservatively and also applies a conservative approach to managing the market risk of its securities and other financial assets portfolio. The Group is generally not engaged in significant trading operations and manages its foreign currency positions through hedging, matching or controlled mismatching. The Group has also prioritised investing in and developing AI technologies and machine learning to enhance its risk management processes by optimizing credit scoring processes.

These advanced features of the Group's risk management practice are reflected in the Group's cost of risk (excluding POCI), which has averaged 10.0 percent in the ten years from 2011 to 2021, despite the adverse economic conditions in Russia in 2014-2016 and the COVID-19 pandemic in 2020.

Premium-Level Service and Brand

Management believes that the Group distinguishes itself from its competitors by offering a premium-level customer service and customer experience. The Tinkoff online platform is a convenient one-stop financial and lifestyle services destination through which a wide range of competitively priced and customized products and services are offered to customers. The Group operates a "smart couriers" delivery network throughout Russia and works to expedite customer application processes. The Group's customers enjoy convenient 24-hours-a-day, seven-days-a-week access to their accounts and financial transaction and lifestyle services through the combination of the Tinkoff online platform and free mobile and call centre service platforms. The Group's cards are accepted globally through the MasterCard and Visa networks, and offer "platinum" benefits, including discounts at partner merchants or rewards points and loyalty programmes. The Group maintains a focus on ensuring customer satisfaction through a well-developed complaints resolution programme and by extensively training its call centre staff to offer friendly and helpful service. Illustrating the customer service and experience

is the high engagement level of the Group's customer base, with approximately 12.5 million monthly active users and 4.2 million active daily users across the various features of the Group's online platform.

In 2020, the Tinkoff brand was included in the global Top 500 most valuable banking brands by Brand Finance and in the top 50 most expensive Russian brands by Brand Finance. The Group's brand recognition is very strong due to the high profile persona of its founding shareholder Mr. Tinkov, from whose last name the brand originates. The name "Tinkoff" is associated with Mr. Tinkov's well-known entrepreneurial activity that has given birth to a number of successful businesses and brands in Russia, including beer, restaurants and frozen foods. The Group's marketing and public relations divisions are highly attuned to the latest consumer and online trends and use a variety of communication channels, including its online platform, social networks (Instagram, Twitter, Facebook, YouTube, Odnoklassniki and V Kontakte) and social and industry events to further enhance the Group's brand recognition. In addition, Tinkoff Bank runs an online educational journal called "Tinkoff Journal" which primarily focuses on personal finance management, investments, interaction with banks and other consumer issues. Further, from time to time the Group initiates television advertising campaigns which Management believes increase interest in the brand of Tinkoff Bank. Management believes that the Group's brand strategy strengthens its customer-acquisition campaigns, particularly as its online customer acquisition platform has become the Group's most significant distribution channel.

Experienced Management Team and Strong Corporate Culture of Innovation and Entrepreneurship

The Group is run by an entrepreneurial and highly-experienced management team. Its top management has previous experience at leading financial, banking and consumer companies in Russia, and most senior managers have been with the Group since inception, providing a great degree of continuity and stability. The Group has a share-based incentive plan for its managers, which aligns their interests with those of shareholders in terms of developing and growing the business to create long-term value. The organisational structure of the Group is flat, which, in addition to cost benefits, also encourages fast decision-making, quick communication and participation of non-managerial employees in the contribution of ideas. The Group's dynamic corporate culture is characterised by a strong emphasis on teamwork, clear roles for managers and employees and a culture of accountability that does not, however, prevent people from being proactive or willing to experiment. The Group benefits from a wealth of experience and know-how on smart business expansion and effective scaling up operations. Management develops growth strategies and acquisition channels on the basis of several core principles, including acquisition based on mapping the customer journey, testing and learning new channels, NPV-based scaling and constant assessment of channel efficiency through data analytics, whilst the development teams benefit from in-house infrastructure, full control over acquisition channels via in-house marketing for their respective business lines and structures to tackle cross-functional acquisition projects.

As the founder and largest shareholder of the Group, and one of the best known Russian entrepreneurs, Mr. Tinkov continues to play an important role in supporting the Group's dynamic strategic vision.

Strong Financial Performance with Attractive Combination of High Growth and Returns

The Group demonstrated strong financial results during the 2018-2020 period, with net margin growing from RUB 60,668 million in the year ended 31 December 2018, to RUB 104,702 million in the year ended 31 December 2020. Fee and commission income increased from RUB 27,423 million in the year ended 31 December 2018 to RUB 47,609 million in the year ended 31 December 2020, with its share in total revenue accounting for 23.6 percent in the year ended 31 December 2018 and 24.3 percent in the year ended 31 December 2020. Profit for the year increased by a total of 63.0 percent from RUB 27,122 million in the year ended 31 December 2018 to RUB 44,213 million in the year ended 31 December 2020, return on average equity decreased from 74.7 percent in the year ended 31 December 2018 to 40.6 percent in the year ended 31 December 2020, and the cost of risk (excluding POCI) increased from 5.8 percent for the year ended 31 December 2018 to 10.0 percent for the year ended 31 December 2020. The Group's net loans and advances to customers increased from RUB 198,489 million as of 31 December 2018 to RUB 376,521 million as of 31 December 2020. The Group's customer accounts increased from RUB 280,916 million as of 31 December 2018 to RUB 626,837 million as of 31 December 2020. The Group's results in the six months ended 30 June 2021 remained strong, with net margin amounting to RUB 62,304 million compared to RUB 52,359 million in the six months ended 30 June 2020. The Group increased its total assets to RUB 966,004 million as of 30 June 2021 from RUB 375,499 million as of 31 December 2018.

Strategy

The Group's strategic goal is to grow its business and customer base by building the most comprehensive, engaging and innovating financial and lifestyle ecosystem in the world supported by a high-tech online platform

that offers premium-quality service and convenience, while maintaining profitability and effective data-driven risk management.

This overall strategic goal is underpinned by the following six pillars:

Continue to Grow the Group's Business and Customer Base

According to CBR data, the Group has increased its market share of the Russian credit card market in terms of loan portfolio from 11.8 percent as of 1 January 2018 to 14.0 percent as of 1 January 2021 and to 14.6 percent as of 1 July 2021, making the Group the second-largest credit card lender in Russia. In addition, in 2019, the Group is a major issuer of retail loans up to three years, with a market share of 8.6 percent as of both 1 January 2020 and 1 July 2021, putting it in second and third position, respectively. However, the Group's market share in the overall retail loan market in terms of loan portfolio stood at only 2.2 percent as of 1 May 2021, according to CBR data. Management believes the Russian market continues to offer considerable growth opportunities and the Group intends to capitalize on these prospects in a number of ways. See “—Competitive Strengths—Growth Opportunities in the Russian Consumer Market and Retail Financial Services” above.

The Group will continue scaling up its existing business lines with the aim of gaining a larger share of the “serviceable addressable market” which the Group defines as the aggregate of the markets that it is currently targeting. In addition to the serviceable addressable market, the Group has identified a number of market segments which it may reasonably target as part of its growth strategy (or, in some instances, has launched and is testing products for such segments) and these segments are collectively referred to as the “total addressable market”. To take just two examples, the Group is currently developing its Tinkoff Private premium banking product, as well as testing its capital markets investment banking service. Tinkoff Private aims to offer high-net-worth clients a full range of digitalised high-end services and benefits, such as wealth management, consultations with tax specialists, high credit limits, access to business lounges and a concierge service. The Group's investment banking services will seek to assist corporates (primarily those operating in new-economy countries) with issuances of equity and debt securities. Other market segments of interest include SME lending, mortgages, merchant solutions, life and medical insurance and leasing. The Group will also seek to benefit from the deepening of the credit, retail investment and insurance markets as these markets remain underpenetrated.

While the Group continues to regard Russia as its primary market in terms of business opportunities (such as those described above) and capital allocation, Management also views international expansion as a possibility. The Group has for several years been evaluating a number of markets and looking at opportunities in various geographical regions (including south-east Asia (excluding China)) where Management believes the Group's business model could be rolled out successfully. In the last year, Management has begun actively exploring entry strategies with respect to certain such markets. In particular, the Group plans to establish a subsidiary in the Philippines and, in August 2021, applied to the local regulator for approval of a banking licence. Management does not expect this strand of the Group's strategy to result in any material change to the Group's capital allocation profile in the short term.

In terms of customers, the Group plans to grow the number of active customers and increase the engagement levels with each customer. Management has identified its total addressable population as being equal to Russia's economically active population that stood at approximately 100 million as of April 2021, according to CBR data and the Group's estimations. The Group aims to increase its active customer base from 9.1 million as of year-end 2020 to 16.5 million by the end of 2023. The Group will also continue focusing on increasing the customer engagement level, which it defines as the number of revenue-generating products per active customer. The Group aims to reach a customer engagement level of 1.7× by the end of 2023 (as compared to 1.4× as of year-end 2020).

By implementing the growth strategy and focusing on reaching the targets described above, the Group aims to double its business by the end of 2023 and reach approximately 28 million total revenue-generating products (as compared to 12.7 million as of 31 December 2020).

Continue to Develop the Tinkoff Ecosystem as a Comprehensive One-stop Destination for Customers

The Group intends to continue to develop the Tinkoff ecosystem, in order to provide a comprehensive one-stop destination which customers can use to conveniently satisfy the full range of their financial and lifestyle needs, thereby growing both the total number of active customers and increasing the amount of products and services used by each customer.

The Group will focus on developing and expanding the Tinkoff ecosystem's offering by focusing on products that satisfy at least one of the following purposes: (i) customer acquisition; (ii) monetization; or (iii) engagement.

The Group may also from time to time acquire controlling or minority stakes in businesses, as well as clients or portfolios, that it views as being complementary to the Tinkoff ecosystem product offering or synergistic with other business lines. For example, the Group has made two investments since the start of 2021. In the first half of 2021, it acquired an 85.4 percent stake in LLC "Beskontakt" – a fintech company developing the "Koshelek" digital wallet for loyalty and payment cards – for the purposes of integrating the Group's various loyalty programmes further into the Tinkoff ecosystem and providing customers with an engaging and convenient way to access them. In June 2021, the Group acquired a 5.0 percent stake in PJSC SPB Exchange – Russia's oldest stock exchange and the largest outside Moscow – for the purposes of facilitating a coordinated approach to widening the variety of financial instruments (including options and other derivatives) available for retail investors to trade on the Saint Petersburg Stock Exchange (on which Tinkoff Investments was as at 11 June 2021 the largest trader in terms of trading volumes, number of active customers and customer assets, according to PJSC SPB Exchange).

Credit Products and Services

Management expects that retail lending will remain the Group's core business for the foreseeable future and intends to continue to extend the range of its credit products, strengthen the Group's existing credit distribution channels and develop new distribution channels (such as retail partners with large distribution networks, loyalty programmes and cross-selling to customers using new products).

In particular, Management intends to continue growing the Group's non-credit card lending, such as cash, auto, SME, POS and secured loans, and to further selectively diversify its comprehensive credit product offering for the retail market. The Group seeks to first test and, if successful, develop new loan products that supplement the Tinkoff ecosystem and acquisition channels and that do not require significant capital investments. For example, in 2018 the Group began to offer home equity and car loans and after a period of testing distribution, gathering data and building models for these loan products, the Group has considerably scaled up its secured lending operations (the aggregate portfolio of secured loans amounted to RUB 53,939 million as at 30 June 2021). The Group has also been carefully testing and developing its corporate lending business lines by initially offering loan products to select SME clients since 2018, and since 2021 the Group has begun to scale up this offering.

The expansion of the Group's credit product offering for the retail market aims to increase convenience for customers by providing them with a one-stop lending shop, help to retain the Group's customer base in the Tinkoff ecosystem and increase the Group's revenue per customer, as well as provide further opportunities to cross-sell its transactional and servicing products. By expanding the corporate lending business the Group aims to further diversify its revenue sources and capitalise on lucrative cross-selling opportunities.

Furthermore, the Group intends to leverage its highly successful non-credit products, such as Tinkoff Black, as well as the increasing functionality of the Tinkoff ecosystem, to cross-sell its growing range of loan products. Management expects that the addition of these and potentially other lending products, together with the expansion of its non-lending products and services, will enable the Group to continue to grow its customer base and diversify its revenue streams.

Transactional and Lifestyle Products and Services

Diversification of the Group's products and services has been a vital component of the evolution of the Group's business model from a credit card issuer into the all-encompassing Tinkoff ecosystem that provides financial and lifestyle services to customers across Russia. The Group intends to continue developing servicing and transactional business lines available to customers, with a focus on lifestyle banking as it enables the Group to provide a customer-centric service and more extensive cross-selling opportunities. See "*Competitive Strengths—Track Record of Innovation and Diversification*". By expanding these products and services the Group will be able to further diversify its sources of revenue, increase customer-retention rates, attract new customers and capture a higher proportion of the financial products and services used by its existing customers. In this respect, the Group will continue to seek out potential opportunities to partner with third-party lifestyle service providers, including via investing in such providers or creating joint ventures.

The Group will continue to leverage its flexible online platform which allows it to experiment and test new products at low cost. This approach enables the Group to select products that can fit well with the Tinkoff ecosystem philosophy of its business model. The Group will continue to offer its primary non-credit products,

such as Tinkoff Black debit cards, Tinkoff Business, Tinkoff Investments, Tinkoff Acquiring and Tinkoff Insurance, on a proprietary basis. Tinkoff Investments has grown rapidly during the last several years in terms of customer base, functionality and product line, and the Group will seek to maintain Tinkoff Investments' position as a leading full-service digital retail investment platform, as well as to test and develop new products and services, including equity and debt capital market services focused on new-economy companies, asset and wealth management and corporate brokerage. In respect of Tinkoff Business, the Group has been expanding its non-credit products and services to corporate clients, primarily SMEs, and has been placing more focus on addressing medium-sized corporate clients. In particular, the Group believes it can assist companies in growing their business by offering an array of merchant solutions such as acquiring, cloud accounting, website construction, delivery services and CRM tools, and plans to continue developing the corporate banking business as a source of further non-credit revenue and cross-selling. The Group also aims to continue increasing the customer base of Tinkoff Insurance and Tinkoff Acquiring via direct acquisition and through cross-selling within the Tinkoff ecosystem and potentially introduce innovative acquiring, payments and insurance products and services.

In April 2021, the Group launched its BNPL service for online purchases under the brand name "Dolyame". This service is a first of its kind in Russia as it enables customers to pay for goods and services in instalments using payment cards of any bank and Apple Pay and Google Pay at no additional cost to the customer (see — *Transactional, Servicing and Savings Products—Transaction, Servicing and Savings Products-SME—BNPL Service* for more details). Currently, transaction volumes and the customer base of the Dolyame service are immaterial compared to some of the Group's other financial services, but the Group is taking steps to expand the partner network and customer base.

The Group also aims to continue investing in Tinkoff Mobile which management considers to be an important component of the Tinkoff ecosystem and believes this business segment will become profitable in 2022.

The Group currently places and will continue to place focus on lifestyle banking as an integral part of the expanding Tinkoff ecosystem. To that end, Management aims to increase the active monthly users of its various lifestyle products and services and increase the engagement of such users. The Group also plans to continue developing relations with existing lifestyle partners and seek out new partnership opportunities. These steps will allow it to broaden the lifestyle offering, drive more traffic to the Tinkoff online platform and enhance opportunities for additional cross-selling, whilst at the same time generating fee-and-commission-based revenue without requiring balance sheet funding or causing any pressure on capital levels.

The Group's non-credit net income has grown substantially in the last several years and Management intends for such income to continue to grow and represent a significant portion of its total net income in the future.

Tinkoff Super-App

The Group's online platform has been critical to the successful evolution of its business model. To support the expansion of the Tinkoff ecosystem and elevate the customer experience further, the Group launched the Tinkoff Super-App in December 2019 (see "*Competitive Strengths—Advanced Highly Scalable Tinkoff Ecosystem and the Tinkoff Super-App*"). The Group intends to continue developing the Tinkoff Super-App by adding features and enhancing functionality and integration with the Tinkoff ecosystem, as well as by expanding the partner network in number and substance.

Management believes that by constantly enhancing the Group's online presence it will improve access to customers in regions underserved by physical bank branches and to customers from more affluent demographics that spend more time online and tend to use more financial and lifestyle services. Further, the Group will continue to capitalise on increased traffic to the Tinkoff online platform to gain access to additional data on consumer trends and preferences, which it can use to further refine its marketing and credit analysis and underwriting processes, as well as to be better positioned to diversify its product mix by selectively developing and testing various products and services.

Increase Customer Engagement by Expanding and Developing its Cross-Selling Channels

Management believes that customer engagement is vital to its growth strategy and has plans to significantly increase customer-retention rates and engagement levels. Whilst the Group has achieved significant results in engaging its target audience (see "*Competitive Strengths—Growth Opportunities in the Russian Consumer Market and Retail Financial Services*"), management has calculated that, as of 30 June 2021, approximately 7.1 million customers have only one product from the Group's wide portfolio. This provides the Group with ample opportunities to increase customer engagement using various cross-selling tactics. In particular, Management sees

an opportunity to increase net income by cross-selling from its most popular products, such as Tinkoff Black (which has an LTV/CAC ratio of 6.4× and a CAC payback period of nine months), into its most profitable products, such as Tinkoff Investments (which has an LTV/CAC ratio of 32.9× and a CAC payback period of two months) and, in the case of SME customers, Tinkoff Business (which has an LTV/CAC ratio of 10.5× and a CAC payback period of three months) and Tinkoff Acquiring (which has an LTV/CAC ratio of 17.0× and a CAC payback period of two months).

The Group will continue to focus on: (i) complimentary cross-selling, when several products and/or services are used jointly as they complement each other and the application process is embedded in one another or aligned; (ii) digital cross-selling via the Group's online presence and the Tinkoff Super-App, in particular, by leveraging frequent traffic, targeted communications, analytics and modelling enhanced by machine learning; and (iii) proactive cross-selling using telesales and smart couriers. In addition, in late 2020, the Group launched a new subscription service (Tinkoff Pro and Tinkoff Premium) that features certain privileges, such as higher interest rates on current accounts and bank deposits, higher cashback, free mobile time in Tinkoff Mobile and bonuses in various services of the Tinkoff ecosystem. The Group believes the new subscription services have considerable potential to grow and increase customer engagement and provide additional cross-selling potential which the Group aims to capture. For purposes of achieving maximum results, the Group will continue to tailor its cross-selling channels to its customers and products.

By developing and cross-selling new products to existing customers, the Group expects to diversify its revenue streams, increase its revenue per customer and increase its customer engagement level, retention and life time value rates.

Maintain Leadership in Customer Service and Brand Awareness

Management believes that high-quality customer service has been a key driver of the Group's growth and customer retention. Elements of the Group's premium-level service include, among others, simple application processes; streamlined documentation requirements; convenient and free twenty-four-hour, seven-days-a-week access to the Tinkoff online platform and Tinkoff ecosystem via a single Tinkoff ID using the Internet, mobile phone or call centres from wherever the customer chooses to be, whether at home, in the office or while travelling; the accessibility and resourcefulness of the Tinkoff mobile applications; the reach of its "smart courier" service in contributing to the fast processing of applications and card delivery; free loan repayments and account replenishments through a wide network of partners and the Group's own network of ATMs and payment terminals; and quick and straightforward resolution of problems and complaints. Management intends to maintain and further improve each of these components of its customer service in the future.

In addition to the above, and at the forefront of the Group's efforts to maintain leadership in cutting-edge customer service, is the development of the Group's AI Banking technology (see "*—Continue to Support Its Business Expansion by Using Advanced IT Systems and Develop Cutting-Edge AI Banking technology*"). The Group will focus on testing, improving and developing its AI Banking to provide technology-powered customer services and personalised user interfaces that will guide and advise customers, assist them with managing and automating their finances and help customers save and become wealthier by automating and simplifying investments, all with the assistance of the highly advanced voice assistant technology "Oleg".

The Group also intends to continue to build its premium brand, including through television, social media and other advertising media and the diversification of its product offering, including lifestyle services (see "*—Competitive Strengths—Premium-Level Service and Brand*" and "*—Strategy— Continue to Develop the Tinkoff Ecosystem as a Comprehensive One-stop Destination for Customers*"). Furthermore, the Group aims to leverage its reputation as a "fintech" innovator to attract top talent. Management believes that strong brand awareness will drive additional traffic to its online platform and generate additional demand for its credit and non-credit products and services.

Continue to Support Its Business Expansion by Using Advanced IT Systems and Develop Cutting-Edge AI Banking technology

The Group's in-house IT team is responsible for the development, maintenance and expansion of its online platform, including all of the mobile apps that are used in the Tinkoff ecosystem, including, among others, the Tinkoff Super-App, Tinkoff Business, Tinkoff Investments and Tinkoff Mobile. The Group expects that the Tinkoff Super-App and its online platform will play a pivotal role in the further development of the Tinkoff ecosystem and the Group aims to apply its knowledge and expertise in IT to advance these applications

technologically, so that they continue to support the Group's goals of scaling up, monetizing and cross-selling its business lines.

In addition to the continuous development of its online apps, Management intends to follow its "AI First" strategy which contemplates embedding AI into product design and culture, developing infrastructure and expertise suitable for AI, redesigning processes and personalisation with the use of AI, providing AI technology to customers and selling AI technology on the market. As part of this strategy, the Group has identified AI Banking as the next stage in the evolution of its technological platform. Initially, AI Banking was mainly used to save operating costs and bolster customer service. Management believes, however, that AI Banking can play an instrumental role in assisting customers in making choices with respect to their financial, lifestyle and leisure needs, thereby elevating their user experience and increasing engagement levels and loyalty. Furthermore, AI Banking will enhance the Group's risk-management practices, including through advanced face recognition solutions and scoring using AI-powered algorithms and predictive analytics tools.

Furthermore, the Group aims to continue introducing advanced technologies and products to banking and operational processes, such as further integration of the "Oleg" voice assistant throughout the Tinkoff ecosystem, the roll-out of Tinkoff RECO, algorithmic cashback technology, Tinkoff Defense, a comprehensive security platform, and ad-blocker technology for Tinkoff Mobile, as well as implementing its in-house facial recognition solutions (Tinkoff Crater and Tinkoff Lava), as well as implementing new technologies to supplement the Tinkoff ecosystem. In 2020, the Group announced its intention to use the super-computer Kolmogorov to support AI-based processes and significantly reduce the time required for machine learning and AI-related tasks (see "*IT Infrastructure — Big Data and Machine Learning*" for details). The Group aims to leverage its access to one of the most powerful supercomputers in Russia to streamline hypothesis-testing and decision-making processes, as well as reduce time-to-market for new products. The Group will continue to invest in the development of its advanced IT systems and expand its technological advantages over traditional Russian banks.

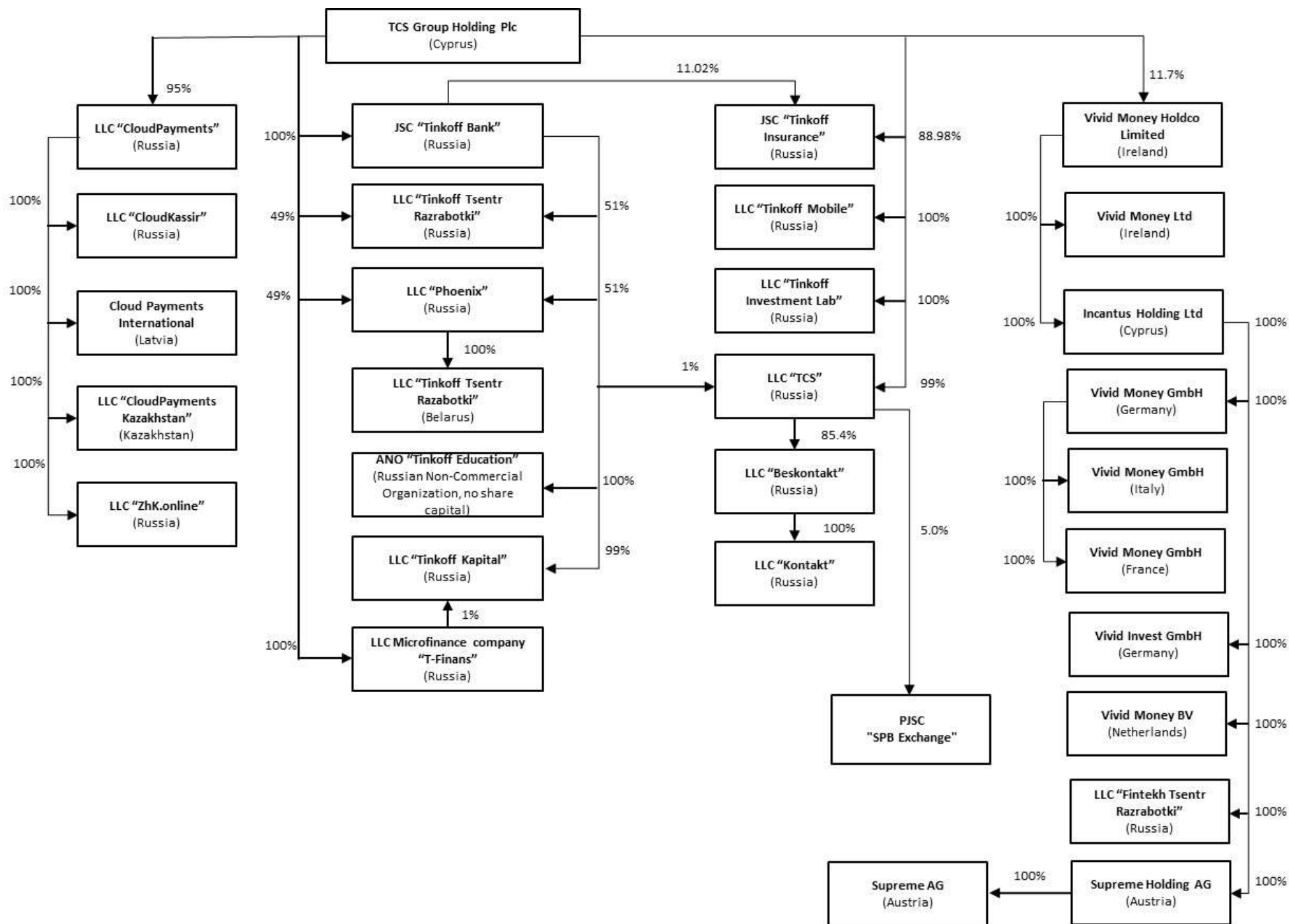
The Group has also started offering select IT solutions, such as its speech-to-text and text-to-speech toolkit, to third parties, and management sees demand and potential to monetise its in-house IT products in the future. The Group will continue to outsource IT tasks wherever feasible while retaining core IT functions in-house. This complementary outsourcing strategy allows the Group to retain focus on and develop core competencies to reduce capital expenditures, manage workflow and maintain a flexible cost base with low fixed expenses.

Effectively Manage Credit Risk in Reliance on Holistic Data Analysis and Modelling

As a data-driven organisation, the Group uses a wide range of its own and third-party databases in its loan approval processes and portfolio management and is constantly in search of new sources of relevant data. The Group takes loan approval decisions based on a range of available information, including credit bureau data and scores, proprietary scoring models (which are frequently updated), a proprietary application verification process and sophisticated NPV models (see "*Asset, Liability and Risk Management—Credit Risk—Loan Approval Criteria and Procedures*"). As part of its online origination process, the Group uses online data and behavioural profiles extensively, which Management believes gives the Group an edge over competitors in terms of underwriting. The Group has built an online scoring capability to enhance the speed and efficiency of its decisions. The Group uses holistic data analysis and modelling techniques to build NPV models at the acquisition channel or sub-channel level, which enable it to make loan approval decisions taking into account the cost of acquisition, cost of servicing, cost of funding and probability of default. Management will continue to develop credit risk-management capabilities and to use increasingly sophisticated data analysis and modelling to achieve this goal. Credit risk-management remains one of the core strengths of the Group and will remain vital to sustaining its competitive advantage in the future.

Ownership and Organisational structure of the Group

The following chart sets out the Group's organisational structure as of the date of these Listing Particulars.



TCSGH is a public limited company that was incorporated, and is domiciled, in Cyprus. As of the date of these Listing Particulars, Mr. Oleg Tinkov indirectly owns 35.08 percent of the share capital in TCSGH and controls 35.08 percent of votes at the general shareholders' meeting of TCSGH.

As of the date of these Listing Particulars, TCSGH owns 100 percent of the share capital of Tinkoff Bank.

Microfinance company "T-Finans" LLC ("**T-Finans**") is a Russian limited-liability company 100 percent owned by TCSGH. T-Finans provides micro-finance services to clients of the Group.

The Issuer is a special-purpose entity incorporated in Ireland that, from time to time, issues debt securities for the benefit of the Group (which are guaranteed by other entities within the Group). The Group neither owns shares nor has voting rights of this company. However, the Issuer was consolidated with the Group as it was specifically set up as an operating company for the purposes of the Group, and the Group has exposure to substantially all risks and rewards through outstanding guarantees of the entity's obligations.

"TCS" LLC is a Russian limited-liability company 100 percent owned by TCSGH. LLC "TCS" was established during the start-up phase of Tinkoff Bank to handle customer acquisition and partner programmes. LLC "TCS" provides printing and distribution services to the Group.

JSC Tinkoff Insurance (formerly JSC Insurance Company "Moskva") is a Russian limited-liability company owned by TCSGH (80.08 percent) and Tinkoff Bank (9.92 percent). JSC Tinkoff Insurance holds treasury shares representing 10 percent of its share capital. JSC Tinkoff Insurance provides insurance services since 2013.

"Phoenix" LLC ("**Phoenix**") is a Russian limited-liability company owned by Tinkoff Bank (51 percent) and TCSGH (49 percent). Phoenix is a debt collection agency.

"Tinkoff Software DC" LLC (also referred to as "Tinkoff Tsentrazrabotki" LLC) is a Russian limited-liability company owned by TCSGH (49 percent) and Tinkoff Bank (51 percent). LLC "Tinkoff Software DC" develops software and programming solutions for Tinkoff Bank.

"Tinkoff Mobile" LLC is a Russian limited-liability company owned by TCSGH (100 percent). LLC "Tinkoff Mobile" was founded in March 2017 to provide mobile services to the Group's customers as a mobile virtual network operator.

"CloudPayments" LLC is a Russian limited-liability company in which the Group holds a 95 percent stake. "CloudPayments" LLC is a provider of online payments solutions primarily for merchant banking.

ANO "Tinkoff Education" is a non-commercial organization set up by Tinkoff Bank as the sole founder.

"Tinkoff Capital" LLC is a Russian limited-liability company 100 percent owned by TCSGH. It was established in June 2019 as an asset management company to manage investment funds, mutual funds and non-state pension funds on behalf of the Group's customers.

"Tinkoff Invest Lab" LLC is a Russian limited-liability company 100 percent owned by TCSGH. It supports and optimises the Group's investment services.

Vivid Money Holdco Ltd is a Cypriot limited company 11.7 percent owned by TCSGH. It represents a group of fintech start-ups launched in 2020 to provide a range of services to retail customers in Europe (excluding CIS) through the mobile banking platform Vivid Money.

"Beskontakt" LLC is a Russian limited-liability company 85.4 percent owned by TCSGH. It is a fintech company developing the "Koshelek" virtual wallet that aggregates payment and loyalty cards in a single mobile app.

PJSC "SPB Exchange" is a Russian public joint-stock company 5 percent owned by "TCS" LLC. PJSC "SPB Exchange" operates the Saint-Petersburg Stock Exchange.

EBT is a special-purpose trust created for the long-term incentive programme for Management ("**MLTIP**"). The Group neither owns shares nor has voting rights in EBT.

The Group's Response to the COVID-19 Pandemic

Management took decisive action in response to the developing operating environment in 2020. Management proceeded to develop and implement a wide range of measures to reduce the risk of interruptions to the Group's

operations and the assist employees in conducting their day-to-day duties as restrictions on movement were introduced across Russia and elsewhere in the world. As part of these measures, the Group transferred 95 percent of its office workers to remote working. As at 1 April 2020, only 200 mission-critical employees were working in the Group's offices, which had social distancing and infection-control measures in place. At the same time, the Tinkoff ecosystem remained fully operational and capable of providing banking services and products to customers in the safety of their own homes during the time the restrictions were in force. That the Group's business model is branchless and much of its business is conducted remotely even during normal times meant the Group was well equipped to adapt to the emergency situation in 2020 and well placed to respond to increased customer demand for online services.

The Group is committed to supporting its customers during turbulent times and has embraced the state-mandated grace period programme that applies to certain types of cash and credit card loans. In addition, the state-mandated programme (which was formulated with the Group's input) has been supplemented with the Group's own loan restructuring programme that has fewer qualifying criteria and was developed with its customer base in mind. These programmes provide for grace periods for principal and/or interest payments, payment schedule restructuring and other measures.

In the year ended 31 December 2020, the Group approved grace periods for, or otherwise restructured, retail loans in the amount of RUB 0.4 billion pursuant to the state-mandated programme, and in the amount of RUB 53.6 billion under the Group's own loan restructuring programme. Furthermore, the Group is offering grace periods on payments of principal and interest to its SME customers. In the year ended 31 December 2020, the Group approved grace periods for, or otherwise restructured, loans in the amount of RUB 0.1 billion to SME customers under the state-mandated programme, and in the amount of RUB 0.1 billion under the Group's own loan restructuring programme.

The Group also provided assistance to the wider community during this difficult time. See “— *Corporate Social Responsibility and Environmental, Social and Governance Efforts—Corporate Social Responsibility*”.

Principal Business Activities

The Group's products and services offered to retail and SME clients include (i) consumer lending and other credit products; (ii) transactional, servicing and savings, and (iii) lifestyle banking, all of which are combined under the unified ecosystem that is the Tinkoff online platform. The Group's various non-credit products and services complement the Group's lending business and ensure a superior customer experience, thereby retaining customers and creating opportunities for cross-selling. The Tinkoff online platform has resulted from the evolution of the Group's business model, which currently represents the Tinkoff ecosystem of integrated financial and lifestyle products and services tailored for customers' needs and which encompasses all aspects of an online and mobile lifestyle. The concept behind the Tinkoff online platform is to create a destination point for customers to access any financial and lifestyle products and services and a platform for partners to sell such products and services. The Tinkoff online platform benefits from the Group's unique infrastructure, technologies and expertise, which was developed and tested on the Group's proprietary products.

Consumer Lending and Other Credit Products

Consumer Lending

Credit Cards

The Group provides credit card loans to individuals who are residents in Russia. The Group offers its own Tinkoff branded and co-branded credit cards and targets principally the mass market segment (customers with income approximately equal to the average wage in Russia who use credit cards primarily as a loan product, rather than as a payment tool), but, with some of its credit cards, it targets the mass affluent segment of the market as well.

The Group's credit card offering includes the following:

- *Tinkoff Platinum* – the flagship credit card which is marked as a premium product for the mass market segment.
- *Tinkoff ALL Airlines* – a credit card aimed at a more upscale mass-affluent segment that allows cardholders to earn air miles for all purchases that they make with the card. These miles can be redeemed for an air travel ticket on any airline, with no blackout dates, booking fees or restrictions.

- *Co-branded credit cards* – credit cards issued in partnership with popular Russian and international companies in various sectors, including airline, travel, sports, gaming and retail (including Burger King, Lukoil S7 Airlines, Yandex, AliExpress, eBay, OneTwoTrip, Google Play, Rendezvous, Lamoda, All Games, Drive, CSKA, and others). These cards are typically issued with enhanced cashback on certain products or other additional loyalty benefits (such as the chance to win a year's supply of burgers in the case of the Burger King card).

As of 30 June 2021, the Group had issued an aggregate of over 1.9 million credit cards, out of which 1.7 million had been activated. The Group had approximately 2.2 million, 3.0 million, 3.4 million, 4.2 million, 4.9 million and 5.6 million activated and used credit cards (excluding those 180 or more days overdue) at the end 2016, 2017, 2018, 2019, 2020 and as at 30 June 2021, respectively.

The Group's credit card loans are denominated in roubles. They offer a grace period from 55 to 110 days depending on credit card type, low introductory rates, and free repayments online and through the Group's ATMs and a wide network of partners. The initial credit limit for Tinkoff Platinum approximately equals the average monthly wage in Russia and does not exceed RUB 120,000 (RUB 300,000 for Tinkoff loyalty and co-branded credit cards) in any circumstances. The Group offers a longer grace period for the repayment of loans issued by other banks and various loyalty bonus programmes that provide customers the ability to exchange acquired bonus points for some of the Group's services tickets, products in retailers and other products. The Group also offers instalment loans via its credit cards in partnership with certain retailers. Such loans provide for a zero percent interest rate for up to 12 months.

The average initial limit was approximately RUB 61,260 in the six months ended 30 June 2021, as compared to RUB 60,877 in 2020, RUB 69,649 in 2019 and RUB 61,698 in 2018. The general approach to credit limit increases is: a) the credit limit may be increased a maximum of four times, and b) each limit increase amount cannot exceed the initial limit. A customer is eligible for a credit limit increase after three successful payments and then twice per year depending on the behaviour of the customer, with each new increase offered six months after the previous credit limit increase. The maximum credit limit cannot exceed RUB 250,000 (RUB 700,000 for certain Tinkoff Platinum tariff plans) or four times the customer's monthly salary (whichever is lower). In some cases, higher initial and maximum credit limit credit cards may be offered to long-standing existing customers with a proven low-risk profile.

The following table sets out the breakdown of the Group's limits on issued, activated and utilised credit cards (exclusive of credit cards more than 180 days overdue) as of 30 June 2021, 31 December 2020, 2019 and 2018:

Credit card limits (in thousands of roubles)	As of 30 June	As of 31 December		
	2021	2020	2019	2018
		(number of borrowers)		
Up to 20.....	1,243,781	1,046,228	781,128	651,290
20-40	643,908	538,746	482,343	443,659
40-60	552,824	497,940	451,425	423,030
60-80	560,072	495,431	455,978	427,986
80-100	538,047	479,786	440,139	361,803
100-120	384,777	331,606	322,726	285,574
120-140	431,990	378,547	365,750	341,017
More than 140	1,214,016	1,095,920	953,723	511,484
Total cards	5,569,415	4,864,204	4,253,212	3,445,843

As of 30 June 2021, the annual nominal percentage interest rate on credit cards issued by the Group ranged between 12.0 percent and 29.9 percent for purchases, and between 30.0 percent and 49.9 percent for cash advances, depending on the tariff plan. Customers also have to pay an annual fee (typically RUB 590 or RUB 990, depending on the card), a cash withdrawal fee (customarily RUB 290, plus 2.9 percent of the amount of cash advance), late payment fees (of 20.0 percent of any overdue balance), SMS fees (RUB 59), which are charged for receipt of a confirmation of any transaction made utilising a credit or debit card. Most of the Group's credit cards require a minimum monthly payment of 8 percent of the outstanding balance or RUB 600 (whichever is greater). All of the Group's credit card loans are unsecured.

Tinkoff Bank has been a principal member of MasterCard International since 2007 and re-launched the issuance of VISA credit cards in December 2012. Tinkoff Bank is also an official member and insurer of the Russian Payment System MIR. All of the Group's credit cards are accepted internationally. The Group's credit cards support Apple Pay, Android Pay and Samsung Pay functionalities.

The Group's distribution channels are divided into online (with two sub-channels: (i) the Internet and (ii) mobile and telesales) and offline (sales through retailers).

The following table sets out information on the number of credit card applications received by the Group in the six months ended 30 June 2021 and the years ended 31 December 2020, 2019 and 2018:

	Six months ended 30 June	Year ended 31 December		
	2021	2020	2019	2018
		<i>(in millions)</i>		
Total number of credit card applications received...	8.8	11.9	10.6	7.9
Total number of credit cards issued.....	1.9	3.3	3.6	2.4
Total number of activated cards	1.7	2.3	2.4	1.7
Total number of utilised cards	1.2	1.5	1.6	1.1

The Group's customer acquisition slightly slowed in 2020 compared to 2019 owing to a tightening of scoring models and a decline in disbursements associated with the COVID-19 pandemic. In the first six months of the 2021, the pace of the acquisition of new customers has accelerated in line with the Group's strategy to continue to acquire new credit card customers in the underdeveloped Russian credit market.

The following table sets out information on the number of credit card applications received by the Group in the six months ended 30 June 2021 and the years ended 31 December 2020, 2019 and 2018 by online and offline (sales through retailers) distribution channels:

Distribution Channels and Sub-Channels	Six months ended 30 June	Year ended 31 December		
	2021	2020	2019	2018
		<i>(number of applications in millions)</i>		
Online (Internet, mobile and telesales)	6.8	8.6	8.0	5.5
Retailers.....	2.0	3.2	2.6	2.4

The following table sets out information on the number of credit cards issued by the Group in the six months ended 30 June 2021 and the years ended 31 December 2020, 2019 and 2018 by online and offline (sales through retailers) distribution channels:

Distribution Channels and Sub-Channels	Six months ended 30 June	Year ended 31 December		
	2021	2020	2019	2018
		<i>(number of cards issued in millions)</i>		
Online (Internet, mobile and telesales)	1.4	2.0	3.3	2.1
Retailers.....	0.5	0.4	0.3	0.3

The volume of transactions made by the Group's credit card customers amounted to RUB 402,417 million in the six months ended 30 June 2021, RUB 581,706 million in 2020, RUB 548,744 million in 2019 and RUB 372,424 million in 2018.

Distribution Channels

Initially, the Group relied exclusively on offline distribution channels, primarily direct mail. In 2010, the Group started accepting credit card applications through Tinkoff Bank's website and, in 2011, it launched its mobile and telesales sub-channel of the online customer acquisition platform. By 2011, the online customer acquisition platform became the Group's principal distribution channel. For the last three calendar years, the Group acquired over 79 percent of its total new credit card customers through its online customer acquisition platform. Management believes that Tinkoff Bank is currently the number one online credit card originator in Russia by the number of credit cards issued online.

Online Customer Acquisition Platform: Mobile App and Website. The Group's digital banking products are the principal distribution channels for the Group's range of products. In mid-2010, the Group redesigned its website to create a tool for customer acquisition, initially for acquisition of retail deposits only. Subsequently, enabled potential customers to submit credit card applications via its website and its mobile app, which allowed it to speed up the processing of such applications, reduce the average cost of new customer acquisitions, target younger customers more effectively and significantly increase the potential for faster growth of its credit card business.

Credit decisions are taken promptly upon receiving the completed online application. The verification process consists of two stages: (i) a telephone verification of the information provided in the application form and (ii) a face-to-face KYC process conducted by a “smart courier” upon delivery of a card or other product to a customer. Smart couriers may deny issuance of the credit card in any suspicious case, such as inconsistency of documents, mismatching signatures or failure of facial recognition. The delivery time varies from several hours in big cities to one day in case of long-distance routes.

Online Customer Acquisition Platform: Telesales. The Group considers customers who submitted a completed application through the Group’s call centres as customers acquired through telesales sub-channel of its online customer acquisition platform. Customers submit applications through a call centre by communicating the details required by the Group to a call centre operator. The verification and product delivery are structured the same way as for Internet applicants.

Retailers. The Group also uses retailers to sell its credit products. Sales of credit products through retailers differ from sales through traditional distributional channels: retail partners serve as brokers, offering Tinkoff credit products to customers (either Tinkoff products only or alongside the products of other banks, depending on the commercial agreement). The customer underwriting process in this channel is identical to those mentioned above. In the six months ended 30 June 2021, the Group acquired 0.5 percent of its total new credit card customers through this distribution channel as compared to 0.4 percent for the year ended 31 December 2020.

The Group no longer uses such offline distribution channels as direct sales agents (distribution via sales agents) and direct mail (distribution via direct mail offers) for its credit cards.

Customer Base

Regional Distribution. The Group’s high-tech branchless platform gives it universal coverage of the entire country and the ability to address underserved parts of Russia, in which competition and supply of quality financial services are lower and unsatisfied demand and response rates are higher than in Moscow and St. Petersburg, the two largest markets in the country.

The following table sets out the distribution of the Group’s credit card loan portfolio in Moscow, St. Petersburg and the rest of Russia by outstanding principal amount (net of credit loss allowance, and excluding accrued interest and other deferrals) as of 30 June 2021:

Region	Principal Balance
	<i>(in %)</i>
Moscow	14.8
St. Petersburg	7.1
Other.....	78.2
Total.....	100

The following table sets out the regional distribution (by federal district) of the Group’s credit card loan portfolio by outstanding principal amount (net of credit loss allowance, and excluding accrued interest and other deferrals) as of 30 June 2021:

Federal District	Principal Balance
	<i>(in %)</i>
Central Federal District (including Moscow)	33.4%
Volga Federal District	15.9%
Northwestern Federal District (including St. Petersburg).....	12.7%
Siberian Federal District.....	11.4%
Southern Federal District.....	10.5
Urals Federal District	8.7
Far Eastern Federal District.....	4.0
North Caucasian Federal District.....	3.4
Total.....	100

The Group believes that, as of 30 June 2021, approximately 43 percent of its customers lived in communities with fewer than 200,000 inhabitants.

Gender and Age. The Group issues credit card loans to customers who are typically aged between 20 and 55 years.

The following table sets out gender and age breakdown for the Group's credit card customers as of 30 June 2021, 31 December 2020, 2019 and 2018:

Gender and age	As of 30 June	As of 31 December		
	2021	2020	2019	2018
Gender (percentage of male customers)	52%	52%	51%	51%
Average age of customers (years).....	35.9	36.3	37.2	37.7

Income. The following table sets out monthly self-reported income breakdown for the Group's new customers as of 30 June 2021, 31 December 2020, 2019 and 2018:

Monthly income	As of 30 June	As of 31 December		
	2021	2020	2019	2018
		(in %)		
Less than RUB 30,000.....	11	12	12	17
RUB 30,000 to RUB 50,000.....	35	39	35	39
RUB 50,000 to RUB 100,000.....	40	37	38	34
More than RUB 100,000	14	12	14	10
Total.....	100	100	100	100

Loan Repayment

The minimum monthly payment on the Group credit cards is 8 percent of the outstanding balance or RUB 600 (whichever is greater). Monthly statements are sent to credit card customers each month by e-mail, post and/or SMS. Customers can also call the call centres free of charge or access the Tinkoff online platform via the Group's website or mobile application at any time to check their balance and receive payment information. The Group conducts loan servicing and billing internally.

Debt under the Group's credit cards may generally be repaid through the following principal channels: (i) "card-to-card" payments, (ii) the Group's partners; (iii) the Group's ATMs; and (iv) online payments from accounts held at other banks.

"Card-to-Card" Payments. This is the biggest and most popular channel of debt repayment available both online via internet banking or mobile banking as well as offline via the Tinkoff call-centre. The customer instructs Tinkoff Bank to make a debit from a card (linked to the account into which customer's salary is paid, or linked to a savings or current account) or a credit card issued by any other bank. In order to initiate the payment, the customer makes a free call to a Tinkoff Bank call centre and provides the number of his or her credit card and the number of the account or card from which payment should be debited. In addition, customers are allowed to use salary payment arrangements through their employer, whereby the customer's monthly credit card payment is automatically debited from their salary and is transferred to the Group.

Payments via the Group's partners. Credit card repayments may be made through the Group's partners at over 300,000 payment locations, including offline payment networks, such as the Svyaznoy chain, online payment systems and payment terminal providers including the payment terminal provider "Elecsnet" and the money transfer systems "CONTACT", "Unistream" and "Cybeplat", among others. The Group has agreements with each of its partners to allow credit card loan repayments to be free of charge to the Group's customers with the Group bearing these costs. In most cases, the Group's competitors pass this charge directly to their customers.

ATMs. The Group has a network of ATMs which are located throughout Moscow, some parts of the Moscow Region and several other cities. ATMs allow customers to may make a wide range of payments and financial transactions, including making cash repayments on loans, cash withdrawal, open deposits, money transfers and obtain account information. As at 30 June 2021, the Group operated 300 ATMs and 520 cash-in terminals.

Online payments from accounts held at other banks. The Group's customers can repay credit cards via online payments from accounts opened with other banks. Tinkoff Bank neither charges any commission nor sets limits on the amount of such payments.

In addition, credit card repayments may be made through less popular channels, such as cash payments paid in via other Russian banks or the Russian Federal Post Office. Cash payments paid in via other Russian banks are processed through the national settlements system, Raschotnye Kassovye Tsentry (RKT), whereby a small commission is usually charged by banks on such payments. The Group also has an agreement with the Russian

Federal Post Office that allows the Group's customers to make credit card loan repayments without paying commission at over 40,000 Russian Federal Post Office branches. The Group pays the Russian Federal Post Office a fee for this service.

Cash Loans

The Group offers customers unsecured cash loans via the Group's debit cards. These cash loans have low acquisition costs due to their organic growth and cross-sell nature. The size of the loan depends on a customer's history with the Group. The Group offers loans of up to RUB 200,000 to new customers and up to RUB 2 million to existing customers with a positive track record and risk profile. The tenor of such cash loans ranges from three to 36 months. As of 30 June 2021, the aggregate gross carrying amount of the cash loans amounted to RUB 112,812 million, as compared to RUB 68,131 million, RUB 62,265 million and RUB 35,495 million as of 31 December 2020, 2019 and 2018, respectively.

POS Loans

The Group offers customers point-of-sale ("POS") unsecured lending for purchases from the Group's online and offline retail partners. The Group has relationships with approximately 11,000 such Internet retailers, including AliExpress and Wildberries. In addition, a number of big retailers such as MVideo and Svyaznoy use the POS solution through brokers. Tinkoff launched its own broker solution (with currently 3 banks plugged into the platform) and is now offering POS loans in over 100,000 offline retail merchant points of sales. Initially, the Group provided e-commerce lending only via online retailers which entered into arrangements with the Group pursuant to which their customers were able to obtain loans from the Group for purposes of making online purchases. Since 2018, the Group provides POS loans through physical locations established in retail stores pursuant to agreements entered into between the Group and retailers. The Group considers POS loans as an efficient tool to acquire customers to whom the Group can then cross-sell its main credit cards and other products. Approximately 20 percent of new monthly POS borrowers later submit application for the Group's credit cards.

The portfolio of POS loans amounted to RUB 43,408 million, RUB 32,690 million, RUB 25,940 million and RUB 15,380 million (gross carrying amount) as of 30 June 2021, 31 December 2020, 2019 and 2018, respectively. As of 30 June 2021, the carrying amount of POS loans was RUB 41,638 million as compared to RUB 31,079 million as of 31 December 2020.

Car Loans

As part of its strategy to diversify its lending business, the Group entered the Russian car loan market in the first quarter of 2018. The Group offers loans on new and used cars, but focuses on the used car market as it has higher interest rates and lower competition. The Group sells car loans of up to RUB 3 million for up to five years through car dealers and direct loans to customers. For sales via car dealers, the Group provides its own exclusive loan-issuance IT solution— a seamless functionality software with a user-friendly interface available for onsite sales agents. Car loans create synergies with Tinkoff Insurance, which enable the Group to provide its customers a full range of services. The direct sale of car loans is conducted by the Group in partnership with major sites such as auto.ru, drom.ru and others. In addition, the Group also uses its own online acquisition channels, including by cross-selling to its existing customer base.

As at 30 June 2021, the Group's gross carrying amount of the car loan portfolio was RUB 56,177 million as compared to RUB 33,991 million as at 31 December 2020.

Secured loans

Following customer demand, the Group started offering customers loans secured by a car or real estate. The Group is focusing on home equity loans as they have higher margins than mortgage loans and generally have a lower loan-to-value ratio. In addition, the mortgage market is dominated by state-controlled banks that are able to offer lower rates compared to private banks.

A customer can submit an application for a secured loan using only a state-registered ID. The first part of the loan becomes available once a credit decision on the application has been reached. The loaned funds are transferred to the customer's current account and can be accessed via Tinkoff Black. Once the collateral is registered with the Federal Agency for State Registration, the second part of the loan becomes available to the customer. The Group covers the entire origination process, including valuation, verification and registration of the collateral. The Group currently issues home equity loans for amounts of up to RUB 15,000,000 for a period of up to 15 years.

As at 30 June 2021, the Group's gross carrying amount of secured loan portfolio was RUB 55,421 million as compared to RUB 40,232 million as at 31 December 2020.

Currently, the Group is testing its car lending and secured lending operations and collecting data and building models on distribution, acquisition and customer behaviour.

SME loans

The Group provides loans to some of its SME customers as a complimentary product to its transactional and servicing SME business. These credit products include overdrafts and SME loans to selected customers primarily to satisfy their working capital needs. In addition, the Group acts as a broker for purposes of obtaining bank guarantees and loans from other banks. As of 30 June 2021, gross carrying amount of SME loans amounted to RUB 5,818 million, as compared to RUB 2,899 million as of 31 December 2020. The Group plans in 2021 to begin scaling up SME credit products for Tinkoff Business.

Loans to corporate clients

The Group may from time to time offers loans of up to RUB 60 million for 12 months to corporate customers with revenue exceeding RUB 120 million per year. This bespoke service is provided at the customer's request and on a case-by-case basis. As of 30 June 2021, the Group had no outstanding non-SME corporate loans. The Group does not currently consider non-SME corporate loans to be part of its core offering.

Transactional, Servicing and Savings Products

Transactional, Servicing and Savings Products – Retail

The Group's transactional, servicing and savings products for retail customers primarily consist of (i) debit cards; (ii) retail deposits; (iii) Tinkoff Insurance; and (iv) Tinkoff Investments.

Debit Cards

At the forefront of the Group's transactional, servicing and savings offering is Tinkoff Black, a stand-alone debit card linked to an interest-earning current account (and not linked to any term deposit). The Group believes that Tinkoff Black is the central pillar of customer relationship and will be a key driver in the development of the Tinkoff online platform as the customer's ID and current account is used as the "key" to access the Tinkoff ecosystem. Customers use these debit cards primarily for transactional convenience and not as a savings product and Management is able to cross-sell a variety of products to some holders of such cards.

Customers that have funds deposited into a current account linked to a Tinkoff Black card earn interest at an interest rate of 3.5 percent (or 5 percent for Tinkoff Pro and Tinkoff Premium subscribers) on the first RUB 300,000 in the account and at a rate of 0 percent on amounts in excess thereof. For US\$ and EUR accounts, customers earn 0.1 percent on the first US\$ 10,000 or EUR 10,000 in the account and zero percent for any amounts above. The Group offers multicurrency cards and opens accounts in more than 30 currencies. The card has several other attractive features including a unique cashback offering of 1 percent on purchases. Increased cashback is available on purchases from special-programme partners of the Group (3 to 30 percent) and on purchases made from the customer's favourites menu in the Tinkoff Super-App (2 to 15 percent). Customers also benefit from free top-ups of amounts up to RUB 150,000 (or US\$ 10,000 or EUR 10,000) and free cash withdrawals of amounts from RUB 3,000 to RUB 100,000 (or US\$ 100 to US\$ 5,000, or EUR 100 to EUR 5,000) at any ATM in the world. Management believes that these features and especially the relatively high interest rates on funds deposited in the account make Tinkoff Black a popular product. The Group charges its Tinkoff Black customers a monthly fee of RUB 99 unless the customer has a retail deposit or has at least RUB 50,000 on his or her current account.

Tinkoff Black cards are delivered to customers via the Group's system of "smart couriers", the Group's website and mobile app and call centres which allow customers to access their current accounts (and all related Tinkoff Black features) in a convenient manner. By accessing these platforms and services, customers are able to, among other things, open a separate savings account or a retail deposit, pay bills or fines (mobile, utility and others), send money to customers of other banks and buy foreign currency. In addition, they have access to a wider variety of other products and services offered on the Tinkoff online platform either by the Group or its partners. The Group calculates that customers that use Tinkoff Black cards have an average age of 33 years old and an average monthly salary of approximately RUB 80,000. The Group believes these customers have higher disposable income and make more purchases on average, are more accustomed to using technology, internet and mobile banks, and are more likely to be the consumer of other financial services. As a result, the Group views the holders of Tinkoff

Black as the key target audience for the development and growth of the Tinkoff online platform and its lifestyle services in particular.

In addition to Tinkoff Black, the Group offers a wide range of co-branded debit cards issued in partnership with popular Russian companies in various sectors, including airline, online and retail. The Group's debit cards support Apple Pay, Android Pay and Samsung Pay functionality.

The Group issues MasterCard and VISA debit cards. In 2017, the Group began to issue cards of the Russian National Payment System "MIR" ("MIR"). Tinkoff Bank was one of the first in the Russian market to adopt the CBR's Faster Payments System, which allows individuals to make and accept instant payments to and from accounts at any Faster Payments System member bank using a mobile phone number. Over 200 Russian banks are currently members of the Faster Payments System. Commissions for money transfers via the Faster Payments System are generally lower than money transfers via the traditional banking channels.

The Group's individual current/demand accounts of individuals as of 30 June 2021 amounted to RUB 375,172 million as compared to RUB 323,145 million, RUB 199,408 million and RUB 137,637 million as of 31 December 2020, 2019 and 2018, respectively. The Group had 3.2 million, 3.6 million, 4.1 million, 4.8 million and 6.8 million active debit card customers as of 31 March, 30 June, 30 September and 31 December 2020 and 30 June 2021, respectively.

The following table sets out information on the number of applications received by the Group since it began offering debit cards and the total number of debit cards activated, utilised and active as of 30 June 2021, and 31 December 2020, 2019 and 2018:

	As of 30 June	As of 31 December		
	2021	2020	2019	2018
		<i>(in millions)</i>		
Total number of debit card applications received.....	7.8	7.7	4.0	2.7
Total number of activated cards	5.1	5.6	2.9	2.0
Total number of utilised cards	3.5	3.6	2.6	1.6

The total debit card volume of purchases amounted to RUB 233 billion, RUB 208 billion, RUB 317 billion, RUB 388 billion and RUB 539 billion for the three months ended 31 March, 30 June, 30 September and 31 December 2020, and 30 June 2021, respectively.

Retail Deposits

Management believes that the Group's retail deposit programme offers high-quality customer service and competitive interest rates, a Tinkoff Black card with free cash withdrawals and account top-ups, the ability to switch between monthly interest capitalisation or monthly interest deposit on the card, a free option to convert deposited funds into U.S. dollars or euros without losing accrued interest and other features.

The Group's retail deposits as of 30 June 2021 amounted to RUB 139,815 million, as compared to RUB 135,995 million, RUB 137,292 million and RUB 100,227 million as of 31 December 2020, 2019 and 2018, respectively. As of 30 June 2021, 72.7 percent of customer accounts were denominated in roubles and 27.3 percent in foreign currency. As of 30 June 2021, RUB 514.0 billion and RUB 192.7 billion of the Group's customer accounts balances were denominated in roubles and foreign currency, respectively, compared to RUB 479.0 billion and RUB 147.8 billion, respectively, as at 31 December 2020, RUB 349.0 billion and RUB 62.6 billion, respectively, as at 31 December 2019, and RUB 243.9 billion and RUB 37.1 billion, respectively, as at 31 December 2018. As of 30 June 2021, 84.0 percent of the Group's retail accounts were covered by the Deposit Insurance Agency. As of 30 June 2021, retail term deposits, retail current accounts and retail brokerage accounts accounted for 22.9 percent, 61.5 percent and 15.6 percent of the Group's retail accounts, respectively.

The following table sets out the average deposit amount, the percentage of deposits below the RUB 1,400,000 threshold, all of which are protected under the Russian mandatory deposit insurance system, and the average maturity of deposits as of 30 June 2021, 31 December 2020 and 2019 and 2018, as well as the average nominal and accrued interest rates in the six months ended as of 30 June 2021, and the years ended 31 December 2020, 2019 and 2018:

	As of or for 30 June	As of or for the year ended 31 December		
	2021	2020	2019	2018
Average deposit amount (<i>in thousands of roubles</i>)	365	359	370	380.0
Percentage of customer balances covered by Deposit Insurance Agency (<i>in %</i>)	84.0	85.9	86.9	88.0
Average term (<i>in months</i>)	10	10	10	11
Average nominal RUB interest rate (<i>in %</i>)	4.3	4.6	6.5	7.0
Average accrued interest rate (<i>in %</i>)	4.2	5.3	6.7	6.0

Regional Distribution. The following table sets out the distribution of the Group's deposits in Moscow, St. Petersburg and the rest of Russia as of 30 June 2021:

Region	Principal Balance (<i>in %</i>)
Moscow	42.0
St. Petersburg	9.0
Other	49.0
Total	100.0

The following table sets out the regional distribution (by federal district) of the Group's deposits as of 30 June 2021:

Federal District	Principal Balance (<i>in %</i>)
Central Federal District (including Moscow)	62
Northwestern Federal District (including St. Petersburg)	10
Volga Federal District	13
Southern Federal District	4
Urals Federal District	4
Siberian Federal District	4
Far Eastern Federal District	1
North Caucasian Federal District	1
Total	100.0

Gender and Age of Customers. The following table sets out gender and age breakdown of customers who had retail deposits with the Group as of 30 June 2021, and the years ended 31 December 2020, 2019 and 2018:

Gender and age	As of 30 June 2021	As of 31 December		
	2021	2020	2019	2018
Gender (percentage of male customers)	55%	55%	56%	59%
Percentage of customers aged between 25 and 40 years	36.0%	35.7%	36.8%	36.6%

Distribution. The main distribution channel for attracting retail deposits is the Group's online customer acquisition platform which is supported by debit card and document delivery using "smart couriers" who are full-time employees of the Group. Necessary requirements for deposit account opening can also be satisfied at the Russian Federal Post Office branches in those locations that currently cannot be reached through the Group's "smart couriers" network in over 2,700 cities and towns in Russia.

Tinkoff Insurance

By 2015, the Group was offering a range of insurance services to customers, including personal accident and illness, credit, property, car and travel insurance. The Group was among the first to start selling insurance policies online. The Group believes that through its vast technological expertise it offers best-in-class online insurance products along with a convenient, fast and customer-friendly service. In addition to online sales, the Group also sells insurance products via offline channels, such as car dealerships. A substantial portion of insurance premiums is attributable to voluntary and compulsory car insurance and the Group believes there is significant cross-selling

opportunity to its Tinkoff Black and car loan customers. The Group calculates that customers that use Tinkoff Insurance have an average age of 40 years and an average monthly salary of approximately RUB 76,000.

In the six months ended 30 June 2021, insurance premiums earned by the Group amounted to RUB 10,128 million, compared to RUB 18,567 million and RUB 14,110 million in the years ended 31 December 2020 and 2019, respectively. This growth in premiums was as a result of the Group's continued efforts to promote its car and travel insurance products in particular, an increased uptake of personal accident insurance among customers, and the growth of the Group's credit portfolio providing additional opportunities to provide customers with insurance products.

Tinkoff Investments

The Group received its broker and depositary licenses in March 2018 and has since then offered the full scope of brokerage and custodian services via the Tinkoff online platform without the involvement of any third parties. Since 2018, heightened market volatility and low deposit interest rates have driven a surge in interest in retail investing, particularly in 2020. This is reflected in the Group's number of active brokerage customers, which has swelled from 0.23 million as of 31 December 2019 to 1.05 million as of 31 December 2020 and 1.54 million as of 30 June 2021, making Tinkoff Investments the largest retail broker in Russia by number of active customers, according to Moscow Exchange data. The Group believes these new customers are engaging with other products in the Tinkoff ecosystem; for example, the Group calculates that 55 percent of customers acquire a Tinkoff Black debit card within 18 months of starting to use Tinkoff Investments.

Tinkoff Investments is a mobile app and a web platform for buying and selling listed shares, bonds, ETFs, derivatives and currencies anytime the markets are open. Orders to buy or sell stock or currency are given online without the need to confirm the order via telephone with the Group's representative as is customary with some of the traditional brokers. Tinkoff Investments has introduced a string of significant innovations designed to assist the whole range of customers from first-time investors to experienced professional traders. These customer-focused innovations include:

- Owl – a “roboadvisor” that, by asking the customer questions about his or her desired investment currency, amount and other preferences, automatically generates a balanced portfolio proposal for the customer. Since its launch, Owl has proposed approximately 13 million customer portfolios, with approximately 20 thousand portfolio proposals generated every day and an average proposed investment amount of RUB 90,000;
- Investment Box – an automated micro-investment service that allows customers to invest in diversified funds in three different currencies. As at 31 June 2021, there are over 850,000 Investment Box active customers;
- Pulse – a social network for investors to obtain useful market information, as well as educational content from more experienced users and from issuers directly. As at 30 June 2021, the network has over 1.3 million accounts posting approximately one million comments per month;
- web-terminal – a professional trading platform that offers active traders access to more sophisticated trade and portfolio analytics. As at 30 June 2021, over 100,000 unique visitors use the web-terminal and account for over 25 percent of Tinkoff Investments trading volumes;
- Tinkoff Private – a service intended for high-net-worth individuals, which provides, among other features, access to a personal wealth manager and to investment opportunities not suitable for most retail investors (such as private equity investments);
- Shelves – a feature that, based on the customer's investment profile, makes tailored investment recommendations to novice investors;
- the ability to filter lists of potential investments according to various criteria selected by the customer; and
- around-the-clock top-up and instant cash-out services, the automatic online calculation of applicable taxes, the Oleg voice assistant and a financial news feed.

The Group offers individual investment accounts, enabling securities transactions and providing tax benefits, and three types of retail brokerage accounts depending on a customer's activity: (i) "Investor" for passive investors; (ii) "Trader" for active traders and (iii) "Premium" for affluent customers. The Group offers expanded access to more than 11,000 securities including stocks, bonds from issuers in 30 countries, foreign currencies, investment life insurance policies and others. Customers buy and sell securities or currencies for a fixed price with T+0 settlement. In addition, the Group provides investment recommendations and analytics, as well as personal management services and opportunities to debit or credit moneys to/from the customers' current accounts. Once a customer has submitted an application, the Group's smart courier will meet the customer, collect paperwork and sign the appropriate legal documentation, following which the Group will open a brokerage account for the customer. Depending on the customer's needs and subject to the requirements of the Securities Market Law, the Group is able to perform the procedure to qualify a customer as a "qualified investor" enabling him or her to invest in securities intended for qualified investors. See *"Risk Factors—Tinkoff Bank's consumer lending operations may be restrained, and its financial condition and profitability may be negatively impacted, by regulatory and reporting requirements and other factors beyond its control"*.

The number of active Tinkoff Investment customers amounted to 1.54 million, 1.05 million, 0.23 million and 0.08 million as of 30 June 2021 and 31 December 2020, 2019 and 2018, respectively. According to the Group's estimation based on Moscow Exchange website data, 67 percent of active retail accounts on the Moscow Exchange as of 30 June 2021 were opened via Tinkoff Investments – almost four times greater than the percentage attributable to Tinkoff Investment's closest competitor. According to the Group's research, customers that use Tinkoff Investments have an average age of 31 years and an average monthly salary of approximately RUB 83,000.

The transaction volume of brokerage operations conducted via Tinkoff Investments has rapidly grown to RUB 5,106 billion in the first half of 2021, compared to RUB 4,222 billion, RUB 519.5 billion and RUB 77.3 billion in 2020, 2019 and 2018, respectively. This drove revenues of RUB 9.1 billion, RUB 8.1 billion, RUB 1.0 billion and RUB 0.25 billion for the six months ended 30 June 2021 and the years ended 31 December 2020, 2019 and 2018, respectively.

As part of its retail investment offering, the Group provides asset management services via Tinkoff Capital, which was launched in 2019. Tinkoff Capital offers retail investors a line of 10 ETFs (including Russia's first Nasdaq-100 Technology Sector Index and an ETF focused on SPAC investments) that compromise investments in single and multi-asset portfolios, with a focus on diversification, moderate volatility and transparency. The ETFs are denominated in roubles, U.S. dollars and euros, and investors can start investing with a RUB 50 minimum amount.

Tinkoff Capital customers can manage their ETFs on the Tinkoff online platform, including accessibility via the Tinkoff Investments mobile app. Customers can give buy and sell orders, obtain support, arrange regular investments and reinvestment of dividends, and access a whole range of information regarding their investments. In particular, customers can view the structure of their ETFs, assets in the portfolio, as well as check the financial position of the issuers whose securities are included in their ETFs and other information.

Assets under custody has grown to RUB 500.0 billion as of 30 June 2021, compared to RUB 314.9 billion, RUB 53.1 billion and RUB 17.2 billion as of 31 December 2020, 2019 and 2018, respectively.

Tinkoff Mobile

The Group launched its own MVNO, Tinkoff Mobile, in 2017. Tinkoff Mobile uses Tele2 and Russia's network and infrastructure to provide mobile services for both existing and new customers. Tinkoff Mobile benefits from its own network code and range of mobile numbers. SIM cards are delivered for free across Russia via the Group's smart couriers network and its partners' distribution chains. Customers in the 65 regions of Russia where Tinkoff Mobile is available benefit from a menu of flexible call plans, low-cost roaming, integration with the Oleg voice assistant, and the option of blocking ads using Tinkoff's proprietary ad-blocker. Tinkoff Mobile's advanced technology was recognised by TelecomDaily, which in May 2021 named Tinkoff Mobile Russia's most innovative mobile operator.

Tinkoff Mobile has become a significant part of the Group's non-credit business, with 1.1 million active subscribers as at 31 December 2020 and 1.5 million as at 30 June 2021. As at 30 June 2021, Tinkoff Mobile is also the leading mobile operator in Russia in terms of new customers, attracting more than 6 percent of all mobile number portability requests, according to the Group's analysis of data from the Central Communications Research Institute's database of ported numbers. According to the Group's research, customers that use Tinkoff Mobile have an average age of 38 years and an average monthly salary of approximately RUB 65,000.

Transactional, Servicing and Savings Products – SME

Tinkoff Business

The Group launched its Tinkoff Business offering in early January 2016 with the aim of providing a wide variety of banking and other services to individual entrepreneurs and SMEs. The value proposition of Tinkoff Business is swiftness, quality personal assistance, digitalised interaction with little paperwork, ancillary services and security. The Group provides the following services via Tinkoff Business designed to suit the varying and evolving needs of SME customers: cash management and payments, accounting and reporting to state authorities, lending, sales generator and start-up services, as well as ancillary services designed to suit the varying and evolving needs of SME customers, such as cloud accounting, POS terminals and start-up incubation.

Cash management and payments services include, among others, point-of-sale acquiring and internet-acquiring, payroll programmes, tax and currency control, customs and logistics, cash collection, and the ‘Business Saving Box’ budgeting tool, which allows SME customers to automatically save and allocate their income for various purposes such as taxes, rent and salaries. Payroll projects benefit from the absence of fees for transferring salaries to employees and the issuance of Tinkoff Black corporate cards. Accounting and reporting to state authorities services include self-service and cloud accounting, qualified e-signature, legal and tax consulting, tax registration assistance and others. The Group also provides services aimed at generating sales and client relationship systems, for example assistance establishing a social media presence. If a client needs to establish a business, the Group is ready to provide all of the necessary services and guidance.

As of 30 June 2021, approximately 70 percent of SME clients used one or more additional services of the Group. According to the Group’s estimates, approximately 60 percent of SME customers purchase Tinkoff Black within 18 months.

The Group also provides ancillary services to the SMEs, which include assistance with the registration of legal entities and calculation of taxes and preparation of relevant paperwork for submission to the tax authorities. Customers can access their online Tinkoff Business personal accounts via the Group’s internet and mobile platforms and use all of the features offered by the Group. The interface of the personal accounts is tailored depending on whether they are being used by chief operating officers or chief accountants and are integrated with business and accounting applications commonly used by individual entrepreneurs and SMEs. Each customer is assigned a personal manager and as most of the services are geared towards self-service such managers are able to handle large numbers of customers. Customers are able to interact with personal managers via a special chat service.

The number of SME active customers increased from 242 thousand as of 31 December 2018 to 303 thousand as of 31 December 2020. As at 30 June 2021, approximately 96 percent of the Group’s SME customers were “small” business (defined as those having average monthly turnover of less than RUB 120 million per year), with the remainder being ‘medium’ businesses.

Tinkoff Business contributes a major part of the Group’s fee and commission income. For the six months ended 30 June 2021, the SME current accounts total fee and commission income amounted to RUB 5,813 million, as compared to RUB 9,147 million for the year ended 31 December 2020 and RUB 7,867 million for the year ended 31 December 2019.

The Group offers to its customers wide range of credit and non-credit products in cooperation with its partners. The customer is assigned a personal manager who provides assistance throughout the course of the daily business and manages the sales process, documentation and queries from customers, whilst a “smart courier” delivers the necessary paperwork.

SME Partners Products

The Group has entered into cooperation agreement with SME Bank under which Tinkoff Bank acts as an agent providing transaction support services with regard to the SME Bank lending programmes. These support services include application monitoring, document collection, verification and execution, and customer consultations. The Group believes that this cooperation allows both parties to offer to SMEs more attractive low-interest loans and a wider range of financial services. The Group’s partners benefit from a new sales channel without substantial acquisition costs, and online marketing is done on their behalf by the Group. Actual “underwriting” of risk relating to a particular product is conducted by the Group’s partner. Partners pay a success-based fee to the Group for

using the platform. In addition, the Group offers a range of value-added services to its customers through the broker solution, such as cloud accounting, tax support, customs clearance and others.

Tinkoff Acquiring

Tinkoff Acquiring offers merchants and businesses the ability to process payments online using internet and offline acquiring services, through direct-to-merchant agreements, aggregators and the Group's own proprietary aggregator technology CloudPayments.

As of 30 June 2021, Tinkoff Acquiring was used by 46,000 active online merchants. It is also the third-largest internet acquirer in Russia by total payment volumes in the year ended 31 December 2020, according to research conducted by Nilson Report.

Gross acquiring commissions amounted to 1.7 percent of payments processed through Tinkoff Acquiring in the six months ended 30 June 2021, and in the years ended 31 December 2020 and 2019. This translated into revenue of RUB 9,541 million, RUB 11,152 million and RUB 8,396 million in the six months ended 30 June 2021, and the years ended 31 December 2020 and 2019, respectively.

BNPL Service

The Group has since April 2021 offered business customers its BNPL solution – “Dolyame”. Dolyame allows online retailers (currently including, among others, Puma, Tom Tailor, Respect and Traektoria) to offer customers the option of spreading the cost of a purchase over several weeks without entering into a formal POS loan agreement or paying extra. The retailer receives the full proceeds of sale without delay, while the customer (who need not be an existing Tinkoff customer) pays only 25 percent of the price up-front, with three further instalments of 25 percent of the purchase price automatically charged to the customer's payment card two, four and six weeks after purchase.

As of 30 June 2021, Dolyame was used by 22 active online merchants to process payments in an aggregate amount of RUB 130 million.

Lifestyle Banking

The Group believes that the Tinkoff ecosystem centred around customers' needs allows the Group to provide the full range of financial and lifestyle services and products for individuals and businesses. As part of this vision, the Group increasingly focuses on lifestyle banking, which enables customers to analyse and plan personal spending, invest their savings, earn loyalty programme bonuses, book trips, buy movie and airplane and railway tickets, make restaurant reservations and satisfy other consumer needs. The gateway to these lifestyle services (along with all the Group's other services) is the Tinkoff Super-App.

The Group's lifestyle banking offering had 8.0 million, 5.6 million, 3.0 million and 0.6 million monthly active users as at 30 June 2021, and 31 December 2020, 2019 and 2018, respectively.

Leisure Offering

The Group's leisure offering is accessible via the Tinkoff Super-App and the Group's website. Customers can, among other things, buy tickets to theatrical, sporting and musical events; buy movie tickets, train and plane tickets, books and flowers; rent cars; make restaurant reservations; and book hotels, gym classes and beauty appointments – all directly in the Tinkoff Super-App or on the Group's website.

The travel services offered within the Group's leisure offering (under the brand Tinkoff Travel) are currently among its most well developed. The Group has partnered with travel services companies such as booking.com, rentalcars.com, OneTwoTrip and travelata.ru, with customers able to search for tickets and services via the Super-App and then pay for them in the Super-App or directly with the Group's partners. To help customers on their travels, the Group offers a number of handy features in the Super-App, such as:

- an interactive COVID-19 travel map, which allows customers to pick destinations that are currently open to tourists and get further information on travel restrictions;
- flight check-in and the option of purchasing of additional baggage allowance; and

- the option to order Tinkoff Mobile SIM cards and Tinkoff Insurance travel coverage before setting off.

The Tinkoff Super-App also features a marketplace that allows customers to browse and purchase goods and services from the Group's selected retail partners (whose goods and services are subject to moderation and approval by Group agents). The Group believes that the Tinkoff Super-App combines maximum functionality with ease of use for the customer, and it regularly wins awards as best in class. In 2020, the iOS and Android versions of the Tinkoff Super-App took top spots in MarkWebb's Mobile Banking Rank 2020.

In the six months ended 30 June 2021, the Group's customers bought approximately 540,000 cinema tickets, 530,000 airline tickets, 30,000 concert tickets, 30,000 theatre tickets and 1,600 sporting event tickets, and made approximately 190,000 hotel bookings and 30,000 restaurant reservations.

Loyalty Programmes

The Group's own loyalty programmes include cashback, bonuses, air miles and other rewards for co-branded cards. Tinkoff Group also operates loyalty schemes in conjunction with partners including AliExpress, Google Play and Lamoda. To integrate these schemes further into the Tinkoff ecosystem and provide customers with an engaging and convenient way to access them, the Group brought "Koshelek" – a digital wallet for customers' loyalty and payment cards – into the Tinkoff ecosystem in 2021.

The Group operates two subscription services, launched in late 2020:

- *Tinkoff Pro*. This package offers subscribers enhanced interest rates on deposits at Tinkoff Bank; cashback at higher rates up to a limit of RUB 5,000 per month; free customer service and account notifications; commission-free transfers to accounts held at other banks up to RUB 50,000 per month; and reduced-price subscriptions to partner services such as online streaming platforms. The Tinkoff Pro subscription costs RUB 199 per month.
- *Tinkoff Premium*. This package offers subscribers enhanced interest rates on deposits at Tinkoff Bank; cashback at higher rates up to a limit of RUB 60,000 per month; commission-free transfers to accounts held at other banks up to RUB 50,000 per month; access to Premium in the Tinkoff Investments platform; preferential currency exchange rates; a concierge service for arranging travel, leisure and calendar management; premium Tinkoff travel insurance; access to a network of business lounges; and free unlimited withdrawals from Tinkoff ATMs anywhere in Russia. The Tinkoff Premium subscription costs RUB 1990 per month.

The Group believes these subscription services reward customers for their valued custom, encourage customers to engage more with the Tinkoff Super-App and facilitate cross-selling by drawing customers further into the Tinkoff ecosystem. As of 30 June 2021, the Group's subscription programmes together had over 700,000 subscribers.

Customer Service: Call Centres, Internet Banking, Mobile Banking and "Smart Couriers" Service

Management believes that high-quality customer service is crucial for maintaining the Group's competitive position in the Russian retail financial services market and leads to increased response rates to its product offers and customer retention rates. Since maintaining high-quality customer service is an important part of the Group's strategy, the Group seeks ongoing improvements in service levels and regularly introduces new, innovative services.

Given the Group's branchless model, its call centre is a core component of the Group's customer service platform. In the year ended 31 December 2020, the call centre handled an average of over four million customer queries per month. The call centre is located in Moscow, operates 24 hours a day, seven days a week. Around-the-clock coverage is provided so that all regions of Russia, in nine time zones, are properly serviced. The call centre provides support throughout the entire customer life-cycle: acquisition through consulting and sales, verification, customer service (with up to 95 percent of queries resolved on the first call) and collection. In addition to providing informational support to prospective and existing customers, call centre operators are also responsible for, among other things, card activation and blocking, updating/activating additional services, providing balance information and information on payment service providers. The call centre maintains an average call handling time of approximately four minutes, including post-call procedures. The Group is also currently using voice recognition software whereby customers can instruct the interactive voice response ("IVR") system by use of voice

commands. Approximately 5 percent of calls are monitored for quality-control purposes. The Group closely monitors the quality of the call centre staff and motivates all personnel to provide the highest possible level of service through performance based pay, bonuses and other motivational schemes.

Increasingly, the Group's call centres make use of artificial intelligence. The use of chatbots to resolve and direct queries has increased from 0 percent of incoming communications in the year ended 31 December 2018 to 8 percent in the year ended 31 December 2019 and 17 percent in the year ended 31 December 2020. Oleg – the Group's in-app voice assistant – also uses artificial intelligence to anticipate and respond to customer queries before the customer approaches other customer service channels. Oleg's AI capabilities were recognized at the AI Awards Russia 2021, where Oleg won in the "Increase in Productivity" category.

The Group's Internet banking platform (including the Tinkoff Super-App) provides market leading functionality and allows customers to manage their accounts online at any time (reducing the number of calls related to account management), relies on paperless statements (reducing the need to print and mail paper statements), allows customers to view information and manage their credit cards, accounts and deposits, make payments and transfers, and enables the Group to cross-sell its own and third-party products to customers. Customers may also make manual and automated payments to more than 2,000 service providers (including from payment cards issued by other banks). The platform's features also include spending analysis, deposit profitability forecasts, personal finance management tools, Oleg voice assistant service and an ATM locator. Global Finance has named Tinkoff Bank the world's Best Consumer Digital Bank in 2020 and 2018 and the Best Consumer Digital Bank in Russia in 2020, 2019, 2018, 2016 and 2015, while The Banker recognised it as the Bank of the Year in Russia in 2017 and 2013, and Euromoney named Tinkoff as Central and Eastern Europe's Best Digital Bank in 2021. The bank's mobile app has been consistently praised by local and global independent experts as the best of its kind in 2018 and 2020 by Global Finance.

Mobile banking was first launched by the Group in 2011 and then re-launched on a new platform (available to customers with iPhone, iPad, Blackberries devices and phones using Android and Windows platforms) in 2013. The Group's mobile banking platform mirrors the Internet banking platform functionality. The Tinkoff Super-App has been installed more than 18 million times and is visited by approximately 4.2 million daily active users and 12.5 million monthly active users, with the average number of monthly user sessions amounting to approximately 150 million.

The Group's "smart courier" service, which operates in over 2,700 cities and towns in Russia and had more than 3,000 representatives as of 30 June 2021, provides critical support for the online customer acquisition and service platform and, in particular, constitutes the backbone of the Group's popular "click-to-meet" service. This service allows a customer to apply for a product or service, such as a credit card, debit card or a retail deposit account, offered on the Tinkoff online platform either via the Group's online platforms or by phone. One or two days after making an application, the Group's representative (a "smart courier") will meet the customer at his or her place of choice to sign documents and, if applicable, to deliver the relevant card. Initially, the "smart courier" service was established nationwide specifically for the Group's online deposits programme. The representatives allowed the Group to satisfy customer identification and other regulatory requirements set by the CBR. The operations of the "smart couriers" service were then extended to the delivery of credit cards, which allowed the Group to cut the time between card approval and card delivery generally to one or two days, created a foundation for moving credit card acquisitions online and significantly improved the credit card activation rates. Currently, "smart couriers" are used by the Group for all products and services available through the Tinkoff online platform to the extent any personal contact with a customer or physical signing of documents is required. The representatives do not accept or handle any cash, so all repayments and deposits transactions must be conducted through a variety of channels discussed in "*—Principal Business Activities*". The Groups "smart couriers" collectively have over 30,000 meetings with customers per working day on average.

The Group's customer service team regularly conducts customer satisfaction surveys in order to track customer service levels. The Group is consistently in the top three in the ranking of all Russian retail banks in terms of overall quality and service on the basis of an ongoing survey of users of the website banki.ru.

Outsourcing of Certain Business Functions

Management believes that outsourcing helps the Group to retain focus on, and develop its core competences with respect to, the Group's main operations, to limit capital expenditures and to increase the flexibility of its cost base. The Group outsources various business functions to third parties wherever feasible. Outsourced functions currently include, among others, some of the product range available for SME customers, travel and lifestyle

features available for the Group customers. The Group has built close working relationships with a broad group of trusted service providers and awards service contracts to them through a regular tender process.

The Group retains core functions, including sales and marketing, underwriting, risk management, core IT and data management and financial and portfolio management. From time to time the Group may outsource some of its call centre functions where feasible and where such outsourcing does not affect the quality of customer service. Outsourcing is thus used for peak load periods, certain marketing campaign-related calls and for less sophisticated services.

Market Position and Competition

The credit card market in Russia has recently experienced a period of consolidation which reflects the overall trend in the banking sector as economic instability has caused smaller banks or retail-oriented banks to be consolidated into larger state or private banking groups either in market transactions or as part of rescue measures in relation to failed banks. Recessionary trends in the economy have also been a key factor for the recent loss of market share by privately owned smaller banks as they found it more difficult to deal with liquidity constraints and loss of consumer demand than larger state-owned or private banking groups. In the first four months of 2021, the growth of the credit card market reached 5.1 percent. Based on the CBR data, as at 1 May 2021, credit card market volume reached RUB 1,704 billion. The growth was driven by Sovcombank, Tinkoff Bank and Alfa-Bank. On a month-by-month basis, the market grew by RUB 2.2 billion in February, RUB 42.8 billion in March, and added another RUB 14.0 billion in April 2021.

Management believes that its principal competitors are:

- as regards retail banking in general, the retail divisions of the largest state-owned banks and leading private universal banks, including Sberbank, VTB, Alfa-Bank, Sovcombank, Raiffeisenbank, and certain consumer lending specialists, such as Home Credit & Finance Bank and Sovcombank;
- as regards the Group's efforts to develop and expand the Tinkoff ecosystem, certain groups that are developing their own technology-driven ecosystems that partially overlap with the Group's, including Sberbank and Yandex;
- as regards investment brokerage, retail brokers and investments firms, including the trading platforms operated by Sberbank, VTB and Alfa-Bank;
- as regards SME credit and non-credit services, the well established corporate divisions of the largest state-owned banks and leading private universal banks mentioned above; and
- as regards its BNPL service, the "Halva" instalment card issued by Sovcombank.

The following table sets out market share, as a percentage of the total market, of the five largest Russian credit card issuers based on non-delinquent credit card receivables, according to data provided by the CBR:

	As of 1 July 2021	2020	As of 1 January 2019 (in %)	2018
Sberbank.....	41.1	43.4	43.9	44.8
Tinkoff Bank	14.6	14.0	13.3	11.8
Alfa-Bank	11.7	11.3	10.8	11.1
VTB.....	6.1	6.2	6.7	7.2
Other consumer banks ⁽¹⁾	19.1	17.8	16.5	15.5
Other banks	7.4	7.3	8.6	9.6

⁽¹⁾ Other consumer banks include OTP Bank, HCF Bank, Orient Express Bank, Credit Europe Bank, MTS Bank, Trust, Renaissance Credit, Sovcombank and Russian Standard Bank.

According to the CBR data, the Group's market share of the Russian credit card market increased from 11.8 percent as of 1 January 2018 to 13.3 percent as of 1 January 2019, to 14.0 percent as of 1 January 2020 and reached 14.6 percent as of 1 July 2021. As of 1 August 2021, the Group had the second-largest credit card loan portfolio in Russia after Sberbank according to the Group's estimates based on the CBR data.

The following table sets out market share, as a percentage of the total market, of the five largest retail banks for the issued retail loans with a maturity up to three years, according to data provided by the CBR:

	As of 1 July	As of 1 January				
	2021	2020	2019	2018	2017	2016
			(in %)			
Sberbank.....	35.6	40.3	37.7	36.5	34.3	32.3
VTB.....	8.7	7.0	7.1	7.0	8.2	9.0
Alfa-Bank.....	6.9	7.2	6.8	7.2	6.3	5.6
Tinkoff Bank.....	8.6	8.6	7.6	6.4	5.6	4.9
Other consumer banks.....	15.3	15.8	16.6	16.3	16.5	17.1
Other banks.....	24.7	21.1	24.3	26.6	29.2	31.2

Employees

As of 30 December 2020, the Group had a total of 14,412 employees, most of whom were full-time employees. As of 30 June 2021, the Group's number of full-time employees had grown to 15,369, with an average age of 28 years. The following table sets out information on the breakdown of the Group's employees by function as of 31 December 2020, 2019 and 2018:

	As of 31 December		
	2020	2019	2018
Operations.....	8,783	8,202	7,686
Business.....	633	494	393
Sales and marketing.....	425	311	247
Technology.....	2,705	2,240	1,807
General and administrative staff.....	358	313	268
Executives (all functions).....	1,508	1,326	1,219
Total.....	14,412	12,886	11,620

The growth in headcount in recent years was largely driven by an expansion of Operations and Technology personnel. In addition to its employees, the Group had 18,182, 11,934 and 13,547 contactors as at 31 December 2020, 2019 and 2018.

The Group's human resources policy is based on the following core principles:

- building up teams of well educated, adaptable and open-minded specialists and managers and encouraging these teams to show initiative and take (or delegate) responsibility as necessary;
- effective and dynamic learning opportunities;
- a transparent structure with minimum bureaucracy and without excessive hierarchy;
- a smart working environment that facilitates wellbeing, creativity and open dialogue among employees; and
- a culture of team spirit and entrepreneurship that allows employees to experiment, make mistakes in a controlled environment and learn lessons.

These principles have helped to make the Group a fulfilling place to work, as recognised by Forbes Russia, which ranked the Group third in its ranking of the 50 Best Employers in Russia in 2020. The Group's employee support and wellbeing program (Tinkoff Life) also won first place in 2020 at the IT HR Awards in the Employee Development and Training category.

The Group is an equal opportunities employer. As at 30 December 2020, the Group employed 89 disabled people, and 50 percent of its employees are female (including one third of the Board of Directors and 37% of the Group's IT and engineering professionals).

The Group aims to foster innovation in its workforce. For example, any employee can submit innovative ideas to the Group's "Idea Incubator" for further analysis and, if viable, implementation. In 2020, employees submitted 115 ideas, of which eight were implemented.

For personnel training purposes, the Group runs a number of courses through its in-house Training Centre, including those for employees in customer service functions (primarily for the call centres), underwriting, collections and IT departments, as well as special courses, career coaching and life coaching for the development

of management skills targeted at lower to mid-level managers. For example, the Group's entry-level call centre training consists of one week of introductory training, followed by one week of traineeship and four half-a-day workshops in subjects such as effective communication, sales and time management during the first year of work. Group leaders and junior managers receive four days of training sessions a year. Overall, the Training Centre delivered nearly 3,500 educational events in the year ended 31 December 2020, representing an investment of over RUB 330 million in the Group's employees.

The Group also has access to external courses aimed at key employees and regularly sends its staff to various professional conferences, training sessions and seminars. The Group's sales course runs for two weeks with follow-up training and development at least twice per year. This course provides an overview of the Group's various products and services and sales techniques and procedures.

The Group prioritises the wellbeing of its employees. In addition to medical and life insurance for all employees, the Group's Tinkoff Life program offers support for employees' physical health (such as sport teams, healthy eating options in the canteen, and an in-office doctor), emotional comfort (such as coaching, mental health programs and gifts for employees' children), professional development (see above), financial wellbeing (such as tax and legal consultants) and social life (such as charity projects, volunteering opportunities and interesting lectures).

To support employees' professional advancement, the Group routinely recruits internally. In the year ended 31 December 2021, the Group filled nearly 5,700 vacancies from its internal talent pool.

The Group does not have pension arrangements aside from the state pension of Russia. The Russian pension system requires contributions from the Group in respect of its employees, calculated as a percentage of current gross salary payments.

Corporate Social Responsibility and Environmental, Social and Governance Efforts

Corporate Social Responsibility

The Group strives to develop its business in a responsible way and serve the communities in which it operates.

The Group financially supports a number of worthy organisations, including *Soedinenie*, which helps deaf and visually impaired adults; *Tzentr Lechebnoy Pedagogiki*, which is involved in the training and rehabilitation of children with mental illnesses such as Down's syndrome and autism; *Starost v radost*, which supports lonely elderly people and people with disabilities living in public institutions; and *Zhuravlik*, which is engaged in inclusive education for children and anti-bullying programs in Russian schools. In the year ended 31 December 2020, the Group donated over RUB 7 million in aggregate to these organisations, and made further significant donations to *Zhivoi*, which assists in the treatment of adults struggling with illness, and to charities supporting mentally ill and the elderly in Orenburg and Sverdlovsk region.

The Group's also supports worthy causes by leveraging its technical knowledge and experience. For example:

- The Group offers free educational programs to the community, mainly on topics relating to personal finances, mathematics, fintech, machine-learning and AI, and coding.
- The Group assists its customers in making charitable donations. Customers can make one-time or regular donations via the Tinkoff Super-App and Tinkoff website, and have the option of donating their cashback rewards to charity. In the year ended 31 December 2020, the Group's customers made donations to 358 charities in this way.

During the COVID-19 pandemic, the Group took a number of measures to assist in efforts to lessen the impact of the pandemic, including deploying call centre capacity to government offices dealing with increased queries, introducing flexible loan restructuring for customers struggling to keep up with payments as a result of the pandemic, and making donations totalling RUB 12 million to hospitals and organisations on the front line.

Environmental, Social and Governance Efforts

As the Group is an online-only financial institution, Management believes that none of the Group's business relationships, products or services are likely to have any significant actual or potential significant environmental impacts and does not believe its operations are exposed to any material environmental risks. Management, in reaching this view, have taken into account the risk of adverse impacts that may stem from the Company's own

activities as well as its business relationships including its supply and subcontracting chains. This belief is based on continuous scrutiny of the business.

Nevertheless, the Group is continuously reviewing its processes to identify opportunities to reduce its environmental impact. For example:

- In April 2021, the Group joined the United Nations Environment Programme Finance Initiative, which aims to ensure that participating organisations' strategies align with the UN Sustainable Development Goals and the Paris Climate Agreement.
- The Group publishes an annual Sustainability Report that examines the latest information on the Group's environmental impact.
- In the course of 2021, the Group expects to institute a Risk and Emerging Risk (Sustainability) Committee, which will better allow Management to scrutinise and deal with environmental risks.
- Since 2018, the Group has offered customers a World Wildlife Fund co-branded credit card, which is made from sustainable materials and allows customers to donate cashback for the development and conservation of Russia's biodiversity.
- The Group is in the process of improving its energy efficiency by installing LED lighting, automated lighting systems and ventilation systems that recover waste heat. The Group's new HQ is being designed with energy efficiency aforethought.
- The Group assists in the collection of old equipment for recycling (e-waste such as PCs, telephones, POS terminals).

IT Infrastructure

Given the Group's branchless, data driven and service-oriented model, information technology plays a critical role in the Group's business.

Platform, Hardware and Software

The Group operates a flexible and innovative technology platform customised for financial services. The Group uses a grid of low-cost Intel-based servers in combination with high-availability clusters, cloud-ready software and all-flash metro storage systems that provide a consolidated platform tailored for mission-critical business applications, mobile apps, large-scale databases, business intelligence, data warehouse and customer relationship management ("CRM") functions. All IT systems operate in a geographically distributed environment.

The Group's IT system is based on service-oriented architecture ("SOA") principles and includes Oracle's Siebel for CRM and collections; TSYS CTL Prime and Online for card management and transaction processing; Inversion XXI for core banking, short-term deposits, accounting and CBR reporting; Avaya Call Centre Elite; NICE WFM for call centre management and self-developed systems for voice recording and quality management; and SAS Banking Intelligent Solution supplemented by Pivotal Greenplum, Apache NiFi, Hadoop, Apache Zeppelin, Tableau and SAP BO for data warehousing, analytics, marketing campaign management and decision-making support. For the purpose of communications with its customers, the Group uses a modern digital platform that helps to combine content, data and functionality from different underlying systems within customer-centric Internet banking services.

All decision-making processes, as well as business processes are automated and managed by a combined set of self-designed software and solutions from industry leaders. This enables the fast and continuous improvement of business logic and efficient collaboration of software developers and business users.

For managing business processes, the Group uses Camunda (an open-source BPM framework), the self-designed Java/Kotlin-based solution Task Engine and IBM BPM. For managing operational decisions, the Group uses IBM ODM, Drools (an open-source BRMS framework) and the self-designed Kotlin-based solution Tinkoff Decision Kit. For continuous analytics and the optimisation of business processes, the Group uses Celonis, a Process Mining software.

The Group's own decision-making and business process managing software is designed using the latest technology standards, programming languages and development tools, such as Java, Kotlin, Spring Framework,

REST, Docker, Kubernetes and Kafka. All the designed solutions are based on development principles such as micro-service architecture, service discovery or the twelve-factor app. Software manufacturing processes meet industry standards, including Scrum/Kanban, Continuous Integration, Continuous Delivery and Infrastructure as code. These approaches enable easy management, fast scaling and a top level of availability of the Group's software.

The Group's storage platform is represented by the class-leading, high-end, all-flash NetApp storage systems, which deliver high performance with low latency between two active-active metro-distance data centres using MetroCluster.

Card Processing

The Group's Card Processing Centre is a major participant in the international card payment systems in terms of the number of cards serviced. The Card Processing Centre services 65 million banking customer accounts and hundreds of thousands of merchant accounts, which account for over 1.5 million issuer and acquirer transactions per day.

The most important systems underpinning the Processing Centre's operations are as follows:

- Customer Account Management Platform: TSYS Prime – a payment card and customer account multi-product management platform, which the Group has significantly extended with self-developed Java-based services and business-oriented modules. For Java-based services, the Group uses PrimeV to provide services for its API, CRM systems and other financial services. PrimeV can serve about five thousand card-, account- and transaction-related requests per second, and also enables thousands of related product events to be stored in Apache Cassandra and delivered to information consumers using Apache Kafka.
- Card Issuer Platform: CARDI – a chip contact and contactless payment card preparation system. CARDI generates the embossing files used to print bank cards. The system can safely handle volumes ten times greater than those currently handled.
- Access Control Platform: ACS – an issuer domain system using the 3-D Secure and EMV 3-D Secure protocols to authenticate cardholders within the framework of the 3-D Secure specifications. The system implements flexible fraud-prevention rules based on each customer's profile.
- PIN Management Platform: PINAPI – a cardholder PIN-code administration system. PINAPI allows customers to manage their PIN-codes via several integrated channels.
- HSM Management Platform: HSM API – a high-load system using REST API methods to control hardware security modules, thereby allowing the bank to process 12 million crypto-requests a day.
- Issuer Card Authorisation Platform: TSYS Online – a card authorisation system. The Group has the fastest authorisation host in Russia, according to the Group's analysis of the traffic experienced by the top ten banks in Russia. The average authorisation processing time is 32 milliseconds, which includes anti-fraud checks (SaferPayments), as well as checking product restrictions and calculating commission using the Group's Fee and Restriction Control Platform, IPSILON, which is able to process all restrictions, fees and investment rounding for the Group's financial messages in less than two milliseconds.
- Fraud-Prevention Platform: IBM Safer Payments – a platform designed to prevent fraud attempts in real time by analysing the flow of operations and determining which are of high risk. The system processes up to 4,000 requests per second.
- Issuer Card Transaction Platform: Jazz – a platform for processing client operations, which enables transactions to be reflected in customer accounts without confirmation from the payment systems.
- Customer Accounting Module: BRM – a platform for the flexible calculation of interest and fees, the processing of customer transactions and the preparation of detailed balance movements.
- Core Banking System: Inversion XXI – this system handles accounting, short-term deposits and CBR reporting.

- Customer Loyalty Module: Loyalty – this module processes transactions and calculates cashback/bonuses/airmiles.
- Token Management Platform: TMS – this platform supports contactless payments through electronic wallets.
- Processing Centre Portal: PC UI – this portal combines the user interfaces for all Processing Centre operations, including Customer Support, Settlement, Billing, Risk and Disputes.
- Acquirer Card Authorisation Platform: FROL – an acquirer authorisation system, which can process up to 1,000 transactions per second.
- Automatic Clearing Module: ACM – a system that generates clearing messages for payment systems and settlement messages for internal accounting.
- Merchant Settlement Module: MSM – a platform for settlements by merchants and payment service providers.

Other than TSYS, Inversion and IBM products, all of the Group’s processing solutions are developed in-house using Java, Kotlin, JS, Rust, C/C++. All use relational and NoSQL databases for data storage and cache: Redis, Apache Ignite, Apache Cassandra, Postgres SQL and Oracle.

Cloud Customer Service Platform

The Group has developed its own Cloud Contact Centre Platform which allows employees to work remotely using only a modern browser, headset and reliable internet connection. It supports many of the Group’s processes across almost all the Group’s business lines. The Cloud Contact Centre Platform also provides services for call centre agents, and supports the processes of recruitment, training, daily work organisation, communications, motivation, performance review, and data analysis.

As of the date of these Listing Particulars, the Cloud Contact Centre Platform provided a workspace for approximately 41,100 remote employees.

The Cloud Contact Centre Platform comprises a number of sub-systems:

- Tinkoff CRM – the Group’s self-developed CRM platform. Tinkoff CRM supports rapid customer base growth and product line expansion while reducing support costs. Tinkoff CRM is developed using a present-day micro-service architecture approach together with modern technologies like Java, Spring Boot, PostgreSQL, Kafka and Docker.
- TWork Workspace – a dashboard for call centre agents and managers. It serves as a single entry point and workplace for agents and as a wrapper for certain other systems. TWork Workspace is based on micro-service architecture and is built on top of a .NET Core framework using licence-free and scalable technologies such as PostgreSQL, MongoDB, RabbitMQ, Kafka, Docker and others.
- Tinkoff Telephony – the Group’s self-developed telephony platform. Tinkoff Telephony supports agents working remotely or in the call centres. It is integrated with Tinkoff CRM and other call centre services, such as SmartIVR, TinkoffVoiceKit (see “—*Artificial Intelligence—Conversational Intelligence*”), predictive dialling, skill-based routing, over-the-phone PIN, call-back assist, mobile app calling and workforce management. The Group’s call centres handle nearly two million customer calls every day using Tinkoff Telephony. Tinkoff Telephony is based on an SOA and micro-service approach, developed in .NET, with core use Oracle and PostgreSQL as databases and Asterisk(GPLv2) and Kamailio(GPLv2) as media gateways.
- Tinkoff Quality Management (TQM) – the Group’s self-developed platform for quality assurance for all communications with customers, including calls, chats and emails. Its AI algorithms automatically find instances of communications where the customer had a negative experience or the agent made a mistake. Five thousand people work with TQM every day. TQM is based on licence-free and scalable technologies, such as PostgreSQL and .NET Core, RabbitMQ, Kafka, Docker.

- Tinkoff Voice Biometry – the Group’s self-developed real-time telephonic communications analysis system, which uses probabilistic linear discriminant analysis to determine whether to call a customer. Tinkoff Voice Biometry reduces average call-handling times and increases security levels. Management believes the Group was the first in Russia to use real-time voice biometrics in the process of authenticating its customers.
- Tinkoff Messaging Platform – the Group’s messaging communications platform. In addition to supporting legacy communications channels and features such as lifechat, chatbots, messengers and social networks, the new solution allows seamless service within the whole Group. More than 5,000 employees work on the Tinkoff Messaging Platform, which handles more than 100,000 chats every day. The Tinkoff Messaging Platform is a set of cloud-native micro-services written in Golang and Python programming languages. It also provides native SDKs for iOS and Android developers.

Online Customer Acquisition Platform

The Group’s self-developed online customer acquisition platform presents financial content and functionality in a personalised and customer-friendly manner. It operates on virtual machines over Linux and commodity hardware that form a parallel computing grid to achieve scalability while keeping costs low. Each node of the grid runs (depending on its application role) Apache Tomcat, NodeJS or NoSQL database engine. Web acceleration, load balancing and traffic management between them is provided by an open-source NGINX solution, covered by Wallarm web application firewall (“WAF”) and SSL offload on HAProxy.

The platform’s Scala-based API supports most common-wide and personal financial operations, including user registration and authentication, payments, card-to-card and bank transfers, and integrations with internal core systems.

Mobile Virtual Network Operator

Tinkoff Mobile is full-type MVNO which operates on Tele2’s base station network. It uses Forward Billing and Forward Fusion as offline/online billing platforms. Forward products utilise Oracle Enterprise Database and JavaEE. The Group uses Apache Ignite and PostgreSQL in its billing stack to make its core system more vendor-independent and versatile.

Internet traffic for customers is provided by: Packet Core from Affirmed Networks as a traffic gateway that supports a range of network types, including 5G; PCEF/DPI from Sandvine as a traffic management system that enables the implementation of different application-aware solutions and the collection of insights into customer behaviour; and PCRF from Oracle, which allows fine-grained traffic policy control. The HLR/HSS user profile management system from Summa Networks allows interworking between different mobile networks.

Tinkoff Mobile’s Scala-based API provides self-service customer operations in conjunction with Tinkoff Mobile’s mobile app, customer service support operations for CRM users and other intersystem communications. The API is integrated with the Group’s API through micro-services that allow transparent customer service and support across different business lines and products.

Insurance Platform

The core of Tinkoff Insurance’s IT infrastructure is Guidewire Insurance Suite, a set of systems that supports the whole insurance lifecycle: acquisition, sales, billing, service and claim management. The following self-designed systems are also significant: Task Engine, for the management of various business processes; Partner API, for integration with sales partners; B2B Front decision, for partner sales; Client API, for integration into client web and the Group’s mobile apps; and the Tinkoff Insurance Platform, which supports core insurance decisions for captive products.

Tinkoff Credit Broker (TCB) Platform

The TCB Platform supports the Group’s business lines and products, such as cash loans, car loans, mortgage loans, home equity loans and Dolyame. Customers have access to features including pre-scoring, document recognition and pre-filling. The Group has also developed an API that allows partners to automate business processes.

The Group’s fault-tolerant architecture consists of dozens of loose-coupling micro-services written in Scala. It helps to guarantee high reliability and scalability, and incorporates advanced technology. REST/GRPC is used for

synchronous communication between services, while Kafka/RabbitMQ is used for asynchronous communication. There is a variety of relational and NoSQL databases available in the Tinkoff ecosystem, such as PostgreSQL, MongoDB, Redis. The Group uses React framework and the Group's UI kit to build user interfaces to a high standard. The Group collects a large quantity of data using Prometheus, and aggregates and gathers crash reports with Crashlytics and Sentry.

SME

The SME platform consists of one hundred loose-coupling micro-services, implemented on Scala and Java and designed for high availability and horizontal scalability. Synchronous communication between services can occur over REST and gRPC protocols that are fault tolerant. For asynchronous communication the Group uses Kafka and IBM MQ. The most appropriate relational databases or NoSQL databases can be used for data storage and caching, including Oracle, Postgres SQL, Cassandra, Couchbase, Redis or Aerospike. Docker is used for applications delivery. All services have a high observability through logs.

The SME platform has three mobile apps for iOS and Android that are implemented on Swift and Kotlin. The Group uses the Crashlytics service to conduct crash reports, logging, online reviews and analysis. The Group provides beta-versions of its mobile apps by using the HockeyApp and TestFlight services.

Investments Platform

Tinkoff Investments is a mainly self-developed brokerage platform that includes:

- Middle-office, which controls more than 100 million customer positions per day;
- Execution and MarketData systems, which collect and distribute up to 20,000 market events per second and allow customers to trade on the Moscow Exchange, the Saint-Petersburg Exchange and OTC markets;
- Customer Analytics, which aggregates up to 10,000 different events per second and calculates customer portfolios based on different finance strategies;
- the Financial Instrument Registry, which collects and aggregates information from data sources such as Bloomberg, Reuters and NSD, and provides customers access to a range of instruments including stocks, bonds, ETFs, structured products and futures; and
- Pulse, a professional social network with 1.3 million registered profiles generating thousands of posts and comments, whereby users exchange news, opinions and ideas.

Tinkoff Investments is built on a micro-services architecture and uses Tinkoff DevPlatform for development, testing and delivery of most services. Scala, Golang, Java and Kotlin provide processing requests for more than 350 services on the platform. Data storage and caching are handled by Oracle, PostgreSQL, Couchbase, Cassandra, ClickHouse. Apache Kafka is used for asynchronous communication and data transfer between most services and components. Sage provides tools for monitoring and alerting issues to the support team.

The Group uses Auto-Diagnostics & Resolutions, which automatically search for errors in the logs and use scripts to fix customer problems. Coverage of auto-diagnostic tasks in Tinkoff Investment is 80 percent of the total and 70 percent of auto-diagnosed tasks are in turn either automatically transferred to the responsible department or fixed without the participation of Group employees.

Acquiring

The Tinkoff Acquiring stack includes Java, Kotlin, Oracle, PostgreSQL, Ignite, Kafka, Kubernetes and Angular. Most systems are developed in-house. The Group uses agile development approaches such as Scrum and Kanban. The main elements of the Group's platform are: an authorisation platform, a billing platform, a payment gateway, a universal payment form, a fraud-prevention system, mobile SDK, and a web UI for merchants, aggregators and the Group's administration needs. All systems are scalable and monitored in a real time. The Tinkoff Acquiring platform can handle over 1,000 transactions per second.

Merchant Solutions Platform

Merchant Solutions supports the Group's lifestyle banking offering and allows Tinkoff partners to launch targeted special offers. The Merchant Solutions Platform includes:

- customer services for the Tinkoff Super-App and Koshelek App – this includes the APIs for the “Bonuses”, “Instalments” and “Cashback” sections, whereby each customer receives a personalised selection of special offers from the Group's partners. Peak load reaches 3,000 requests per second;
- partner integrations – a service for integration with partners that wish to launch exclusive special offers in partnership with the Group;
- services for processing transactions and authorisations – this includes online and offline cashback accruals and instalment purchases with flexible payment mechanics. The services send customers tailored push notifications on special offers. Peak load reaches 6,000 requests per second.
- statistics and analytics services – these automate the processes of product and ML analytics.
- personal account for partners – this WEB application allows the Group's partners to view statistics on special offers, launch new special offers, and receive registers and reports; and
- a feedback system – this allows mobile customers to write feedback on partners, stores and products after the transaction has been completed.

Merchant Solutions services are developed in Java, Kotlin, Scala, Angular and React. All services are horizontally scalable and run on Kubernetes. Services communicate with each other synchronously using GRPC, and asynchronously using queue brokers, Apache Kafka and RabbitMQ.

Marketplace (LifeStyle & App-in-App) Platform

The Tinkoff Marketplace Platform provides various options for partner integration. It is possible to offer products and services either as a branded mini-app, or as a part of a white-label mini-app that aggregates services from different partners. A Personal Account web application is also available for partners, which simplifies their work with content and orders.

The Tinkoff Marketplace Platform is built on a micro-service architecture (currently more than 30 micro-services, each having up to eight nodes) and based on Java 11 (Spring framework), Scala, PostgreSQL, KeyDB, Apache Kafka, Cassandra, ELK Stack, Kubernetes, Typescript (React framework), gRPC and others. Peak load reaches up to 300 requests per second. To promote reliability (at a level of 99.99 percent or greater) the Group uses a seamless releases and modern practices of containerisation, CI/CD and horizontal scaling.

Travel Platform

All applications in Tinkoff Travel are hosted in Tinkoff data centres in a Kubernetes cluster using load-balancing systems (F5, Nginx, HAProxy). The Group uses function-oriented programming languages such as a Scala and Haskell for the back-end, Swift and Kotlin for mobile apps and TypeScript and React for WEB applications. The Group's development process is based on backbone development principles using internal testing technologies, CI/CD, and load testing. The release cycle includes seamless changes using dynamic balancing technology with the introduction of updated micro-service nodes that are backward-compatible. New features are enabled when fully rolled out into production with special dynamic configs. The Group also uses the concept of micro front-end, in which web interfaces are decomposed into separate widgets, each served by a BFF (back-end for front-end) micro-service.

Tinkoff Subscription Services

The fee for Tinkoff Pro and Tinkoff Premium subscription services is automatically charged every month, and if the customer unsubscribes or has insufficient funds to pay for the subscription, all benefits are also deactivated automatically. The operation of subscriptions is also integrated with the Group's CRM system for fast and efficient processing. Peak load reaches 2,000 requests per second, which is supported by containerisation, CI/CD and horizontal scaling. The Tinkoff subscription services are based on micro-service architecture and open-source technologies: Java 11, PostgreSQL, Apache Kafka, ELK Stack and Kubernetes.

Sage

Sage is the Group's system for monitoring its IT infrastructure and business processes. It collects logs and metrics from the Group's infrastructure, processes them, and makes them available for analysis in near real-time. Engineers use the data to detect problems automatically. Analytics use it to make data-led decisions. Operators in the call centre get data about previous user actions when customers call, allowing them to get a better understanding of the situation and deliver better support.

The Group receives more than 2 Gb of data per second via Sage. This dataflow is currently managed using Elastic Search, but the Group intends to start migrating from Elastic Search to SageDB at the end of 2021.

Site Reliability Engineering (SRE)

For the most important services, the Group has dedicated SRE teams of experienced engineering professionals on call 24/7. Their tasks include improving monitoring and architecture, proactively researching possible problems, analysing past outages, and preparing tools and instruments to use during outages. For every significant outage, the Group conducts a special investigation and writes a 'postmortem' report on the cause of the incident and proposals for preventative measures.

Development Platform (DevPlatform)

Management believes the Group's development process is resilient and able to deal with any bugs swiftly. DevPlatform uses a centralised SSO/Authorisation solution based on open-source components. The SSO/Authz engine is backed by cloud-like identity and access management ("IAM"), which introduces the notion of multi-tenancy and provides resource separation between projects.

DevPlatform provides a CI/CD and code management solution on top of commercial Gitlab software modified to meet Group requirements. DevPlatform uses its own policy-based code management engine on top of Gitlab. This engine follows GitOps principles and enforces corporate standards, including around branching strategies (TBD-only), code protection and code review procedures, thus reducing the number of operations around project kick-off. In addition, DevPlatform provides a template library for typical applications. Projects based on those templates feature common libraries, pre-configured CI for running all kinds of tests and CD to deliver applications to the runtime platform.

To manage code quality, the Group offers engineers access to centrally managed build-infrastructure backed by K8s clusters for running integration tests compliant with widely adopted test containers without the need for docker daemon, thus enforcing better isolation and reducing the attack surface for test infrastructure and managed services for browser farm and android emulators. The Group also provides automated access to performance benchmarking of applications integrated with the Group's self-developed "Cosmos" portal, which aggregates historical data and trends relating to application performance.

DevPlatform includes a runtime platform based on an open-source Kubernetes container orchestration platform. Kubernetes clusters are deployed in different availability zones and do not share state in order to achieve better resiliency in the event of network partitioning. The typical size of a cluster is more than 150 worker nodes. The clusters are centrally-managed from within K8s itself by utilising controllers for K8s lifecycle management provided by K8s Cluster API project. The platform is fine-tuned and hardened to provide software engineers with elastic infrastructure for running stateless applications with a focus on runtime security and request latency minimisation. The clusters themselves are hardened according to CIS Kubernetes Benchmark and network security is enforced with a cutting-edge Cilium solution that provides a toolset for controlling traffic from L3 to L7. All network policies are centrally managed by the GitOps tool ArgoCD and are recertified by Group DevSecOps teams. The runtime platform also offers centrally managed solutions for application observability (log/metrics collection based on open-source filebeats and VictoriaMetrics agents) and traffic management (Tinkoff-flavored distribution of Gloo API Gateway backed by envoy proxy with custom filters that integrate WAF capabilities).

DevPlatform itself is developed in GO and Kotlin, the states are distributed between Postgres and s3 object storage, and all asynchronous interactions are backed by Apache Kafka. All services within the platform are subject to dogfooding by deployment to the runtime platform.

Artificial Intelligence

The Group puts significant effort into researching the application of artificial intelligence to the businesses. To focus these efforts, the Group recently formed the Tinkoff AI Technology Centre. Currently, around 150 employees are working directly on artificial intelligence projects such as the following:

AI Platform

The Tinkoff AI Platform is a comprehensive Platform-as-a-Service (PaaS) solution designed to provide scalable machine learning research and fast integration of such research results into the business. To fulfill these needs, the Group's engineers are building vertically integrated solutions that cover all steps of the Group's machine learning workflow from feature selection and feature engineering to model validation and production serving. The AI Platform uses DevPlatform for IAM, code version control, continuous integration and serving of production models. The AI Platform also uses Kubernetes and Slurm for workload orchestration, S3-compatible object storage for artifacts, and can be deployed either on-premises or in the cloud depending on the current needs.

The AI Platform manages a separate hardware stack for (distributed) model training, feature extraction and validation. Currently, the AI Platform uses more than 330 GPUs. The Kolmogorov high-performance computing cluster is a part of the AI Platform. It was, as of 30 March 2021, ranked 10th on the Russian supercomputers leaderboard maintained by Moscow State University and the Russian Academy of Sciences. The Kolmogorov supercomputer currently has a peak performance of 658.5 teraflops when calculating in double-precision floating-point (FP64) format. It uses emerging technologies such as GPGPU, RDMA and high-bandwidth Ethernet.

As a part of the AI Platform, the team also develops solutions to deliver increased security and provide collaborative environments for third-parties without compromising confidentiality. This is done under the zero-trust principle, in which the system assumes nothing about the security perimeter or the intentions of its participants. The AI Platform achieves this by employing techniques such as secure enclaves, multi-party computations and homomorphic encryption.

Conversational Intelligence

Tinkoff Conversational AI powers the Group's voice chat interaction platform. It combines best-in-class hardware and state-of-the-art deep learning techniques with vast amounts of data generated by the Group's call centres. Currently, conversational tech allows the Group to identify up to 95 percent of spoken words and uses terabytes of data and tens of thousands of hours of human speech to continuously train the system. Internally, these technologies are enabled by the use of Golang, C++ for micro-services and Tensorflow for model development and serving. All workloads run on internal Kubernetes cluster (part of DevPlatform). Under the brand Tinkoff VoiceKit, the Group offers these technologies to over 300 other companies.

Speech analytics and voice robots are used to optimise processes throughout the business and to enable new customer experiences. For example, Oleg the Defender from Tinkoff Mobile, which is a combined smart anti-spam and voicemail service. The Oleg assistant answers the call, asks the caller to state the purpose of their call and relays this information to the user. The user then receives a recording and a transcript of the conversation and can decide whether to call back. This service currently has one million monthly active users and processes 90 days of voice data per day.

Biometrics and Fraud Prevention

The Group develops its own biometrics solutions, including Tinkoff Voice Biometry, a system that analyses call centre communications in real time and makes decisions regarding which customer is calling based on state-of-the-art convolutional and recurrent neural networks. The Group achieves more than 95 percent sensitivity with less than 0.01 percent false-positives using mere seconds of speech.

Tinkoff Face Biometry is another solution that utilises deep neural networks to combat fraud. The system can identify a person in a database of millions with just a single photo. It processes hundreds of thousands of photos each day and searches among more than 40 million records. Tinkoff Face Biometry achieves more than 98 percent sensitivity with a false-positive rate of 10^{-7} .

Tinkoff Anti-Spoofing is a system that helps prevent fraud scenarios (masks, printed photos, pre-recorded videos etc.) in mobile payments authorized by selfie. The system works by filming a short clip of a person's face while

performing identification process. After identification, neural networks check the clip against a list of known fraud cases.

Development Hubs

Launching new products and services swiftly requires a team of skilled development specialists. To expand talent recruitment geographically, the Group has several Development Hubs in major Russian regional centres, as well as one in Minsk, Belarus. In the six months to 30 June 2021, the Group launched seven new hubs, bringing the total to 19, operating in 17 major regional centres and their academic satellites. There is also a Virtual Development Centre for remote employees. The total headcount of Development Hub teams has reached 1,350 IT professionals, including Full-stack, Front-end, Back-end, Mobile and DWH/BI developers, System Analysts, Admins and DevOps, ML/Data Science specialists, and QA engineers.

The Development Hubs allows the Group to use teams in different time zones to ensure timely customer support, and also provides additional opportunities to conduct R&D projects.

Data Centres

To ensure business continuity, the Group's IT systems are located in three dedicated data centres which are connected to separate and independent power supplies. Critical IT systems are operated in the more accessible primary data centre with primary Tier-III facilities, while secondary systems and back-up facilities are located in a physically separate data centre.

The Group uses EVPN/VXLAN technology as its foundation for network connectivity and to flatten the entire data centre network to a single tier in which all access points are equal, thus eliminating the effects of network locality and providing a convenient network foundation for private cloud and virtualised data centres. Connectivity between the data centres takes place via a DWDM redundant system based on ADVA technology with a total bandwidth of 200Ge. Connectivity between each data centre and the Group's headquarters is provided via a 10 Gbps redundant dark fibre optic network based on a dedicated Juniper EVPN/VXLAN backbone network. This enables the Group to provide its services efficiently and reliably and to maintain constant IT system availability.

Remote Access Platform

The Tinkoff Remote Access Platform was introduced to support the shift towards working from home for head office and call centre employees. It offers secure remote connectivity via Remote Access VPN services, Virtual Desktop Infrastructure ("VDI") services and Remote Terminal Collection services, each of which implement anti-virus, anti-leak software, audit tools to log activity and record security events, and multi-factor authentication implemented on top of a RADIUS protocol. All remote access services are under the control of Next-Generation Firewalls ("NGFWs") implemented on multiple highly available high-end clusters of Palo-Alto NGFW.

The Tinkoff Remote Access VPN service is built on Cisco AnyConnect and Cisco ISE technologies. Advanced security checks are performed for each and every connecting device to evaluate security conditions and enforce security policies. Employee laptops are installed with network compliance and visibility modules, and have undergone additional reinforcement process to meet security requirements. All laptops are managed using Microsoft Intune and JAMF MDM. The service allows more than 10,000 concurrent users to be connected (with peak load around 7,000 in recent months).

The VDI service is built on the VMware VDI platform backed by VMware NSX – a software-defined networking and firewall module. The service allows secure remote connectivity to ephemeral and persistent desktop environments protected with restricted network policies using the concept of minimal required access. The platform's current daily active users number nearly 8,000, with capacity for more.

The Remote Terminal Collections service comprises Microsoft Remote Desktop Service, as well as reinforced Ubuntu Linux-based terminal services, to provide access to the highly secure part of the Group's infrastructure and segregate network connection flows for a high level of security.

Security and Fraud Prevention

The Group maintains controls to keep operational risk at or below acceptable levels. For example, to prevent fraud, the Group's products implement security by design and zero-trust architecture, and the Group maintains an online system (available 24 hours a day, seven days a week) for monitoring suspicious activities. This monitoring

system allows for the detection of suspicious transactions, as well as declining such transactions at the authorisation stage. See below “*Asset, Liability and Risk Management – Fraud Prevention*”.

To reduce the risk of fraud on customers, the Group introduced Tinkoff Defense in April 2021. It incorporates measures including enhanced customer authentication procedures (via selfie, SMS security questions or video call with a Group representative), AI fraud-detection that analyses the customer’s habits to identify suspicious deviations, caller ID, ATM security features, smartphone anti-virus scanning, customer anti-fraud education, and Tinkoff Call Defender. Tinkoff Call Defender launched in December 2020 and was developed with Tinkoff Mobile and other major Russian mobile operators and provides for real-time data exchange between the Group and mobile operators. It allows suspicious calls to be detected automatically, monitored for further investigation, then flagged to the customer or blocked.

To manage its corporate data and strengthen information security, the Group uses NetApp FAS8080 series storage systems integrated with CommVault Simpana data protection suite as an information lifecycle management infrastructure. This software with object-level capabilities facilitates finding and quickly restoring a single data object rather than an entire system.

To reduce the risk of data leakages, cloud transfers are subject to the Group’s Data Leakage Prevention System, and the Group is subject to audits of its data storage and transfer processes, including from the Russian Federal Security Service (FSB) (with respect to cryptography); the Russian Federal Service for Supervision of Communications, Information Technology, and Mass Media (RosComNadzor) (with respect to personal data); the CBR (with respect to information security compliance); VISA (with respect to Payment Card Industry Data Security Standards); and SWIFT (with respect to the Customer Security Control Framework).

The Group follows best practice in security, including the NIST framework, COBIT for security risk management, CIS controls, Software Assurance Maturity Model framework for software security, and ISO/IEC 27001 for security management. The Group intends to become ISO/IEC 27001-certified within the next two to three years.

To reduce the threat of DDoS attacks, the Group uses Arbor Pravail with Cloud Signaling technology and SaaS service Qrator.net, together with a Wallarm firewall.

To enhance the detection of attacks, vulnerabilities, failures and suspicious activities, the Group has an in-house Sage-based Security Operations Centre, which monitors security policy violations, suspicious and malicious activity, and external sources of data on threats and potential vulnerabilities (Threat Intelligence). The Group proactively searches for infrastructure vulnerabilities (using its Threat Hunting strategy based on the Thor apt and the Hive solutions) and collects information about security incidents in its Security Orchestration, Automation and Response system. The Group also offers a “bug bounty” and a “data breach bounty” for employees and third parties (via HackerOne) who bring system vulnerabilities to the attention of the Group.

To check indicators of compromise, the Group uses the Munin Virustotal API, and to check suspicious files and malware the Group uses AnyRun. For potential leaks and activity related to hackers searching for vulnerabilities in processes from open sources, darknet monitoring is in place.

To make coding more secure, the Group has implemented SSDLC processes: static code analysis as part of a CI CD process built on the Checkmarx solution and dynamic application analysis built on the Wallarm FAST and Burp solutions. Further, the Group has implemented “security champions” and “security partners” practices, has conducted security training for developers, and includes security checks in testing procedures (Business Automated Security Testing). All critical applications undergo external security assessment.

Isolated, controlled and monitored security gates (jump boxes) are used for working with sensitive customer data, machine learning is used for the analysis of sensitive data queries, sensitive customer data is depersonalized for use in test/dev environments, a culture of working with data (with the involvement of all top managers) is encouraged, the creation and change of “security by design” processes includes data processing, and more sensitive rules for Data Leakage System have been put in place. The Group has a “zero tolerance” approach to security policy violations.

To reduce the threat from advanced persistent threats, including 0-day vulnerabilities, the Group uses solutions such as FireEye NX and Group IB TDS for network security and FireEye MX, Group IB Polygon and for email protection.

To enhance system security and standards compliance, the Group uses Openscap. To enhance protection from internet threats, the Group uses proxy servers to block malicious internet categories. The solution is built on McAfee, Cisco Umbrella (for DNS requests) and PaloAlto NGFWs.

To reinforce security solutions and control network connections, the Group has implemented Cisco Posture and NVM. To control and monitor user authentication, the Group has implemented Microsoft ATA on active directory controllers.

The Group has its own IAM system, which is designed to minimize human error in the granting of access rights. To reduce security risks, the Group has cyber-security insurance, which covers breach of corporate information and other data breaches, as well as a computer system security breaches, among other things.

Litigation

There are no governmental, legal or arbitration proceedings (including any proceedings which are pending or threatened of which Management is aware) which may have or have had in the 12 months preceding the date of these Listing Particulars a significant effect on the financial position or profitability of the Group.

ASSET, LIABILITY AND RISK MANAGEMENT

The purpose of the Group's asset, liability and risk management ("risk management") strategy is to evaluate, monitor and manage the risks arising from the Group's activities. The main types of risk inherent in the Group's business are credit risk, market risk, which includes foreign currency exchange risk, interest rate risk and liquidity risk. The Group designs its risk management policy to manage these risks by establishing procedures and setting limits that are monitored by the relevant departments.

Risk Management Organisational Structure

The Group's risk management organisation is divided between policy-making bodies that are responsible for establishing risk management policies and procedures (including the establishment of limits) and policy implementation bodies whose function is to implement those policies and procedures, including monitoring and controlling risks and limits.

Policy-Making Bodies

The policy-making level of the Group's risk management organisation consists of the Board of Directors, the Management Board, the Finance Committee and the Credit Committee.

These bodies perform the following functions:

Board of Directors

The Board of Directors is responsible for the creation and supervision of the operations of the internal control system of the Group and approves the Group's credit policy ("Credit Policy") and approves certain decisions that fall outside the scope of the Credit Committee's authority.

Management Board

The Management Board, which, in addition to its Chairman, also includes the Group's Risk Director, Chief Financial Officer, Chief Accountant, Chief Legal Counsel, Chief Operational Officer and Head of Payment Systems, has overall responsibility for the Group's asset, liability and risk management operations, policies and procedures. The Management Board delegates individual risk management functions to each of the various decision making and execution bodies within the Group's risk management structure. Chairman of the Management Board appoints members of the Finance Committee and Credit Committee.

Finance Committee

The purpose of the Finance Committee is to ensure the long-term economic effectiveness and stability of the Group's operations. The Finance Committee establishes the Group's policy with respect to capital adequacy and market risks, including market limits, manages the Group's assets and liabilities, establishes the Group's medium-term and long-term liquidity risk management policy and sets interest rate policy and charges with respect to individual loan products. The Finance Committee must consist of at least five members (currently there are seven members) and the Chairman of the Management Board acts as the Chairman of the Finance Committee. The Finance Committee meets on a weekly basis and makes its decisions by simple majority provided that a quorum of at least half of the members of the Finance Committee is present.

Credit Committee

The Credit Committee supervises and manages the Group's credit risks. With respect to credit cards, the Credit Committee approves the consumer lending policy, the underwriting methodologies and the scoring models used for assessment of the probability of default, the initial credit limit assignment and subsequent account management strategies, provisioning rates and decisions to write off non-performing loans. The Credit Committee must consist of at least five members (currently there are six members) and the Chairman of the Management Board acts as the Chairman of the Credit Committee. The Credit Committee meets when necessary, but not less frequently than once each month, and makes its decision by a simple majority vote of all the members present provided that a quorum of at least half of the members of the Credit Committee is present.

Policy Implementation Bodies

The policy implementation level of the Group's risk management organisation consists of the Finance Department, the Risk Management Department, the Collections Department and the Internal Control Service.

Finance Department

The Finance Department is responsible for managing correspondent accounts, daily currency liquidity, money transfer control and daily money transfer modelling to support the required currency liquidity level for correspondent accounts and compliance with the CBR's liquidity ratios.

The Finance Department is also responsible for closing international and local transactions in accordance with the Group's limits as approved by the Finance Committee and in compliance with the CBR's regulations, as well as for short-term placements, currency hedging and interest rate hedging.

Risk Management Department

The Risk Management Department is responsible for the development and implementation of the Group's consumer lending policy after the final approval of such policy by the Credit Committee. The Risk Management Department is also responsible for credit risk assessment of all proposed new products and related marketing communications, for approval of credit card applications and other loan products applications and for subsequent account management programmes.

Collections Department

The Collections Department is responsible for collection of amounts due but unpaid by delinquent the Group customers. The Management Board approves the Group's collections policy, which is then implemented by the Collections Department.

Internal Control Service

The Internal Control Service assesses the adequacy of internal procedures and professional standards, as well as their compliance with CBR regulations. The Internal Control Service is controlled by, and reports to, the Board of Directors.

Management Reporting Systems

The Group has implemented an online analytical processing management reporting system based on a common SAS data warehouse that is updated on a daily basis. The set of daily reports includes (but is not limited to) sales reports, application processing reports, reports on the risk characteristics of the credit card portfolio, vintage reports, transition matrix (roll rates) reports, reports on pre, early and late collections activities, reports on compliance with the CBR's requirements, capital adequacy and liquidity reports, operational liquidity forecast reports and information on intraday cash flows.

Some reports are submitted for the review of the Board of Directors on a monthly basis. These include selected financial information based on IFRS and adjusted to meet the requirements of internal reporting, analytical reports on credit risk and lending, reports on the status of the Group's credit card business accompanied by management commentary and analysis and reports on the Group's performance versus budget and operational risk reports.

Credit Risk

The Group is exposed to credit risk, which is the risk that a customer will be unable to pay amounts in full when due. Credit risk arises mainly in the context of the Group's consumer lending activities.

The general principles of the Group's credit policy are outlined in the Credit Policy approved by the Board of Directors. This document also outlines credit risk controls and monitoring procedures and the Group's credit risk management systems. Credit limits with respect to credit card applications are established by the Credit Committee and by officers of the Risk Management Department.

The Group structures the levels of its credit risk exposure by placing limits on the amount of risk accepted in relation to different online (Internet, mobile and telesales) and offline (sales through retailers) customer acquisition

channels and sub-channels. Such risks are monitored on an ongoing basis and are subject to quarterly or more frequent review with the approval of the Management Board.

The Group uses automated systems to evaluate an applicant's creditworthiness ("scoring"). The system is regularly modified to incorporate past experience and new data acquired on an iterative basis. The Group performs close credit risk monitoring throughout the life of a loan.

Loan Approval Criteria and Procedures

The Group is primarily focused on reducing incoming credit risk at the acquisition stage. The Group's Credit Committee has established general principles for lending to individual customers. According to these principles, the minimum requirements for potential customers are as follows:

- Citizenship of Russia;
- Aged of 18 to 70 inclusive;
- Possession of a mobile phone;
- Permanent current employment;
- Monthly income above five thousand roubles; and
- Permanent or temporary place of residence.

In almost all cases, the decision to issue a credit card or other loan product to a potential customer is made automatically, based on the credit bureaus information, verification of the customer's identity and credit score of the applicant calculated using one of the acquisition channel-specific scoring models. In very rare cases, decisions to issue credit cards to high income or high-net-worth customers are taken manually by members of the Credit Committee, but the number of loans granted under such circumstances is immaterial.

The decision to issue a credit card or loan to a customer is made after completion of the following steps:

Solicitation – The initial step in the underwriting process that applies to one-to-one marketing channels (e-mails, phone calls, SMS messages and direct mail) is pre-screening of prospective customers. At this stage, the Group's loan officers check available information on prospective customers and remove potential non-creditworthy customers, thereby reducing the cost of customer acquisition.

Validation – The purpose of this stage is to ensure the validity, completeness and quality of application data. The Group's system checks the integrity of the data and, if necessary, call centre staff call applicants to ask them to provide additional information or documentation.

Verification – At this stage, the Group's loan officers verify information provided by the applicant in their application form. This includes confirming the applicant's identity, for example through the telephone numbers from the credit bureau report; investigation of the applicant's financial situation during a phone interview; and verification of employment details (including verification that an applicant's employer is an officially registered legal entity, review of the employer's website to make sure that this entity exists and continues to operate, confirmation of the applicant's employment using telephone numbers of the legal entities from their registrars and, wherever possible, verification of the applicant's declared income with his or her employer). As part of the verification process, the Group's loan officers also gather as many phone numbers linked to the applicant as possible (land-line and mobile, personal and that of a friend and/or a relative) to facilitate future collection efforts. In the six months ended 30 June 2021, the Group verified approximately 52 percent of all approved applications. In the six months ended 30 June 2021, 1.2 percent of all completed applications were rejected as a result of the verification exercise described immediately above.

Credit Bureaus – Subject to the prior consent of the applicants, the Group sends incoming applications to the largest credit bureaus in Russia including Equifax, Unified Credit Bureau (Sberbank, Experian, Interfax) and National Bureaus of Credit Histories, and requests applicants' credit histories. Typically, approximately 10 percent of applicants have no credit history in the credit bureaus but they are not automatically rejected and can be accepted on the basis of information provided in their application forms and other sources of information described below.

Scoring Model to Identify Fraud – At this stage, the Group investigates whether the applicant is currently in default according to credit bureau reports, whether the applicant's passport is invalid according to the Federal Migration Service records, whether the applicant's name appears in any of the Group's proprietary databases or whether any application details (for example, telephone numbers or addresses) are identified as fraudulent in databases of other banks available through antifraud services provided by credit bureaus – Fraud Prevention Service (Equifax) and National Hunter (UCB). In the six months ended 30 June 2021, 0.2 percent of all completed applications were rejected on the grounds of suspected fraud as a result of the investigation and analysis described immediately above.

Scoring Models for the Application – the Group has internally developed a set of acquisition channel-specific statistical models that rank all applicants according to their probability of default during the next 12 months. These models use, among other things, (i) demographic data from the application form (for example, age, gender, education and marital status), (ii) payment history, when available – both positive and negative – from the three largest credit bureaus in Russia, (iii) channel-specific marketing and behavioural information (for example, device used to fill in the application form, time between application and first call and the amount of time a web visitor spends on a website). In the six months ended 30 June 2021, 12 percent of all completed applications were rejected after the credit score of an applicant obtained through the application of the relevant scoring model turned out to be below the appropriate channel-specific cut-off levels.

Application of the NPV Model and Final Decision – the Group has developed acquisition channel-specific models that, among other things, estimate a potential customer's net present value from one used credit card. The key components of every NPV model are the customer's probability of default, tendency to use a grace period, and other behaviour characteristics which are calculated using internal scoring models. For potential customers incoming from a particular acquisition channel, and taking into account such customers' estimated behaviour characteristics, initial credit limit and tariff plan, the models estimate the Group's future cash flows from each customer by modelling his or her behaviour in respect of, among others, credit limit utilisation levels, transactional activity, share of cash withdrawals in total card activity and repayment rates. The Group takes a NPV-positive approach to approval of all applications, which means that an application is approved only when the potential customer's net present value from the use of his or her credit card is positive. For all NPV calculations a discount rate of 30 percent is used.

The Group also maintains a flexible initial limit allocation system that allows it to reduce or increase the average initial limits in order to manage anticipated loan losses and liquidity.

Credit Line Management Procedures

Credit line management procedures for credit card products include the following:

Initial Credit Line Calculation

The customer's initial credit limit depends primarily on such customer's probability of default and his or her income. Lower probability of default and higher income have a positive impact on the initial credit limit. The Group's average initial limit amounted to RUB 57,000 in the six months ended 30 June 2021. The initial limit cannot exceed three monthly salaries of the customer or RUB 160,000, whichever is lower.

Regular Update of Credit Line

Once the Group has received at least three minimum payments from a new customer and each six months thereafter, the Group reviews the customer's credit limit. As part of the process, the Group updates credit bureau reports with respect to the customer and re-calculates such customer's probability of default with the help of an internal behavioural scoring model. Based on the updated probability of default, the credit limit may be increased, but for most customers still cannot exceed the equivalent of four months of the customer's salary or RUB 250,000, whichever is lower. For premium customers, the credit limit may be increased to RUB 700,000. In the six months ended 30 June 2021, there were more than 500,000 credit line increases per month on average.

Loan Collection

The Group employs a multi-stage collection process that seeks to achieve greater efficiency in the recovery of overdue credit card loans. Collections on loans that are overdue by 0 to 90 days are performed by the Group's internal Collections Department. After 90 days of delinquency, when it is clear that the early collection efforts are unlikely to be effective, a customer's debt may be restructured into instalment loans (which is the option preferred

by the Group), transferred to collections through courts or sold to its internal collection agency (Phoenix) or external collection agencies.

The Group's collections methodology is based on customer behaviour and corresponding collection scores. Under this approach, at the initial stage of collections (pre-collections and early collections), delinquent customers are allocated to one of three groups depending on their risk profile (high risk of default, medium risk of default and low risk of default). This enables the Group to apply a variety of collections tools and collections treatments to different groups of delinquent customers.

All of the stages described below may be accelerated in cases where the Group has grounds to believe that the delinquent customer will not repay the debt voluntarily or that fraud has taken place. In such circumstances, the time periods between each collections stage are shortened or omitted (the respective loans are accelerated into collections used for non-performing loans) in order to increase the chances of recovery.

The Group sold or wrote off 5.5%, 4.8%, 4.0% and 9.1% of its gross loan portfolio in the six months ended 30 June 2021 (annualised) and in the years ended 30 December 2020, 2019 and 2018, respectively.

The monthly delinquency rate (the number of delinquent accounts that were delinquent at the end of the previous month) was 5.8 percent as of 31 December 2018, 5.1 percent as of 31 December 2019, 4.6 percent in 31 December 2020 and 5.1 percent as of 30 June 2021. The minor fluctuations in the monthly delinquency rate resulted primarily from variations in the customer acquisition channel mix and local credit market conditions.

Management uses monthly second payment default rate (the percentage of accounts on which payment has not been received within 30 days of the first due date) as an important measure of asset quality that provides an early indication of how non-performing loans levels and provisions might change in the future. The average monthly second payment default rate was 1.6 percent in 2018, 1.7 percent in the year ended 31 December 2019, 2.2 percent in the year ended 31 December 2020 and 4.7 percent in the six months ended 30 June 2021. In the period since 30 June 2021, the Group's data indicates the average monthly second payment default rate appears to be decreasing to a level comparable with previous recent periods.

Pre-Collection (Four Days Prior to Due Date). The Group sends to all customers a reminder about forthcoming payments and the amount due two to four days prior to the due date. The customer receives a SMS and/or an e-mail. High-risk customers also receive a call. Pre-collection calling has proved to be an important way to combat delinquency.

Early Collections (0 – 30 Days). If payment is more than one day overdue, the customer receives reminders via SMS and email, as well as calls from the collections team. The level of contact is determined by behavioural scoring (their probability of default based on the customer's previous history with the Group and external credit bureau scores) to ensure efficient use of collections resources.

"Soft" Collections (30 – 90 Days). Once a credit card loan becomes more than 30 days overdue (after the second payment default), the customer is switched to "soft" collections. On the 31st day of delinquency, the customer is sent a written notification of the missed payment and receives SMS and e-mail reminders at regular intervals, as well as follow-up calls by members of the "soft" collections team. The Group's objective at the "soft" collection stage is to identify and assess the reasons why the customer has missed payments, to assist the customer in making payments, to collect payments and to identify early customers who should be transferred to collections used for non-performing loans. The Group provides temporary relief from credit card repayments, which allows the borrower to repay unpaid accumulated payments in parts. Monthly minimal payments of the borrower during this relief period cannot be less than 6 percent and the total monthly amount due and can be paid in parts of the unpaid accumulated payments. As of 30 June 2021, such loans comprised approximately 3.3 percent of the Group's credit card loan portfolio.

Non-Performing Loans Management. When loans are overdue by more than 90 days, the Group's collection efforts consist of (i) the restructuring of credit card debt to personal instalment loans, which is the preferred option of the Group to handle such delinquency, or, if customers do not agree to such restructuring, then either (ii) collections through courts with the enforcement of judgments with the help of the Federal Service of Court Bailiffs of the Russian Federation or (iii) sales of non-performing loans to its internal collection agency (Phoenix) or external collection agencies.

Conversion of Credit Card Debt to Personal Instalment Loans. Conversion of credit card debt to personal instalment loans was first introduced by the Group in 2010. This programme is based on regular instalments paid

by delinquent customers. After consultations with the delinquent customer, the Group fixes the outstanding amount of the debt under the credit card loan and offers the customer an option to repay his or her debt in monthly instalments during a period limited to 36 months. The Group converted 53.1 thousand, 75.5 thousand, 94.6 thousand and 37.1 thousand credit card loans to instalment loans in 2018, 2019, 2020 and six months ended 30 June 2021, respectively, whose total indebtedness to the Group amounted to approximately RUB 4.2 billion, RUB 6.3 billion and RUB 8.5 billion and RUB 3.4 billion, respectively.

Recoveries through the Courts. The Group applies to courts by mailing standardised claims rather than appearing before a court to enforce overdue loans. The Group considers these generally straightforward and quick court proceedings as a preferred alternative to collection agency services in those locations in which court decisions can be obtained in approximately three months or faster. Most courts in Russia are able to resolve court cases initiated by the Group within this timeframe. In 2020, the Group filed claims against 377 thousand customers whose total indebtedness to the Group amounted to approximately RUB 39.3 billion. As of 30 June 2021, the Group obtained favourable court decisions in relation to approximately 82 percent of these claims and collected a significant proportion of the outstanding indebtedness under the relevant loans with the help of the Federal Service of Court Bailiffs of the Russian Federation, which has a relatively higher collection rate as compared to collections through collection agencies.

Sales of Non-Performing Loans to Collection Agencies. Typically, loans delinquent for more than 150 days and not converted into instalment loans or being resolved through claims submitted to the courts, and loans with court orders with low collection rate are sold to the in-house Phoenix collection agency. In rare circumstances limited loan portfolios are sold to external collection agencies. The Group sold bad loans of a gross amount of RUB 1,730 million in the six months ended 30 June 2021, RUB 2,798 million in the year ended 31 December 2020, RUB 1,205 million in 31 December 2019 and RUB 454 million in 31 December 2018.

Recovery Amounts from Non-Performing Loans. In the six months ended 30 June 2021, the Group recovered RUB 2.5 billion from instalment loans, RUB 7.6 billion through the courts, RUB 51 million from loans sold to Phoenix collection agency without court orders and RUB 117 million from sales to external collection agencies. In the year ended 31 December 2020, the Group recovered RUB 4.2 billion from instalment loans, RUB 12.7 billion through the courts, RUB 84 million from loans sold to Phoenix collection agency without court orders and RUB 164 million from sales to external collection agencies. In the year ended 31 December 2019, the Group recovered RUB 3.3 billion from instalment loans, RUB 11.1 billion through the courts, 152 million from loans sold to Phoenix collection agency without court orders and RUB 68 million from sales to external collection agencies. In 2018, the Group recovered RUB 2.6 billion from instalment loans, RUB 8.8 billion through the courts, RUB 283 million from loans sold to Phoenix collection agency without court orders and RUB 85 million from sales to external collection agencies.

Fraud Prevention

The Group maintains a fraud prevention strategy which is based on the identification and fraud monitoring.

Access to customers' accounts is secured via a smart identification system, which takes into account various customer profile parameters, including information on the device used and session data, and sets an identification level. Depending on such identification level, the customer needs to acknowledge the entry into the account by way of a login and password, four-digit access code, fingerprint, security question or a password sent to the customer's contact number. In securing access to customers' accounts a two-factor identification is used.

Customer support centres use a unified identification manager, which allows them to request a customer's identification data and passwords without providing access to such data to the customer support service. In addition, a real-time voice authentication system is used to verify the identity of a caller. The system is based on the NICE Real-Time Voice Authentication System by Nice. The system is synchronised with the universal authentication manager processing customer calls to the centre. This technology enables customer voice identification during a regular phone call, reducing verification time from 40 seconds to 7 seconds. This dramatically improves customer experience by saving customer time and helps to reduce traffic costs and enhance security, given the prevalent risk of personal data in the age of social engineering.

Payment operations are generally secured via one-time SMS codes. Any operations with cash and movements on customer accounts are only carried out upon confirmation using a code sent via SMS and push notifications. The IMSI system is used to check to authenticate the SIM card.

Unauthorised operations are prevented by a fraud monitoring system, which is based on IBM Safer Payments solution. The system allows the Group to effectively prevent fraud at various stages of a payment process using cross-channel monitoring. This secures online banking, acquiring, deposit withdrawals, SMS-banking, and operations by legal entities.

The monitoring system may, *inter alia*, automatically reject or suspend a payment, block an account or send an alert report of a suspicious operation. Once a suspicious transaction is identified a customer may confirm such operation by phone, SMS-bank or the Tinkoff Super-App.

When suspicious transactions are identified, the Group gives the customer a choice – to confirm transactions by phone or, where the transaction is made using the customer's card, through the SMS-bank or the Tinkoff Super-App. In more than 90 percent of cases, the customer does not have to contact the bank by phone, which is especially important for customers abroad.

Provisioning Policy

Provisioning policy falls under the responsibility of the Management Board, which approves internal documents regulating the determination of delinquency groups and the creation of allowances for potential losses in connection with the Group's loan portfolio.

IFRS provisioning

The Group regularly reviews its financial assets to assess impairment.

For measuring credit risk and grading financial instruments (except for loans and advances to customers) by the level of credit risk, the Group applies risk grades estimated by external international rating agencies where available. The Group uses Fitch ratings, or if unavailable – Moody's or Standard & Poor's ratings, with adjustments to match them to Fitch's categories using a reconciliation table:

Master scale credit risk grade	Corresponding interval
Excellent.....	AAA, AA+ to AA-, A+ to A
Good.....	BBB+ to BBB-, BB+
Monitor.....	BB to B+
Sub-standard.....	B to B-
Doubtful.....	CCC+ to CC-
Default.....	C, D

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

- Excellent – high credit quality with lowest or very low expected credit risk;
- Good – good credit quality with currently low expected credit risk;
- Monitor – adequate credit quality with a moderate credit risk;
- Sub-standard – moderate credit quality with a satisfactory credit risk;
- Doubtful – facilities that require closer monitoring and remedial management; and
- Default – facilities in which a default has occurred.

For measuring credit risk and grading loans and advances to customers, credit-related commitments and those financial instruments which do not have risk grades estimated by external international rating agencies, the Group applies risk grades and the corresponding range of probabilities of default (PD):

Master scale credit risk grade	Corresponding interval
Excellent.....	For credit cards: non-overdue with PD < 5%; for other types of loans: non-overdue for the last 12 months with PD < 5% or with early repayments
Good.....	all other non-overdue loans
Monitor.....	1-30 days overdue for all types of loans or without first due date for credit

		card loans
Sub-standard	31-90 days overdue or restructured loans	0-90 days overdue
NPL.....		90+ days overdue

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

- Excellent – strong credit quality with minimum expected credit risk;
- Good – adequate credit quality with low expected credit risk;
- Monitor – adequate credit quality with a moderate credit risk and credit cards loans before the first due date;
- Sub-standard – low credit quality with a substantial credit risk, includes restructured loans that are less than 90 days overdue;
- NPL – non-performing loans, credit-impaired loans more than 90 days overdue.

Since 1 January 2018, the Group has used an impairment model for financial instruments, which is measured through expected credit losses (ECL). 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). ECL measurement is based on the following components used by the Group:

Default occurs when a financial asset is 90 days past due or less than 90 days overdue but with the final statement issued, i.e., the limit is closed, the balance is fixed, interest and commissions are no longer accrued.

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

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

Loss Given Default (LGD) – an estimate of the loss arising on default as a percentage of the EAD. It is based on the difference between the contractual cash flows due and those that the Group would expect to receive.

Discount Rate – a rate to discount an expected loss to its present value at the reporting date. The discount rate represents the effective interest rate (EIR) for the financial instrument or an approximation thereof.

Lifetime period – the maximum period over which ECL should be measured. For loans with fixed maturity, the lifetime period is equal to 20 months. For revolving facilities it is based on statistics of the average period between the moment of the loan falling into the Stage 2 until the write-off or attrition. Currently, the Group estimates that this period equals four years, though it is subject to periodical reassessment.

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

12-month ECL – the portion of lifetime ECLs that represent the ECLs resulting from default events on a financial instrument that are possible within 12 months after the reporting date that are limited by the remaining contractual life of the financial instrument.

Forward-looking information – information that includes the key macroeconomic variables impacting credit risk and expected credit losses for each portfolio segment. A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information.

Credit Conversion Factor – a coefficient that shows the probability of conversion of an offbalance sheet amount to exposure on the consolidated statement of financial position within a defined period. It can be calculated for a 12-month or lifetime period. Based on the analysis performed, the Group considers that 12-month and lifetime credit conversion factors are the same.

Purchased or originated credit-impaired financial assets – financial assets that are credit-impaired upon initial recognition.

Default and credit-impaired assets – assets for which a default event has occurred.

Significant increase in credit risk (SICR) - the SICR assessment is performed on an individual basis for all financial assets by monitoring the triggers. The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by the Group's Risk Management Department. The Group considers a financial instrument to have experienced a SICR when one or more of the quantitative, qualitative or backstop criteria have been met.

For financial assets that are not purchased or originated credit-impaired, ECLs are generally measured based on the risk of default over one of two different time periods, depending on whether or not the credit risk of the borrower has increased significantly since initial recognition.

This approach can be summarised in a three-stage model for ECL measurement:

- Stage 1 – a financial instrument that is not credit-impaired on initial recognition and its credit risk has not increased significantly since initial recognition, the loss allowance is based on 12-month ECLs;
- Stage 2 – if since the date of initial recognition, a significant increase in credit risk is identified, and the financial instrument is moved to Stage 2 but is not yet deemed to be credit-impaired, the loss allowance is based on lifetime ECLs;
- Stage 3 – if the financial instrument is credit-impaired or restructured, the financial instrument is then moved to Stage 3 and the loss allowance is based on lifetime ECLs.

The Group carries out two separate approaches for ECL measurement:

- for loans and advances to customers: assessment on a portfolio basis: internal ratings are estimated on an individual basis but the same credit risk parameters are applied during the process of ECL calculations for the same credit risk ratings and homogeneous segments of the loan portfolio;
- for all other financial assets except financial value through profit and losses: assessment based on external ratings.

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

CBR Provisioning

For CBR regulatory purposes, the Group currently applies a methodology based on RAS to calculate loan provisioning and determine expected losses. Under CBR regulations, provisions for loan impairment are established following the borrower's default under the loan or where there is objective evidence of the potential inability of the borrower to repay the loan. In the case of consumer lending, the Group creates provisions by reference to homogenous loan portfolios including groups of loans consolidated on the basis of a certain credit risk criteria (such as type of loan product, region of residence, debt terms or month of issue) as well as individual loan products. Provisions with respect to individual loan products are calculated based on the borrower's financial condition and debt service quality.

The CBR requires banks to classify their loans into the following five risk categories and to create provisions in the corresponding amount at their discretion:

Loan classification	Status of loan and loss potential	Provisioning range
		<i>(in %)</i>
Category I	Standard loans, without credit risk	0
Category II	Non-standard loans, moderate credit risk	1-20
Category III	Doubtful loans, considerable credit risk	21-50
Category IV	Problem loans, high credit risk	51-100
Category V	Bad loans	100

Under CBR regulations, as of 30 June 2021, the Group's provisioning was 17.8 percent of its gross loans and advances to customers as compared to 15.9 percent as of 31 December 2018, 16.2 percent as of 31 December 2019 and 19.6 percent as of 31 December 2020.

Write-Off Policy

Generally, uncollectible assets are partly written-off against the related credit loss allowance after a year of being overdue. The uncollectible part of a loan is estimated on a loan portfolio basis taking into account defaulted loan recovery statistics. Gains or losses on disposal of credit-impaired loans are recognised directly in the credit loss allowance in the consolidated statement of profit or loss and other comprehensive income in the period of sale. The Group writes-off financial assets that are still subject to enforcement activity but have no reasonable expectation of recovery.

Market Risk

The Group's exposure to market risk arises from open interest rate and foreign currency positions, which are exposed to general and specific market movements.

The Group is generally not engaged in trading operations. It has mismatches in its foreign currency positions that arise generally due to relatively short-term lending in roubles and relatively long-term borrowings in U.S. dollars. The Group manages the positions through hedging, matching or controlled mismatching.

The CBR sets limits on the open currency position that may be accepted by the Group on a stand-alone level, which is monitored on a daily basis. These limits prevent the Group from having an open currency position in any currency exceeding five percent of the Group's equity.

Foreign Currency Exchange Risk

The Group suffered from the rouble devaluation from November 2008 to February 2009 and has implemented a "low foreign exchange risk tolerance" policy aiming to minimise exposure to foreign currency exchange risks. The policy imposes neutral hedging that matches assets and liabilities by currency, foreign exchange hedging of funding received in foreign currency and prohibits foreign exchange trading for speculative purposes.

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

As of 31 December 2020				
	Non-derivative monetary financial assets	Non-derivative monetary financial liabilities	Derivatives	Net position
		(in millions of roubles)		
Roubles.....	674,171	(545,395)	(24,276)	104,500
U.S. dollars.....	116,693	(140,851)	29,207	5,049
Euro.....	35,019	(31,909)	(5)	3,105
GBP.....	1,405	(1,414)	-	(9)
Others.....	1,942	(2,455)	-	(513)
Total.....	829,230	(722,024)	4,926	112,132

As of 31 December 2019				
	Non-derivative monetary financial assets	Non-derivative monetary financial liabilities	Derivatives	Net position
		(in millions of roubles)		
Roubles.....	491,635	(390,010)	(12,995)	88,630
U.S. dollars.....	46,930	(62,098)	13,422	(1,746)
Euro.....	18,902	(20,261)	(595)	(1,954)
GBP.....	677	(675)	(32)	(30)
Other.....	87	(788)	-	(701)
Total.....	558,231	(473,832)	(200)	84,199

As of 31 December 2018				
	Non-derivative monetary financial assets	Non-derivative monetary financial liabilities	Derivatives	Net position
	(in millions of roubles)			
Roubles.....	307,617	(264,073)	(5,283)	38,261
U.S. dollars.....	37,550	(47,539)	7,245	(2,744)
Euro.....	11,318	(13,773)	(233)	(2,688)
GBP.....	571	(586)	(22)	(37)
Other.....	13	(202)	-	(189)
Total.....	357,069	(326,173)	1,707	32,603

The above analysis includes only monetary assets and liabilities. Non-monetary assets are not considered to give rise to any material currency risk.

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

	As of 31 December 2020		As of 31 December 2019		As of 31 December 2018	
	Impact on profit or loss	Impact on equity (pre- tax)	Impact on profit or loss	Impact on equity (pre- tax)	Impact on profit or loss	Impact on equity (pre-tax)
U.S. dollar strengthening by 20 percent.....	794	794	(277)	(277)	(417)	(417)
U.S. dollar weakening by 20 percent.....	(794)	(794)	277	277	417	417
Euro strengthening by 20 percent.....	488	488	(310)	(310)	(408)	(408)
Euro weakening by 20 percent.....	(488)	(488)	310	310	408	408
GBP strengthening by 20 percent.....	(1)	(1)	(5)	(5)	(6)	(6)
GBP weakening by 20 percent.....	1	1	5	5	6	6

The exposure was calculated only for monetary balances denominated in currencies other than the rouble, the Group's functional currency.

Interest Rate Risk

The Group's exposure to interest rate risks arises due to the impact of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes, but may also decrease or create losses in the event that unexpected movements arise. Management monitors on a daily basis and sets limits on the level of mismatch of interest rate repricing that may be undertaken.

The table below summarises the Group's exposure to interest rate risks as of 31 December 2020, 2019 and 2018. The table presents the aggregated amounts of the Group's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual interest re-pricing or maturity dates.

	Demand and less than one month	From one to six months	From six to 12 months	From one to three years	More than three years	Total
	(in millions of roubles)					
31 December 2020						
Total financial assets	249,316	149,031	77,988	138,248	219,682	834,265
Total financial liabilities.....	(379,481)	(165,961)	(75,564)	(90,975)	(10,152)	(722,133)
Net interest sensitivity gap as of 31 December 2020	(130,165)	(16,930)	2,424	47,273	209,530	112,132
31 December 2019						
Total financial assets	136,773	153,392	66,962	121,755	80,306	559,188
Total financial liabilities.....	(200,447)	(155,323)	(62,923)	(44,109)	(12,187)	(474,989)
Net interest sensitivity gap as of 31 December 2019	(63,674)	(1,931)	4,039	77,646	68,119	84,199
31 December 2018						
Total financial assets	103,449	124,541	35,930	31,883	62,976	358,779

	Demand and less than one month	From one to six months	From six to 12 months (in millions of roubles)	From one to three years	More than three years	Total
Total financial liabilities.....	(200,101)	(56,301)	(40,080)	(3,743)	(25,951)	(326,176)
Net interest sensitivity gap as of 31 December 2018.....	(96,652)	68,240	(4,150)	28,140	37,025	32,603

The Group has no significant risk associated with variable interest rates on loans and advances provided to customers or loans received.

As of 31 December 2020, if interest rates at that date had been 200 basis points lower, with all other variables held constant, profit for the period would have been RUB 2,243 million lower, mainly as a result of lower interest income. As of 31 December 2019, if interest rates at that date had been 200 basis points lower, with all other variables held constant, profit for the year would have been RUB 1,684 million lower. As of 31 December 2018, if interest rates at that date had been 200 basis points lower, with all other variables held constant, profit for the year would have been RUB 652 million lower.

The Group monitors interest rates for its financial instruments. The table below sets out interest rates for the years ended 31 December 2020, 2019 and 2018 based on reports reviewed by key Management personnel:

	Year ended 31 December											
	2020				2019				2018			
	RUB	US\$	EUR	GBP	RUB	US\$ (in %)	EUR	GBP	RUB	US\$	EUR	GBP
Assets:												
Cash and cash equivalents	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans and advances to customers	33.5	-	1.7	-	37.2	-	-	-	42.7	-	-	-
Due from banks.....	3.2	-	-	-	5.3	1.6	-	-	5.9	-	-	-
Investment in securities.	6.9	2.6	1.3	-	7.9	4.3	2.4	-	8.5	4.5	3.2	-
Repurchase receivables.	6.9	3.3	-	-	6.5	4.3	3.1	-	7.4	4.3	-	-
Brokerage receivables...	15.5	15.4	13.5	-	15.4	14.7	13.7	-	-	-	-	-
Liabilities:												
Due to banks	4.4	0.0	-	-	6.2	0.0	-	-	7.0	2.4	-	-
Customer accounts	3.3	0.5	0.1	0.1	5.1	1	0.1	0.1	5.2	0.9	0.4	0.3
Debt securities in issue..	8.6	-	-	-	9.0	3.8	1.2	-	9.9	4.4	1.4	-
Brokerage payables.....	15.6	15.6	-	-	15.8	15.3	-	-	-	-	-	-
Subordinated debt	-	10.0	-	-	-	10.0	-	-	-	10.0	-	-

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group is exposed to daily calls on its available cash resources from unused limits on issued credit cards, retail deposits from customers, current accounts and due to banks. The Group does not maintain cash resources to meet all of these needs as experience shows that only a certain level of calls will take place and it can be predicted with a high level of certainty. Liquidity risk is managed by the Financial Committee of the Bank.

The Group seeks to maintain a stable funding base primarily consisting of amounts due to corporate and retail customer deposits and debt securities. As at 31 December 2020, debt securities in issue consist of four rouble-denominated domestic bonds with maturities of up to nine years and three structured debt notes.

The Group keeps all available cash in diversified portfolios of liquid instruments, such as a correspondent account with the CBR and overnight placements in highly rated commercial banks, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements. The Group believes that the available cash at all times is sufficient to cover (i) debt repayments due within a month and accrued interest for one month ahead and (ii) a deposit liquidity cushion calculated as at least 15 percent of total retail deposits (but in practice usually maintained at a level between 20 and 25 percent). The Group believes that it has a proven ability to control loan portfolio cash flows to maintain levels of liquidity reflecting changing market conditions. The Group also believes that its loan portfolio is responsive to change in inputs (such as stopping the issuance of any new credit cards or other loans and any increases in credit card limits) and that the Group can go from being cash-negative to being cash-positive in a short period of time (estimated to be two weeks), as it was able to do in November 2008 and in September 2011.

The Group's liquidity management requires (i) considering the level of liquid assets necessary to settle obligations as they fall due; (ii) maintaining access to a range of funding sources; (iii) maintaining funding contingency plans; and (iv) monitoring balance sheet liquidity ratios against applicable regulatory requirements.

Tinkoff Bank calculates liquidity ratios on a daily basis in accordance with the requirements of the CBR, based on stand-alone RAS information of Tinkoff Bank, which is substantially different from the Group's IFRS results. These ratios are:

- Instant liquidity ratio (N2), which is calculated as the ratio of highly liquid assets to liabilities payable on demand. This ratio was 78.9 percent as of 1 July 2021 as compared to 72.9 percent as of 1 January 2021, and 76.8 percent as of 1 January 2020 and 44.8 percent as of 1 January 2019. The minimum statutory ratio permitted by the CBR is 15 percent.
- Current liquidity ratio (N3), which is calculated as the ratio of liquid assets to liabilities maturing within 30 calendar days. This ratio was 121.5 percent as of 1 July 2021 as compared to 127.2 percent as of 1 January 2021, 146.4 percent as of 1 January 2020 and 129.7 percent as of 1 January 2019. The minimum statutory ratio permitted by the CBR is 50 percent.
- 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. This ratio was 27.0 percent as of 1 July 2021 as compared to 18.8 percent as of 1 January 2021, 19.9 percent as of 1 January 2020 and 15.0 percent as of 1 January 2019. The maximum statutory ratio permitted by the CBR is 120 percent.

For purposes of managing the Group's liquidity risk, the Chief Financial Officer of Tinkoff Bank regularly receives extensive information about the liquidity profile of the financial assets and liabilities. Monitoring of the Group's liquidity position includes, among other things:

- Monthly credit card loan portfolio trends monitoring, which covers transaction and repayment levels, delinquency levels, first month utilisation levels and backlog utilisation levels. This information allows Management to exercise control over longer-term cash flows and portfolio size and to plan for debt repayments one to two years ahead;
- Daily monitoring of transactions, repayments and deposits with data for the day updated each evening;
- Close deposit monitoring through daily reports and periodic deposit portfolio/behavioural analysis;
- Daily monitoring of credit card, deposits and cash balances with a one-day lag for all balances;
- Daily monitoring of movements on CBR and Nostro correspondent accounts; and
- Daily monitoring of payments flows, which consists of tracking incoming and outgoing payments including all future payments for up to three days in advance.

All daily reports also include week-to-day and month-to-day comparisons. On the basis of all these reports, the Chief Financial Officer of Tinkoff Bank then ensures the availability of an adequate portfolio of short-term liquid assets, made up of an amount in the correspondent account with the CBR and overnight deposits with banks, to ensure that sufficient liquidity is maintained within the Group as a whole.

The Group's asset and liability management and liquidity policy takes into account certain relatively stable characteristics of the credit card loan portfolio, such as, among others, (i) regular monthly repayments of 18 to 20 percent of outstanding receivables, (ii) average utilisation of approximately 78 percent of the total portfolio limit, (iii) average utilisation of approximately 45 percent of the added amount within three months after regular credit limit upgrades; (iv) positive cumulative cash-flow on ab credit card after 12 to 18 months; (v) risk profile of the portfolio, with decreasing delinquency rates resulting in increases in both repayments and transactions and (vi) seasonality, with a spike in usage in December of each year and a slowdown in usage in January and August.

Regular liquidity stress-testing under a variety of scenarios covering both normal and more severe market conditions and credit card portfolio behaviour is reviewed by the Chief Financial Officer of Tinkoff Bank.

The following table sets up the Group's financial liabilities as of 31 December 2020 by their remaining contractual tenor. The amounts of liabilities disclosed in the maturity table are the contractual undiscounted cash flows and gross loan commitments. Such undiscounted cash flows differ from the amount included in the consolidated statement of financial position because the consolidated statement of financial position amount 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 reporting date. Foreign currency payments are translated using the spot exchange rate at the end of the reporting period.

The maturity analysis of the Group's financial liabilities as of 31 December 2020 is as follows:

	Demand and less than one month	From one to three months	From three to six months	From six to 12 months	More than one year	Total
	<i>(in millions of roubles)</i>					
Liabilities						
Due to banks.....	-	-	-	-	4,819	4,819
Customer accounts.....	335,710	84,412	80,149	80,306	49,184	629,761
Debt securities in issue	173	316	515	1,930	23,245	26,179
Financial derivatives.....	51	198	251	501	25,842	26,843
Brokerage payables	9,206	-	-	-	-	9,206
Insurance provisions.....	345	207	953	358	297	2,160
Subordinated debt.....	168	322	496	998	22,126	24,110
Other financial liabilities	34,337	-	-	-	-	34,337
Lease liabilities.....	64	102	166	330	686	1,348
Unused limits on credit card loans.....	204,868	-	-	-	-	204,868
Total potential future payments for financial obligations	584,922	85,557	82,530	84,423	126,199	963,631

The maturity analysis of the Group's financial liabilities as of 31 December 2019 is as follows:

	Demand and less than one month	From one to three months	From three to six months	From six to 12 months	More than one year	Total
	<i>(in millions of roubles)</i>					
Liabilities						
Due to banks.....	23	-	-	-	-	23
Customer accounts.....	189,176	84,108	70,530	60,627	11,605	416,046
Debt securities in issue	168	338	487	2,082	23,795	26,870
Financial derivatives.....	-	199	203	399	19,833	20,634
Brokerage payables	1,207	-	-	-	-	1,207
Insurance provisions.....	463	917	438	296	228	2,342
Subordinated debt.....	149	291	440	891	18,541	20,312
Other financial liabilities	14,648	-	-	-	-	14,648
Lease liabilities.....	11	109	111	209	1,254	1,694
Unused limits on credit card loans.....	168,059	-	-	-	-	168,059
Total potential future payments for financial obligations	373,904	85,962	72,209	64,504	75,256	671,835

The maturity analysis of the Group's financial liabilities as of 31 December 2018 is as follows:

	Demand and less than one month	From one to three months	From three to six month	From six to 12 months	More than one year	Total
	<i>(in millions of roubles)</i>					
Liabilities						
Due to banks.....	2,708	-	-	-	-	2,708
Customer accounts.....	191,308	24,257	32,600	34,571	1,719	284,455
Debt securities in issue	55	106	162	4,175	5,906	10,404
Subordinated debt.....	167	320	493	998	20,865	22,843
Insurance provisions.....	213	422	217	156	91	1,099
Other financial liabilities	11,201	-	-	-	-	11,201
Financial derivatives.....	-	92	92	185	9,706	10,075
Unused limits on credit card loans.....	110,478	-	-	-	-	110,478

	Demand and less than one month	From one to three months	From three to six month	From six to 12 months	More than one year	Total
	(in millions of roubles)					
Total potential future payments for financial obligations	316,130	25,197	33,564	40,085	38,287	453,263

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.

The following table sets out the expected maturity analysis of the Group's financial assets and liabilities as of 31 December 2020:

	Demand and less than one month	From one to three months	From three to six months	From six to 12 months	From one to five years	More than five years	Total
	(in millions of roubles)						
Assets:							
Cash and cash equivalents	136,351	-	-	-	-	-	136,351
Mandatory cash balances with the CBR.....	2,756	546	454	531	1,092	-	5,379
Due from other banks	-	-	-	-	1,887	-	1,887
Loans and advances to customers	52,623	67,843	69,011	72,407	98,002	16,635	376,521
Financial derivatives	82	-	-	-	4,953	-	5,035
Investment in debt securities.....	238,454	-	-	-	-	-	238,454
Repurchase receivables.....	29	-	-	-	-	-	29
Brokerage receivables.....	24,064	-	-	-	-	-	24,064
Guarantee deposits with payment systems	2,163	2,788	2,836	2,976	4,028	684	15,475
Other financial assets.....	30,820	44	21	12	173	-	31,070
Total financial assets.....	487,342	71,221	72,322	75,926	110,135	17,319	834,265
Liabilities:							
Due to banks	-	-	-	-	4,819	-	4,819
Customer accounts.....	321,104	63,601	52,958	61,899	127,275	-	626,837
Debt securities in issue	-	870	944	981	11,281	9,834	23,910
Financial derivatives	76	-	-	-	33	-	109
Brokerage payables.....	9,206	-	-	-	-	-	9,206
Subordinated debt.....	-	481	481	961	18,832	-	20,755
Insurance provisions	345	207	953	358	297	-	2,160
Other financial liabilities	34,337	-	-	-	-	-	34,337
Total financial liabilities.....	365,068	65,159	55,336	64,199	162,537	9,834	722,133
Net liquidity gap at 31 December 2020.....	122,274	6,062	16,986	11,727	(52,402)	7,485	112,132
Cumulative liquidity gap at 31 December 2020.....	122,274	128,336	145,322	157,049	104,647	112,132	-

The following table sets out the expected maturity analysis of the Group's financial assets and liabilities as of 31 December 2019:

	Demand and less than one month	From one to three months	From three to six months	From six to 12 months	From one to five years	More than five years	Total
	(in millions of roubles)						
Assets:							
Cash and cash equivalents	55,564	-	-	-	-	-	55,564
Mandatory cash balances with the CBR.....	1,508	510	346	513	571	-	3,448
Due from other banks	-	-	46	-	2,038	-	2,084
Loans and advances to customers	48,391	63,640	63,466	61,884	79,105	12,689	329,175
Financial derivatives	-	-	-	-	390	-	390
Investment in debt securities.....	135,178	-	-	-	-	-	135,178
Brokerage receivables.....	2,799	-	-	-	-	-	2,799

Guarantee deposits with payment systems	1,304	1,717	1,712	1,669	2,133	342	8,877
Other financial assets	21,569	63	20	10	11	-	21,673
Total financial assets	266,313	65,930	65,590	64,076	84,248	13,031	559,188
Liabilities:							
Due to banks	23	-	-	-	-	-	23
Customer accounts	180,017	60,879	41,259	61,298	68,161	-	411,614
Debt securities in issue	-	411	599	1,008	12,463	11,597	26,078
Financial derivatives	-	-	-	-	590	-	590
Brokerage payables	1,207	-	-	-	-	-	1,207
Subordinated debt	-	158	-	-	18,329	-	18,487
Insurance provisions	463	917	438	296	228	-	2,342
Other financial liabilities	14,648	-	-	-	-	-	14,648
Total financial liabilities	196,358	62,365	42,296	62,602	99,771	11,597	474,989
Net liquidity gap at 31 December 2020	69,955	3,565	23,294	1,474	(15,523)	1,434	84,199
Cumulative liquidity gap at 31 December 2020	69,955	73,520	96,814	98,288	82,765	84,199	-

The following table sets out the expected maturity analysis of the Group's financial assets and liabilities as of 31 December 2018:

	Demand and less than one month	From one to three months	From three to six months	From six to 12 months	From one to five years	More than five years	Total
	(in millions of roubles)						
Assets							
Cash and cash equivalents	33,802	-	-	-	-	-	33,802
Mandatory cash balances with the CBR	1,602	66	106	298	363	-	2,435
Due from other banks	13	206	-	431	126	-	776
Loans and advances to customers	33,496	44,272	43,675	40,612	35,292	1,142	198,489
Financial derivatives	-	-	-	-	1,710	-	1,710
Investment in debt securities	100,140	-	-	-	-	-	100,140
Repurchase receivables	1,182	-	-	-	-	-	1,182
Guarantee deposits with payment systems	1,084	1,463	1,138	735	183	-	4,603
Other financial assets	15,542	63	21	11	5	-	15,642
Total financial assets	186,861	46,070	44,940	42,087	37,679	1,142	358,779
Liabilities							
Due to banks	2,708	-	-	-	-	-	2,708
Customer accounts	119,413	42,478	28,554	43,657	46,814	-	280,916
Debt securities in issue	-	-	274	4,027	5,304	-	9,605
Financial derivatives	-	-	-	-	3	-	3
Subordinated debt	-	114	-	-	20,530	-	20,644
Insurance provisions	213	422	217	156	91	-	1,099
Other financial liabilities	11,201	-	-	-	-	-	11,201
Total financial liabilities	133,535	43,014	29,045	47,840	72,742	-	326,176
Net liquidity gap as of 31 December 2018	53,326	3,056	15,895	(5,753)	(35,063)	1,142	32,603
Cumulative liquidity gap as of 31 December 2018	53,326	56,382	72,277	66,524	31,461	32,603	-

When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the reporting date. Foreign currency payments are translated using the spot exchange rate at the end of reporting period.

All the investment in debt securities (securities available for sale) are classified within demand and less than one month as they are easy REPO-able with the CBR or on the open market and can provide immediate liquidity to the Group. All current accounts of individuals are classified within demand and less than one month.

The allocation of deposits of individuals takes into account the statistics on auto-prolongations and, where customers have more than one active deposit, top-ups of longer-term deposits using funds previously subject to

shorter-term deposits. 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.

Operational Risk

The Group is exposed to operational risk which is the risk of losses resulting from inadequate management and control procedures, fraud, poor business decisions, system errors relating to employee mistakes and abuse by employees of their positions, technical failures, settlement errors, natural disasters and misuse of the Group's property.

The Group has established internal control systems intended to comply with Basel guidelines and the CBR's requirements regarding operational risk. The Board of Directors adopts general risk management policy, assesses the efficiency of risk management, approves the Group's management structure, adopts measures designed to ensure continuous business activities of the Group including measures designed for extraordinary and emergency situations and supervises other executive bodies in respect of operational risk management. The Management Board generally oversees the implementation of risk management processes at the Group including relevant internal policies, adopts internal regulations on the Group's risk management, determines limits for monitoring operational risks and allocates duties among various bodies responsible for operational risk management.

Regular monitoring of activities is intended to detect in a timely manner and correct deficiencies in policies and procedures designed to manage operational risk, which can reduce the potential frequency and/or severity of a loss event. Dedicated Group personnel track all problems the Group encounters in its operations and record all operation errors/issues and remedial measures are taken on a special help-desk system. Reports on such errors or issues are sent to key managers and all such errors are issues are recorded in an incident log. In order to minimise operational risk, the Group strives to regularly improve its business processes and its organisational structure as well as incentivise its staff.

The Group insures against operational risks through several insurance policies that cover, among other things, property risks in respect of the Group's offices, IT infrastructure and certain third-party liabilities.

The Group has not experienced any material operational failures in recent years. In order to minimise potential losses from such failures, ensure business continuity in case of disruption to IT systems and provide reliable and continuous access to business data and services, the Group's IT systems are located in two dedicated data centres each connected to separate and independent power supply sources. Critical IT systems are operated in the most accessible, primary data centre with primary Tier-III facilities, while secondary systems and back up facilities are located in a physically separate data centre. Both data centres provide 24-hours-a-day, seven-days-a-week, year-round power, cooling, connectivity and security capabilities to protect mission-critical operations and preserve business continuity for IT systems. Moreover, the Group keeps additional hardware on its premises for back-up purposes and has stand-by servers for each key system, including active standbys for critical systems such as processing and transaction authorisation. Data connections to the data centres are 100 percent reserved via separate physical lines.

Anti-Money-Laundering and Anti-Terrorist-Financing Procedures

As a member country of the FATF, Russia adopted the Anti-Money-Laundering Law. Subsequent to the adoption of the Anti-Money-Laundering Law, the CBR promulgated a number of anti-money-laundering regulations specifically for the banking sector.

The Group has adopted internal regulations on anti-money-laundering that are based on, and are in full compliance with, the requirements of the Russian anti-money-laundering regulations, related instructions of the CBR and international standards. The supervision of the Russian anti-money-laundering regime is shared between the CBR and the FSFMT. See *"Overview of the Banking Sector and Banking Regulation in Russia – Banking Regulation–Anti-Money-Laundering Legislation"*.

The Group has created a specialised unit and appointed an authorised officer who coordinates activities aimed at preventing money laundering and terrorist financing. In addition to its daily analysis of banking operations, the Group identifies and conducts reviews of its customers and their representatives, beneficiaries and beneficial

owners; conducts money laundering and terrorist financing risk management; carries out personnel training; verifies information on operations that are subject to monitoring; and sends all required information to the relevant state authorities. Employees of the Group have to take mandatory training on the Group's policies and procedures for preventing money laundering and terrorist financing both as part of the initial training after being hired and as part of subsequent training activities.

Mandatory internal checks are conducted by the Group's Internal Control Service. External checks are provided by the CBR and, within an annual audit, by a statutory auditor.

The Group cooperates with the FSFMT by timely addressing their requests regarding certain entities or operations.

MANAGEMENT

The current structure of corporate governance at Tinkoff Bank is described below.

Governance Bodies

In accordance with Russian legislation on joint stock companies, banking activities and Tinkoff Bank's charter (the "**Charter**"), the principal governance bodies of Tinkoff Bank are the following:

- the General Shareholders' Meeting;
- the Board of Directors;
- the Management Board; and
- the Chairman of the Management Board.

General Shareholders' Meeting

The General Shareholders' Meeting is the highest governance body of Tinkoff Bank. The General Shareholders' Meeting decides on the most significant matters of Tinkoff Bank's activities including any liquidation or reorganisation. An annual General Shareholders' Meeting must be held every year. Extraordinary General Shareholders' Meetings can be convened upon the request of the Board of Directors, the audit committee, the Tinkoff Bank's auditor or shareholder(s) holding not less than 10 percent of the voting shares of Tinkoff Bank.

The following matters, among others, are referred to the competence of the General Shareholders' Meeting:

- alteration of the Charter;
- increase and reduction of the charter capital;
- liquidation and reorganisation;
- formation and early termination of the Board of Directors;
- approval of distribution of dividends;
- approval of annual statutory accounts and reports; and
- consent or subsequent approval of certain major and interested party transactions.

The Federal Law No 208-FZ "On Joint-Stock Companies" dated 26 December 1995, as amended, (the "**JSC Law**") contains requirements with respect to interested party transactions. An "interested party transaction" is a transaction with an "interested party", which is defined as a member of the board of directors of the company, a person performing functions of the sole executive body (including a managing company or a manager, which performs functions of the sole executive body of the company under a contract), a member of the collective executive body of the company or a person controlling the company, as defined under the JSC Law, or any person able to issue binding instructions to the company, if any of the abovementioned persons, or any of these persons spouses, close relatives, adoptive parents or children and/or their controlled entities is/are:

- a party to, or beneficiary of, a transaction with the company, whether directly or as a representative or intermediary;
- a person controlling a legal entity that is a party to, or beneficiary of, a transaction with the company, whether directly or as a representative or intermediary; or
- a member of any governing body of the company (or of any governing body of the managing company of such company) that is a party to, or beneficiary of, a transaction with the company, whether directly or as a representative or intermediary.

The JSC Law defines a "major transaction" as a transaction, or a series of interrelated transactions, entered into beyond the ordinary course of business and connected with the direct or indirect acquisition or disposal, or the

possibility of disposal of property with the value of 25 percent or more of the balance sheet value of the assets of the company as determined under RAS as of the latest reporting date, as well as in other cases provided by the JSC Law. Major transactions involving assets ranging from 25 percent to 50 percent of the book value of the company's assets, as determined according to its financial statements for the latest reporting date, require unanimous approval by all members of the board of directors or, in the absence of such approval, a simple majority vote of a general shareholders' meeting. Major transactions involving assets in excess of 50 percent of the balance sheet value of the assets of the company require a three-quarters majority vote of a general shareholders' meeting. The consent or subsequent approval of a major transaction is not required if a company has only one shareholder that simultaneously performs the functions of the sole executive body of the company. Any major transaction entered into in breach of the above requirements may be invalidated by a court following an action by the company, a member of its board of directors or any of its shareholders holding in aggregate at least one percent of the voting shares.

Board of Directors

The Board of Directors carries out general management (except for matters referred by law and the Charter to the exclusive competence of the General Shareholders' Meeting) including determination of priorities, election of the Chairman of the Management Board and of the members of the Management Board and approval of certain major and interested party transactions. The Board of Directors must include at least five members. Members of the Board of Directors are elected by the General Shareholders' Meeting until the following annual General Shareholders' Meeting. The Board of Directors is headed by the Chairman who is elected by the Directors. The Board of Directors adopts decisions by a simple majority unless otherwise specified by law or the Charter of Tinkoff Bank. The Board of Directors is authorised to decide on matters within its competence if at least half of its members participate in the meeting.

The Board of Directors currently has five members. The current members of the Board of Directors were elected by TCSGH on 25 August 2021. The name, position and certain other information for each member of the Board of Directors are set out below.

Name	Date of Birth	Title	Member of the Board Since
George Chesakov	24/04/1972	Chairman, Member of the Board of Directors	2021
Stanislav Bliznyuk	30/06/1980	Member of the Board of Directors, Chairman of the Management Board	2020
Sergey Pirogov	05/03/1971	Member of the Board of Directors	2011
Svetlana Ustilovskaya	22/02/1966	Independent Director and Chairman of the Audit Committee	2013
Vadim Stasovsky	11/07/1971	Member of the Board of Directors	2006

No member of the Board of Directors carried on any significant activities outside the Group.

George Chesakov was elected as a member of the Board of Directors and Chairman of the Board of Directors in 2021 and has been Head of Tinkoff Mobile since January 2017. He also served as Chief Operating Officer and Chairman of the Management Board from 2006 to 2011. Prior to re-joining Tinkoff Bank in February 2016, Mr. Chesakov held the position of President at OTP Bank between 2013 and 2015 and co-founded Revo Technology in 2012. From early in his career until 2006, Mr. Chesakov held various positions at McKinsey & Company, Russian Standard Bank and launched a consumer finance business at Investsberbank (now OTP Bank). Mr. Chesakov holds a degree in computer science from Princeton University, USA and a degree in mathematics from Moscow State University, Russia.

Stanislav Bliznyuk was elected as a member of the Board of Directors in 2020 and was appointed as Chairman of the Management Board in 2021. He is also Head of Business Development. Prior to his appointment as Chairman of the Management Board, Mr. Bliznyuk had been Deputy Chairman of the Management Board since June 2012 and Chief Operations Officer since December 2011. Mr. Bliznyuk was previously the Head of Technologies at Tinkoff Bank between December 2006 and June 2012. Before joining Tinkoff Bank in 2006, Mr. Bliznyuk held various positions at Raiffeisenbank and Probsnissbank. Mr. Bliznyuk holds a degree in mathematics and applied mathematics from Moscow State University, Russia.

Sergey Pirogov has been a member of the Board of Directors since May 2011 and the Head of Corporate Finance at Tinkoff Bank since January 2010. Prior to joining Tinkoff Bank in 2010, Mr. Pirogov held the position of director of corporate finance at Citigroup Russia from June 2002 to December 2008. Mr. Pirogov holds a degree in international economic relations from the Moscow State Institute for International Relations and holds an MBA from Darden Graduate School of Business, University of Virginia, USA.

Svetlana Ustilovskaya has been an Independent Director and Chairman of the Audit Committee of Tinkoff Bank since January 2013. Mrs. Ustilovskaya was previously a vice-president and head of the Analysis & Restructuring Division of MDM Bank from September 2009 to April 2011, prior to which she was a partner and head of the M&A Transaction Support Department in Russia at Deloitte & Touche CIS Limited from September 2005 until May 2009. Mrs. Ustilovskaya holds a master's degree in international business from the Moscow State University, Russia and a degree in English and French from the Moscow State Pedagogical University, Russia.

Vadim Stasovsky has been a member of the Board of Directors since September 2006 and Chief Financial Controller of Tinkoff Bank since February 2007. Mr. Stasovsky was the sole general director of JSC Tinkoff Insurance from 2013 to April 2015 and he has been a member of the Board of Directors of Tinkoff Insurance since September 2013. Mr. Stasovsky holds an economics degree from the St Petersburg University of Cinematography and Television, Russia and an MBA from the International School of Management LETI-Lovanium, Russia.

The business address of all members of the Board of Directors is 2nd Khutorskaya street 38A, building 26, 127287 Moscow, Russian Federation.

There are no potential conflicts of interest between any duties of the members of the Board of Directors to Tinkoff Bank and their private interests and/or other duties.

Management Board

The Management Board is a collegiate executive body of Tinkoff Bank. The Management Board and the Chairman of Management Board as a whole are responsible for the day-to-day operations of Tinkoff Bank. The Management Board is authorised to decide on matters other than those referred to the competence of the other governance bodies of Tinkoff Bank. As mentioned above, the Management Board is elected by the Board of Directors and members serve for a period set by the Board of Directors. The Management Board adopts decisions by a simple majority. The Management Board is authorised to decide on matters within its competence if at least half of its members participate in the meeting. The Chairman of the Management Board represents Tinkoff Bank and acts as its chief executive officer.

The Management Board currently has seven members. The name, position and certain other information for each member of the Management Board are set out below.

Name	Year of Birth	Current positions	Since
Stanislav Bliznyuk	30/06/1980	Chairman of the Management Board	2021
Ilya Pisemsky	26/05/1975	Deputy Chairman of the Management Board, Chief Financial Officer, Deputy Chairman of the Finance Committee and member of the Credit Committee	2010
Natalia Izyumova	26/12/1962	Member of the Management Board, Chief Accountant, member of the Finance Committee and the Credit Committee	2011
Evgeny Ivashkevich	02/08/1970	Deputy Chairman of the Management Board and Deputy Chairman of the Credit Committee	2012
Anatoly Makeshin	31/05/1972	Deputy Chairman of the Management Board, Payment Systems Director and Vice President	2012
Valeria Pavlyukova	30/11/1982	Deputy Chairman of the Management Board, Head of Legal Department	2017
Viacheslav Tsyganov	16/08/1975	Member of the Management Board, Chief Information Officer	2020

Certain biographical details of the members of the Management Board of Tinkoff Bank are set out in this section. Unless otherwise indicated, members of the Management Board do not carry on any significant activities outside the Group.

Stanislav Bliznyuk was elected as a member of the Board of Directors in 2020 and was appointed as Chairman of the Management Board in 2021. He is also Head of Business Development. Prior to his appointment as Chairman of the Management Board Mr. Bliznyuk has been Deputy Chairman of the Management Board since June 2012 and Chief Operations Officer since December 2011. Mr. Bliznyuk was previously the Head of Technologies at Tinkoff Bank between December 2006 and June 2012. Before joining Tinkoff Bank in 2006, Mr. Bliznyuk held various positions at Raiffeisenbank and Probisnessbank. Mr. Bliznyuk holds a degree in mathematics and applied mathematics from Moscow State University, Russia.

Ilya Pisemsky has been Deputy Chairman of the Finance Committee of Tinkoff Bank since November 2011, a member of the Credit Committee of Tinkoff Bank since November 2011, Deputy Chairman of the Management Board since April 2010 and Chief Financial Officer of Tinkoff Bank since June 2008. Mr. Pisemsky was previously head of Internal Audit and deputy chief financial officer of Bank Soyuz from September 2004 to June 2008 and a manager at Ernst & Young CIS from August 2002 to September 2003. Mr. Pisemsky holds a degree in finance and credit from the Finance Academy under the Government of the Russian Federation, Russia and an MBA from the F.W. Olin Business School at Babson College, USA.

Natalia Izyumova has been a member of the Management Board since February 2011, a member of the Finance Committee and the Credit Committee of Tinkoff Bank since April 2011 and Chief Accountant of Tinkoff Bank since February 2011. Mrs. Izyumova was previously a member of the Management Board, Chief Accountant and a member of the Finance and Credit Committees of CJSC Bank Sovetsky from September 2009 to January 2010 and Chief Financial Officer, Deputy Chairman of the bank management committee and a member of the finance and credit committees at Bank Dvizheniye from September 2007 to September 2009. Mrs. Izyumova holds a degree in economics from the Lomonosov Moscow State University, Russia and a PhD in economics from the Research Institute of Economy, Russia.

Evgeny Ivashkevich has been Deputy Chairman of the Management Board since February 2012, Deputy Chairman of the Credit Committee of Tinkoff Bank since January 2010 and Risk Director of Tinkoff Bank since July 2007. Mr. Ivashkevich holds a degree in physics from the Moscow Institute of Physics and Technology, Russia and a PhD in theoretical physics from the Joint Institute for Nuclear Research (Dubna), Russia.

Anatoly Makeshin has been a Deputy Chairman of the Management Board since August 2016 and Payment Systems Director and Vice President of Tinkoff Bank from January 2010. Mr. Makeshin was previously Head of Payment Systems for Tinkoff Bank from December 2006 to January 2010. Mr. Makeshin holds a science degree from the Moscow Power Engineering Institute (Technical University), Russia and a PhD in technical science from the Russian Academy of State Service, Russia.

Valeria Pavlyukova has been a member of the Management Board since March 2017 and Head of Legal Department of Tinkoff Bank since January 2017. Ms. Pavlyukova previously held various positions at Sberbank of Russia, in particular, Head of Project Office Division of Legal Department from August 2011 to July 2013, Head of the International Business Support Division of the Legal Department from July 2013 to December 2014 and Managing Director – Head of the International Business Support Division of the Legal Department from December 2014 to January 2017. Ms. Pavlyukova holds a degree in law from the International University of Moscow and has taken the Finance for Managers program at Ashridge Executive Education, UK.

Viacheslav Tsyganov has been Chief Information Officer of Tinkoff Bank since 2009 and was appointed as a member of the Management Board in 2020. Mr. Tsyganov was previously Head of IT Architecture and Development for Tinkoff Bank from 2007 to 2009. Mr. Tsyganov holds a degree in computer science from Southwest State University, Russia.

Interests of the Members of the Board of Directors and the Management Board

The Issuer is not aware of any current or potential conflicts between the private interests and duties of the directors and key managers of the Issuer and the duties of those persons to the Issuer or the Group.

In 2016, a new MLTIP was introduced to replace the Group's previous equity plans. At launch, the MLTIP covered 51 employees with the number of awards over GDRs attributable to the MLTIP representing 4.1 percent of issued share capital of the Group, with a further expansion to 69 employees in the first quarter 2017, and to 83 employees in the first quarter of 2018 and to 91 employees in the first quarter of 2019.

In March 2017 and March 2018, awards over GDRs granted within MLTIP totalled respectively 5.3 percent and 5.4 percent of the issued share capital of the Group. In January 2019, the Group announced a further expansion of the MLTIP to include 10 new participants.

In 2020, the Group introduced new awards for a limited number of the most senior management under the MLTIP. New awards under the MLTIP were granted from August 2021 on a five-year vesting schedule.

As of 31 December 2020, the unvested portion of the MLTIP pool was 2.78 percent of the issued share capital of the Group. The Group intends to transfer sufficient GDRs into the MLTIP to satisfy all current and contingent delivery obligations to current participants. With respect to awards introduced before 2020, MLTIP participants cannot own or exercise their shareholder rights over GDRs within the MLTIP directly, but are entitled to dividends, if any.

In April 2020, the Group introduced its Key-Employee Retention Programme (“**KERP**”). The KERP is a new equity-linked cash-settled long-term incentive program, which currently covers approximately 450 employees. Participants of the new incentive program are senior and middle management of the Group working in various operational divisions. The KERP is linked to the market price of the Group’s GDRs and the individual performance of the relevant employee.

Litigation Statement Concerning Management

At the date of these Listing Particulars, none of the members of the Board of Directors or the Management Board has in the previous five years:

- had any convictions in relation to fraudulent offences;
- been a member of the administrative, management or supervisory bodies of any company, or been a partner in any partnership, at the time of or preceding any bankruptcy, receivership or liquidation; or
- been subject to official public incrimination or sanction by a statutory or regulatory authority (including a professional body) nor has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of a company.

The board of directors of TCSGH comprises eleven directors: Chairman Constantinos Economides, executive directors Marilou Pavlou, Mary Trimithiotou and Oliver Hughes, and independent non-executive directors Martin Cocker, Ashley Dunster, Masha Gordon, Margarita Hadjitofi, Nick Huber and Nitin Saigal, and non-executive director Pavel Fedorov.

Allocation of Responsibilities

The primary decision making body in the Group is the board of directors of TCSGH which has wide ranging powers, to the extent consistent with Cyprus law and the regulations of the CBR, to manage most aspects of the business activities of the Group, including Tinkoff Bank. The shareholders of TCSGH constitute a single class of shareholders, each having one vote per ordinary share. Mr. Oleg Tinkov is directly or indirectly the holder of ordinary shares commanding over 35 percent of votes on most matters reserved or referred to the shareholders. Responsibility for overseeing Tinkoff Bank’s day-to-day management is assigned to Mr. Stanislav Bliznyuk as Chairman of the Management Board.

As at the date of these Listing Particulars, Tinkoff Bank is in compliance with applicable Russian law corporate governance in all material respects.

SHAREHOLDERS

As of the date of these Listing Particulars, Tinkoff Bank's authorised and issued share capital was RUB 6,816 million, comprising 681.6 million ordinary registered shares with a nominal value of RUB 10 each. In addition, as of the date of these Listing Particulars, Tinkoff Bank has 1,465 million authorised but unissued shares with a nominal value of 10 RUB each.

TCSGH holds 100 percent of Tinkoff Bank's share capital. The following table sets forth shareholders of TCSGH as of the date of these Listing Particulars.

	Total % of issued share capital
Guaranty Nominees Limited (JP Morgan Chase Bank NA)	64.92
Virtue Trustees (Switzerland) AG as trustee of the New Rigi Trust ⁽¹⁾	35.08
Total	100.0⁽²⁾

⁽¹⁾ The New Rigi Trust is an investment vehicle associated with Mr. Tinkov.

⁽²⁾ Cypriot public companies are required to have at least seven shareholders. Accordingly, in addition to the shareholdings indicated in the table above, Ioanna Georgiou, Panagiota Charalambous, Maria Vyra, Chloi Panagiotou, Leonora Chagianni and Antonis Strati each hold one share as nominees of Mr. Tinkov.

Rights of Tinkoff Bank's Shareholders

Under Tinkoff Bank's charter and Russian legislation, Tinkoff Bank's shareholders have the right to:

- participate and vote in the general shareholders' meeting on all matters which fall under the competence of the meeting;
- approve and receive dividends;
- receive a liquidation quota upon any liquidation of Tinkoff Bank;
- depending on the amount of owned shares, have access to certain information and documents relating to Tinkoff Bank's activities and financial condition;
- elect and be elected into Tinkoff Bank's management bodies;
- demand, in cases provided for by Russian legislation and Tinkoff Bank's charter, that part or all of shareholder's shares be repurchased by Tinkoff Bank; and
- exercise other rights provided by the Russian legislation and Tinkoff Bank's charter.

The above rights are exercised by TCSGH as the sole shareholder of Tinkoff Bank.

Recent Developments

Extension of MLTIP

In February 2017, the Group granted shares to new participants in MLTIP and also granted additional shares to certain existing participants which resulted in an increase in total shares granted under MLTIP to 5.27 percent of issued share capital of the Group as at 31 March 2017.

In March 2018, the Group expanded MLTIP and increased the number of MLTIP participants from 69 to 83 with effect from 31 March 2018.

In April 2019 and April 2020, the Group announced a further expansion of MLTIP to include 10 new participants and new awards under the MLTIP. See "*Management—Interests of the Members of the Board of Directors and the Management Board*".

RELATED-PARTY TRANSACTIONS

IAS 24 “Related Party Transactions” contains a definition of related parties, which are, broadly, parties under common control or one party controlling the other party or capable of exercise of significant influence over the other party in making financial or operational decisions. In considering each possible related-party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Tinkoff Bank and other Russian subsidiaries of TCSGH are required to comply with applicable Russian law with respect to related-party transactions. During the periods covered by the Financial Statements and to the date of these Listing Particulars, the Group has entered into a number of transactions with related parties. The following related-party transactions are considered to be significant by the Group.

The following table sets forth the outstanding balances with related parties as of 30 June 2021, 31 December 2020, 2019 and 2018:

	As of 30 June		As of 31 December					
	2021		2020		2019		2018	
	Key manageme nt personnel	Other related parties	Key manageme nt personnel	Other related parties	Key manageme nt personnel	Other related parties	Key manageme nt personnel	Other related parties
	<i>(in millions of roubles)</i>							
ASSETS								
Gross amounts of loans and advances to customers ⁽¹⁾ .	357	3,286	422	1,892	437	150	9	100
Other financial assets.....	-	550	-	158	-	843	-	431
LIABILITIES								
Customer accounts ⁽²⁾	1,171	4,139	1,221	2,086	1,779	227	1,349	905
Debt securities in issue ⁽³⁾ ...	-	-	-	-	-	2,460	-	3,754
Other non-financial liabilitie	848	-	584	-	521	-	888	-

⁽¹⁾ Contractual interest rate: 1.7-12.4 percent per annum in the six months ended 30 June 2021, 1.7-21.7 percent per annum in the year ended 31 December 2020, 11.7-25.7 percent per annum in the year ended 31 December 2019 and 11.7-27.8 percent per annum in the year ended 31 December 2018.

⁽²⁾ Contractual interest rate: 1.6-2.2 percent per annum in the six months ended 30 June 2021, 0.8-3.7 percent per annum in the year ended 31 December 2020, 0.5-7.2 percent per annum in the year ended 31 December 2019 and 3.8-4.2 percent per annum in the year ended 31 December 2018.

⁽³⁾ Discount: nil in the six months ended 30 June 2021 and in the year ended 31 December 2020, 1.0-3.6 percent per annum in the year ended 31 December 2019, and 1.3-9.5 percent per annum in the year ended 31 December 2018.

The following table sets forth the income and expense items associated with related parties for the six months ended 30 June 2021 and the years ended 31 December 2020, 2019 and 2018:

	Six months ended 30 June		Year ended of 31 December					
	2021		2020		2019		2018	
	Key management personnel	Other related parties	Key management personnel	Other related parties	Key management personnel	Other related parties	Key management personnel	Other related parties
	<i>(In millions of roubles)</i>							
Interest income calculated using the effective interest rate method.....	11	137	18	32	2	27	3	-
Other similar income	-	12	-	8	-	-	-	-
Interest expense calculated using the effective interest rate method.....	(22)	-	(29)	(33)	(64)	(101)	(46)	(165)
Net gains/(losses) from foreign exchange translation	-	179	-	(40)	-	31	-	(69)
Net gains from financial assets as FVTPL	-	1,577	-	494	-	-	-	-

	Six months ended 30 June		Year ended of 31 December					
	2021		2020		2019		2018	
	Key managem ent personnel	Other related parties	Key managem ent personnel	Other related parties	Key managem ent personnel	Other related parties	Key managem ent personnel	Other related parties
<i>(In millions of roubles)</i>								
Administrative and other operating expenses.....	(3,113)	(160)	(2,895)	(248)	(1,913)	(173)	(2,273)	(89)
Other operating income...	-	-	-	447	-	49	-	18

Other related parties in the tables above are mainly entities which are under the control of Mr. Tinkov, the ultimate controlling party of TCSGH.

In 2016, TCSGH introduced MLTIP as both an incentive and retention tool for the managers, as described in more detail in section “*Management—Interests of the Members of the Board of Directors and the Management Board*”.

In 2018, 2019, 2020 and the six months ended 30 June 2021, the total remuneration of key management amounted to RUB 1,709 million, RUB 1,492 million, RUB 2,007 million and RUB 1,123 million, respectively

THE ISSUER

General

The Issuer was incorporated in Ireland on 29 March 2010, with registered number 482626 as a private company with limited liability under the Companies Acts 1963-2009 of Ireland, and was subsequently re-registered as a designated activity company under the Companies Act 2014 on 26 August 2016 where its name changed to TCS Finance Designated Activity Company. The registered office of the Issuer is 2nd Floor, Palmerston House, Fenian Street, Dublin 2, Ireland and its phone number is +353 1 905 8020.

Corporate Purpose of the Issuer

The principal objects of the Issuer are set forth in clause 3 of its Constitution (as currently in effect) and permit the Issuer, inter alia, to lend money and give credit, secured or unsecured, to issue debentures and otherwise to borrow or raise money and to grant security over its property for the performance of its obligations or the payment of money.

The Issuer is organised as a special-purpose company. The Issuer was established to raise capital by the issue of debt securities and to use an amount equal to the proceeds of such issuance to advance loans to Tinkoff Bank.

Principal Activities

Since its incorporation the Issuer has not engaged in material activities other than those incidental to its registration as a private company, its re-registration as a designated activity company under the Companies Acts 2014 and those related to the issue of the loan participation notes for the sole purposes of funding loans to Tinkoff Bank and activities incidental to the exercise of its rights and compliance with its obligations under loan participation notes and documents and agreements entered into in connection with the issue of loan participation notes and loans to Tinkoff Bank. The Issuer has no employees.

Corporate Services Provider

Cafico Corporate Services Limited (the “**Corporate Services Provider**”), an Irish company, acts as the corporate services provider for the Issuer. The Corporate Service Provider replaced Vistra on 9 May 2019. The office of the Corporate Services Provider serves as the general business office of the Issuer. Through the office and pursuant to the terms of the corporate services agreement entered into on 9 May 2019 between the Issuer and the Corporate Services Provider (the “**Corporate Services Agreement**”), the Corporate Services Provider performs various management functions on behalf of the Issuer, including the provision of certain clerical, reporting, accounting, administrative and other services until termination of the Corporate Services Agreement. In consideration of the foregoing, the Corporate Services Provider receives various fees and other charges payable by the Issuer at rates agreed upon from time to time plus expenses. The terms of the Corporate Services Agreement provide that either party may terminate the Corporate Services Agreement upon the occurrence of certain stated events, including any material breach by the other party of its obligations under the Corporate Services Agreement which is either incapable of remedy or which is not cured within 30 days from the date on which it was notified of such breach. In addition, either party may terminate the Corporate Services Agreement at any time by giving at least 90 days written notice to the other party. The Corporate Services Agreement contains provisions for the appointment of a replacement corporate services provider if necessary.

The Corporate Services Provider’s principal office is Palmerston House, Denzille Lane, Dublin 2, Ireland.

Capital and Shareholders

The authorised share capital of the Issuer is €100 divided into 100 ordinary shares of par value €1 each. The Issuer has issued 1 share (the “**Share**”), which is fully paid and is held on trust under the terms of a declaration of trust (the “**Declaration of Trust**”) dated 1 April 2011, under which the Share is held on trust for charity. Cafico Trust Company Limited (the “**Share Trustee**”) became the Share Trustee on 9 May 2019, replacing Deutsche International Finance (Ireland) Limited. The Share Trustee has no beneficial interest in, and derives no benefit (other than any fees for acting as Share Trustee) from, its holding of the Share. The Share Trustee will apply any income derived from the Issuer solely for the above purposes.

Management

The Issuer’s Constitution provide that the board of directors of the Issuer will consist of at least two Directors.

The Directors of the Issuer and their business addresses are as follows:

- Kar Chun Man: 2nd Floor, Palmerston House, Fenian Street, Dublin 2, Ireland; and
- Scott Mckinlay: 2nd Floor, Palmerston House, Fenian Street, Dublin 2, Ireland.

The Company Secretary is Cafico Secretaries Limited.

The Directors do not hold any direct, indirect, beneficial or economic interest in any of the Shares. The directorship of the Directors is provided as part of the Corporate Services Provider's overall corporate administration services provided to the Issuer pursuant to the Corporate Services Agreement.

The Directors of the Issuer may engage in other activities and have other interests which may conflict with the interests of the Issuer.

Financial Statements

The financial year of the Issuer ends on 31 December in each year. The audited financial statements of the Issuer as at and for the years ended 31 December 2019 and 2018, which are the most recent audited financial statements of the Issuer for two years, together with the audit reports thereon, have been filed with Euronext Dublin. The Issuer does not prepare interim financial statements.

The profit and loss account and balance sheet can be obtained free of charge from the registered office of the Issuer.

The auditors of the Issuer are EisnerAmper Audit Limited, 6 The Courtyard Building, Carmanhall Road, Sandyford, Dublin 18, Ireland, who are chartered accountants and are members of the Institute of Chartered Accountants and registered auditors qualified to practise in Ireland.

SUBORDINATED LOAN AGREEMENT

This Subordinated Loan Agreement is made on 16 September 2021 between:

- (1) **TINKOFF BANK**, a company incorporated under the laws of the Russian Federation whose registered office is at 1st Volokolamsky proezd 10, building 1, 123060, Moscow (the “**Borrower**”); and
- (2) **TCS FINANCE D.A.C.**, a designated activity company incorporated under the laws of Ireland, whose registered office is at 2nd Floor, Palmerston House, Fenian Street, Dublin 2, Ireland (the “**Lender**”).

Whereas

- (A) The Lender has, at the request of the Borrower, made available to the Borrower an unsecured subordinated loan facility in the amount of US\$600,000,000 on the terms and subject to the conditions of this Agreement.
- (B) It is intended that, concurrently with the extension of the Loan (as defined below) under this subordinated loan facility, the Lender will issue certain loan participation notes in the same aggregate nominal amount and bearing the same rate of interest as the Loan.
- (C) The Borrower intends the Loan to be qualified as Additional Tier 1 Capital (as defined below).
- (D) The Lender and the Borrower have agreed that, on the occurrence of a Bankruptcy Event (as defined below), the claims of the Lender in respect of principal of, and interest on, the Loan and monetary damages for failure by the Borrower to perform its obligations under this Agreement (if any) shall be subordinated to the claims of Senior Creditors (as defined below) of the Borrower in the manner set out in this Agreement.
- (E) The Lender and the Borrower have agreed that the terms and conditions set forth in this Agreement, including the Rate of Interest (as defined below) payable in respect of the Loan and the terms and conditions of the reset of the Rate of Interest on each Reset Date (as defined below), do not differ materially from the terms and conditions of similar agreements concluded on market terms as of the date of this Agreement.
- (F) The Borrower has not agreed to and will not agree to or enter into any agreement pursuant to which it is or will be obliged or undertakes to repay the Loan, in whole or in part.

Now it is hereby agreed as follows.

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Agreement (including the recitals), the following terms shall have the meanings indicated below:

“**Acceleration Event**” has the meaning assigned to such term in Clause 14.3 (*Notice of Acceleration Event*).

“**Account**” means the account in the name of the Lender with the Principal Paying Agent:

Cash Correspondent Name	THE BANK OF NEW YORK, NEW YORK
Cash Correspondent BIC	IRVTUS3N
ABA (If required)	021000018
Paying Bank Name	THE BANK OF NEW YORK, LONDON BRANCH
Paying Bank BIC	IRVTGB2X

Paying Bank Number	8033093455
Final Beneficiary Acct Name	TINKOFF 2019 LPN SECURED CSH
Final Beneficiary Acct Number	6499938400

or such other account as may from time to time be agreed by the Lender and the Trustee pursuant to the Trust Deed, and notified in writing to the Borrower at least five Business Days in advance of such change.

“**Additional Amounts**” has the meaning set forth in Clause 8.1 (*Additional Amounts*).

“**Additional Tier 1 Capital**” means additional capital (*dobavochnyi kapital*) of the Borrower within the meaning given to it in Regulation No. 646-P.

“**Advance**” has the meaning set out in Clause 4.1 (*Drawdown*).

“**Agency**” means any agency, authority, central bank, department, committee, government, legislature, minister, official or public statutory Person (whether autonomous or not) of, or of the government of, any state or supra-national body.

“**Agency Agreement**” means the paying agency agreement dated 16 September 2021 between the Lender, the Trustee, the Principal Paying Agent and the other agents named therein, from time to time modified.

“**Agreement**” means this subordinated loan agreement as originally executed or as it may be amended from time to time.

“**Approval Date**” has the meaning set out in Clause 3.2 (*Reclassification*).

“**Bankruptcy Event**” means the entry into force of a final decision of a competent Russian court finding the Borrower bankrupt.

“**Banks Consolidation Fund Management Company**” means Limited Liability Company “Fund of Banking Sector Consolidation Asset Management Company” or such other entity as shall from time to time carry out measures of financial rehabilitation of credit organisations in the Russian Federation on behalf of the Central Bank.

“**Benchmark Treasury**” means actively traded U.S. Treasury securities with maturity on or closest to (a) in the case of the Rate of Interest from the Closing Date to the First Reset Date, the date that falls five (5) years and three (3) months after the Closing Date, and (b) in respect of the Rate of Interest from the First Reset Date or any subsequent Reset Date following the First Reset Date, the date that falls five (5) years after such First Reset Date or subsequent Reset Date, as the case may be, as selected by the Calculation Agent.

“**Business Day**” means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in New York City, London, Dublin and Moscow.

“**Calculation Agent**” means The Bank of New York Mellon (acting through its London Branch), or, if applicable, any successor calculation agent for the Notes as may be appointed by the Issuer from time to time.

“**Capital Stock**” means, with respect to any Person, any and all shares, interests, participations, rights to purchase, warrants, options, or other equivalents (however designated) of capital stock of a corporation and any and all equivalent ownership interests in a Person other than a corporation, in each case whether now outstanding or hereafter issued.

“**CBR Instruction No. 199-I**” means CBR Instruction No.199-I dated 29 November 2019 “On mandatory ratios and capital buffers to capital adequacy ratios of banks” (as amended, supplemented or replaced from time to time).

“**Central Bank**” or “**CBR**” means the Central Bank of the Russian Federation or such other governmental or other authority as shall from time to time carry out functions in relation to the supervision of banks in the Russian Federation as are, on the date hereof, carried out by the CBR.

“**Closing Date**” means 20 September 2021.

“**Common Equity Tier 1 Capital**” means base capital (*bazoviy kapital*) of the Borrower, as determined by the Borrower pursuant to Regulation No. 646-P for the purposes of a Write Down Event.

“**Common Equity Tier 1 Capital Ratio**” means the base capital adequacy ratio (*normativ dostatochnosti bazovogo kapitala*) (N1.1) as determined by the Borrower pursuant to CBR Instruction No. 199-I for the purposes of a Write Down Event.

“**Conditions**” means the terms and conditions of the Notes.

“**Deposit Insurance Agency**” means the State Corporation Deposit Insurance Agency established on the basis of Federal Law No. 177-FZ “On the Insurance of Deposits in Banks of the Russian Federation” dated 23 December 2003 (as amended, supplemented or superseded from time to time) or such other governmental or other authority as shall from time to time carry out functions in relation to deposit insurance in the Russian Federation as are, on the date hereof, carried out by the Deposit Insurance Agency.

“**Dispute**” has the meaning assigned to it in Clause 22 (*Arbitration*).

“**Dollars**”, “**U.S. Dollars**” and “**US\$**” mean the lawful currency of the United States of America.

“**Facility**” means the subordinated loan facility granted by the Lender to the Borrower as specified in Clause 2 (*Facility*).

“**Facility Fee Letter**” means a letter between the Lender and the Borrower dated the date hereof.

“**Fee Side Letter**” means the fee side letter dated 16 September 2021 entered into between the Borrower, the Lender, the Trustee and the agents named therein.

“**Final Conclusion**” means the final written conclusion (*podtverzhdenie*) of the CBR confirming the final unconditional approval by the CBR of this Agreement and the Loan as a subordinated loan eligible for full inclusion into own funds (capital) of the Borrower as Additional Tier 1 Capital.

“**Finance Documents**” means this Agreement and the other agreements and deeds relating to the issuance of the Notes, including any subscription agreement related to such Notes to which the Lender is a party.

“**Financial Assistance**” means financial assistance provided by the CBR or the Deposit Insurance Agency in accordance with the Insolvency Law; which, as of the date of this Agreement, may be provided to (a) persons acquiring either at least 75% of the ordinary shares of the Borrower or units of an investment fund managed by the Banks Consolidation Fund Management Company, property of which includes at least 75% of the ordinary shares of the Borrower (“**investors**”) or (b) the Borrower, in case the CBR or the Deposit Insurance Agency or investors acquire at least 75% of ordinary shares of the Borrower; in all cases in accordance with a plan for the participation of the CBR or the Deposit Insurance Agency in bankruptcy prevention measures in respect of the Borrower.

“**First Reset Date**” means 20 December 2026 (the date which is the first Interest Payment Date after the fifth anniversary of the Closing Date, or if such day is not a Business Day, on the next following Business Day).

“**Group**” means TCS Group Holding PLC and its subsidiaries from time to time taken as a whole, and a “member of the Group” means any of TCS Group Holding PLC or any of its subsidiaries from time to time.

“**incur**” means issue, assume, guarantee, incur or otherwise become liable for.

“Initial Credit Margin” means 515 basis points, being the margin set originally on or around the Closing Date which shall remain unchanged until the Loan is repaid.

“Insolvency Law” means the Federal Law “On Insolvency (Bankruptcy)” No. 127-FZ dated 26 October 2002 (as amended, supplemented or replaced from time to time).

“Interest Cancellation” has the meaning set out in Clause 9.1 (*Write Down Measures*).

“Interest Cancellation Amount” means all or such part of the amount of the interest accrued to (but excluding) the Write Down Event Date that is determined by the Borrower as necessary to be cancelled (in conjunction with any interest cancellation measures taken in respect of Write Down Instruments which qualify as Additional Tier 1 Capital) in order to immediately remedy a Write Down Event.

“Interest Cancellation Measure” has the meaning given to it in Clause 9.1 (*Write Down Measures*).

“Interest Determination Date” means the second Business Day immediately preceding (a) the First Reset Date and (b) each Reset Date thereafter.

“Interest Payment Date” means 20 March, 20 June, 20 September and 20 December of each year in which the Loan remains outstanding, commencing on 20 December 2021.

“Interest Period” means each period beginning on (and including) an Interest Payment Date or, in the case of the first Interest Period, the Closing Date, and ending on (but excluding) the next Interest Payment Date.

“Loan” means, at any time, an amount equal to the aggregate principal amount of the Facility advanced by the Lender pursuant to this Agreement and outstanding at such time.

“Monetary Damages” means any amount of financial damages (*finansoviy sankcii*) which the Borrower may become liable to pay for failure to perform its obligations under this Agreement.

“Monetary Damages Cancellation” has the meaning given to it in Clause 9.1 (*Write Down Measures*).

“Monetary Damages Cancellation Amount” means all or such part of the amount of Monetary Damages, if any, accrued to (but excluding) the Write Down Event Date that is determined by the Borrower as necessary to be cancelled (in conjunction with any monetary damages cancellation measures taken in respect of Write Down Instruments which qualify as Additional Tier 1 Capital) in order to immediately remedy a Write Down Event.

“Monetary Damages Cancellation Measure” has the meaning given to it in Clause 9.1 (*Write Down Measures*).

“Noteholder” means, in relation to a Note, the Person in whose name such Note is for the time being registered in the register of the Noteholders maintained by the Registrar (or, in the case of a joint holding, the first named holder thereof).

“Notes” means the US\$600,000,000 6.0 per cent. perpetual callable loan participation notes proposed to be issued by the Lender pursuant to the Trust Deed for the purpose of financing the Loan.

“Notice on Cancellation of Interest” means a notice which shall be given by the Borrower to the Lender and the Trustee pursuant to Clause 5.5 (*Cancellation of Interest*) being substantially in the form set out in Schedule 3 hereto.

“Officers’ Certificate” means a certificate signed on behalf of the Borrower by two officers of the Borrower, who shall be the chief executive officer, a director, a chief financial officer, chief legal officer or general director of the Borrower.

“Operational Day” means a day when the Borrower’s principal office is open for business and all operations during that day are reflected in the Borrower’s daily balance sheet.

“Original Principal Amount” means, in respect of the Loan, its principal amount on the Closing Date not taking into account any Write Down(s) in accordance with the terms of this Agreement.

“Outstanding Principal Amount” means, in relation to the Loan, the Original Principal Amount, as reduced from time to time by any Write Down(s) in accordance with the terms of this Agreement.

“Paying Agent” shall have the meaning attributed to it in the Agency Agreement.

“Person” means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organisation, government, or any agency or political subdivision thereof or any other entity, whether or not having a separate legal personality.

“Potential Acceleration Event” means any event which is, or after notice given hereunder or the passage of time or the making of any determination would be, an Acceleration Event.

“Principal Paying Agent” means The Bank of New York Mellon, London Branch or any other principal paying agent appointed from time to time in connection with the issuance of the Notes.

“Principal Write Down Measure” has the meaning set out in Clause 9.1 (*Write Down Measures*).

“Qualifying Jurisdiction” means any jurisdiction which has a double taxation treaty with Russia under which the payment of interest by Russian borrowers to lenders in the jurisdiction in which the lender is incorporated is generally able to be made without deduction or withholding of Russian income tax upon completion of any necessary formalities required in relation thereto.

“Rate of Interest” means the rate per annum (as reported on the applicable Interest Determination Date) in writing to the Lender and the Borrower by the Calculation Agent with respect to any Interest Period following each Reset Date (the aggregate to be converted to a quarterly rate in accordance with market convention and rounded, if necessary, to the third decimal place (0.0005 being rounded upwards)) which is the aggregate of (a) the relevant Treasury Rate and (b) the Initial Credit Margin. Pursuant to such approach, the Rate of Interest from (and including) the Closing Date to (but excluding) the First Reset Date will be 6.0 per cent. per annum.

“Registrar” means The Bank of New York Mellon SA/NV, Dublin Branch.

“Regulation No. 646-P” means CBR Regulation No. 646-P dated 4 July 2018 “On the methodology for determining own funds (capital) of credit organisations (“Basel III”)” (as amended, supplemented or replaced from time to time).

“Reset Date” means the First Reset Date and thereafter, the day which is the fifth anniversary of the preceding Reset Date (or if such date is not a Business Day, then the next Business Day following such date) for as long as the Loan is outstanding.

“Rouble” means the lawful currency of Russia.

“Russia” shall mean the Russian Federation and any province or political subdivision or Agency thereof or therein, and “Russian” shall be construed accordingly.

“Same-Day Funds” means Dollar funds settled through the New York Clearing House Interbank Payments System or such other funds for payment in Dollars as the Lender may at any time determine to be customary for the settlement of international transactions in New York City of the type contemplated hereby.

“Senior Creditors” means all creditors of the Borrower other than (i) shareholders of the Borrower whose claims are in respect of the Borrower’s Capital Stock in their capacity as shareholders or (ii) creditors whose claims rank equally with or are subordinated to the claims of the Lender under this Agreement pursuant to Russian law or pursuant to an agreement (to the extent permitted by Russian law).

“Subscription Agreement” means the subscription agreement relating to the Notes dated 16 September 2021 between the Lender, the Borrower and the lead managers named therein.

“Tax Indemnity Amounts” has the meaning set out in Clause 8.2 (*Tax Indemnity*).

“Taxes” means any present and future tax, duty, levy, impost, assessment or other governmental charge or withholding of any nature (including penalties, interest and other liabilities related thereto).

“**Taxing Authority**” has the meaning set out in Clause 8.1 (*Additional Amounts*).

“**Tier 2 Capital**” means supplemental capital (*dopolnitel'nyy kapital*) of the Borrower within the meaning given to it in Regulation No. 646-P.

“**Treasury Rate**” means:

- (b) the yield, which for the Rate of Interest from the Closing Date to the First Reset Date is equal to 0.85 per cent., and thereafter the yield under the heading which represents the average for the immediately preceding week, appearing in the most recently published statistical release designated “H.15(519)” or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System and which established a yield for actively traded United States treasury notes adjusted to constant maturity under the caption “Treasury Constant Maturities”, with a maturity (or remaining maturity) closest to the relevant Benchmark Treasury (if no maturity falls within three months before or after such time period, yields for the two published maturities most closely corresponding to such time period shall be determined and the Treasury Rate shall be interpolated or extrapolated from such yields on a straight-line basis, rounding to the nearest month); or
- (c) in the event that such yield referred to in sub-clause (a) above does not appear in such statistical release or any such successor publication during the week preceding the applicable Interest Determination Date, the yield determined by the Calculation Agent as follows:
 - (i) the Calculation Agent shall request the principal New York office of each of four primary United States government securities dealers to provide a quotation of the yield it offers for United States treasury notes with a maturity (or remaining maturity) closest to the relevant Benchmark Treasury, and determine the average of such quotations (rounded, if necessary, to the nearest one thousandth of a percentage point, 0.0005 per cent., being rounded upwards); and
 - (ii) if the Calculation Agent is unable to obtain quotations and determine the yield pursuant to sub-clause (b)(i) above, the Calculation Agent shall determine the yield in the manner set forth in clause (a) above with reference to the last yield to have been published in statistical release “H.15(519)” or any successor publication (or, if such statistical release is no longer published, any publicly available source of similar market data released by any United States government agency or body) prior to the applicable Interest Determination Date.

“**Trust Deed**” means the trust deed 20 September 2021 between the Lender and the Trustee, as it may be amended or supplemented from time to time.

“**Trustee**” means BNY Mellon Corporate Trustee Services Limited, as Trustee under the Trust Deed and any other trustee or trustees thereunder.

“**Write Down**” has the meaning given to it in Clause 9.1 (*Write Down Measures*).

“**Write Down Amount**” means all or such part of the Outstanding Principal Amount of the Loan determined by the Borrower as necessary to be written down (in conjunction with any Interest Cancellation Amount, Monetary Damages Cancellation Amount and any other write down or conversion of, or other write down measures taken in respect of, Write Down Instruments which qualify as Additional Tier 1 Capital) in order to immediately remedy a Write Down Event.

“**Write Down Event**” means any of the following events:

- (a) the Common Equity Tier 1 Capital Ratio of the Borrower is less than 5.125 per cent. (the “**Capital Ratio Trigger**”) for six or more Operational Days in aggregate (the “**Trigger Period**”) during any consecutive period of 30 Operational Days in Moscow; or
- (b) the Board of Directors of the CBR approves a plan of the participation of the CBR, or the Banking Supervision Committee of the CBR (and, in the instances provided for in clause 189.49 of the Insolvency Law, the Board of Directors of the CBR) approves a plan for the participation of the Deposit Insurance Agency in bankruptcy prevention measures in respect of the Borrower

which contemplates the provision of Financial Assistance by the CBR or the Deposit Insurance Agency in accordance with clause 189.49 of the Insolvency Law (the “**Participation Plan Trigger**”).

“**Write Down Event Date**” means the date of disclosure of the occurrence of a Write Down Event on the official website of the CBR (being, as of the date of this Agreement, <http://www.cbr.ru/>).

“**Write Down Event Notice**” means a notice which shall be given by the Borrower to the Lender and the Trustee pursuant to Clause 9.2 (*The Borrower’s Obligation to Provide Notices*) and which shall (i) state that the Write Down Event has occurred and (ii) specify the event(s) constituting the Write Down Event, being substantially in the form set out in Schedule 1 hereto.

“**Write Down Instruments**” means any obligation (other than the Loan) incurred directly or indirectly by the Borrower which (a) in the case of a Bankruptcy Event ranks or is expressed to rank *pari passu* with the Loan; (b) is subordinated debt which qualifies as Additional Tier 1 Capital or Tier 2 Capital of the Borrower and (c) contains provisions analogous to those in Clause 5.5.1 (*Cancellation of Interest*) with respect to obligations qualifying as Additional Tier 1 Capital and Clause 9 (*Write Down*) relating to cancellation of interest and monetary damages and a write down of the principal amount of such instrument or which otherwise permit or require the cancellation of interest and monetary damages and write down of such instrument and in respect of which the conditions (if any) to the operation of such provisions are (or with the giving of any certificate or notice which is capable of being given by the Borrower, would be) satisfied.

“**Write Down Measure Effective Date**” means the date as of which the Write Down Measures become effective, which is specified in the Write Down Measure Notice and which shall occur on the earlier of the 30th Business Day in Moscow after the Write Down Event Date, or the date preceding the date when the CBR or the Deposit Insurance Agency starts implementing the financing measures in respect of the Borrower in accordance with the Insolvency Law, prescribed by the plan for the participation of the CBR or the Deposit Insurance Agency in bankruptcy prevention measures in respect of the Borrower.

“**Write Down Measure Notice**” means a notice which shall be given by the Borrower to the Lender and the Trustee pursuant to Clause 9.2 (*The Borrower’s Obligation to Provide Notices*) and which shall specify with reasonable detail (i) the Write Down Measure Effective Date; and (ii) the Write Down Measures being implemented, including any Interest Cancellation Amount, any Monetary Damages Cancellation Amount and any Write Down Amount, and the basis of their calculation, being substantially in the form set out in Schedule 2 hereto.

“**Write Down Measures**” means an Interest Cancellation Measure, a Monetary Damages Cancellation Measure and/or a Principal Write Down Measure.

1.2 Interpretation

Unless the context or the express provisions of this Agreement otherwise require, the following shall govern the interpretation of this Agreement:

- 1.2.1 all references to “Clause” or “sub-clause” are references to a Clause or sub-clause of this Agreement;
- 1.2.2 the terms “hereof”, “herein” and “hereunder” and other words of similar import shall mean this Agreement as a whole and not any particular part hereof;
- 1.2.3 words importing the singular number include the plural and vice versa;
- 1.2.4 the headings are for convenience only and shall not affect the construction hereof;
- 1.2.5 the “equivalent” on any given date in one currency (the “first currency”) of an amount denominated in another currency (the “second currency”) is a reference to the amount of the first currency which could be purchased with the amount of the second currency at the spot rate of exchange quoted on the relevant Reuters page or, where the first currency is (i) Roubles and the second currency is (ii) U.S. Dollars (or vice versa), by the Central Bank at or about 10.00 a.m. (New York City time or, as the case may be, Moscow time) on such date for the purchase of the first currency with the second currency;

- 1.2.6 a “month” is a reference to a period starting on one day in a calendar month and ending on the numerically corresponding day in the next succeeding calendar month save that, where any such period would otherwise end on a day which is not a Business Day, it shall end on the next succeeding Business Day, unless that day falls in the next calendar month, in which case it shall end on the immediately preceding Business Day, provided that, if a period starts on the last Business Day in a calendar month or if there is no numerically corresponding day in the month in which that period ends, that period shall end on the last Business Day in that later month (and references to “months” shall be construed accordingly);
- 1.2.7 the “Lender” or the “Borrower” shall be construed so as to include it and any of its subsequent successors, assignees and chargees in accordance with their respective interests;
- 1.2.8 all references in this Agreement to this Agreement or any other agreement, instrument or document shall be construed as a reference to that agreement, instrument or document as the same may be amended, supplemented or otherwise replaced from time to time; and
- 1.2.9 any reference in this Agreement to any legislation (whether primary legislation or regulations or other subsidiary legislation made pursuant to primary legislation) shall be construed as a reference to such legislation as the same may have been, or may from time to time be, amended or re-enacted.

2. FACILITY

On the terms and subject to the conditions set forth herein, the Lender hereby grants to the Borrower a single disbursement loan facility in an aggregate amount of US\$600,000,000.

3. SUBORDINATION OF THE LOAN

3.1 Subordination

The claims of the Lender against the Borrower in respect of the principal of, and interest on, the Loan and any applicable Monetary Damages will be satisfied upon the occurrence of a Bankruptcy Event only after the claims of all Senior Creditors are satisfied in accordance with the Insolvency Law and will rank at least *pari passu* with the claims of other unsecured subordinated creditors of the Borrower (whether actual or contingent) from time to time outstanding and, without prejudice to the above, will be senior to (a) the claims of holders of the Borrower’s Capital Stock in their capacity as shareholders and (b) all other obligations ranking junior or expressed to rank junior to the claims of the Lender under this Agreement pursuant to applicable Russian laws or pursuant to an agreement (to the extent permitted by Russian law).

3.2 Reclassification

If, by the date falling 90 days after the date of this Agreement (the “**Approval Date**”), the CBR has not issued the Final Conclusion, the claims of the Lender against the Borrower in respect of principal of and interest on the Loan and any applicable Monetary Damages will, upon the occurrence of a Bankruptcy Event, rank at least *pari passu* with the claims of Senior Creditors, the Loan shall be treated as senior in priority to any subordinated debt or Capital Stock of the Borrower and Clause 3.1 (*Subordination*), Clause 5.5 (*Cancellation of Interest*), sub-clause 6.1.3, Clause 9 (*Write Down*) and Clause 10 (*Variation or Modification due to change in Law*) and the requirement to obtain prior written consent of the CBR under sub-clauses 6.1.2, 6.1.5, 6.2.2, Clause 6.3 (*Repayment in the Event of Taxes and Increased Costs*), Clause 6.4 (*Reduction of the Loan Upon Cancellation of Notes*), Clause 6.5 (*Repayment on the First Reset Date or any Subsequent Reset Date*), Clauses 11(a) and 11(b) and Clause 13.3 (*Mitigation*) shall no longer apply.

3.3 No security

The Loan is not secured by any security.

4. DRAWDOWN

4.1 Drawdown

On the terms and subject to the conditions of this Agreement, on the Closing Date the Lender shall make an advance of US\$600,000,000 (the “**Advance**”) to the Borrower and the Borrower shall make a single drawing in the full amount of the Advance.

4.2 Facility Fee

In consideration of the Lender making the Facility available to the Borrower, the Borrower hereby agrees that it shall, by 3:00 p.m. (London time) one Business Day before the Closing Date, pay to the Lender, in Same-Day Funds a facility fee (the “**Facility Fee**”) in connection with the financing of the Facility. The total amount of the Facility Fee is to be as specified in the Facility Fee Letter.

4.3 Ongoing Fees and Expenses

In consideration of the Lender agreeing to make the Facility available to the Borrower and supporting such a continuing Facility, the Borrower shall pay (or reimburse) on demand to the Lender as and when such payments are due an amount or amounts equal to the ongoing properly incurred and documented commissions and costs as set forth to the Borrower in an invoice from the Lender, providing, in reasonable detail, the nature and calculation of the relevant payment or expense. For the avoidance of doubt, in consideration of the Lender making the Facility available to the Borrower and supporting such a continuing Facility, the Borrower shall pay (or reimburse) to the Lender all ongoing costs, charges, liabilities and expenses incurred by the Lender in relation to the Finance Documents and the Notes as documented in the Fee Side Letter as well as in relation to the maintenance of its good standing, including without limitation all taxes, corporate service fees, audit fees, counsel’s fees, listing fees and the anticipated winding-up expenses of the Lender.

4.4 Disbursement

Subject to the conditions set forth herein, on the Closing Date the Lender shall transfer the full amount of the Advance to the Borrower’s account (Currency: USD; Correspondent Bank: JPMorgan Chase Bank, N.A., New York, NY US; SWIFT/BIC: CHASUS33; Account No: 464650808; For payments in favor of Tinkoff Bank 1st Volokolamsky pr., 10, bld. 1, Moscow, Russia TICSRRUMM) in Same-Day Funds.

4.5 Capital Treatment

To the extent that any part of the Loan is to be treated as Additional Tier 1 Capital by the Borrower, the Borrower will use its best efforts to procure that the CBR issues the Final Conclusion for such treatment, and will provide all relevant information about the Loan to the CBR as may be necessary for the issuance of the Final Conclusion.

5. INTEREST

5.1 Rate of Interest

Subject to Clause 9 (*Write Down*), the Borrower will pay interest in U.S. Dollars to the Lender on the outstanding principal amount of the Loan from (and including) the Closing Date at the relevant Rate of Interest. The Rate of Interest in respect of any Interest Period following any Reset Date shall be determined by the Calculation Agent on the applicable Interest Determination Date in accordance with this Agreement (such determination by the Calculation Agent being final and binding on the Lender and the Borrower, in the absence of manifest error).

5.2 Payment of Interest

Interest at the Rate of Interest shall accrue from day to day, starting from (and including) the Closing Date and shall be paid quarterly in arrear not later than 10.00 a.m. (New York City time) one Business Day prior to each Interest Payment Date. Interest on the Loan will cease to accrue from any date on which the Loan is repaid pursuant to Clause 6.2 (*Repayment Option*), 6.3 (*Repayment in the Event of Taxes or Increased Costs*) or 6.5 (*Repayment on the First Reset Date or any Subsequent Reset Date*) or Written Down pursuant to Clause 9 (*Write Down*) unless payment of principal is improperly withheld or refused by the Borrower, in which event interest shall continue to accrue (before or after any judgment) at the Rate of Interest to but excluding the date on which payment in full of the principal thereof is made.

5.3 Calculation of Interest

The amount of interest payable in respect of the Loan for any Interest Period shall be calculated by applying the Rate of Interest to the Outstanding Principal Amount of the Loan, dividing the product by four and rounding the resulting figure to the nearest cent (half a cent being rounded upwards). If interest is required to be calculated for any other period, it will be calculated on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month the number of actual days elapsed.

5.4 Publication of the Rate of Interest

The Lender shall (unless the Loan has been repaid in accordance with Clause 6 (*Repayment*)) cause notice of each Rate of Interest to be given to the Trustee and any stock exchange on which the Notes are listed at the applicable time and, in accordance with the Conditions of the Notes, the Noteholders as soon as practicable after its determination but in any event not later than the Closing Date or, as the case may be, the First Reset Date or any subsequent Reset Date.

5.5 Cancellation of Interest

5.5.1 The Borrower may, with regard to any Interest Payment Date, cancel at its discretion the payment of all or any part of the interest accrued on the Loan that otherwise would have been payable on that Interest Payment Date, by sending to the Lender and the Trustee a Notice on Cancellation of Interest no later than 10 days and no earlier than 30 days before the given Interest Payment Date.

5.5.2 The Borrower shall not be liable to pay any Monetary Damages as a result of the cancellation of all or any part of the accrued interest in accordance with sub-clause 5.5.1 of this Agreement.

5.5.3 If, on any Interest Payment Date, any payment of interest scheduled to be made on such date is not made in full by reason of sub-clause 5.5.1, the Borrower shall, to the extent it is permitted to do so under Russian law or any charter documents of the Borrower, recommend to the board of directors of the Borrower (the “**Board of Directors**”) that the Board of Directors should not recommend to holders of the Borrower’s Capital Stock in their capacity as the shareholders:

5.5.3.1 to approve any distribution or dividend in cash or in kind (other than in the form of ordinary shares of the Borrower (the “**Ordinary Shares**”)) to be paid or made by the Borrower on any Ordinary Shares (a “**Distribution**”); and

5.5.3.2 to approve any transaction that would allow the Borrower to directly or indirectly, redeem, purchase or otherwise acquire any of the Ordinary Shares or any other type of its Capital Stock (a “**Share Purchase**”), other than, with respect to any Share Purchase, in relation to (1) transactions in securities effected by, on behalf of, or for the account of customers of the Borrower or any of its Subsidiaries or in connection with the distribution or trading of, or market making in respect of the Ordinary Shares; or (2) the satisfaction by the Borrower or any of its Subsidiaries of its obligations under any employee benefit plans or similar arrangements with or for the benefit of employees, officers, directors or consultants; or (3) a reclassification of the Capital Stock of the Borrower or the exchange or conversion of one class or series of such Capital Stock for another class or series of such Capital Stock; or (4) a restructuring of the Borrower’s loans to borrowers, any takeover or merger agreement or the purchase of fractional interests in shares of the Capital Stock of the Borrower or any of its majority-owned subsidiaries pursuant to the provisions of any security being converted into or exchanged for such Capital Stock; or (5) mandatory provisions of Russian law,

5.5.3.3 in each case unless and until the interest due and payable on the Loan on any subsequent Interest Payment Date has been paid in full or, if earlier, the date on which the Loan has been repaid in accordance with Clause 6 (*Repayment*) or written down in full in accordance with Clause 9 (*Write Down*). This sub-clause shall not apply to any Distribution or Share Purchase that has been declared but not yet paid or to any Distribution or Share Purchase that has been put to the vote of the holders of the Borrower’s Capital Stock in their capacity as shareholders by the date on which a Notice on Cancellation of Interest has been sent by the Borrower. For the avoidance of doubt, the Borrower and Lender agree that the Board of Directors is free to make its

own determination with respect to the recommendation to the shareholders of the Borrower regarding any Distribution or Share Purchase without regard to any recommendations that the Borrower may make.

5.6 Payments of Interest are Non-cumulative

Payments of interest on the Loan are non-cumulative. Notwithstanding any other provision of this Agreement but without prejudice to Clause 5.3 (*Calculation of Interest*), the cancellation or non-payment of any interest payable in accordance with this Clause 5 shall not constitute an Acceleration Event (or a Potential Acceleration Event) or a default for any purpose under this Agreement. Any interest that is payable in accordance with this Clause 5 but is not paid shall not accumulate, be payable or be subject to any Interest Cancellation Measures at any time thereafter and the Lender shall have no right thereto.

6. REPAYMENT

6.1 Maturity

6.1.1 The Loan has no established redemption date and may only be repaid in accordance with the provisions of this Clause 6.

6.1.2 Except as otherwise provided herein:

- (i) the Borrower shall not repay all or any part of the Loan and/or prepay any interest accrued on the Loan (except with the prior written consent of the CBR); and
- (ii) this Agreement may not be terminated (except with the prior written consent of the CBR).

6.1.3 The Loan may not be repaid, in whole or in part before the 5th anniversary of its inclusion in the Additional Tier 1 Capital of the Borrower.

6.1.4 The Lender may not require the repayment of the Loan or any part thereof and/or the prepayment of any interest payable under the Loan and (or) termination of this Agreement.

6.1.5 In accordance with Regulation No. 646-P:

- (i) no repayment of the principal (in whole or in part) and/ or prepayment of interest under this Agreement (in whole or in part) shall be permitted without the prior written consent of the CBR;
- (ii) no termination of, or amendment to, this Agreement shall be permitted without the prior written consent of the CBR;
- (iii) no termination of obligations under this Agreement shall be permitted without the prior written consent of the CBR; and
- (iv) termination of obligations under this Agreement by way of discharge (*otstupnoye*), set off (including as a result of an assignment) or novation and actions that would result in the non-compliance of this Agreement with the requirements of Regulation No. 646-P shall be prohibited.

6.2 Repayment Option

Notwithstanding the provisions of Clause 6.1 (*Maturity*) above, the Borrower may repay the Loan either:

- 6.2.1 at any time after the Approval Date, if the CBR does not issue the Final Conclusion to the Borrower on or before the Approval Date; or
- 6.2.2 with the prior written consent of the CBR, at any time after receipt of the Final Conclusion, if, as a result of any amendment to the laws or regulations of the Russian Federation made after this Agreement is entered into, this Agreement and the Loan would cease to qualify in full as Additional Tier 1 Capital,

provided that in each case written notice thereof, together with an Officers' Certificate confirming the existence of the relevant circumstances permitting such a repayment, shall be given to the Lender and the Trustee not more than 60 nor less than 30 days prior to the date of repayment. Following the delivery of such notice and such Officers' Certificate, the Borrower shall be bound on the repayment date specified therein to repay the Loan (in whole but not in part) at the Outstanding Principal Amount thereof, together with interest accrued to (but excluding) the date of repayment and all other sums payable by the Borrower pursuant to this Agreement.

6.3 Repayment in the Event of Taxes or Increased Costs

Notwithstanding the provisions of Clause 6.1 above, if, (a) as a result of the application of or any amendment or clarification to, or change, in the double tax treaty between the Russian Federation and Ireland (the "**Treaty**") or the laws or regulations of the Russian Federation or Ireland or of any political sub-division thereof or any authority having the power to tax therein (including as a result of a judgment of a court of competent jurisdiction or a change in or clarification of the application of official interpretation of such laws or regulations) which change or amendment becomes effective on or after the date of this Agreement, (b) as a result of the enforcement of the security provided for in the Trust Deed, the Borrower would, as a consequence of (a) or (b) above, be required to pay any Additional Amount as provided by Clause 8.1 (*Additional Amounts*) or any Tax Indemnity Amount as provided by Clause 8.2 (*Tax Indemnity*), or (c) if (for whatever reason) the Borrower would have to or has been required to pay additional amounts pursuant to Clause 13 (*Change in Law; Increase in Cost*), and in any such case such obligation cannot or could not be avoided by the Borrower taking reasonable measures available to it, then the Borrower may, (without premium or penalty), if it obtains the prior written consent of the CBR, upon not more than 60 nor less than 30 days' prior notice to the Lender with a copy to the Trustee (which notice shall be irrevocable), repay the Loan in whole (but not in part) on the date specified in the notice, at the Outstanding Principal Amount thereof together with any amounts then payable under Clauses 8.1 (*Additional Amounts*), 8.2 (*Tax Indemnity*) or 13 (*Change in Law; Increase in Cost*) and pay the accrued and unpaid interest on such Outstanding Principal Amount up to and excluding such repayment date. Prior to giving any such notice in the event of the Borrower being obliged to make an additional payment as referred to in this Clause 6.3, the Borrower shall address and deliver to the Lender and the Trustee an Officers' Certificate confirming that the Borrower would be required to make such payment and that the obligation to make such payment cannot or could not be avoided by the Borrower taking reasonable measures available to it.

6.4 Reduction of the Loan Upon Cancellation of Notes

Subject to the prior written consent of the CBR and the provisions of Clause 6.1 (*Maturity*) above, the Borrower may from time to time deliver, or procure the delivery of, Notes held by it (or the global Note representing such Notes held by it as the case may be) to the Lender, together with a request for the Lender to procure cancellation of such Notes (or a specified aggregate principal amounts of Notes where such Notes are represented by a global Note) by the Registrar (which instructions shall be accompanied by evidence satisfactory to the Registrar that the Borrower is entitled to give such instructions, including, without limitation, a certificate from an applicable clearing system), whereupon the Lender shall, pursuant to the Agency Agreement, request the Registrar to cancel such Notes, or specified aggregate principal amount of Notes represented by the global Note, as the case may be. Upon any such cancellation by or on behalf of the Registrar, and with the prior written consent of the CBR and subject to the provisions of Clause 6.1 (*Maturity*) above, the principal amount of the Loan corresponding to the principal amount of such Notes together with any accrued and unpaid interest and other amounts (if any) thereon shall be deemed extinguished for all purposes as of the date of such cancellation.

6.5 Repayment on the First Reset Date or any Subsequent Reset Date

Subject to the provisions of Clause 6.1 (*Maturity*) above, the Borrower at its option, and with the prior written consent of the CBR, may repay the Loan in whole but not in part, at the Outstanding Principal Amount thereof together with interest accrued to (but excluding) the date of repayment and all other sums payable by the Borrower pursuant to this Agreement, on the First Reset Date and any subsequent Reset Date. Notice of such payment shall be given by the Borrower to the Lender, with a copy to the Trustee, not more than 60 nor less than 30 days prior to the applicable Reset Date.

6.6 Payment of Other Amounts and Costs of Repayment

If the Loan is to be repaid by the Borrower pursuant to any of the provisions of this Clause 6 (*Repayment*), the Borrower shall, simultaneously with such repayment, pay to the Lender accrued interest thereon to (but excluding) the date of actual payment and all other sums payable by the Borrower pursuant to this Agreement.

6.7 Provisions Exclusive

The Borrower shall not repay the Loan except at the times and in the manner expressly provided for in this Agreement. The Borrower shall not be permitted to re-borrow any amounts repaid.

6.8 Notice of Discharge

Upon the repayment, in accordance with this Clause 6 (*Repayment*), of the Loan together with any accrued interest thereon to (but excluding) the date of actual payment and all other sums payable by the Borrower pursuant to this Agreement, the Lender shall within five Business Days deliver to the Borrower a notice of discharge in the form of a deed drafted by the Borrower acknowledging the full and complete discharge of the Borrower's duties, obligations and liabilities under or in respect of this Agreement and irrevocably and unconditionally releasing and discharging the Borrower from any and all future:

6.8.1 claims or demands that the Lender has or may have against the Borrower; and

6.8.2 duties, obligations and liabilities that the Borrower has, or may have, to the Lender,

under or in respect of this Agreement.

7. PAYMENT

7.1 Making of Payments

All payments of principal and interest to be made by the Borrower under this Agreement shall be made unconditionally by credit transfer to the Lender not later than 10.00 a.m. (New York City time) one Business Day prior to each Interest Payment Date, and in the case of any payments made in connection with Clause 6 (*Repayment*) one Business Day prior to the date on which such repayment is due to be made, in Same-Day Funds to the Account or as the Trustee may otherwise direct following the occurrence of an Acceleration Event or a Relevant Event (as defined in the Trust Deed).

The Borrower shall, before 10.00 a.m. New York City time on the second Business Day prior to each Interest Payment Date, and in the case of any other payments made in connection with Clause 6 (*Repayment*) two Business Days prior to the date on which such repayment is due to be made, procure that the bank effecting such payments on its behalf confirms to the Principal Paying Agent by authenticated SWIFT the irrevocable payment instructions relating to such payment.

The Lender agrees with the Borrower that the Lender will not deposit any other monies into the Account and that no withdrawals shall be made from the Account other than for payments to be made in accordance with this Agreement and the Finance Documents.

7.2 No Set-Off or Counterclaim

All payments to be made by the Borrower under this Agreement shall be made in full without set-off or counterclaim and shall be made free and clear of and without deduction for or on account of any set-off or counterclaim.

7.3 Alternative Payment Arrangements

If, at any time, it shall become impracticable, by reason of any action of any governmental authority or any change of law, exchange control regulations or any similar event, for the Borrower to make any payments hereunder in the manner specified in Clause 7.1 (*Making of Payments*), then the Borrower may agree with the Lender and the Trustee alternative arrangements for such payments to be made subject to applicable law and CBR regulations; provided that, in the absence of any such agreement, the Borrower shall be obliged to make all payments due to the Lender in the manner specified herein.

8. TAXES

8.1 Additional Amounts

All payments made by the Borrower under or in respect of this Agreement shall be made (except to the extent required by law) free and clear of and without deduction or withholding for or on account of any Taxes imposed, collected, withheld, assessed or levied on behalf of any government or political subdivision or territory or possession of any government or authority or Agency therein having the power to tax (each a “**Taxing Authority**”) within Russia or Ireland. If the Lender or Borrower becomes subject at any time to any taxing jurisdiction other than or in addition to Russia or Ireland, as the case may be, references to jurisdiction in this Clause 8.1 shall be construed as references to Russia and/or Ireland and/or such other jurisdiction and in addition, upon enforcement of the fixed charge in the Trust Deed over certain rights, benefits and/or obligations under this Agreement, references in this Clause 8.1 to “Ireland” shall be construed as references to the jurisdiction which the Trustee is a resident of and acting through for tax purposes.

If the Borrower is required by applicable law to make any deduction or withholding from any payment under or in respect of this Agreement for or on account of any such Taxes referred to in the preceding paragraph of this Clause 8.1, it shall, on the date such payment is made, pay such additional amounts (“**Additional Amounts**”) as may be necessary to ensure that the Lender receives and retains a net amount in Dollars equal to the full amount which it would have received and retained had such deduction or withholding not been required and shall promptly account to the relevant authorities (within the time specified by legislation) for the relevant amount of such Taxes so withheld or deducted and shall deliver to the Lender without undue delay evidence satisfactory to the Lender of such deduction or withholding and of the accounting therefore to the relevant Taxing Authority. If the Lender is or will be subject to any liability or required to make any payment for or on account of Taxes in relation to a sum received or receivable (or any sum deemed for the purposes of Tax to be received or receivable) under or in respect of the Notes, the Borrower shall on demand pay to the Lender an amount in Dollars equal to the loss, liability or cost which the Lender, or as the case maybe, Trustee has or will have (directly or indirectly) suffered for or on account of Tax.

8.2 Tax Indemnity

Without prejudice to the provisions of Clause 8.1 (*Additional Amounts*), if the Lender notifies the Borrower (setting out in reasonable detail the nature and extent of the obligation with such evidence as the Borrower may reasonably require) that it is obliged (or would be but for the limited recourse nature of the Notes) to make any withholding or deduction for or on account of any Taxes from any payment that is due, or would otherwise be due but for the imposition of any such withholding or deduction for or on account of any such Taxes, pursuant to the Notes, the Borrower agrees to pay to the Lender, no later than one Business Day prior to the date on which payment is due to the Noteholders, an additional amount equal to such additional amount as the Lender is required to pay in order that the net amount received by the Noteholders after such deduction or withholding will equal the respective amounts which would have been received by the Noteholders in the absence of such withholding or deduction; provided, however, that the Lender shall immediately upon receipt from any Paying Agent of any sums paid pursuant to this provision, to the extent that the Noteholders are not entitled to such additional amounts pursuant to the Conditions of the Notes, repay such additional amounts to the Borrower as are recovered (it being understood that none of the Lender, the Trustee or any Paying Agent shall have any obligation to determine whether any Noteholder is entitled to such additional amount). All payments under this Clause 8.2 will be made by the Borrower, subject to the relevant expenses being properly documented.

Without prejudice to, and without duplication of the provisions of Clause 8.1 (*Additional Amounts*), if at any time the Lender makes or is required to make any payment to a Person (other than to or for the account of any Noteholder) on account of Tax in respect of this Loan or in respect of the Notes imposed by any Taxing Authority in the jurisdiction in which the Lender is resident for tax purposes, or any liability in respect of any such payment is asserted, imposed, levied or assessed against the Lender, the Borrower shall, as soon as reasonably practicable, and in any event within 30 calendar days of, written demand (setting out in reasonable detail the nature and extent of the obligation with such evidence as the Borrower may reasonably require) made by the Lender, indemnify the Lender against any such payment or liability, or any claim, demand, action, damages or loss in respect thereof, together with any interest, penalties, costs and expenses (including without limitation, legal fees and any applicable value added tax properly payable) payable or incurred in connection therewith.

Any payments required to be made by the Borrower under this Clause 8.2 are collectively referred to as “**Tax Indemnity Amounts**”. For the avoidance of doubt, the provisions of this Clause 8.2 shall not apply to any withholding or deductions of Taxes with respect to the Loan which are subject to payment of Additional Amounts under Clause 8.1 (*Additional Amounts*).

If the Lender intends to make a claim for any Tax Indemnity Amounts, it shall promptly notify the Borrower thereof.

8.3 Tax Credits and Refunds

If an Additional Amount is paid under Clause 8.1 (*Additional Amounts*) or a Tax Indemnity Amount is paid under Clause 8.2 (*Tax Indemnity*) by the Borrower and the Lender, in its absolute discretion, determines that it has received or been granted and has utilised a credit against, a relief, remission for, or a repayment of any Taxes, then if and to the extent that the Lender determines that such credit, relief, remission or repayment (a “**Tax Benefit**”) is in respect of or calculated with reference to the deduction or withholding giving rise to such increased payment, or as the case may be in respect of an additional payment with reference to the loss, liability or cost giving rise to the additional payment, the Lender shall, to the extent that it determines in its absolute discretion that it can do so without prejudice to its right to the amount of such credit, relief, remission or repayment and without worsening the position it would have been in had such Additional Amount or Tax Indemnity Amount not been required to be repaid, repay to the Borrower an amount equal to such amount as is attributable to such deduction or withholding or, as the case may be, such loss, liability or cost.

Nothing contained in this Clause 8.3 shall interfere with the right of the Lender to arrange its tax affairs in whatever manner it thinks fit nor oblige the Lender to disclose any confidential information or any information relating to its tax affairs, any computations in respect thereof, or its business or any part of its business.

If the Borrower makes a withholding or deduction for or on account of Taxes from a payment under or in respect of this Agreement and if an Additional Amount is paid under Clause 8.1 (*Additional Amounts*) or a Tax Indemnity Amount is paid under Clause 8.1 (*Tax Indemnity*) by the Borrower, the Lender may apply to the relevant Russian Taxing Authority for a payment to be made by such authorities to the Lender with respect to such Tax and the Borrower shall provide any required assistance to the Lender in respect of such application. If, whether following a claim made on its behalf by the Borrower or otherwise, the Lender receives and retains such a payment (a “**Russian Tax Payment**”) from the Russian Taxing Authority with respect to such Taxes, it will as soon as reasonably possible notify the Borrower that it has received and retained that payment (and the amount of such payment); whereupon, provided that the Borrower has notified the Lender in writing of the details of an account (the “**Borrower Account**”) to which a payment or transfer should be made, and that the Lender is able to make a payment or transfer under applicable laws and regulations and without worsening the position it would have been in had such Additional Amount or Tax Indemnity Amount not been required to be paid, the Lender will pay or transfer an amount equal to the Russian Tax Payment to the Borrower Account.

8.4 Tax Treaty Relief

The Lender, at the cost of the Borrower (such costs to be properly documented by the Lender), shall make reasonable and timely efforts to assist the Borrower to obtain relief from withholding of Russian income tax pursuant to the double taxation treaty between Russia and the jurisdiction in which the Lender is tax resident, including its obligations under Clause 8.5 (*Delivery of Forms*).

8.5 Delivery of Forms

The Lender shall, at the cost of the Borrower (such costs to be properly documented by the Lender) and at the request of the Borrower but not later than 20 calendar days prior to the date of the first Interest Payment Date (and thereafter as soon as possible at the beginning of each calendar year, but not later than 20 Business Days prior to the first Interest Payment Date in that year), use its best efforts to deliver to the Borrower a certificate issued by the Revenue Commissioners in Ireland (or such Qualifying Jurisdiction in which the Lender or any successor thereto is resident for tax purposes) confirming the status of the Lender as a resident of Ireland (or such Qualifying Jurisdiction in which the Lender or any successor thereto is resident for tax purposes) (the “**Residency Certificate**”), provided the Residency Certificate shall be properly legalised or apostilled by the Lender. The Lender shall (to the extent it is

able to do so under applicable law including Russian laws) each year while the Loan remains outstanding no less than 30 Business Days before the first Interest Payment Date in that particular year (and at the request of the Borrower), use its best efforts to deliver to the Borrower at the cost of the Borrower any other documents, together with a power of attorney prepared by the Borrower with, if requested and at the cost of the Borrower, an independent English translation thereof authorising the Borrower to make the relevant filings with the Russian tax authorities and such other information as may need to be duly completed and delivered by the Lender to enable the Borrower to apply to obtain relief from deduction or withholding of Russian tax after the date of this Agreement or, as the case may be, to apply to obtain a tax refund if a relief from deduction or withholding of Russian tax has not been obtained. The Lender shall not be responsible for any failure to provide, or any delays in providing, the Residency Certificate as a result of any action or inaction of any authority of Ireland (provided that the Residency Certificate has been properly requested by the Lender and reasonably sufficient time has been allowed for the authorities in Ireland to issue such certificate), but shall notify the Borrower as soon as practicable about any such failure or delay with an indication of the actions taken by the Lender to obtain the Residency Certificate. The application form and, if required, other documents provided by the Lender referred to in this Clause 8.5 shall be duly signed by the Lender, if applicable, and stamped or otherwise approved or certified by the Revenue Commissioners in Ireland at the cost of the Borrower, if applicable, and the power of attorney shall be duly signed and apostilled or otherwise legalised at the cost of the Borrower. If a relief from deduction or withholding of Russian tax or a tax refund under this Clause 8.5 has not been obtained and further to an application of the Borrower to the relevant Russian tax authorities the latter requests the Lender's Rouble bank account details, the Lender shall at the request of the Borrower (a) use reasonable efforts to procure that such Rouble bank account of the Lender is duly opened and maintained, and (b) thereafter furnish the Borrower with the details of such Rouble bank account. The Borrower shall pay (or reimburse) for all costs associated, if any, with opening and maintaining such Rouble bank account.

The Borrower and the Lender (using its best endeavours and in accordance with applicable law) agree that should the Russian legislation regulating the procedure for obtaining an exemption from Russian income tax withholding or the interpretation thereof by the relevant competent authority change, then the procedure referred to in this Clause 8.5 will be deemed changed accordingly.

The Borrower shall advise the Lender as soon as reasonably practicable of any modification to or development in Russian tax laws and regulations which affect or are capable of affecting the relief of the Lender from Russian withholding tax in respect of payments under this Agreement in order to ensure that, prior to the first Interest Payment Date and at the beginning of each calendar year, the Lender can provide the Borrower with the documents required under applicable Russian law for the relief of the Lender from Russian withholding tax in respect of payments under this Agreement.

8.6 Mitigation

If at any time either party hereto becomes aware of circumstances which would or might, then or thereafter, give rise to an obligation on the part of the Borrower to make any deduction, withholding or payment as described in Clauses 6.3 (*Repayment in the Event of Taxes or Increased Costs*), 8.1 (*Additional Amounts*) or 8.2 (*Tax Indemnity*), then, without in any way limiting, reducing or otherwise qualifying the Lender's rights, or the Borrower's obligations, under such Clauses, such party shall promptly upon becoming aware of such circumstances notify the other party, in writing and, thereupon the parties shall consider and consult with each other in good faith with a view to finding, agreeing upon and implementing a method or methods by which any such obligation may be avoided or mitigated and, to the extent that the parties can do so without taking any action which in the reasonable opinion of such party is prejudicial to its own position, take such reasonable steps as may be reasonably available to it to avoid such obligation or mitigate the effect of such circumstance, including in the case of the Lender (without limitation) by transfer of its rights or obligations under this Agreement (but only in accordance with the terms and conditions of the other Finance Documents); provided, however, that the Lender shall, in no circumstance, be required to undertake any expense prior to being ensured to its satisfaction that it will be reimbursed therefor.

8.7 Lender Notification

The Lender agrees promptly, upon becoming actually aware thereof, to notify the Borrower if it ceases to be resident in Ireland or a Qualifying Jurisdiction or if any of the representations and warranties of the Lender set forth in the Subscription Agreement are no longer true and correct.

9. WRITE DOWN

9.1 Write Down Measures

If a Write Down Event has occurred and is continuing on the Write Down Measure Effective Date:

9.1.1 the following consequences arise (in the order set out in sub-clause 9.1.2):

- (i) any accrued and unpaid interest payable in respect of the Loan shall not be paid and shall not accumulate as a result of the full or partial termination of the Borrower's obligations hereunder to pay the amounts of accrued and unpaid interest under the Loan (such measure being an **"Interest Cancellation Measure"** or an **"Interest Cancellation"** and **"Cancel"** or **"Cancelled"** being construed accordingly); and
- (ii) the Borrower's obligations hereunder to repay the principal amount of the Loan as well as to pay any applicable Monetary Damages shall be terminated in full or in part (such measure in respect of the principal amount of the Loan being a **"Principal Write Down Measure"**, and in respect of any Monetary Damages being a **"Monetary Damages Cancellation Measure"** and the terms **"Write Down"**, **"Written Down"**, **"Monetary Damages Cancellation"** and **"Cancelled"**, respectively, being construed accordingly),

provided, however, that if a Write Down Event has occurred as a result of any losses incurred by the Borrower, a Write Down Measure may only be applied after undistributed profit, reserve fund and other sources of the Common Equity Tier 1 Capital have been exhausted to absorb such losses; and

9.1.2 the Borrower shall on the Write Down Measure Effective Date:

- (i) firstly, Cancel any applicable Monetary Damages for the purposes of the Monetary Damages Cancellation Measure;
- (ii) secondly, if the Monetary Damages Cancellation Measure, together with the cancellation of monetary damages on the Write Down Instruments which qualify as Additional Tier 1 Capital in full is insufficient to remedy the Write Down Event, Cancel the Interest Cancellation Amount for the purposes of the Interest Cancellation Measure;
- (iii) thirdly, if the Interest Cancellation Measure, together with cancellation of interest on the Write Down Instruments which qualify as Additional Tier 1 Capital in full is insufficient to remedy the Write Down Event, Write Down the Write Down Amount for the purposes of the Principal Write Down Measure.

9.2 The Borrower's Obligation to Provide Notices

The Borrower shall provide (i) to the Lender and the Trustee no later than two Business Days after the Write Down Event Date, a Write Down Event Notice; and (ii) to the Lender and the Trustee no later than two Business Days prior to the relevant Write Down Measure Effective Date, the Write Down Measure Notice. If, in respect of the Participation Plan Trigger, the Borrower is notified of the date on which the CBR or the Deposit Insurance Agency will start to implement any actual bankruptcy prevention measures less than five Business Days in advance, it shall promptly give such Write Down Measure Notice and in no event later than the Write Down Measure Effective Date.

The disclosure of the occurrence of a Write Down Event on the official website of the CBR and the provision by the Borrower to the CBR of information on the aggregate amounts of the Borrower's obligations under the Loan and the Write Down Instruments and monetary damages (if any), which are subject to a write down, cancellation or other form of termination (conversion or exchange), the aggregate amount of obligations to be terminated and such other information (including information on the Borrower's approach to performance of the relevant provisions of subordinated instruments on conversion or exchange and termination of obligations) as may be required by Regulation No. 646-P or other applicable regulations will be made within the periods and in the manner set out in Regulation No. 646-P or such other applicable regulations.

9.3 Consequences of a Write Down Measure

A Write Down Event may occur on more than one occasion (and Monetary Damages and accrued interest may be Cancelled and the Loan may be Written Down in accordance with this Clause 9 on more than one occasion).

The principal amount of the Loan may only be used to remedy the Write Down Event pro rata with the Write Down Instruments. Monetary Damages and accrued interest may only be Cancelled by the Borrower *pro rata* with monetary damages and accrued interest on the Write Down Instruments, provided that, to the extent permitted by applicable law, the principal amount of the Loan, Monetary Damages and accrued interest on the Loan shall be Written Down and Cancelled pro rata with any respective amounts under Write Down Instruments which qualify as Additional Tier 1 Capital of the Borrower to the fullest extent permitted by applicable law before any write down of respective amounts under Write Down Instruments which qualify as Tier 2 Capital of the Borrower. If, in connection with any Monetary Damages Cancellation, Interest Cancellation and/or Write Down (if any) of the Loan, any relevant proportion must be determined for the purpose of pro-rating such Monetary Damages Cancellation, Interest Cancellation and Write Down (if any) amongst the Loan and any Write Down Instruments, the monetary damages, accrued interest and principal amount of any obligation (including the Loan and any Write Down Instruments) which is not denominated in Roubles will (for the purposes of such determination only) be deemed to be converted into Roubles at the then prevailing foreign exchange rates determined in the sole discretion of the Borrower in accordance with its accounting policies established under applicable accounting standards.

Following any Write Down in accordance with this Clause 9 (*Write Down*), references herein to “outstanding principal amount” of the Loan shall be construed as references to the Outstanding Principal Amount. If the principal amount of the Loan is Written Down to zero, this Loan Agreement shall cease to have effect.

Once the principal amount of the Loan has been Written Down in accordance with this Clause 9, the principal amount so Written Down may not be restored under any circumstances, including where the relevant Write Down Event(s) is(are) no longer continuing.

Any Monetary Damages and/or interest payment that has been Cancelled in accordance with this Clause 9, shall not accumulate or be payable at any time thereafter, including where the relevant Write Down Event(s) is(are) no longer continuing. No Monetary Damages or interest shall accrue from the Write Down Event Date as long as a Write Down Event(s) is(are) continuing.

Subject to this Clause 9 (*Write Down*), the Borrower shall determine the Monetary Damages Cancellation Amount, Interest Cancellation Amount and the Write Down Amount in its sole discretion and shall set out its determination thereof in the relevant Write Down Measure Notice together with the then remaining Outstanding Principal Amount of the Loan (if any) and the then remaining Monetary Damages and accrued but unpaid interest following the relevant Monetary Damages Cancellation, Interest Cancellation and/or Write Down in accordance with this Clause 9 (*Write Down*). The Borrower’s determination of the Interest Cancellation Amount and the Write Down Amount (if any) shall in the absence of fraud or manifest error be binding on all parties.

Notwithstanding any other provision of this Agreement, an Interest Cancellation or a Write Down shall not constitute an Acceleration Event (or a Potential Acceleration Event) or a default under this Agreement.

9.4 No Payments Upon Occurrence of a Write Down Event

If a Write Down Event has occurred any Write Down Measures that are being applied shall apply until the Common Equity Tier 1 Capital Ratio of the Borrower is not less than 5.125 per cent. or, in the case of participation of the CBR or the Deposit Insurance Agency in bankruptcy prevention measures in respect of the Borrower, until all of the Borrower’s capital adequacy ratios meet the requirements prescribed by CBR Instruction No. 199-I.

From the Write Down Event Date and until the Write Down Event ceases to continue, the Borrower shall not make any payments of interest or any portion of the Outstanding Principal Amount of the Loan, and

no Monetary Damages or interest shall accrue on such unpaid amounts. The Borrower shall immediately notify the Lender and the Trustee in writing on the cessation of any Write Down Event.

10. VARIATION OR MODIFICATION DUE TO CHANGE IN LAW

If, as a result of any amendment or supplement to, clarification or replacement of, or change in (including a change in the interpretation or application of), Regulation No. 646-P or any other applicable legislation having force in the Russian Federation from time to time on determining the amount of own funds (capital) of credit organisations:

- 10.1.1 the common equity tier 1 capital ratio (determined pursuant to CBR Instruction No. 199-I), the breach of which triggers the write down of a subordinated loan qualifying as additional tier 1 capital (*dobavochnyi kapital*) (determined pursuant to Regulation No. 646-P) is decreased compared to the common equity tier 1 capital ratio used in the definition of the Capital Ratio Trigger and/or the respective number of days applicable to such ratio trigger is increased compared to the number of days used in the definition of the Trigger Period, then, for the purposes of the definition of a Write Down Event, the Capital Ratio Trigger and/or the Trigger Period shall be deemed to be amended accordingly;
- 10.1.2 the actions that constitute the Participation Plan Trigger cease to trigger the write down of a subordinated loan which qualifies as additional tier 1 capital (*dobavochnyi kapital*), then the definition of the Participation Plan Trigger and other provisions of this Agreement relating to the Participation Plan Trigger shall no longer apply;
- 10.1.3 it is no longer required that a subordinated loan agreement contain provisions allowing the Borrower to cancel at its discretion the payment of interest on the Loan in order to be eligible for full inclusion into own funds (capital) of the Borrower as Additional Tier 1 Capital, then Clause 5.5 (*Cancellation of Interest*) and Clause 5.6 (*Payments of Interest are Non-cumulative*) shall no longer apply; or
- 10.1.4 it is expressly allowed to restore or reinstate the principal amount of the Loan following any Write Down, then (and unless the Loan has already been Written Down to zero) Clause 9.3 (*Consequences of a Write Down Measure*) shall be amended to provide for such restoration or reinstatement of any amounts Written Down as a consequence of a Write Down Event,

and, if and to the extent required by applicable law or regulations, the parties shall enter into a supplemental agreement to this Agreement or an amendment and restatement agreement to this Agreement to give effect to such amendments in accordance with Clause 11 (*Conditions to Amendment*), only if:

- (a) the Borrower shall submit a draft of such supplemental agreement or amendment and restatement agreement to the CBR and obtain the prior written consent of the CBR to such draft agreement in accordance with Regulation No. 646-P, as may be applicable;
- (b) the Loan will continue to be eligible for inclusion into own funds (capital) of the Borrower as Additional Tier 1 Capital following such variation or amendment at least to the same extent as before such variation or amendment; and
- (c) in relation to sub-clause 10.1.4 only, such amendments would not trigger any obligation to pay or withhold any Taxes on the amount of the Loan so restored or reinstated.

This Agreement may be amended and/or varied pursuant to this Clause 10 by an agreement in writing (an “**Amendment Agreement**”) entered into by the Lender and the Borrower only without any requirement for any agreement, consent or approval of the Trustee after the date of this Agreement (unless required otherwise in accordance with the second sentence of the immediately following paragraph) and the Trustee shall have no responsibility or liability in respect thereof.

A copy of such duly executed Amendment Agreement shall be delivered to the Trustee by e-mail in accordance with Clause 19 (*Notices*) together with an Officers’ Certificate, addressed to the Trustee, certifying that the amendments will otherwise become effective in accordance with Clause 11 (*Conditions to Amendment*) and that one of the circumstances permitting such amendments as set out in this Clause 10 exists, and such amendments shall become effective on the earlier of (i) the date on which

the Trustee has confirmed in writing that its consent is not required as provided below or (ii) the date on which the written consent of the Trustee is provided. No amendment or variation of this Agreement pursuant to this Clause 10 shall take effect to the extent that in the opinion of the Trustee (i) it provides for any duties, discretions or obligations to be placed upon the Trustee which are not provided for in this Agreement (excluding such amendment or variation) or (ii) would otherwise have an adverse effect on the rights or protections of the Trustee in its personal capacity under this Agreement, in law or otherwise, without the consent in writing of the Trustee which consent the Trustee shall not be obliged to give.

11. CONDITIONS TO AMENDMENT

Any variation of, or amendment to, this Agreement shall become effective once:

- (a) a draft of any amendment has been submitted to the CBR;
- (b) an approval from the CBR shall have been received in respect of the amendment referred to in sub-clause 11(a); and
- (c) the amendment is in writing signed by the Lender and the Borrower.

12. CONDITIONS PRECEDENT

The obligation of the Lender to make the Advance shall be subject to the conditions precedent that as at the Closing Date (a) no Acceleration Event or Potential Acceleration Event shall have occurred, (b) the Lender shall have received the full funding of the Advance and that funding shall be and shall remain available in full to be on-lent to the Borrower and (c) the Lender shall have received in full the Facility Fee pursuant to Clause 4.2 (*Facility Fee*).

13. CHANGE IN LAW; INCREASE IN COST

13.1 Compensation

In the event that after the date of this Agreement there is any change in or introduction of any tax, law, regulation, regulatory requirement or official directive (whether or not having the force of law but, if not having the force of law, the observance of which is in accordance with the generally accepted financial practice of financial institutions in the country concerned) or in the interpretation or application thereof by any person charged with the administration thereof and/or any compliance by the Lender in respect of the Loan or the Facility with any request, policy or guideline (whether or not having the force of law but, if not having the force of law, the observance of which is in accordance with the generally accepted financial practice of financial institutions in the country concerned) from or of any central or other fiscal, monetary or other authority, agency or any official of any such authority which:

- 13.1.1 subjects or will subject the Lender to any Taxes with respect to payments of principal of or interest on the Loan or any other amount payable under this Agreement (other than any Taxes payable by the Lender on its overall net income, capital gains or any Taxes referred to in Clauses 8.1 (*Additional Amounts*) and 8.2 (*Tax Indemnity*)); or
- 13.1.2 increases or will increase the taxation of or changes or will change the basis of taxation of payments to the Lender of principal of or interest on the Loan or any other amount payable under this Agreement (other than any such increase or change which arises by reason of any increase in the rate of tax payable by the Lender on its overall net income, capital gains or as a result of any Taxes referred to in Clauses 8.1 (*Additional Amounts*) and 8.2 (*Tax Indemnity*)); or
- 13.1.3 imposes or will impose on the Lender any other condition affecting this Agreement, the Facility or the Loan,

and if as a result of any of the foregoing:

- (i) the cost to the Lender of making, funding or maintaining the Loan or the Facility, is increased; or

(ii) the amount of principal, interest or other amount payable to or received by the Lender hereunder is reduced; or

(iii) the Lender makes any payment or foregoes any interest or other return on or calculated by reference to the gross amount of any sum receivable by it from the Borrower hereunder or makes any payment or foregoes any interest or other return on or calculated by reference to the gross amount of the Loan,

then subject to the following, and in each such case:

- (a) the Lender shall, as soon as practicable after becoming actually aware of such increased cost, reduced amount or payment made or forgone, give written notice to the Borrower, together with a certificate signed by the duly authorised signatories of the Lender describing in reasonable detail the introduction or change or request which has occurred and the country or jurisdiction concerned and the nature and date thereof and demonstrating the connection between such introduction, change or request and such increased cost, reduced amount or payment made or forgone, and setting out in reasonable detail the basis on which such amount has been calculated, and all relevant supporting documents evidencing the matters set out in such certificate; and
- (b) the Borrower, in the case of sub-clauses (i) and (iii) above, shall on demand by the Lender, pay to the Lender such additional amount as shall be necessary to compensate the Lender for such increased cost, and, in the case of sub-clause (ii) above, at the time the amount so reduced would otherwise have been payable, pay (or reimburse) to the Lender such additional amount as shall be necessary to compensate the Lender for such reduction, payment or forgone interest or other return; provided, however, that the amount of such increased cost shall be deemed not to exceed an amount equal to the proportion thereof which is directly attributable to this Agreement,

further provided, however, that this Clause 13.1 will not apply to or in respect of any matter for which the Lender has already been compensated under Clause 8.1 (*Additional Amounts*) or Clause 8.2 (*Tax Indemnity*).

13.2 Lender Tax Event

If, as a result of a change in the law, practice or interpretation of the law, the Lender is unable to obtain relief in computing its Irish tax liability for some or all of the interest payable on the Loan (having duly and timely claimed such relief and notwithstanding receipt of confirmation from the relevant tax authorities that such relief is available), the Borrower agrees to pay such additional amount to the Lender that the Lender reasonably determines would be necessary to ensure the Lender receives the amount it would have received and retained had such deduction or withholding not been required. The Borrower's obligation to pay such additional amounts shall survive the termination of this Agreement.

13.3 Mitigation

In the event that the Lender becomes entitled to make a claim pursuant to Clause 13.1 (*Compensation*) or 13.2 (*Lender Tax Event*) the Lender shall consult in good faith with the Borrower and shall use reasonable efforts (based on the Lender's reasonable interpretation of any tax, law, regulation, requirement, official directive, request, policy or guideline) to reduce, in whole or in part, the Borrower's obligations to pay (or reimburse) any additional amount pursuant to such Clause, including by the transfer of its rights and obligations under this Agreement to another lender in accordance with the terms of this Agreement and with the prior written consent of the CBR to such change of the Agreement, except that nothing in this Clause 13.3 shall oblige the Lender to incur any costs or expenses in taking any action hereunder unless the Borrower agrees to reimburse the Lender such costs or expenses.

14. ACCELERATION EVENTS

14.1 Payment Default and Remedies

If the Borrower fails to pay within 14 days any amount payable under this Agreement as and when such amount becomes payable in the currency and in the manner specified herein, the Lender may, other than in cases set out in Clause 5.5 (*Cancellation of Interest*) and Clause 9 (*Write Down*) at its discretion and without further notice, institute proceedings in the manner and to the extent contemplated by the

applicable law for the insolvency (bankruptcy) of the Borrower and/or to prove for its debt, and claim, in any consequent liquidation of the Borrower.

14.2 Winding-up

On the occurrence of any of the following events:

- 14.2.1 the commencement of any liquidation of the Borrower (*likvidatsia*, as such term is defined under the Civil Code of the Russian Federation);
- 14.2.2 the entering into force of the decision of a competent court of the Russian Federation on bankruptcy of the Borrower (*reshenie o priznanii dolzhnika bankrotom*, as such term is defined under the Insolvency Law);
- 14.2.3 any revocation of any licence for the performance of banking operations of the Borrower, or
- 14.2.4 any other event which, under applicable Russian laws, is analogous to the events specified in the foregoing paragraphs, whereby the obligations of the Borrower under this Agreement are accelerated,

the Lender may give notice to the Borrower that under the laws of the Russian Federation the Loan is, and it shall accordingly become, due and repayable (*srok ispolneniya obyazatelstv schitaetsya nastypivshim*, as such term is used in Russian law) (subject to and in accordance with the provisions of Clause 3.1 (*Subordination*)) at the principal amount thereof together with any interest accrued and unpaid to the date of repayment and any other sums due and payable by the Borrower pursuant to this Agreement, and the Lender may, at its discretion and without further notice, take any actions in the manner and to the extent contemplated by the applicable law of the Russian Federation to prove for its debt and/or, to the extent applicable, commence liquidation or winding up proceedings of the Borrower.

14.3 Notice of Acceleration Event

The Borrower shall deliver to the Lender and the Trustee, (i) within seven days of any written request by the Lender or the Trustee and/or (ii) immediately upon becoming aware of the occurrence thereof, written notice in the form of an Officer's Certificate of any event described in Clauses 14.1 (*Payment Default and Remedies*) and 14.2 (*Winding-up*) (each an "**Acceleration Event**"), its status and what action the Borrower is taking or proposes to take with respect thereto.

14.4 Proceedings

In addition to its rights under Clauses 14.1 (*Payment Default and Remedies*) and 14.2 (*Winding-up*), the Lender may institute such other actions or proceedings against the Borrower as it may think fit to enforce any obligation, condition or provision binding on the Borrower under this Agreement (other than any obligation for payment of any principal or interest in respect of the Loan contemplated by Clause 14.1 (*Payment Default and Remedies*)) provided that the Borrower shall not by virtue of any such actions or proceedings be obliged to pay (i) any sum or sums representing or measured by reference to principal or interest in respect of the Loan sooner than the same would otherwise have been payable by it or (ii) any damages (including any Monetary Damages).

15. RIGHTS NOT EXCLUSIVE

The rights and remedies provided for in this Agreement are cumulative to the extent permitted by law and are not exclusive of any other rights, powers, privileges or remedies provided by law.

16. INDEMNITY

16.1 Indemnification

The Borrower undertakes to the Lender, that if the Lender or any director, officer or employee of the Lender and each person controlling the Lender within the meaning of the United States securities laws (each an "**Indemnified Party**") incurs any loss, liability, cost, claim, charge, expense (including, without limitation, Taxes, legal fees and expenses and any applicable stamp duties, capital duties and other similar duties payable, including any interest thereon and penalties or other amounts relating to such

payments incurred or in connection therewith), demand, action and damages (a “**Loss**”) as a result of or in connection with the Loan, this Agreement (or enforcement thereof), and/or the issue, constitution, sale, listing and/or enforcement of the Notes and/or the Notes being outstanding (other than in relation to tax on its own net income, profits or gains), the Borrower shall reimburse such properly documented Loss, costs, charges and expenses to the Lender on demand in an amount equal to such Loss and all costs, charges and expenses (including any applicable taxes thereon) which may be incurred as a result of or arising out of or in relation to any failure to pay by the Borrower or delay by the Borrower in paying the same, unless such Loss was either caused by such indemnified party’s negligence or wilful misconduct or arises out of a breach of the representations and warranties of the Lender contained in the Subscription Agreement.

16.2 Independent Obligation

Clause 16.1 (*Indemnification*) constitutes a separate and independent obligation of the Borrower from its other obligations under or in connection with this Agreement and the other Finance Documents to which it is a party or any other obligations of the Borrower in connection with the issue of the Notes by the Lender and shall not affect, or be construed to affect, any other provision of this Agreement or any such other obligations.

16.3 Evidence of Loss

A certificate of the Lender setting forth the amount of the Loss described in Clause 16.1 (*Indemnification*) and specifying in full detail the basis therefor and calculations (together with properly documented evidence to support such Loss) thereof shall, in the absence of manifest error, be conclusive evidence of the amount of such loss, cost, charges and expenses.

16.4 Currency Indemnity

Each reference in this Agreement to Dollars is of the essence. To the fullest extent permitted by law, the obligation of the Borrower in respect of any amount due in Dollars under this Agreement shall, notwithstanding any payment in any other currency (whether pursuant to a judgment or otherwise), be discharged only to the extent of the amount in Dollars that the party entitled to receive such payment may, in accordance with normal banking procedures, purchase with the sum paid in such other currency (after any costs of exchange) on the Business Day immediately following the day on which such party receives such payment. If the amount in Dollars that may be so purchased for any reason falls short of the amount originally due, the Borrower hereby agrees to indemnify and hold harmless the Lender against any deficiency in Dollars. Any obligation of the Borrower not discharged by payment in Dollars shall, to the fullest extent permitted by applicable law, be due as a separate and independent obligation and, until discharged as provided herein, shall continue in full force and effect. If the amount of Dollars that may be so purchased exceeds the amount originally due, the Lender shall promptly repay the amount of the excess to the Borrower.

17. SURVIVAL

The obligations of the Borrower and the Lender pursuant to Clauses 8 (*Taxes*), 16.1 (*Indemnification*) and 16.4 (*Currency Indemnity*) shall survive the execution and delivery of this Agreement, the drawdown of the Facility, the repayment of the Loan and the termination of the Agreement subject to applicable statutory limitations.

18. GENERAL

18.1 Evidence of Debt

The entries made in the Account referred to in Clause 7.1 (*Making of Payments*) shall, in the absence of manifest error, constitute *prima facie* evidence of the existence and amounts of the Borrower’s obligations recorded therein.

18.2 Waivers

No failure to exercise and no delay in exercising, on the part of the Lender or the Borrower, any right, power or privilege hereunder and no course of dealing between the Borrower and the Lender shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege preclude any

other or further exercise thereof, or the exercise of any other right, power or privilege. The rights and remedies herein provided are cumulative and not exclusive of any rights, or remedies provided by applicable law.

18.3 Reports

- 18.3.1 The Borrower shall as soon as the same become available, but in any event within 120 days after the end of each of its financial years, deliver to the Lender and the Trustee consolidated financial statements of the Group for such financial year, in each case audited by the auditors.
- 18.3.2 Within 7 days of any request of the Lender or the Trustee, the Borrower shall deliver to the Lender and the Trustee a written notice in the form of an Officers' Certificate stating whether any Potential Acceleration Event or Acceleration Event has occurred and, if it has occurred and shall be continuing, what action the Borrower is taking or proposes to take with respect thereto.
- 18.3.3 The Borrower will on request of the Lender or the Trustee provide the Lender and the Trustee with such further information, other than information which the Borrower determines in good faith to be confidential, about the business and financial condition of the Borrower and its subsidiaries as the Lender or the Trustee may reasonably request.
- 18.3.4 The Borrower consents that any information provided to the Lender pursuant to this Clause 18.3 may also be provided to the Trustee without violating any duty of confidentiality or secrecy that the Lender may owe to the Borrower under the laws of Ireland.
- 18.3.5 Promptly upon receipt by the Borrower of the Final Conclusion, the Borrower shall deliver a copy of Final Conclusion to the Lender and the Trustee.

19. NOTICES

All notices, requests, demands or other communications to or upon the respective parties hereto shall be given in writing (in English) by facsimile, by e-mail, by hand or by courier addressed as follows:

- (i) if to the Borrower:

1st Volokolamsky Proezd,
10, bld.1, Moscow,
Russia, 123060
Fax: +7 (495) 645 5909
Email: s.pirogov@tinkoff.ru
Attention: Sergey Pirogov
- (ii) if to the Lender:

2nd Floor,
Palmerston House,
Fenian Street
Dublin 2
Ireland
E-mail: tcsfinance@caficointernational.com
Fax: +353 1 905 8029
Attention: the Directors
- (iii) if to the Trustee:

BNY Mellon Corporate Trustee Services Limited
One Canada Square
London E14 5AL
United Kingdom
Fax: +44(0) 207 964 2509
Attention: Trustee Administration Manager (Tinkoff Bank 2021)

or to such other address, e-mail or fax number as any party may hereafter specify in writing to the other. Every notice or other communication sent in accordance with this Clause 19 shall be effective upon receipt by the addressee on a Business Day in the city of the recipient, provided however, that any such notice or other communication which would otherwise take effect after 4.00 p.m. on any particular day, shall not take effect until 10.00 a.m. on the immediately succeeding Business Day in the place of the addressee.

20. ASSIGNMENT

- (a) This Agreement shall inure to the benefit of and be binding upon the parties hereto, their respective successors and any permitted assignee or transferee of some or all of such party's rights or obligations under this Agreement. Any reference in this Agreement to any party shall be construed accordingly and, in particular, references to the exercise of rights and discretions by the Lender, following the assignment pursuant to the grant of the security referred to in Clause 20(c) below, shall be references to the exercise of such rights or discretions by the Trustee (as Trustee). Notwithstanding the foregoing, the Trustee shall not be entitled to participate in any determinations by the Lender or any discussions or agreements between or of the Borrower and the Lender pursuant to Clauses 8.3 (*Tax Credits and Refunds*), 8.5 (*Delivery of Forms*), 8.6 (*Mitigation*) or 13.3 (*Mitigation*).
- (b) The Borrower shall not be entitled to assign or transfer all or any part of its rights or obligations hereunder to any other party.
- (c) The Lender may not assign or transfer, in whole or in part, any of its rights and benefits or obligations under this Agreement except to the Trustee by granting the security over the Lender's rights under this Agreement, including any assignment of such rights to the Trustee, pursuant to the Trust Deed or pursuant to and in compliance with Clause 26 (*Limited Recourse and Non-Petition*) of this Agreement.

21. GOVERNING LAW AND WAIVER OF IMMUNITY

21.1 Governing Law

This Agreement and any non-contractual obligations arising out of or in connection with it shall be governed by, and construed in accordance with, the laws of England.

21.2 Waiver of Immunity

To the extent that the Borrower may in any jurisdiction claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before making of a judgment or award or otherwise) or other legal process including in relation to enforcement of an arbitration award and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the Borrower or its assets or revenues, the Borrower agrees not to claim and irrevocably waives such immunity to the full extent permitted by the laws of such jurisdiction.

22. ARBITRATION

Any dispute arising from or in connection with this Agreement (including a dispute relating to the existence, validity or termination of this Agreement or the consequences of its nullity or any non-contractual obligation arising out of or in connection with this Agreement) (a "**Dispute**"), shall be referred to and finally resolved by arbitration in accordance with the Arbitration Rules (the "**Rules**") of the London Court of International Arbitration ("**LCIA Court**") (such arbitration to also be administered by the LCIA Court in accordance with the Rules) which are deemed to be incorporated by reference into this Clause 22. The place of arbitration shall be London, England and the language of the arbitration shall be English. The number of arbitrators shall be three, each of whom shall not be interested in the dispute or controversy, shall have no connection with any party thereto and shall be a solicitor or barrister qualified in England and Wales experienced in international securities transactions. Each party shall nominate an arbitrator, who, in turn, shall nominate the Chairman of the Tribunal. If a dispute, claim controversy or cause of action shall involve more than two parties, the parties thereto shall attempt to align themselves in two sides (i.e. claimant and respondent) each of which shall nominate an arbitrator as if there were only two sides to such dispute, claim controversy or cause of action. If such alignment and nomination shall not have occurred within 20 calendar days after the initiating party serves the request for arbitration or if a Chairman has not been nominated within 30 calendar days of the selection

of the second arbitrator, the LCIA Court shall appoint the three arbitrators or the Chairman, as the case may be. The parties and the LCIA Court may appoint arbitrators from among the nationals of any country, whether or not a party is a national of that country. The arbitrators shall have no authority to award punitive or other punitive type damages.

The decision of the arbitrators shall be final, binding and enforceable upon the parties and judgment upon any award rendered by the arbitrators may be entered in any court having jurisdiction thereof. In the event that the failure of a party to comply with the decision of the arbitrators requires any other party to apply to any court for enforcement of such award, the non-complying party shall be liable to the other for all costs of such litigation, including reasonable legal costs.

23. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

A person who is not a party to this Agreement has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Agreement.

24. COUNTERPARTS

This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which when so executed shall constitute one and the same binding agreement between the parties.

25. SEVERABILITY

In case any provision in or obligation under this Agreement shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby.

26. LIMITED RECOURSE AND NON-PETITION

The Borrower hereby agrees that it shall have recourse in respect of any claim against the Lender only to sums in respect of principal, interest or other amounts (if any), as the case may be, actually received from the Borrower by or for the account of the Lender (after deduction or withholding of such taxes or duties as may be required to be made by the Lender by law in respect of such sum or in respect of the Notes and for which the Lender has not received a corresponding additional payment (also after deduction or withholding of such taxes or duties as may be required to be made by the Lender in respect thereof)) pursuant to this Agreement (the “**Lender Assets**”), subject always (1) to the Security Interests (as defined in the Trust Deed) and (2) to the fact that any claims of the Managers (as defined in the Subscription Agreement) pursuant to the Subscription Agreement shall rank in priority to any claims of the Borrower hereunder, and that any such claim by any and all such Managers or the Borrower shall be reduced *pro rata* so that the total of all such claims does not exceed the aggregate value of the Lender Assets after meeting claims secured on them. The Trustee having realised the same, neither the Borrower nor any person acting on its behalf shall be entitled to take any further steps against the Lender to recover any further sums and no debt shall be owed by the Lender to such person in respect of any such further sum. In particular, neither the Borrower nor any other person acting on its behalf shall be entitled at any time to institute against the Lender, or join in any institution against the Lender of, any bankruptcy, administration, moratorium, reorganisation, controlled management, arrangement, insolvency, examinership, winding-up or liquidation proceedings or similar insolvency proceedings under any applicable bankruptcy or similar law in connection with any obligation of the Lender under this Agreement, save for lodging a claim in the liquidation of the Lender which is initiated by another party or taking proceedings to obtain a declaration or judgment as to the obligations of the Lender.

The Borrower shall have no recourse against any director, shareholder, or officer of the Lender in respect of any obligations, covenants or agreement entered into or made by the Lender in respect of this Agreement, except to the extent that any such person acts in bad faith or is negligent in the context of its obligations.

The provisions of this Clause 26 shall survive the termination of this Agreement.

SCHEDULE 1

Form of Write Down Event Notice

To: TCS Finance D.A.C.

BNY Mellon Corporate Trustee Services Limited

From: Tinkoff Bank

Dated: [•]*****

Dear Sirs

Tinkoff Bank – Subordinated Loan Agreement dated 16 September 2021 (the “Subordinated Loan Agreement”)

1. We refer to the Subordinated Loan Agreement. Terms defined therein shall have the same meaning herein.
2. This is a Write Down Event Notice for the purposes of the Subordinated Loan Agreement.
3. We notify that the Write Down Event has occurred on [•].
4. *[Specify relevant event(s) constituting the Write Down Event including the relevant Common Equity Tier 1 Capital Ratio as of the relevant Write Down Event Date and/or the nature of the Financial Assistance to be provided by the CBR or the Deposit Insurance Agency]*
5. The anticipated Write Down Measure Effective Date is [•].

for and on behalf of Tinkoff Bank

Signed:

SCHEDULE 2

Form of Write Down Measure Notice

To: TCS Finance D.A.C.

BNY Mellon Corporate Trustee Services Limited

From: Tinkoff Bank

Dated: [•]

Dear Sirs

Tinkoff Bank – Subordinated Loan Agreement dated 16 September 2021 (the “Subordinated Loan Agreement”)

1. We refer to the Subordinated Loan Agreement. Terms defined therein shall have the same meaning herein.
2. This is a Write Down Measure Notice for the purposes of the Subordinated Loan Agreement.
3. We confirm that the Write Down Measure Effective Date is [•].
4. [Specify relevant Write Down Measures being implemented including any Interest Cancellation Amount, Monetary Damages Cancellation Amount and any Write Down Amount and the basis of their calculation]

for and on behalf of Tinkoff Bank

Signed:

SCHEDULE 3

Form of Notice on Cancellation of Interest

To: TCS Finance D.A.C.

BNY Mellon Corporate Trustee Services Limited

From: Tinkoff Bank

Dated: [•]

Dear Sirs

Tinkoff Bank – Subordinated Loan Agreement dated 16 September 2021 (the “Subordinated Loan Agreement”)

1. We refer to the Subordinated Loan Agreement. Terms defined therein shall have the same meaning herein.
2. This is a Notice on Cancellation of Interest for the purposes of the Subordinated Loan Agreement.
3. [Specify interest amount subject to cancellation and the Interest Payment Dates with respect to which the payment of interest is being cancelled]

for and on behalf of Tinkoff Bank

Signed:

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the Terms and Conditions of the Notes, which contains summaries of certain provisions of the Trust Deed and which will be attached to the Notes in definitive form, if any, and (subject to the provisions thereof) apply to the Global Certificates.

The U.S.\$600,000,000 6.0 per cent. perpetual callable loan participation notes (the “**Notes**”, which expression includes any further notes issued pursuant to Condition 14 and forming a single series therewith) of TCS Finance D.A.C. (the “**Issuer**”, which expression shall include any entity substituted for the Issuer from time to time pursuant to Condition 12.3 and the Trust Deed) are constituted by, are subject to and have the benefit of, a trust deed dated 20 September 2021 (as amended or supplemented from time to time, the “**Trust Deed**”) between the Issuer and BNY Mellon Corporate Trustee Services Limited as trustee (the “**Trustee**”, which expression includes all persons from time to time appointed as trustee or trustees under the Trust Deed). The Issuer has authorised the creation and issue of the Notes for the sole purpose of financing the U.S.\$600,000,000 subordinated loan (the “**Subordinated Loan**”) to Tinkoff Bank (the “**Bank**”). The Issuer and the Bank have recorded the terms of the Subordinated Loan in a subordinated loan agreement dated 16 September 2021 (as amended or supplemented from time to time, the “**Subordinated Loan Agreement**”) among the Issuer (in its capacity as lender) and the Bank.

In each case where amounts of principal, interest and additional amounts, if any, due pursuant to Condition 8 are stated herein or in the Trust Deed to be payable in respect of the Notes, the obligation of the Issuer to make any such payment shall constitute an obligation only to account to the Noteholders (as defined in Condition 3) on each date upon which such amounts of principal, interest and additional amounts, if any, are due in respect of the Notes, for an amount equivalent to the sums of principal, interest, Additional Amounts (as defined in the Subordinated Loan Agreement) and Tax Indemnity Amounts (as defined in the Subordinated Loan Agreement), if any, actually received and retained (net of tax) by, or for the account of, the Issuer from the Bank pursuant to the Subordinated Loan Agreement, less any amount in respect of the Reserved Rights (as defined below). Noteholders shall have no direct recourse to any assets of the Issuer except pursuant to the Security Interests (as defined below).

Security

The Issuer (as lender) has charged by way of a first fixed charge in favour of the Trustee for the benefit of the Trustee and the Noteholders:

- (a) all its rights, interests and benefits in and to principal, interest and other amounts paid and payable now or at any time to it under the Subordinated Loan Agreement excluding the Reserved Rights (as defined below); and
- (b) all its rights, interests and benefits in and to receipt of all sums which may be or become payable by the Bank to the Issuer under any claim, award or judgment relating to the Subordinated Loan Agreement (other than its right to amounts in respect of any rights, interests and benefits of the Issuer under the following Clauses of the Subordinated Loan Agreement: Clause 4.2 (*Facility Fee*), Clause 4.3 (*Ongoing Fees and Expenses*), Clause 8.2 (*Tax Indemnity*) (to the extent that the Issuer has received amounts thereunder to which the Noteholders are not entitled), Clause 13 (*Change in Law, Increase in Cost*), and Clause 16 (*Indemnity*) (limited in the case of Clause 16.4 (*Currency Indemnity*) to the extent that the Issuer’s claim is in respect of sums due under one of the aforementioned Clauses of the Subordinated Loan Agreement) (such rights referred to herein as the “**Reserved Rights**”));
- (c) all of its rights, interests and benefits in and to all sums held on deposit from time to time, in an account in the name of the Issuer with the Principal Paying Agent (as defined below) together with the debts represented thereby (including interest from time to time earned thereon but excluding the Reserved Rights) (the “**Account**”); and
- (d) assigned absolutely to the Trustee by way of security all of the Issuer’s administrative rights, interests and benefits whatsoever, both present and future, whether proprietary, contractual or otherwise under or arising out of, evidenced by or pursuant to the Subordinated Loan Agreement (including, without limitation, the right to declare the Subordinated Loan immediately due and payable and to take proceedings to enforce the obligations of the Bank thereunder) (save for those rights expressed to be charged or excluded in paragraphs (a) to (c) inclusive above and

the Reserved Rights) (the “**Subordinated Loan Administration Transfer**”), collectively, the “**Security Interests**”.

In certain circumstances, the Trustee (subject to it being indemnified and/or secured and/or prefunded to its satisfaction) may be required by Noteholders holding at least one-quarter of the principal amount of the Notes outstanding or by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders to exercise certain of its powers under the Trust Deed (including those arising in connection with the Security Interests).

Agency Agreement

The Notes are the subject of an agency agreement dated 16 September 2021 (as may be further amended or supplemented from time to time, the “**Agency Agreement**”) among the Issuer, the Bank, The Bank of New York Mellon SA/NV, Dublin Branch as registrar and transfer agent (the “**Registrar**,” and “**Transfer Agent**” which expressions shall include any successor registrar or transfer agent), The Bank of New York Mellon (acting through its London Branch) as principal paying agent (the “**Principal Paying Agent**,” which expression includes any successor principal paying agent appointed from time to time in connection with the Notes) and any additional paying agents appointed from time to time in connection with the Notes (together with the Principal Paying Agent the “**Paying Agents**”) and the Trustee. References herein to the “**Agents**” are to the Registrar, the Principal Paying Agent, the Transfer Agent and any Paying Agent and any reference to an “**Agent**” is to any one of them.

Certain provisions of these Conditions are summaries or restatements of the Trust Deed, the Subordinated Loan Agreement and the Agency Agreement and are subject to their detailed provisions. The Noteholders are bound by, and are deemed to have notice of, all the provisions of the Trust Deed, and all provisions of the Subordinated Loan Agreement and the Agency Agreement applicable to them. Copies of the Trust Deed, the Subordinated Loan Agreement and the Agency Agreement are available for inspection by appointment during normal business hours at the registered office for the time being of the Trustee, being at the date hereof, One Canada Square, London E14 5AL, and at the Specified Offices (as defined in the Agency Agreement) of the Principal Paying Agent (or, at the Trustee’s or the relevant Agent’s option, such inspection may be provided electronically) and at the registered office of the Issuer (being at the date hereof 2nd Floor, Palmerston House, Fenian Street, Dublin 2, Ireland). The initial Specified Offices of the initial Agents are set out below.

1. FORM AND DENOMINATION

The Notes are issued in registered form in the denominations of US\$200,000 and integral multiples of US\$1,000 in excess thereof (each an “**Authorised Holding**”).

The Notes may be sold to (i) qualified institutional buyers (within the meaning of Rule 144A under the United States Securities Act of 1933 (the “**Securities Act**”)) (“**QIBs**”) who are also qualified purchasers (within the meaning of Section 2(a)(51) of the United States Investment Company Act of 1940) in the United States in reliance on Rule 144A; or (ii) to non-U.S. persons in reliance on Regulation S under the Securities Act.

2. STATUS AND LIMITED RECOURSE

The sole purpose of the issue of the Notes is to provide the funds for the Issuer to finance and advance the Subordinated Loan. The Notes constitute the secured, limited recourse obligation of the Issuer to apply the proceeds from the issue of the Notes solely for financing the Subordinated Loan and to account to the Noteholders for an amount equivalent to sums of principal, interest, Additional Amounts and Tax Indemnity Amounts, if any, actually received and retained (net of tax) by, or for the account of, the Issuer from the Bank pursuant to the Subordinated Loan Agreement (other than any amounts in respect of the Reserved Rights).

The right of the Issuer to receive such sums is being charged by way of security to the Trustee by virtue of the Security Interests as security for the Issuer’s payment obligations under the Trust Deed and in respect of the Notes.

Payments in respect of the Notes equivalent to the sums actually received and retained (net of tax) by, or for the account of, the Issuer by way of principal, interest, Additional Amounts or Tax Indemnity Amounts, if any, from the Bank under the Subordinated Loan Agreement (less any amounts in respect of the Reserved Rights) will be made *pro rata* among all Noteholders (subject to Condition 8) on the payment dates on which such payments are due in respect of the Notes subject to the conditions attaching to, and in the currency of, the corresponding payment made in accordance with the Subordinated Loan

Agreement. The Issuer shall not be liable to make any payment in respect of the Notes other than as expressly provided herein and in the Trust Deed.

Noteholders shall be deemed to have accepted that:

- (a) neither the Issuer nor the Trustee makes any representation or warranty in respect of, and shall at no time have any responsibility for, or liability, or obligation in respect of the performance and observance by the Bank of its obligations under the Subordinated Loan Agreement or (in the case of the Issuer) (save as otherwise expressly provided in the Trust Deed and paragraph (g) below) the recoverability of any sum of principal, interest, Additional Amounts, Tax Indemnity Amounts or other amounts, if any, due or to become due from the Bank;
- (b) neither the Issuer nor the Trustee shall at any time have any responsibility for, or obligation or liability in respect of, the condition (financial, operational or otherwise), creditworthiness, affairs, status, nature or prospects of the Bank;
- (c) neither the Issuer nor the Trustee shall at any time have any responsibility for, or obligation or liability in respect of, any misrepresentation or breach of warranty or any act, default or omission of the Bank under or in respect of the Subordinated Loan Agreement;
- (d) neither the Issuer nor the Trustee shall at any time have any responsibility for, or liability or obligation in respect of, the performance and observance by the Principal Paying Agent, any other Paying Agent, the Registrar or the Transfer Agent of their respective obligations under the Agency Agreement;
- (e) the financial servicing and performance of the terms of the Notes depend solely and exclusively upon the performance by the Bank of its obligations under the Subordinated Loan Agreement, its covenant to pay under the Subordinated Loan Agreement and its credit and financial standing;
- (f) the Issuer (and, pursuant to the Subordinated Loan Administration Transfer, the Trustee) will be entitled to rely on self-certification by the Bank and certification by third parties as a means of monitoring whether the Bank is complying with its obligations under the Subordinated Loan Agreement and shall not otherwise be responsible for investigating any aspect of the Bank's performance in relation thereto and, subject as further provided in the Trust Deed, the Trustee will not be liable for any failure to make any investigations which might be made by a security holder in relation to the Charged Property (as defined in the Trust Deed), and shall not be bound to enquire into or be liable for any defect or failure in the right or title of the Issuer to the property which is subject to the Security Interests whether such defect or failure was known to the Trustee or might have been discovered upon examination or enquiry or whether capable of remedy or not, nor will it have any liability for the enforceability of the security expressed to be created by the Security Interests whether as a result of any failure, omission or defect in registering or filing or otherwise protecting or perfecting such security and the Trustee will have no responsibility for the value of such security; and
- (g) the Issuer will not be responsible for any withholding or deduction or for any payment on account of Taxes (as defined in the Subordinated Loan Agreement) required to be made by the Issuer on or in relation to any sum received by it under the Subordinated Loan Agreement which will or may affect payments made or to be made by the Bank under the Subordinated Loan Agreement save to the extent that it has actually received Additional Amounts, Tax Indemnity Amounts or other amounts from the Bank under the Subordinated Loan Agreement in respect of such withholding or deduction and then only to the extent of those amounts actually received; the Issuer shall, furthermore, not be obliged to take any actions or measures as regards such deductions or withholdings other than those set out in this context in Clause 8 (*Taxes*) of the Subordinated Loan Agreement.

Under the Trust Deed, the Notes constitute direct, general, limited recourse and secured obligations of the Issuer. The obligations of the Issuer in respect of the Notes rank *pari passu* and rateably without any preference or priority among themselves. Save as otherwise expressly provided herein and in the Trust Deed, no proprietary or other direct interest in the Issuer's rights under or in respect of the Subordinated Loan Agreement exists for the benefit of the Noteholders. Subject to the terms of the Trust Deed, no

Noteholder will have any entitlement to enforce any of the provisions in the Subordinated Loan Agreement or have direct recourse to the Bank except through action by the Trustee under the Security Interests. Following the occurrence of an Acceleration Event (as defined in the Subordinated Loan Agreement), the Trustee shall not be required to take any proceedings, actions or steps to enforce payment under the Subordinated Loan Agreement unless it has been directed or requested to do so by the Noteholders as described in Condition 13 and it has been indemnified and/or prefunded and/or secured by the Noteholders to its satisfaction and without limitation against all liabilities, proceedings, claims and demands to which it may thereby become liable and all costs, charges and expenses which may be incurred by it in connection therewith.

As provided in the Trust Deed, and notwithstanding any other provisions hereof, the obligations of the Issuer are solely to make payments of amounts in aggregate equivalent to each sum actually received and retained (net of tax) by or for the account of the Issuer from the Bank in respect of principal, interest, Additional Amounts, Tax Indemnity Amounts or other amounts, if any, as the case may be, pursuant to the Subordinated Loan Agreement (less any amount in respect of the Reserved Rights), the right to which is being charged by way of security to the Trustee as aforesaid. Noteholders must therefore rely solely and exclusively upon the covenant to pay under the Subordinated Loan Agreement and the credit and financial standing of the Bank. The claims of the Issuer against the Bank in respect of the principal of, and interest on the Subordinated Loan will be subordinated, in the event of the entry into force of a final decision of a competent Russian court finding the Bank bankrupt, to the claims of Senior Creditors (as defined in the Subordinated Loan Agreement) in accordance with the Insolvency Law (as defined in the Subordinated Loan Agreement) and will rank at least *pari passu* with the claims of other unsecured subordinated creditors of the Bank (whether actual or contingent) from time to time outstanding and will be senior to (a) the claims of holders of the Bank's Capital Stock (as defined in the Subordinated Loan Agreement) in their capacity as shareholders and (b) all other obligations ranking junior or expressed to rank junior to the claims of the Issuer under the Subordinated Loan Agreement pursuant to applicable Russian laws or pursuant to an agreement (to the extent permitted by Russian law).

Payments made by the Bank under the Subordinated Loan Agreement, to, or to the order of, the Trustee or (before such time that the Issuer has been required by the Trustee, pursuant to the terms of the Trust Deed, to pay to or to the order of the Trustee) the Principal Paying Agent will satisfy *pro tanto* the obligations of the Issuer in respect of the Notes, except to the extent there is a subsequent failure to make payment to the Noteholders.

Notwithstanding any other provisions of these Terms and Conditions and the provisions in the Trust Deed, the Trustee and the Noteholders shall have recourse only to the Charged Property (as defined in the Trust Deed) in accordance with the provisions of the Trust Deed. After realisation of the security which has become enforceable and application of the proceeds in accordance with Clause 8 (*Application of Monies Received by the Trustee*) of the Trust Deed, the obligations of the Issuer with respect to the Trustee and the Noteholders in respect of the Notes shall be satisfied and none of the foregoing parties may take any further steps against the Issuer to recover any further sums in respect thereof and the right to receive any such sums shall be extinguished.

None of the Noteholders or the other creditors (nor any other person acting on behalf of any of them) shall be entitled at any time to institute against the Issuer, or join in any institution against the Issuer of, any bankruptcy, administration, moratorium, reorganisation, controlled management, arrangement, insolvency, examinership, winding up or liquidation proceedings or similar insolvency proceedings under any applicable bankruptcy or similar law in connection with any obligation of the Issuer relating to the Notes or otherwise owed to the creditors save for lodging a claim in the liquidation of the Issuer which is initiated by another party or taking proceedings to obtain a declaration or judgement as to the obligations of the Issuer.

No Noteholder shall have any recourse against any director, shareholder, or officer of the Issuer in respect of any obligations, covenants or agreements entered into or made by the Issuer in respect of the Notes, other than in the case of fraud.

3. REGISTER, TITLE AND TRANSFERS

3.1 Register

The Registrar will maintain a register outside the United Kingdom (the “**Register**”) in respect of the Notes in accordance with the provisions of the Agency Agreement. In these Conditions the “**holder**” of a Note or “**Noteholder**” means the person in whose name such Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and “**Noteholder**” shall be construed accordingly. A certificate (each a “**Certificate**”) will be issued to each Noteholder upon request (at the expense of the Issuer) in respect of its registered holding. Each Certificate will be serially numbered with an identifying number which will be recorded in the Register.

3.2 Title

The holder of any Note shall (except as ordered by a court of competent jurisdiction or otherwise required by law) be treated as the absolute owner of such Note for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft of such Certificate) and no person shall be liable for so treating such holder.

3.3 Transfers

Subject to the provisions of paragraphs 3.6 and 3.7 of this Condition, a Note may be transferred upon surrender of the relevant Certificate, with the endorsed form of transfer duly completed, at the specified office of the Registrar or the Transfer Agent, together with such evidence as the Registrar or the Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; provided, however, that a Note may not be transferred unless the principal amount of Notes transferred and (where not all of the Notes held by a holder are being transferred) the principal amount of the balance of Notes not transferred are Authorised Holdings. Where not all the Notes represented by the surrendered Certificate are the subject of the transfer, a new Certificate in respect of the balance of the Notes will be issued to the transferor.

3.4 Registration and Delivery of Certificates

Within five business days of the surrender of a Certificate in accordance with paragraph 3.3 of this Condition, the Registrar will register the transfer in question and deliver a new Certificate of like principal amount to the Notes transferred to each relevant holder for collection at its specified office or, as the case may be, the specified office of the Transfer Agent or (at the request and risk of such relevant holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant holder. In this paragraph, “**business day**” means a day on which commercial banks are open for business (including dealings in foreign currencies) in the city where the Registrar or the Transfer Agent has its specified office.

3.5 No Charge

The transfer of a Note will be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agent but against such indemnity as the Registrar or (as the case may be) the Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.

3.6 Closed Periods

The Noteholders may not require transfers to be registered during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Notes.

3.7 Regulations Concerning Transfers and Registration

All transfers of Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Trustee and the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests in writing a copy of such regulations.

4. ISSUER'S COVENANT

As provided in the Trust Deed and subject to Condition 17, so long as any of the Notes remain outstanding (as defined in the Trust Deed), the Issuer will not, without the prior written consent of the Trustee or an Extraordinary Resolution, agree to any amendments to or any modification or waiver of, or authorise any breach or proposed breach of, the terms of the Subordinated Loan Agreement and will act at all times in accordance with any instructions of the Trustee from time to time with respect to the Subordinated Loan Agreement except as otherwise expressly provided in the Trust Deed or the Subordinated Loan Agreement. Any such amendment, modification, waiver or authorisation made with the consent of the Trustee shall be binding on the Noteholders and any such amendment or modification shall be notified by the Issuer to the Noteholders (with a copy to the Trustee) in accordance with Condition 15.

Save as provided above, so long as any of the Notes remain outstanding, the Issuer shall not, without the prior written consent of the Trustee, inter alia, incur any other indebtedness for borrowed moneys (other than issuing loan participation notes on a limited-recourse basis for the sole purpose of making any loan to the Bank or other members of the Group (as defined in the Subordinated Loan Agreement)), engage in any other business (other than granting security interests substantially similar to the Security Interests in connection with the issue of any further loan participation notes as mentioned above and performing any act incidental to or necessary in connection with any such issue), declare any dividends, have any subsidiaries or employees, purchase, own, lease or otherwise acquire any real property (including office premises or like facilities), consolidate or merge with any other person or convey or transfer its properties or assets substantially as an entirety to any person (otherwise than as contemplated in these Terms and Conditions, the Trust Deed or the Subordinated Loan Agreement), issue any shares (other than (a) as required in order to convert the Issuer's status to that of a public limited company or (b) any shares in issue at the date of the Trust Deed), redeem or buy back any of its shares, give any guarantee, or, subject to the laws of Ireland, petition for any winding-up or bankruptcy.

5. INTEREST

5.1 Rate of Interest

On each Interest Payment Date, or as soon thereafter as the same is received, the Issuer shall account to the Noteholders for an amount equivalent to amounts of interest actually received by or for the account of the Issuer pursuant to the Subordinated Loan Agreement, which interest under the Subordinated Loan Agreement is equal to 6.0 per cent. per annum from (and including) 20 September 2021 to (but excluding) the First Reset Date and provided that the Subordinated Loan is not repaid on or before such date, from (and including) the First Reset Date at the relevant Rate of Interest.

If interest is required to be calculated for any period other than a full Interest Period, it will be calculated on the basis of a 360-day year consisting of twelve months of 30 days each and, in the case of an incomplete month, the number of days elapsed on the basis of a month of 30 days.

5.2 Cancellation of Interest

Clause 5.5 (*Cancellation of Interest*) of the Subordinated Loan Agreement provides that the Bank may, with regard to any Interest Payment Date, cancel at its discretion the payment of all or any part of the interest accrued on the Subordinated Loan that otherwise would have been payable on that Interest Payment Date, by sending to the Lender and the Trustee a Notice on Cancellation of Interest no later than 10 days and no earlier than 30 days before the given Interest Payment Date, and, in such circumstances, the Issuer shall have no right to any such interest, whether in bankruptcy or dissolution of the Bank or otherwise. Consequently, where interest is cancelled under the Subordinated Loan Agreement, no corresponding payment of interest will be made pursuant to the Notes.

Following receipt by the Issuer and the Trustee of a Notice on Cancellation of Interest under the Subordinated Loan Agreement, the Issuer shall promptly, and no later than one Business Day after the date of receipt of such Notice on Cancellation of Interest, give notice to the Agents and the Noteholders in accordance with Condition 15 that on the relevant Interest Payment Date: (a) interest on the Notes shall be automatically cancelled on the relevant Interest Payment Date, and all references to accrued and unpaid interest in the Conditions, the Trust Deed, the Agency Agreement and the Notes shall be construed accordingly; (b) the Noteholders shall be deemed to irrevocably waive their right to receive, and no longer have any rights against the Issuer or any other party with respect to payment of accrued and unpaid

interest so cancelled and (c) all rights and claims of the Noteholders for and to payment of any interest subject to cancellation as set out in the Notice on Cancellation of Interest, and all corresponding rights of the Noteholders to instruct the Trustee to exercise any rights in respect of such amounts, shall be extinguished and shall become null and void.

Clause 9 (*Write Down*) of the Subordinated Loan Agreement provides that if a Write Down Event has occurred and is continuing on the Write Down Measure Effective Date, the Bank shall on the Write Down Measure Effective Date (i) firstly, Cancel any applicable Monetary Damages for the purposes of the Monetary Damages Cancellation Measure, (ii) secondly, if the Monetary Damages Cancellation Measure, together with the cancellation of monetary damages on the Write Down Instruments which qualify as Additional Tier 1 Capital in full is insufficient to remedy the Write Down Event, Cancel the Interest Cancellation Amount for the purposes of the Interest Cancellation Measure and (iii) thirdly, if the Interest Cancellation Measure, together with cancellation of interest on the Write Down Instruments which qualify as Additional Tier 1 Capital in full is insufficient to remedy the Write Down Event, Write Down the Write Down Amount for the purposes of the Principal Write Down Measure in accordance with Clause 9 (*Write Down*) of the Subordinated Loan Agreement. Any interest payment that has been Cancelled in accordance with Clause 9 (*Write Down*) of the Subordinated Loan Agreement shall not accumulate or be payable at any time thereafter, including where the relevant Write Down Event(s) is (are) no longer continuing, subject to Clause 10 (*Variation or Modification due to Change in Law*) of the Subordinated Loan Agreement. No Interest shall accrue from the Write Down Event Date as long as a Write Down Event(s) is (are) continuing. In such circumstances, the Issuer shall have no right to any such cancelled interest. Consequently, where interest is cancelled in accordance with Clause 9 (*Write Down*) of the Subordinated Loan Agreement or no longer accrues due to a Write Down Event continuing under the Subordinated Loan Agreement, no corresponding payment of interest will be made pursuant to the Notes.

In this paragraph, each of the capitalised terms not otherwise defined herein shall have the meaning ascribed to it in the Subordinated Loan Agreement.

6. REDEMPTION AND PURCHASE

6.1 No Fixed Redemption Date

The Notes have no fixed redemption date and may only be redeemed in accordance with the provisions of this Condition 6. If the Subordinated Loan becomes repayable in full pursuant to Clause 6.2 (*Repayment Option*), Clause 6.3 (*Repayment in the Event of Taxes or Increased Costs*) or Clause 6.5 (*Repayment on the First Reset Date or any Subsequent Reset Date*) in each case of the Subordinated Loan Agreement, all Notes then outstanding will become due and payable on the relevant date of repayment at 100 per cent. of their principal amount together with interest accrued and any additional amounts in respect thereof.

In connection with a repayment of the Subordinated Loan pursuant to Clauses 6.2 (*Repayment Option*) or Clause 6.3 (*Repayment in the Event of Taxes or Increased Costs*) of the Subordinated Loan Agreement, the Notes shall be redeemed by the Issuer in whole, but not in part, at any time, on giving not less than 10 days' notice to the Noteholders, the Trustee, the Principal Paying Agent and the Bank (which notice shall be irrevocable in accordance with Condition 15) at the principal amount thereof, together with interest accrued and unpaid to the date fixed for redemption and any additional amounts in respect thereof (to the extent that such amounts are received by the Issuer from the Bank pursuant to the Subordinated Loan Agreement) pursuant to Condition 8 if, immediately before giving such notice, the Issuer provides the Trustee with satisfactory evidence that the Issuer has received a notice of repayment from the Bank pursuant to Clause 6.2 (*Repayment Option*) or Clause 6.3 (*Repayment in the Event of Taxes or Increased Costs*) in each case of the Subordinated Loan Agreement.

To the extent that the Issuer receives amounts of principal, interest or other amounts (other than amounts in respect of the Reserved Rights (as defined in the Trust Deed)) from the Bank following any payment thereof under the Subordinated Loan, the Issuer shall pay an amount equal to such amounts on the business day (as defined in Condition 7) following receipt of such amounts, subject as provided in Condition 7.

Prior to the publication of any notice of redemption referred to in this Condition 6.1, the Issuer shall deliver to the Trustee a certificate signed by two directors or other Authorised Signatories (as defined in

the Trust Deed) of the Issuer stating that the Issuer is entitled to effect such redemption in accordance with this Condition 6.1. A copy of the Bank's notice of repayment and, where applicable, details of the circumstances contemplated by Clause 6.2 (*Repayment Option*) or Clause 6.3 (*Repayment in the Event of Taxes or Increased Costs*) of the Subordinated Loan Agreement (as the case may be) and the date fixed for redemption shall be set out in the certificate.

The Trustee shall be entitled to accept without further enquiry any notice or certificate delivered by the Issuer in accordance with this Condition 6.1 as sufficient evidence of the satisfaction of the applicable circumstances in which event they shall be conclusive and binding on the Noteholders.

Upon the expiry of any such notice given by the Issuer to the Trustee on behalf of the Noteholders as is referred to in this Condition 6.1, the Issuer shall be bound to redeem the Notes in accordance with this Condition 6.1, subject to the requirement to present and surrender (or, in the case of part payment only, to endorse) the relevant Certificate as provided in Condition 7.

6.2 Call Option

The Bank at its option and with the prior written consent of the CBR may repay the Subordinated Loan in whole but not in part, at the Outstanding Principal Amount thereof together with interest accrued to (but excluding) the date of repayment and all other sums payable by the Bank pursuant to the Subordinated Loan Agreement, on the First Reset Date and any subsequent Reset Date which falls after the First Reset Date, on giving notice (a "**Call Option Notice**") of such payment to the Issuer, with a copy to the Trustee, not more than 60 nor less than 30 days prior to the First Reset Date or any subsequent Reset Date which falls after the First Reset Date, as applicable. The Call Option Notice shall specify the date for repayment of the Subordinated Loan and the date for redemption of the Notes (the "**Call Redemption Date**"). Immediately upon receipt of a Call Option Notice, the Issuer shall give notice to the Agents and the Noteholders, in accordance with Condition 15, of the details contained in the Call Option Notice. If the Subordinated Loan is repaid following delivery of the Call Option Notice by the Bank, the Notes will thereupon become due and repayable at the principal amount thereof, together with interest accrued and unpaid to the date fixed for redemption and any additional amounts in respect thereof (to the extent that such amounts are received by the Issuer from the Bank pursuant to the Subordinated Loan Agreement) and the Issuer shall, subject to receipt of such amounts from the Bank under the Subordinated Loan, redeem the Notes on the relevant repayment date, subject as provided in Condition 7.

In this paragraph each of the capitalised terms not otherwise defined herein shall have the meaning ascribed to it in the Subordinated Loan Agreement.

6.3 No other redemption

Except where the Subordinated Loan is accelerated pursuant to Clause 14 (*Acceleration events*) of the Subordinated Loan Agreement, the Issuer shall not be entitled to redeem the Notes prior to their due date otherwise than as provided in this Condition 6.

6.4 Purchase

The Subordinated Loan Agreement provides that the Bank or any other member of the Group may at any time purchase Notes in the open market or otherwise and at any price. Such Notes may be held, reissued, resold or delivered to the Issuer for surrender and cancellation whereupon the Issuer shall instruct the Registrar to cancel such Notes. Upon such cancellation by or on behalf of the Registrar, the Subordinated Loan shall, subject to the prior written consent of the CBR, be deemed to have been repaid in an amount corresponding to the aggregate principal amount of the Notes surrendered for cancellation, together with accrued interest (if any) thereon, and no further payment shall be made or required to be made by the Issuer in respect of such Notes. Notes held by or on behalf of the Issuer or the Bank or any other member of the Group will cease to carry the right to attend and vote at meetings of Noteholders and will not be taken into account, *inter alia*, for the purposes of Conditions 12 and 13.

The Issuer may compel any beneficial owner of Rule 144A Notes to certify that it is a qualified institutional buyer (as defined in Rule 144A under the Securities Act) and a qualified purchaser (as defined in Section 2(a)(51)(A) of the U.S. Investment Company Act of 1940) and may compel any such beneficial owner to sell its interest in such Rule 144A Notes, or may sell such interest on behalf of such

holder, if such holder is a U.S. person that is not a qualified institutional buyer (as defined in Rule 144A under the Securities Act) and a qualified purchaser (as defined in Section 2(a)(51)(A) of the U.S. Investment Company Act of 1940).

6.5 Cancellation

All Notes purchased by the Bank or any other member of the Group and surrendered to the Issuer pursuant to Clause 6.4 (*Reduction of the Loan upon Cancellation of Notes*) of the Subordinated Loan Agreement shall be cancelled.

7. **PAYMENTS**

7.1 Principal

Payments of principal (whenever due) and interest due on redemption shall be made by the Paying Agents by transfer to a U.S. dollar account maintained by or on behalf of a payee with a bank in New York City upon surrender (or, in the case of part payment only, enforcement) of the relevant Certificate at the Specified Office of the Registrar or any Paying Agent.

7.2 Interest

Payments of interest (other than interest due on redemption) shall be made by transfer to a U.S. dollar account maintained by or on behalf of a payee with a bank in New York City upon surrender of the relevant Certificate at the Specified Office of the Registrar or any Paying Agent.

7.3 Payments subject to Applicable Law

Payments in respect of the Notes are subject in all cases to any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the provisions of Condition 8. No commissions or expenses shall be charged to the Noteholders in respect of such payments.

7.4 Payment on Business Days

A holder shall not be entitled to payment of the amount due until the next following business day and shall not be entitled to any further interest or other payment in respect of any delay in payment if the due date for a payment is not a business day. In this Condition, “**business day**” means, in relation to any place, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in that place.

7.5 Record Date

Each payment in respect of a Note will be made to the person shown as the holder in the Register at the opening of business (in the place of the Registrar’s specified office) on the fifteenth day before the due date for such payment, whether or not a business day.

7.6 Initial Agents

The names of the initial Principal Paying Agent and Registrar and their initial Specified Offices are set out at the end of these Conditions. The Issuer reserves the right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of any Agent and to appoint successor or additional Agents in accordance with the provisions of the Agency Agreement provided that it will at all times maintain a Principal Paying Agent and a Registrar.

Notice of any termination or appointment of any Agent and of any changes in Specified Offices will be given to the Noteholders promptly by or on behalf of the Issuer in accordance with Condition 15.

7.7 Account

Save as directed by the Trustee pursuant to the Trust Deed, the Issuer will require all payments of principal and interest by the Bank pursuant to the Subordinated Loan Agreement to be made in each case to the Account. Pursuant to the Trust Deed, the Issuer will charge by way of first fixed charge all its rights, title and interest in and to all sums of money then or in the future deposited in such account in favour of the Trustee for the benefit of itself and the Noteholders.

8. TAXATION

All payments by, or on behalf of, the Issuer in respect of the Notes shall be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatsoever nature (“**Taxes**”) imposed or levied by Ireland or the Russian Federation or any governmental or political subdivision or any authority thereof or agency therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer shall, subject as provided below, pay such additional amounts as will result in the receipt by the Noteholders of such amounts as would have been received by them if no such withholding or deduction had been made or required to be made. No such additional amounts shall be payable in respect of any Note:

- (a) held by a holder which is liable for such Taxes in respect of such Note by reason of its having some connection with Ireland or the Russian Federation other than the mere holding of such Note; or
- (b) to a holder in respect of Taxes that are imposed or withheld by reason of the failure of the holder to comply with a request of, or on behalf of, the Issuer addressed to the holder (i) to provide information concerning the nationality, residence or identity of such holder, or (ii) to make any declaration or similar claim or satisfy any information or reporting requirement, which is required or imposed by a statute, treaty, regulation, protocol or published administrative practice as a precondition to exemption from all or part of such Taxes; or
- (c) where a Certificate is surrendered for payment more than 30 days after a Relevant Date except to the extent that such additional payment would have been payable if such Certificate had been presented for payment on the last day of such period of 30 days; or
- (d) held by or on behalf of a holder who would have been able to avoid such withholding or deduction by arranging to receive payment through another Paying Agent in a Member State of the European Union.

Notwithstanding the foregoing provisions, the Issuer shall only make payments of additional amounts to the Noteholders pursuant to this Condition 8 to the extent and at such time as it shall have actually received and retained (net of tax) an equivalent amount for such purposes from the Bank under the Subordinated Loan Agreement, by way of Additional Amounts or Tax Indemnity Amounts or otherwise.

To the extent that the Issuer receives a lesser sum, in respect of an additional amount from the Bank for the account of the Noteholders, the Issuer shall account to each Noteholder, entitled to receive such additional amount pursuant to this Condition 8 for an additional amount equivalent to a pro rata proportion of such additional amount (if any) as is actually received and retained (net of tax) by, or for the account of, the Issuer pursuant to the provisions of the Subordinated Loan Agreement, in the currency of, and subject to any conditions attaching to, the payment to the Issuer of such additional amount.

Notwithstanding any other provision of these Conditions, any amounts to be paid on the Notes by or on behalf of the Issuer will be paid net of any deduction or withholding imposed or required pursuant to an agreement described in section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”), or otherwise imposed pursuant to sections 1471 through 1474 of the Code (or any regulations thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any fiscal or regulatory legislation, rules or practices implementing such an intergovernmental agreement) (any such withholding or deduction, a “**FATCA Withholding**”). Neither the Issuer nor any other person will be required to pay any additional amounts in respect of FATCA Withholding.

In these Conditions, “**Relevant Date**” means whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received by the Principal Paying Agent or the Trustee on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders in accordance with Condition 15.

Any reference in these Conditions to principal or interest shall be deemed to include any additional amounts in respect of principal or interest (as the case may be) which may be payable under this

Condition 8 or any undertaking given in addition to or in substitution of this Condition 8 pursuant to the Trust Deed or the Subordinated Loan Agreement.

If the Issuer becomes subject at any time to any taxing jurisdiction other than Ireland references in these Conditions to Ireland shall be construed as references to Ireland and/or such other jurisdiction.

9. PRESCRIPTION

Notes will be prescribed and will become void unless the relevant Certificates are presented for payment within periods of ten years (in the case of principal) and five years (in the case of interest) from the Relevant Date.

10. REPLACEMENT OF CERTIFICATES

If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws and stock exchange requirements, at the Specified Office of the Registrar or the Transfer Agent upon payment by the claimant of the expenses incurred in connection with the replacement and on such terms as to evidence and indemnity as the Registrar or the Transfer Agent may reasonably require.

Mutilated or defaced Certificates must be surrendered before replacements will be issued.

11. TRUSTEE AND AGENTS

Under the Trust Deed, the Trustee is entitled to be indemnified and/or secured and/or prefunded to its satisfaction and relieved from responsibility in certain circumstances. The Trustee is also entitled to be paid its costs and expenses in priority to the claims of the Noteholders. In addition, the Trustee is entitled to enter into business transactions with the Issuer, the Bank and any entity related to the Issuer or the Bank without accounting for any profit, fees, commissions, interest, discounts or share of brokerage earned, arising or resulting from any such contracts or transactions or trusteeships and the Trustee shall also be at liberty to retain the same for its benefit and is entitled to exercise its rights and perform its obligations in relation to such transactions without regard to the interests of, or consequences for, the Noteholders.

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation, determination or substitution), the Trustee shall have regard to the general interests of the Noteholders as a class but shall not have regard to any interests arising from circumstances particular to individual Noteholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim, from the Issuer, the Trustee, the Bank or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders except to the extent already provided for in Condition 8 and/or any undertaking given in addition to, or in substitution for, Condition 8 pursuant to the Trust Deed.

In acting under the Agency Agreement and in connection with the Notes, the Agents act solely as agents of the Issuer and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders. Under the Agency Agreement, the Agents are entitled to be indemnified and relieved from responsibility in certain circumstances.

As provided in the Trust Deed, any Trustee for the time being may retire at any time upon giving not less than three months' prior notice in writing to the Issuer and the Bank without assigning any reason therefor and without being responsible for any liabilities or claims occasioned by such retirement. The retirement of any Trustee shall not become effective unless there remains a new trustee (being a trust corporation) in office after such retirement. In the event of a Trustee giving such notice, the Issuer shall use all reasonable endeavours to procure that another trust corporation be appointed as soon as practicable thereafter. If, in such circumstances, no appointment of another trustee has become effective within 30 days of the expiry of such notice, the Trustee shall be entitled to appoint a trust corporation as trustee.

The Noteholders shall together have the power, exercisable by Extraordinary Resolution, to remove any trustee or trustees for the time being hereof. The removal of any trustee shall not become effective unless

there remains a trustee hereof (being a trust corporation) in office after such removal. Notice of any change in the Trustee shall promptly be given to the Noteholders by the Issuer in accordance with Condition 15.

The initial Agents and their initial Specified Offices are listed below. The Issuer reserves the right (with the prior approval of the Trustee) at any time to vary or terminate the appointment of any Agent and to appoint a successor principal paying agent or additional or successor Agents in accordance with the provisions of the Agency Agreement. Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Noteholders by the Issuer in accordance with Condition 15.

12. MEETINGS OF NOTEHOLDERS; MODIFICATION AND WAIVER; SUBSTITUTION

12.1 Meetings of Noteholders

The Trust Deed contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of the Subordinated Loan Agreement or any provision of these Conditions or the Trust Deed. Any such modification may be made if sanctioned by an Extraordinary Resolution (as defined in the Trust Deed). Such a meeting may be convened on no less than 14 days' notice by the Issuer or by the Trustee and shall be convened by the Trustee, subject to its being indemnified and/or secured and/or prefunded to its satisfaction at the request in writing of Noteholders holding not less than one-tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more persons present in person holding or representing more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, two or more persons present in person holding or representing Noteholders whatever the outstanding principal amount of the Notes held or represented provided however, that the Reserved Matters (as defined in the Trust Deed) may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more persons present holding or representing not less than two-thirds or, at any adjourned meeting, one-quarter, of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders whether present or not.

In addition, a resolution in writing signed by or on behalf of the holders of not less than 90 per cent. in principal amount of all Notes who for the time being are entitled to receive notice of a meeting of Noteholders under the Trust Deed will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

12.2 Modification and waiver

The Trustee may, without the consent of the Noteholders, agree to any modification of these Conditions, the Trust Deed, the Agency Agreement or, pursuant to the Subordinated Loan Administration Transfer, the Subordinated Loan Agreement (other than in respect of a Reserved Matter) if such modification will not, in the opinion of the Trustee be materially prejudicial to the interests of Noteholders. The Trustee may also agree, without the consent of the Noteholders to any modification of these Conditions, the Trust Deed, the Agency Agreement or the Subordinated Loan Agreement which, in the opinion of the Trustee is of a formal, minor or technical nature or is to correct a manifest error. Pursuant to Condition 17 (*Variation or Modification of the Notes due to Change in Law*) the Subordinated Loan Agreement may be amended and/or varied in the circumstances set out therein without any requirement for any agreement, consent or approval of the Trustee (subject as set out in Condition 17) and the Trustee shall be obliged to agree, without the consent of the Noteholders, to any subsequent amendments of the terms of the Notes, subject to the Trustee receiving an Officers' Certificate (as defined in the Subordinated Loan Agreement) from the Bank and a certificate signed by two directors of the Issuer in each case confirming that such amendments to the terms of the Notes are being made solely to reflect variations made to the Subordinated Loan Agreement in accordance with and subject to Clause 10 (*Variation or Modification due to Change in Law*) of the Subordinated Loan Agreement (upon which certificates the Trustee shall be entitled to rely without further enquiry and liability to any person for so doing).

In addition, the Trustee may, without the consent of the Noteholders and without prejudice to its rights in respect of any subsequent or other breach, condition, event or act, in writing and on such terms and conditions (if any) as shall seem expedient to it, authorise or waive any breach or proposed breach of these Conditions, the Agency Agreement or the Trust Deed by the Issuer or, pursuant to the Subordinated

Loan Administration Transfer, the Subordinated Loan Agreement by the Bank or determine that any Acceleration Event (as defined in the Subordinated Loan Agreement) shall not be treated as such if, in the opinion of the Trustee, the interests of the Noteholders will not be materially prejudiced thereby.

Any such authorisation, modification or waiver shall be binding on the Noteholders and, unless the Trustee agrees otherwise, any such authorisation, waiver or modification shall be notified to the Noteholders in accordance with Condition 15 as soon as practicable thereafter.

12.3 Substitution

The Trust Deed and the Subordinated Loan Agreement contain provisions under which the Issuer may, having obtained the consent of the Trustee, which consent may be given without the consent of the Noteholders, transfer the obligations of the Issuer as principal debtor under the Trust Deed and the Notes and as lender under the Subordinated Loan Agreement to a third party provided that certain conditions specified in the Trust Deed are fulfilled. Notice of such substitution shall be given to the Noteholders in accordance with Condition 15.

13. ENFORCEMENT

At any time after an Acceleration Event (as defined in the Subordinated Loan Agreement) or Relevant Event (as defined below) shall have occurred but subject to the non-petition covenant in Condition 2, the Trustee may, at its absolute discretion and without notice, institute such proceedings, actions or steps as it thinks fit to enforce its rights under the Trust Deed in respect of the Notes, but it shall not be bound to do so unless:

- (a) it has been so requested in writing by the holders of at least 25 per cent. in aggregate principal amount of the outstanding Notes or has been so directed by an Extraordinary Resolution; and
- (b) it has been indemnified and/or prefunded and/or provided with security to its satisfaction and without limitation against all liabilities, proceedings, actions, claims and demands to which it may thereby become liable and all costs, charges and expenses which may be incurred by it in connection therewith.

No Noteholder may proceed directly against the Issuer or the Bank unless the Trustee, having become bound to do so, fails to do so within a reasonable time and such failure is continuing. The Trust Deed also provides that, in the case of an Acceleration Event or a Relevant Event, the Trustee may, and shall if requested to do so in writing by Noteholders holding at least 25 per cent. in aggregate principal amount of the Notes outstanding or if directed to do so by an Extraordinary Resolution and, in either case, subject to it being secured and/or prefunded and/or indemnified to its satisfaction, (i) require the Issuer to declare all amounts payable under the Subordinated Loan Agreement by the Bank to be due and payable (in the case of an Acceleration Event) or (ii) enforce the security created in the Trust Deed in favour of the Trustee for itself and the Noteholders (in the case of a Relevant Event). Upon repayment of the Subordinated Loan following an Acceleration Event, the Notes will be redeemed or repaid at the principal amount thereof together with interest accrued to the date fixed for redemption together with any additional amounts due in respect thereof pursuant to Condition 8 and thereupon shall cease to be outstanding.

For the purposes of these Conditions, “**Relevant Event**” means the earlier of (a) the failure by the Issuer to make any payment of principal or interest on the Notes when due; or (b) the Issuer becoming insolvent or bankrupt or unable to pay its debts, stopping, suspending or threatening to stop or suspend payment of all or a material part (in the opinion of the Trustee) of its debts, proposing or making a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any such debts or a moratorium is agreed or declared in respect of or affecting all or (in the opinion of the Trustee) a material part of the debts of the Issuer or an order is made or an effective resolution is passed for the winding up or dissolution of the Issuer or the Issuer becomes subject to any insolvency, bankruptcy, examinership, moratorium, controlled management, general settlement with creditors, liquidation, reorganisation and any other similar legal proceedings affecting the Issuer or a liquidator, an administrator or examiner, an administrative receiver or any similar officer is appointed as a consequence of the financial difficulties affecting the Issuer.

14. FURTHER ISSUES

Provided that there has been no write down of principal or interest under the Subordinated Loan Agreement, the Issuer may from time to time, with the prior written consent of the Trustee and the Bank but without the consent of the Noteholders and in accordance with the Trust Deed, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the issue price, issue date and/or first payment of interest) so as to form a single series with the Notes. The purpose of the creation and issue of further notes shall be to finance and increase the principal amount of the Subordinated Loan or a further loan to the Bank.

15. NOTICES

Notices to Noteholders shall be valid if sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register or as otherwise required by any competent authority, stock exchange and/or quotation system on which the Notes are listed, quoted or admitted to trading. Any such notice shall be deemed to have been given on the date of such mailing.

15.1 Notwithstanding the above:

- (a) so long as the Regulation S Global Certificate (as defined in the Trust Deed) is held by or on behalf of a common depositary for Euroclear (as defined in the Trust Deed) or Clearstream, Luxembourg (as defined in the Trust Deed), or (as the case may be) by a common depositary or custodian for an alternative clearing system, notices to and from Noteholders represented by the Regulation S Global Certificate may be given by delivery of the relevant notice to Euroclear or Clearstream, Luxembourg or (as the case may be) such alternative clearing system rather than in the manner specified above and in such case the provisions specified in the Regulation S Global Certificate with respect to the delivery of notices, and the standard procedures of such clearing systems, shall otherwise apply; and
- (b) so long as the Rule 144A Global Certificate (as defined in the Trust Deed) is held by or on behalf of a custodian for DTC (as defined in the Trust Deed) or (as the case may be) by a custodian for an alternative clearing system, notices to and from Noteholders represented by the Rule 144A Global Certificate may be given by delivery of the relevant notice to DTC or (as the case may be) such alternative clearing system rather than in the manner specified above and in such case the provisions specified in the Rule 144A Global Certificate with respect to the delivery of notices, and the standard procedures of such clearing systems, shall otherwise apply.

In case by reason of any other cause it shall be impracticable to give any notice to Noteholders as provided above, then such notification to such Noteholders as shall be given with the prior written approval of the Trustee shall constitute sufficient notice to such Noteholders for every purpose hereunder.

16. WRITE DOWN

Pursuant to Clause 9 (*Write Down*) of the Subordinated Loan Agreement, if a Write Down Event has occurred and is continuing, the Bank will on the Write Down Measure Effective Date (i) firstly, Cancel any applicable Monetary Damages for the purposes of the Monetary Damages Cancellation Measure, (ii) secondly, if the Monetary Damages Cancellation Measure, together with the cancellation of monetary damages on the Write Down Instruments which qualify as Additional Tier 1 Capital in full is insufficient to remedy the Write Down Event, Cancel the Interest Cancellation Amount for the purposes of the Interest Cancellation Measure and (iii) thirdly, if the Interest Cancellation Measure, together with cancellation of interest on the Write Down Instruments which qualify as Additional Tier 1 Capital in full is insufficient to remedy the Write Down Event, Write Down the Write Down Amount for the purposes of the Principal Write Down Measure in accordance with Clause 9 (*Write Down*) of the Subordinated Loan Agreement. To the extent that, pursuant to Clause 9 (*Write Down*) of the Subordinated Loan Agreement, the principal amount of the Subordinated Loan (together with any interest thereon and the Monetary Damages) is reduced, then the principal amount of each of the Notes will be written down on a pro rata basis, upon such reduction of the Subordinated Loan, without any further payments due on such principal amount of each Note that is written down. In this paragraph each of the capitalised terms not otherwise defined herein shall have the meaning ascribed to it in the Subordinated Loan Agreement.

Following receipt by the Issuer and the Trustee of a Write Down Measure Notice under the Subordinated Loan Agreement, the Issuer shall promptly, and no later than one Business Day after the date of receipt of such Write Down Measure Notice, give notice to the Agents and the Noteholders in accordance with Condition 15 that on the relevant Write Down Measure Effective Date (as defined in the Subordinated Loan Agreement and as set out in the Write Down Measure Notice):

- (a) interest on the Notes and additional amounts (if any) in an amount equal to the interest and (if any) additional amounts due under the Subordinated Loan being cancelled shall be automatically cancelled on a *pro rata* basis on the Write Down Measure Effective Date, and all reference to accrued and unpaid interest and additional amounts in the Conditions, the Trust Deed, the Agency Agreement and the Notes shall be construed accordingly;
- (b) a principal amount of the Notes in an amount equal to the principal amount of the Subordinated Loan being written down shall automatically be written down on a *pro rata* basis on the Write Down Measure Effective Date and (where such principal amount is the entire principal amount of the Notes) such Notes shall be cancelled, and all reference to the outstanding principal amount of the Notes in the Conditions, the Trust Deed, the Agency Agreement and the Notes shall be construed accordingly;
- (c) the Noteholders shall be deemed to irrevocably waive their right to receive, and no longer have any rights against the Issuer or any other party with respect to repayment of the principal amount of the Notes and accrued and unpaid interest and additional amounts (if any), in each case so written down or cancelled pursuant to paragraphs (a) and (b) above; and
- (d) all rights and claims of the Noteholders for and to payment of any amounts under or in respect of the Notes (including, without limitation, accrued and unpaid interest and any additional amounts) subject to write down or cancellation pursuant to this Condition as set out in the Write Down Measure Notice, and all corresponding rights of the Noteholders to instruct the Trustee to exercise any rights in respect of such amounts, shall be extinguished and shall become null and void, irrespective of whether such amounts have become due and payable prior to the relevant Write Down Measure Notice or the Write Down Measure Effective Date.

The Issuer shall give notice to the Noteholders in accordance with Condition 15 and to the Trustee of the Interest Cancellation Amount, Monetary Damages Cancellation Amount and any Write Down Amount promptly after receiving notice thereof from the Bank.

Neither the Trustee nor any Agent shall have any responsibility for, or liability or obligation in respect of, any loss, claim or demand incurred as a result of or in connection with a Write Down Event or any consequent cancellation of the Notes or write down of any claims in respect thereof, and neither the Trustee nor the Agents shall be responsible for any calculation or determination or the verification of any calculation or determination in connection with the same. In this Condition 16 each of the capitalised terms not otherwise defined herein shall have the meaning ascribed to it in the Subordinated Loan Agreement.

17. VARIATION OR MODIFICATION OF THE NOTES DUE TO CHANGE IN LAW

Pursuant to Clause 10 (*Variation or Modification due to Change in Law*) of the Subordinated Loan Agreement, if, as a result of any amendment or supplement to, clarification or replacement of, or change in (including a change in the interpretation or application of), Regulation No. 646-P or any other applicable legislation having force in the Russian Federation from time to time on determining the amount of own funds (capital) of credit organisations:

- (a) the common equity tier 1 capital ratio (determined pursuant to CBR Instruction No. 199-I), the breach of which triggers the write down of a subordinated loan qualifying as additional tier 1 capital (*dobavochnyi kapital*) (determined pursuant to Regulation No. 646-P) is decreased compared to the common equity tier 1 capital ratio used in the definition of the Capital Ratio Trigger and/or the respective number of days applicable to such ratio trigger is increased compared to the number of days used in the definition of the Trigger Period, then, for the purposes of the definition of a Write Down Event, the Capital Ratio Trigger and/or the Trigger Period shall be deemed to be amended accordingly;

- (b) the actions that constitute the Participation Plan Trigger cease to trigger the write down of a subordinated loan which qualifies as additional tier 1 capital (*dobavochnyi kapital*), then the definition of the Participation Plan Trigger and other provisions of this Agreement relating to the Participation Plan Trigger shall no longer apply;
- (c) it is no longer required that a subordinated loan agreement contain provisions allowing the Bank to cancel at its discretion the payment of interest on the Loan in order to be eligible for full inclusion into own funds (capital) of the Bank as Additional Tier 1 Capital, then Clause 5.5 (*Cancellation of Interest*) of the Subordinated Loan Agreement and Clause 5.6 (*Payments of Interest are Non-cumulative*) of the Subordinated Loan Agreement shall no longer apply; or
- (d) it is expressly allowed to restore or reinstate the principal amount of the Loan following any Write Down, then (and unless the Loan has already been Written Down to zero) Clause 9.3 (*Consequences of a Write Down Measure*) of the Subordinated Loan Agreement shall be amended to provide for such restoration or reinstatement of any amounts Written Down as a consequence of a Write Down Event,

and, if and to the extent required by applicable law or regulations, the parties shall enter into a supplemental agreement to the Subordinated Loan Agreement or an amendment and restatement agreement to the Subordinated Loan Agreement to give effect to such amendments in accordance with Clause 11 (*Conditions to Amendment*) of the Subordinated Loan Agreement, *only if*:

- (a) the Borrower shall submit a draft of such supplemental agreement or amendment and restatement agreement to the CBR and obtain the prior written consent of the CBR to such draft agreement in accordance with Regulation No. 646-P, as may be applicable;
- (b) the Loan will continue to be eligible for inclusion into own funds (capital) of the Borrower as Additional Tier 1 Capital following such variation or amendment at least to the same extent as before such variation or amendment; and
- (c) in relation to sub-Clause 10.1.4 of the Subordinated Loan Agreement only, such amendments would not trigger any obligation to pay or withhold any Taxes on the amount of the Loan so restored or reinstated.

The Subordinated Loan Agreement may be amended and/or varied pursuant to Clause 10 (*Variation or Modification due to Change in Law*) of the Subordinated Loan Agreement by an agreement in writing (an “**Amendment Agreement**”) entered into by the Issuer and the Bank only without any requirement for any agreement, consent or approval of the Trustee after the date of the Subordinated Loan Agreement (unless required otherwise in accordance with the second sentence of the immediately following paragraph) and the Trustee shall have no responsibility or liability in respect thereof.

A copy of such duly executed Amendment Agreement shall be delivered to the Trustee by e-mail in accordance with Clause 19 (*Notices*) of the Subordinated Loan Agreement together with an Officers’ Certificate, addressed to the Trustee, certifying that the amendments will otherwise become effective in accordance with Clause 11 (*Conditions to Amendment*) of the Subordinated Loan Agreement and that one of the circumstances permitting such amendments as set out in Clause 10 (*Variation or Modification due to Change in Law*) of the Subordinated Loan Agreement exists, and such amendments shall become effective on the earlier of (i) the date on which the Trustee has confirmed in writing that its consent is not required as provided below or (ii) the date on which the written consent of the Trustee is provided. No amendment or variation of the Subordinated Loan Agreement pursuant to Clause 11 (*Conditions to Amendment*) of the same shall take effect to the extent that in the opinion of the Trustee (i) it provides for any duties, discretions or obligations to be placed upon the Trustee which are not provided for in the Subordinated Loan Agreement (excluding such amendment or variation) or (ii) would otherwise have an adverse effect on the rights or protections of the Trustee in its personal capacity under the Subordinated Loan Agreement, in law or otherwise, without the consent in writing of the Trustee which consent the Trustee shall not be obliged to give.

Upon any such variation of the terms of the Subordinated Loan Agreement in accordance with Clause 10 (*Variation or Modification due to Change in Law*) of the Subordinated Loan Agreement, the terms of the Notes will be varied to reflect such variation to the Subordinated Loan Agreement and, subject to the Trustee receiving an Officers’ Certificate from the Bank and a certificate signed by two directors of the

Issuer, in each case confirming that such amendments to the terms of the Notes are being made solely to reflect variations made to the Subordinated Loan Agreement in accordance with and subject to Clause 10 (*Variation or Modification due to Change in Law*) of the Subordinated Loan Agreement (upon which certificates the Trustee shall be entitled to rely without further enquiry and without incurring any liability to any person for so doing) the Trustee shall be obliged to agree to such amendments and the consent of the Noteholders to such amendments shall not be sought and notice of such amendments will be provided by the Issuer promptly thereafter to the Noteholders and the Trustee.

In this paragraph each of the capitalised terms not otherwise defined herein shall have the meaning ascribed to it in the Subordinated Loan Agreement.

18. GOVERNING LAW AND JURISDICTION

- 18.1 Governing law. The Trust Deed, the Agency Agreement, the Notes, the Subordinated Loan Agreement, all other agreements entered into in connection therewith and any non-contractual obligations arising out of or in connection therewith are governed by, and shall be construed in accordance with, English law.
- 18.2 Jurisdiction. The Issuer has in the Trust Deed (i) irrevocably agreed for the benefit of the Trustee that the courts of England shall have exclusive jurisdiction to settle any dispute (a “Dispute”) arising from or connected with the Notes; (ii) agreed that those courts are the most appropriate and convenient to settle any Dispute and, accordingly, that it will not argue that any other courts are more appropriate or convenient; and (iii) consented to the enforcement of any judgment. The Trust Deed also states that nothing contained in the Trust Deed prevents the Trustee from bringing proceedings relating to a Dispute (“Proceedings”) in any other courts with jurisdiction and that, to the extent allowed by law, the Trustee may take concurrent Proceedings in any number of jurisdictions.

19. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

SUMMARY OF THE PROVISIONS RELATING TO THE NOTES IN GLOBAL FORM

The following is a summary of the provisions to be contained in the Trust Deed to constitute the Notes and in the Global Certificate which will apply to, and in some cases modify, the Conditions while the Notes are represented by the Global Certificate.

The Global Certificate

The Notes will be evidenced on issue by a Global Certificate deposited with, and registered in the name of a nominee for, a common depository for Euroclear and Clearstream, Luxembourg. Beneficial interests in the Global Certificate may be held only through Euroclear or Clearstream, Luxembourg at any time. See “—*Book-Entry Procedures for the Global Certificates*”. By the acquisition of a beneficial interest in the Global Certificate, the purchaser thereof will be deemed to represent, among other things, that it is located outside the United States (within the meaning of Regulation S), that it is not a U.S. person (as defined in Regulation S), that it is not purchasing the Notes for the account or benefit of U.S. persons, and that it understands that the Notes have not been and will not be registered under the Securities Act and that it will not offer, sell, pledge or otherwise transfer such Notes except in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S.

Except in the limited circumstances described below, owners of beneficial interests in the Global Certificates will not be entitled to receive physical delivery of Definitive Certificates. The Notes are not issuable in bearer form.

In addition, the Global Certificates will contain a provision which modifies the Conditions as they apply to the Notes evidenced by the Global Certificates. The following is a summary of this provision:

Notices

Notwithstanding Condition 15 (Notices) of the Notes, so long as the Global Certificate is held by or on behalf of Euroclear, Clearstream, Luxembourg or any other clearing system (an “**Alternative Clearing System**”), notices to Noteholders represented by the Global Certificates may be given by delivery of the relevant notice to Euroclear, Clearstream, Luxembourg or (as the case may be) such Alternative Clearing System, provided that, for so long as the Notes are admitted to trading on the Global Exchange Market, the Issuer will also publish notices in accordance with the rules of Euronext Dublin.

Exchange for Definitive Certificates

Exchange

Each Global Certificate will be exchangeable, free of charge to the holder, on or after its Exchange Date (as defined below), in whole but not in part, for Notes in definitive form if Euroclear or Clearstream, Luxembourg, and Euroclear or Clearstream, Luxembourg, as the case may be, is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so, by the holder giving notice to the Registrar or any Transfer Agent, or (ii) the Issuer would suffer a material disadvantage in respect of the Notes as a result of a change in the laws or regulations (taxation or otherwise) of any jurisdiction referred to in Condition 8 (Taxation) of the Terms and Conditions which would not be suffered were the Notes in definitive form, and a notice to such effect signed by two Members of the board of directors of the Issuer is delivered to the Trustee by the Issuer giving notice to the Registrar or any Transfer Agent and the Noteholders of its intention to exchange the Global Certificate for Definitive Certificates on or after the Exchange Date (as defined below) specified in the notice.

On or after the Exchange Date the holder of the Global Certificate may surrender the Global Certificate to or to the order of the Registrar or any Transfer Agent. In exchange for the Global Certificate, as provided in the Paying Agency Agreement, the Registrar will deliver or procure the delivery of, an equal aggregate principal amount of duly executed and authenticated Definitive Certificates in or substantially in the form set out in the relevant Schedule to the Trust Deed.

The Registrar will not register the transfer of, or exchange of interests in, the Global Certificate for Definitive Certificates for a period of one calendar day ending on the date for any payment of principal or interest in respect of the Notes.

“**Exchange Date**” means a day falling not later than 90 days after the day on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Registrar or the relevant Transfer Agent is located.

Delivery

In the circumstances set forth under “*Exchange*” above, the Global Certificate shall be exchanged in full for Definitive Certificates and the Issuer will, at the cost of the Issuer (but against such indemnity as the Registrar or any relevant Transfer Agent may require in respect of any tax or other duty of whatever nature which may be levied or imposed in connection with such exchange), cause sufficient Definitive Certificates to be executed and delivered to the Registrar for completion, authentication and dispatch to the relevant Noteholders. A person having an interest in the Global Certificate must provide the Registrar with a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such Notes.

Book-entry procedures for the Global Certificate

Euroclear and Clearstream, Luxembourg

Custodial and depository links have been established between Euroclear and Clearstream, Luxembourg to facilitate the initial issue of the Notes and cross-market transfers of the Notes associated with secondary market trading. See “—*Book-Entry Ownership—Settlement and Transfer of the Notes*”.

Euroclear and Clearstream, Luxembourg

Custodial and depository links have been established between Euroclear and Clearstream, Luxembourg to facilitate the initial issue of the Notes and cross-market transfers of the Notes associated with secondary market trading. See “—*Book-Entry Ownership—Settlement and Transfer of Notes*”. Euroclear and Clearstream, Luxembourg each hold securities for their customers and facilitate the clearance and settlement of securities transactions through electronic book-entry transfer between their respective accountholders. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions which clear through or maintain a custodial relationship with an accountholder of either system. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally-traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective customers may settle trades with each other. Their customers are worldwide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Investors may hold their interests in such Global Certificates directly through Euroclear or Clearstream, Luxembourg if they are accountholders (“**Direct Participants**”) or indirectly (“**Indirect Participants**” and together with Direct Participants, “**Participants**”) through organisations which are accountholders therein.

Book-entry ownership

Euroclear and Clearstream, Luxembourg

The Global Certificate will have an ISIN and a Common Code and will be registered in the name of a nominee for, and deposited with The Bank of New York Mellon as common depository on behalf of, Euroclear and Clearstream, Luxembourg.

Relationship of Participants with clearing systems

Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a Note evidenced by the Global Certificate must look solely to Euroclear or Clearstream, Luxembourg (as the case may be) for his share of each payment made by the Issuer to the holder of the Global Certificate and in relation to all other rights arising under the Global Certificate, subject to and in accordance with the respective rules and procedures of Euroclear or Clearstream, Luxembourg, as applicable. The Issuer expects that, upon receipt of any payment in respect of Notes evidenced by the Global Certificate, the common depository by whom such Note is held, or nominee in whose name it is registered, will immediately credit the relevant participants’ or accountholders’ accounts in the relevant clearing system with payments in amounts proportionate to their respective beneficial interests in the principal amount of the Global Certificate as shown on the records of the relevant clearing system or its nominee. The Issuer also expects that payments by Direct Participants in any clearing system to owners of beneficial interests in any Global Certificate held through such Direct Participants in any clearing system will be governed by standing instructions and customary practices. Save as aforesaid, such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are evidenced by the Global Certificate and the obligations of the Issuer will be discharged by payment to the registered holder, as the case may be, of the Global Certificate in respect of each amount so paid. None of the

Issuer, the Trustee or any Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in the Global Certificate or for maintaining, supervising or reviewing any records relating to such ownership interests.

Settlement and transfer of Notes

Subject to the rules and procedures of each applicable clearing system, purchases of Notes held within a clearing system must be made by or through Direct Participants, which will receive a credit for such Notes on the clearing system's records. The ownership interest of each actual purchaser of each such Note (the "**Beneficial Owner**") will in turn be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from any clearing system of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which such Beneficial Owner entered into the transaction. Transfers of ownership interests in Notes held within the clearing system will be effected by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in such Notes, unless and until interests in the Global Certificate held within a clearing system are exchanged for Definitive Certificates.

No clearing system has knowledge of the actual Beneficial Owners of the Notes held within such clearing system and their records will reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by the clearing systems to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners, will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

The laws of some jurisdictions may require that certain persons take physical delivery in definitive form of securities. Consequently, the ability to transfer interests in the Global Certificate to such persons may be limited.

Trading between Euroclear and/or Clearstream, Luxembourg Participants

Secondary market sales of book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg to purchasers of book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg will be conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream, Luxembourg and will be settled using the procedures applicable to conventional eurobonds.

PLAN OF DISTRIBUTION

J.P. Morgan Securities plc and Citigroup Global Markets Limited (together, the “**Joint Global Coordinators and Bookrunners**”), AO « ALFA-BAK » (acting jointly with Alfa Capital Markets Ltd), Alfa Capital Markets Ltd (acting jointly with AO « ALFA-BANK »), GPB-Financial Services Ltd, Renaissance Securities (Cyprus) Limited and Société Générale (the “**Joint Lead Managers and Bookrunners**”) and BCP Securities, LLC (the “**Co-Manager**” and, together with the Joint Global Coordinators and Bookrunners and the Joint Lead Managers and Bookrunners, the “**Managers**”) have, pursuant to the terms and conditions set out in the subscription agreement dated 16 September 2021 in connection with the Notes (the “**Subscription Agreement**”), agreed with the Issuer and Tinkoff Bank, on several and not joint and not joint and several, basis, subject to the satisfaction of certain conditions set forth in the Subscription Agreement, to subscribe and pay for the Notes at the issue price of 100 percent of the aggregate principal amount of the Notes. Tinkoff Bank has agreed to pay certain commissions, fees, costs and expenses in connection with the offering of the Notes and to reimburse the Managers, the Issuer and the Trustee for certain of their expenses in connection with the offering of the Notes. The Managers are entitled to be released and discharged from their obligations under the Subscription Agreement in certain circumstances prior to payment being made to the Issuer.

Selling Restrictions

United States

The Notes and the Loan have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States or to, or for the account or benefit of, US persons except in transactions exempt from the registration requirements of the Securities Act. Each of the Managers has severally, but not jointly, agreed that, except as permitted by the Subscription Agreement, it will not offer or sell the Notes and the Loan, (i) as part of their distribution at any time and (ii) otherwise until 40 days after the later of the commencement of the offering or the closing date, within the United States or to, or for the account or benefit of, US persons, and it will have sent to each dealer to which it sells the Notes and the Loan (other than a sale pursuant to Rule 144A) during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes and the Loan in the United States or to, or for the account or benefit of, US persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Notes and the Loan are being offered and sold outside of the United States in reliance on Regulation S. The Subscription Agreement provides that the Managers may directly or through their respective U.S. broker-dealer affiliates arrange for the offer and resale of Notes and the Loan in the United States only to persons whom they reasonably believe are QIBs that are also QPs who can represent that (a) they are QPs who are QIBs within the meaning of Rule 144A; (b) they are not broker-dealers that own and invest on a discretionary basis less than \$25 million in securities of unaffiliated issuers; (c) they are not participant directed employee plans, such as a 401(k) plan; (d) they are acting for their own account, or the account of one or more QIBs each of which is also a QP; (e) they are not formed for the purpose of investing in the Issuer or the Notes; (f) each account for which they are purchasing will hold and transfer at least \$200,000 in principal amount of Notes at any time; (g) they understand that the Issuer may receive a list of participants holding positions in its securities from one or more book-entry depositaries; and (h) they will provide notice of the transfer restrictions set forth in these Listing Particulars to any subsequent transferees.

In addition, until 40 days after the commencement of the offering of the Notes and the Loan, an offer or sale of the Notes or the Loan within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

The Issuer and the Managers reserve the right to reject any offer to purchase the Notes, in whole or in part, for any reason. These Listing Particulars does not constitute an offer to any person in the United States or to any U.S. person other than any QIB who is also a QP and to whom an offer has been made directly by one of the Managers or its U.S. broker-affiliate. Distribution of these Listing Particulars by any non-U.S. person outside the United States or by any QIB who is also a QP within the United States to any U.S. person or any person within the United States other than any QIB who is also a QP, and those persons, if any, retained to advise such person outside the United States or QIB who is also a QP with respect thereto, is unauthorised and any disclosure without the prior written consent of the Issuer of any of its contents to any such U.S. person or any person within the United States other than any QIB who is also a QP and those persons, if any, retained to advise such non-U.S. person outside the United States or QIB who is also a QP, is prohibited.

Prohibition of Sales to EEA Retail Investors

Each Manager has, severally, and not jointly or jointly and severally, represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the EEA. For the purposes of this provision, the expression “retail investor” means a person who is one (or more) of the following:

- (a) a retail client, as defined in point (11) of Article 4(1) of MiFID II; or
- (b) a customer within the meaning of Directive (EU) 2016/97 (the “**IDD**”), where that customer would not qualify as a professional client, as defined in point (10) of Article 4(1) of MiFID II.

UK

Prohibition of Sales to UK Retail Investors

Each Manager has, severally, and not jointly or jointly and severally, represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the UK. For the purposes of this provision, the expression “retail investor” means a person who is one (or more) of the following:

- (a) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No. 2017/565 as it forms part of domestic law by virtue of the EUWA; or
- (b) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement IDD, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of UK MiFIR.

Other Regulatory Restrictions

Each Manager has, severally, and not jointly or jointly and severally, represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the UK.

Russia

Each Manager has, severally, and not jointly or jointly and severally, represented and agreed that the Notes have not been and will not be offered, transferred or sold as part of their initial distribution or at any time thereafter to or for the benefit of any persons (including legal entities) resident, incorporated, established or having their usual residence in Russia or to any person located within the territory of Russia unless and to the extent otherwise permitted under Russian law.

Ireland

Each Manager has severally and not jointly nor jointly and severally represented, warranted and agreed that:

- (a) it will not underwrite the issue of, or place the Notes, otherwise than in conformity with the provisions of the EU (Markets in Financial Instruments) Regulations 2017 (as amended, the “**MiFID II Regulations**”), including, without limitation, Regulation 5 (*Requirement for authorisations (and certain provisions concerning MTFs and OTFs)*) thereof, or any rules or any codes of conduct made under the MiFID II Regulations, and the provisions of the Investor Compensation Act 1998 (as amended);
- (b) it will not underwrite the issue of, or place, the Notes, otherwise than in conformity with the provisions of the Companies Act 2014, the Central Bank Acts 1942-2018 (as amended) and any codes of practice made under Section 117(1) of the Central Bank Act 1989 (as amended);

- (c) it will not underwrite the issue of, or place, or do anything in Ireland in respect of, the Notes otherwise than in conformity with the provisions of the Prospectus Regulation, the EU (Prospectus) Regulation 2019 and any rules issued by the Central Bank under Section 1363 of the Companies Act 2014; and
- (d) it will not underwrite the issue of, place or otherwise act in Ireland in respect of, the Notes, otherwise than in conformity with the provisions of the Market Abuse Regulation (EU 596/2014) (as amended), the EU (Market Abuse) Regulation 2016 (as amended) and any rules and guidance issued by the Central Bank under Section 1370 of the Companies Act 2014.

Singapore

Each Manager severally acknowledged that the Listing Particulars have not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Manager severally represented and agreed that it has not offered or sold any Notes or caused such Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell such Notes or cause such Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, the Listing Particulars or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Notes, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Italy

The offering of the Notes has not been registered with the Commissione Nazionale per le Società e la Borsa (“CONSOB”) and, accordingly, no Notes may be offered, sold or delivered, nor may copies of the Listing Particulars or of any other document relating to any Notes be distributed in the Republic of Italy, except in accordance with the exception provided under Regulation (EU) No. 1129 of 14 June 2017 (the “**Prospectus Regulation**”) and any Italian securities, tax and other applicable laws and regulations.

Each Manager represents and agrees that it has not offered, sold or delivered, and will not offer, sell or deliver any Notes or distribute any copy of the Listing Particulars or any other document relating to the Notes in the Republic of Italy except: (i) to qualified investors (*investitori qualificati*), as defined pursuant to Article 2 of the Prospectus Regulation and any applicable provision; or (ii) in other circumstances which are exempted from the rules on public offerings pursuant to Article 1 of the Prospectus Regulation, Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the “**Financial Services Act**”) and Article 34-ter of CONSOB Regulation No. 11971 of 14 May 1999, as amended from time to time, and the applicable Italian laws.

In any event, any offer, sale or delivery of the Notes or distribution of copies of the Listing Particulars or any other document relating to the Notes in Italy under paragraphs 1) or 2) above must: (i) be made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Financial Services Act, Legislative Decree No. 385 of 1 September 1993 (the “**Banking Act**”) and CONSOB Regulation No. 20307 of 15 February 2018, all as amended from time to time; and (ii) comply with any other applicable laws and regulations, including any limitation or requirement which may be imposed from time to time by CONSOB or the Bank of Italy (including the reporting requirements, where applicable, pursuant to Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time) and/or other Italian authority.

Selling concession and other commissions

To the extent permitted by local law, the Managers, the Issuer and Tinkoff Bank have agreed that commissions, including a selling concession, may be offered to certain brokers, financial advisors and other intermediaries based upon the amount of investment in the Notes purchased by such intermediary and/or its customers. Each such intermediary is required by law to comply with any disclosure and other obligations related thereto, and each customer of any such intermediary is responsible for determining for itself whether an investment in the Notes is consistent with its investment objectives.

General

Other than the approval of these Listing Particulars by Euronext Dublin, no action has been or will be taken in any jurisdiction by the Issuer, Tinkoff Bank or either Manager that would, or is intended to, permit a public offer of the Notes or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required. Persons into whose hands these Listing Particulars comes are required by the Issuer, Tinkoff Bank and the Managers to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Notes or have in their possession, distribute or publish these Listing Particulars or any other offering material relating to the Notes, in all cases at their own expense.

Each Manager has agreed that it has (to the best of its knowledge and belief) complied and will comply with all applicable laws and regulations in each jurisdiction in which it offers, sells or delivers Notes or distributes these Listing Particulars (and any amendments thereof or supplements thereto) or any other offering or publicity material relating to the Notes, the Issuer or Tinkoff Bank.

In addition, in the ordinary course of their business activities, the Managers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of Tinkoff Bank and other members of the Group. Certain of the Managers or their respective affiliates that have a lending relationship with Tinkoff Bank and other members of the Group routinely hedge their credit exposure to Tinkoff Bank and other members of the Group consistent with their customary risk management policies. Typically, such Managers and their respective affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the securities of Tinkoff Bank and other members of the Group, including potentially the Notes offered hereby. Any such short positions could adversely affect future trading prices of the Notes offered hereby. The Managers and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

TRANSFER RESTRICTIONS

Because of the following restrictions, you are advised to consult legal counsel prior to making any offer, resale or other transfer of the Notes offered hereby.

Rule 144A Notes

Each purchaser of Rule 144A Notes, by accepting delivery of these Listing Particulars and the Notes, will be deemed to have represented, agreed and acknowledged that:

1. It is (a) a QIB that is also a QP, (b) not a broker-dealer that owns and invests on a discretionary basis less than US\$25 million in securities of unaffiliated issuers, (c) not a participant-directed employee plan, such as a 401(k) plan, (d) acquiring such Notes for its own account, or for the account of one or more QIBs each of which is also a QP, (e) not formed for the purpose of investing in the Notes or the Issuer, and (f) aware, and each beneficial owner of such Notes has been advised, that the seller of such Notes to it may be relying on Rule 144A.
2. It will (a) along with each account for which it is purchasing, hold and transfer beneficial interests in the Rule 144A Notes in a principal amount that is not less than US\$200,000 and (b) provide notice of these transfer restrictions to any subsequent transferees. In addition, it understands that the Issuer may receive a list of participants holding positions in its securities from one or more book-entry depositories.
3. It understands that the Rule 144A Notes have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB that is also a QP purchasing for its own account or for the account of one or more QIBs that are also QPs each of which is purchasing not less than US\$200,000 principal amount of Notes or (b) in an offshore transactions to a person, that is not a U.S. person in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act, and in each case in accordance with any applicable securities laws of any State of the United States.
4. It understands that the Issuer has the power under the Trust Deed to compel any beneficial owner of Rule 144A Notes that is not a QIB and also a QP to sell its interest in the Rule 144A Notes, or may sell such interest on behalf of, or purchase such interest from, such owner at a price equal to the least of (x) the purchase price therefor paid by the beneficial owner, (y) 100 percent of the principal amount thereof or (z) the fair market value thereof. The Issuer has the right to refuse to honour the transfer of an interest in the Rule 144A Notes to a U.S. person who is not a QIB and also a QP.
5. It understands that the Rule 144A Notes, unless otherwise agreed between the Issuer and the Trustee in accordance with applicable law, will bear a legend to the following effect:

THIS NOTE AND THE LOAN IN RESPECT THEREOF HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE “**SECURITIES ACT**”) OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT (“**RULE 144A**”) TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT (A “**QIB**”) THAT IS ALSO A QUALIFIED PURCHASER (A “**QP**”) WITHIN THE MEANING OF SECTION 2(a)(51) OF THE U.S. INVESTMENT COMPANY ACT OF 1940 (THE “**INVESTMENT COMPANY ACT**”) PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QIB THAT IS ALSO A QP WHOM THE HOLDER HAS INFORMED, IN EACH CASE, THAT SUCH OFFER, SALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A UNDER THE SECURITIES ACT, AND IN AN AMOUNT FOR EACH ACCOUNT OF NOT LESS THAN US\$200,000 PRINCIPAL AMOUNT OF NOTES OR (2) OUTSIDE THE UNITED STATES IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT (“**REGULATION S**”), AND IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES, AND THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER FROM IT OF THE NOTES IN RESPECT HEREOF OF THE RESALE RESTRICTIONS REFERRED TO ABOVE. TRANSFER IN VIOLATION OF THE FOREGOING WILL BE OF NO FORCE OR EFFECT, WILL BE VOID *AB INITIO* AND WILL NOT OPERATE TO TRANSFER ANY

RIGHTS TO THE TRANSFEREE, NOTWITHSTANDING ANY INSTRUCTIONS TO THE CONTRARY TO THE ISSUER OF THIS NOTE, THE TRUSTEE OR ANY INTERMEDIARY. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF ANY EXEMPTION UNDER THE SECURITIES ACT FOR RESALES OF THIS NOTE.

EACH BENEFICIAL OWNER HEREOF REPRESENTS THAT (1) IT IS A QIB THAT IS ALSO A QP; (2) IT IS NOT A BROKER-DEALER THAT OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN US\$25,000,000 IN SECURITIES OF UNAFFILIATED ISSUERS; (3) IT IS NOT A PARTICIPANT-DIRECTED EMPLOYEE PLAN, SUCH AS A 401 (k) PLAN; (4) IT IS HOLDING THIS NOTE FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ANOTHER QIB THAT IS ALSO A QP; (5) IT WAS NOT FORMED FOR THE PURPOSE OF INVESTING IN THE ISSUER OR THIS NOTE; (6) IT, AND EACH ACCOUNT FOR WHICH IT HOLDS NOTES, WILL HOLD AND TRANSFER AT LEAST US\$200,000 IN PRINCIPAL AMOUNT OF NOTES; (7) IT UNDERSTANDS THAT THE ISSUER MAY RECEIVE A LIST OF PARTICIPANTS HOLDING POSITIONS IN ITS SECURITIES FROM ONE OR MORE BOOKENTRY DEPOSITORIES AND (8) IT WILL PROVIDE NOTICE OF THE FOREGOING TRANSFER RESTRICTIONS TO ITS SUBSEQUENT TRANSFEREES.

THE BENEFICIAL OWNER HEREOF HEREBY ACKNOWLEDGES THAT, IF AT ANY TIME WHILE IT HOLDS AN INTEREST IN THIS NOTE IT IS A PERSON WHO IS NOT A QIB THAT IS ALSO A QP, THE ISSUER MAY (A) COMPEL IT TO SELL ITS INTEREST IN THIS NOTE TO A PERSON (1) WHO IS ALSO A QIB THAT IS ALSO A QP AND WHO IS OTHERWISE QUALIFIED TO PURCHASE THIS NOTE IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT OR (2) IN AN OFFSHORE TRANSACTION TO A PERSON THAT IS NOT A U.S. PERSON IN ACCORDANCE WITH RULE 903 OR 904 OF REGULATION S OR (B) COMPEL THE BENEFICIAL OWNER TO SELL ITS INTEREST IN THIS NOTE TO THE ISSUER OR AN AFFILIATE OF THE ISSUER OR TRANSFER ITS INTEREST IN THIS NOTE TO A PERSON DESIGNATED BY OR ACCEPTABLE TO THE ISSUER AT A PRICE EQUAL TO THE LEAST OF (X) THE PURCHASE PRICE THEREFOR PAID BY THE BENEFICIAL OWNER, (Y) 100 PERCENT OF THE PRINCIPAL AMOUNT THEREOF OR (Z) THE FAIR MARKET VALUE THEREOF. THE ISSUER HAS THE RIGHT TO REFUSE TO HONOR A TRANSFER OF AN INTEREST IN THIS NOTE TO A PERSON WHO IS NOT A QIB AND ALSO A QP. THE ISSUER HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE INVESTMENT COMPANY ACT.

BY ACCEPTING THIS NOTE (OR ANY INTEREST IN THE NOTES REPRESENTED HEREBY) EACH BENEFICIAL OWNER HEREOF, AND EACH FIDUCIARY ACTING ON BEHALF OF THE BENEFICIAL OWNER (BOTH IN ITS INDIVIDUAL AND CORPORATE CAPACITY), WILL BE DEEMED TO REPRESENT, WARRANT AND AGREE THAT, DURING THE PERIOD IT HOLDS ANY INTEREST IN THIS NOTE (1) EITHER (A) IT IS NOT, AND IT IS NOT ACTING ON BEHALF OF (AND FOR SO LONG AS IT HOLDS THIS NOTE (OR ANY INTEREST THEREIN) WILL NOT BE, OR BE ACTING ON BEHALF OF) AN EMPLOYEE BENEFIT PLAN (AS DEFINED IN SECTION 3(3) OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (“**ERISA**”)) SUBJECT TO THE PROVISIONS OF PART 4 OF SUBTITLE B OF TITLE I OF ERISA, A PLAN TO WHICH SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (“**CODE**”) APPLIES, OR ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE “**PLAN ASSETS**” UNDER SECTION 3(42) OF ERISA, 29 C.F.R. SECTION 2510.3 101 OR OTHERWISE FOR THE PURPOSES OF ERISA OR THE CODE BY REASON OF SUCH AN EMPLOYEE BENEFIT PLAN’S OR PLAN’S INVESTMENT IN SUCH ENTITY (EACH, A “**BENEFIT PLAN INVESTOR**”) OR A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN OR ARRANGEMENT WHICH IS SUBJECT TO ANY FEDERAL, STATE, LOCAL, NON-U.S. OR OTHER LAWS OR REGULATIONS THAT ARE SUBSTANTIALLY SIMILAR TO THE FOREGOING PROVISIONS OF ERISA OR THE CODE AND/OR THE FIDUCIARY RESPONSIBILITY AND/OR THE PROHIBITED TRANSACTION PROVISIONS OF ERISA AND/OR SECTION 4975 OF THE CODE (“**SIMILAR LAWS**”) AND NO PART OF THE ASSETS TO BE USED BY IT TO PURCHASE OR HOLD SUCH NOTES OR ANY INTEREST HEREIN CONSTITUTES THE ASSETS OF ANY BENEFIT PLAN INVESTOR OR SUCH A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN OR (B) IT IS, OR IS ACTING ON BEHALF OF A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN OR ARRANGEMENT SUBJECT TO SIMILAR LAWS, AND SUCH ACQUISITION AND HOLDING DOES NOT AND WILL NOT RESULT IN A NON-EXEMPT VIOLATION OF ANY SIMILAR LAWS AND WILL NOT SUBJECT THE ASSETS OF THE ISSUER TO ANY SIMILAR LAWS; AND (2) IT WILL NOT SELL OR OTHERWISE TRANSFER THIS NOTE OR ANY INTEREST HEREIN OTHERWISE THAN TO A PURCHASER OR TRANSFEREE THAT IS DEEMED TO MAKE THESE SAME REPRESENTATIONS, WARRANTIES AND AGREEMENTS WITH RESPECT TO ITS PURCHASE, HOLDING AND DISPOSITION OF THIS NOTE. NO PURCHASE BY OR TRANSFER TO A BENEFIT PLAN INVESTOR OF THIS NOTE, OR ANY INTEREST HEREIN, WILL BE EFFECTIVE, AND

NEITHER THE ISSUER NOR THE TRUSTEE WILL RECOGNISE ANY SUCH ACQUISITION OR TRANSFER. IN THE EVENT THAT THE ISSUER DETERMINES THAT THIS NOTE IS HELD BY A BENEFIT PLAN INVESTOR, THE ISSUER MAY CAUSE A SALE OR TRANSFER IN THE MANNER DESCRIBED IN THESE LISTING PARTICULARS.

THE ISSUER MAY COMPEL EACH BENEFICIAL OWNER HEREOF TO CERTIFY PERIODICALLY THAT SUCH OWNER IS A QIB AND ALSO A QP.

1. It understands and acknowledges that its purchase, holding and disposition of such Notes constitutes a representation and agreement by it that at the time of purchase and throughout the period it holds such Notes or any interest therein (1) either (i) it is not, and is not acting on behalf of (and for so long as it holds such Notes (or any interest therein) will not be, or be acting on behalf of), a Benefit Plan Investor or a governmental, church or non-U.S. plan which is subject to any Similar Laws and/or laws or regulations that provide that the assets of the Issuer could be deemed to include “plan assets” of such plan under Section 3(42) of ERISA, the Plan Assets Regulation or otherwise, and no part of the assets used by it to purchase or hold such Note or any interest therein constitutes the assets of such Benefit Plan Investor or such plan, or (ii) it is, or is acting on behalf of, a governmental, church or non-U.S. plan, and such purchase or holding of such Note does not and will not result in a non-exempt violation of any Similar Laws, and will not subject the Issuer to any laws, rules or regulations applicable to such plan solely as a result of the investment in the Issuer by such plan; and (2) it will not sell or otherwise transfer any note or interest therein to any person without first obtaining these same foregoing representations, warranties and covenants from that person with respect to its acquisition, holding and disposition of such Note.
2. It acknowledges that the Issuer, Tinkoff Bank, the Registrar, the Managers and their respective affiliates, and others will rely upon the truth and accuracy of the above acknowledgements, representations and agreements and agrees that, if any of the acknowledgements, representations or agreements deemed to have been made by it by its purchase of Rule 144A Notes is no longer accurate, it shall promptly notify the Issuer, Tinkoff Bank and the Managers. If it is acquiring any Notes as a fiduciary or agent for one or more investor accounts who are QIBs that are also QPs, it represents that it has sole investment discretion with respect to each such account, and that it has full power to make the above acknowledgements, representations and agreements on behalf of each such account.
3. It understands that the Rule 144A Notes will be evidenced by the Rule 144A Global Certificate. Before any interest in the Rule 144A Global Certificate may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Regulation S Global Certificate, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Paying Agency Agreement) as to compliance with applicable securities laws. Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Regulation S Notes

Each purchaser of Regulation S Notes, by accepting delivery of these Listing Particulars and the Regulation S Notes, will be deemed to have represented, agreed and acknowledged that:

1. It is, or at the time Regulation S Notes are purchased will be, the beneficial owner of such Regulation S Notes and (a) it is not a U.S. person and it is located outside the United States (within the meaning of Regulation S) and (b) it is not an affiliate of the Issuer, Tinkoff Bank or a person acting on behalf of such an affiliate.
2. It understands that the Regulation S Notes have not been and will not be registered under the Securities Act and that, prior to the expiration of the “distribution compliance period” (as such term is defined in Rule 902 of Regulation S), it will not offer, sell, pledge or otherwise transfer such Notes except (a) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believes is a QIB that is also a QP purchasing for its own account or for the account of a QIB that is also a QP or (b) in an offshore transaction to a person that is not a U.S. person in accordance with Rule 903 or Rule 904 of Regulation S, in the case of (a) and (b), in accordance with any applicable securities laws of any state of the United States.

3. It understands that the Regulation S Notes will be evidenced by the Regulation S Global Certificate. Before any interest in the Regulation S Global Certificate may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Rule 144A Global Certificate, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Paying Agency Agreement) as to compliance with applicable securities laws.
4. It understands and acknowledges that its purchase, holding and disposition of such Notes (or any interest therein) constitutes a representation and agreement by it that (1) either (i) it is not, and is not acting on behalf of (and for so long as it holds such Notes or any interest therein will not be, or be acting on behalf of), a Benefit Plan Investor or a governmental, church or non-U.S. plan or arrangement which is subject to any Similar Laws and no part of the assets used by it to purchase or hold such Note or any interest therein constitutes the assets of such Benefit Plan Investor or such plan, or (ii) it is, or is acting on behalf of, a governmental, church or non-U.S. plan or arrangement subject to Similar Laws, and such purchase or holding of such Note (or any interest therein) does not and will not result in a non-exempt violation of any Similar Laws, and will not subject the assets of the Issuer to any Similar Laws; and (2) it will not sell or otherwise transfer any Note or interest therein otherwise than to any person without first obtaining these same foregoing representations, warranties and covenants from that person with respect to its acquisition, holding and disposition of such Note.

TAX CONSIDERATIONS

The following summary describes certain Russian, United States and Irish tax consequences for holders of the Notes. This discussion is not intended as tax advice to any particular investor. It is also not a complete analysis or listing of all potential Russian and Irish tax consequences related to your investment in the Notes. We urge you to consult your own tax adviser regarding the specific Russian, Irish and other tax consequences of an investment in the Notes in your own particular factual circumstances.

RUSSIA

General

The following is a general summary of certain Russian tax considerations relevant to the purchase, ownership and disposal of the Notes as well as taxation of interest payments and some other payments on the Loan. This summary does not seek to address tax implications arising for the Noteholders in connection with the purchase, ownership and disposal of the Notes and/or receipt of interest and other payments on the Loan in the countries of their tax residency.

The summary is based on the laws of Russia as in effect on the date of these Listing Particulars (that are subject to changes which could occur frequently, at short notice and could apply retrospectively). This summary does not seek to address the applicability of, and/or procedures in relation to, taxes levied by regions, municipalities or other non-federal level authorities of Russia or tax implications arising for the Noteholders applying special tax regimes available under the Russian tax legislation. Similarly, this summary does not seek to address the availability of double tax treaty relief to and the eligibility for double tax relief of any Noteholder in respect of income payable to that Noteholder on the Notes, or practical difficulties connected with claiming and obtaining such double tax treaty relief. The analysis set out herein does not include any comments on tax implications which could arise for the Noteholders in connection with entering into REPO or stock-lending transactions with the Notes or into term deals, derivatives and/or any similar types of transactions with the Notes.

Many aspects of Russian tax laws and regulations are subject to significant uncertainty and lack of interpretive guidance resulting in differing interpretations and inconsistent application thereof by the various Russian authorities in practice. Further, the substantive provisions of Russian tax laws and regulations applicable to financial instruments may be subject to more rapid and unpredictable changes (possibly with retroactive effect) and inconsistent application as compared to jurisdictions with more developed capital markets and tax systems. The interpretation and application of these provisions will, in practice, to a large extent rest substantially with local tax inspectorates and such interpretations may often be inconsistent or may often change.

In practice, interpretation and application of tax laws and regulations by different tax inspectorates in Russia and their representatives may be inconsistent or contradictory, and may result in the imposition of conditions, requirements or restrictions that are not explicitly stated by the law. Furthermore, court rulings on tax or other related matters adopted by different courts relating to the same or similar circumstances may also be inconsistent or contradictory.

Prospective investors should consult their own tax advisors in relation to tax consequences relevant to investing in the Notes that will arise in their own particular circumstances. No representation with respect to Russian tax consequences relevant to any particular Noteholder is made hereby.

Taxation of the Notes

For the purposes of this summary, the term “**Resident Noteholder**” means:

- (i) a Russian legal entity which acquires, holds and disposes the Notes (ii) an organization formed under a non-Russian law, which acquires, holds and disposes the Notes through its permanent establishment in Russia or (iii) an organization organized under a non-Russian law and recognised as Russian tax resident in accordance with the requirements set out in the Russian Tax Code which acquires, holds and disposes the Notes (the “**Resident Noteholder-Legal Entity**”). An organisation organised under a non-Russian law shall be deemed to be tax resident of Russia for the purposes of the Russian Tax Code if (1) it is deemed to be tax resident of Russia in accordance with an applicable double tax treaty or (2) its place of management is in Russia unless a different conclusion follows from an applicable double tax treaty;
- An organisation organised under a non-Russian law shall be deemed to be tax resident of Russia for the purposes of the Russian Tax Code if (1) it is deemed to be tax resident of Russia in accordance with an

applicable double tax treaty or (2) its place of management is in Russia unless a different conclusion follows from an applicable double tax treaty;

- a Noteholder who is an individual actually present in Russia for an aggregate period of 183 calendar days or more in any period comprised of 12 consecutive months, who acquires, holds and disposes of the Notes (the **“Resident Noteholder—Individual”**). Presence in Russia for Russian personal income tax residency purposes is not considered interrupted if an individual departs from Russia for short periods of time (less than six months) for medical treatment, education purposes or completion of employment or other duties related to work (rendering services) at offshore hydrocarbon fields.

For the purposes of this summary, the term **“Non-Resident Noteholder”** means:

- an organisation which is a Noteholder and does not qualify as the Resident Noteholder – Legal Entity (the **“Non-Resident Noteholder—Legal Entity”**);
- a Noteholder who is an individual and does not qualify as the Resident Noteholder – Individual who acquires, holds and disposes of the Notes (the **“Non-Resident Noteholder—Individual”**).

Currently, the Russian Tax Code is generally interpreted by both the Russian tax authorities and taxpayers such that days of arrival as well as days of departure should be taken into account when calculating the total number of days of presence of an individual in Russia. There is a court case where the court expressed the opinion that days of arrival should not be taken into account as opposed to days of departure.

For the purposes of this summary, the definitions of **“Resident Noteholder”** and **“Non-Resident Noteholder”** in respect of individuals are taken at face value based on the wording of Russian tax law as currently written. In practice, however, the application of the above formal residency definition by the Russian tax authorities may differ depending on their position in each case.

Tax residency rules and Russian Federation’s rights with regard to taxation may be affected by the applicable double tax treaty. The Russian tax treatment of interest payments made by Tinkoff Bank to the Issuer (or to the Trustee, as the case may be) under the Loan Agreement may affect taxation of the Noteholders. See *“—Taxation of Interest on the Loan”*.

Taxation of Resident Noteholders

Resident Noteholders will be subject to all applicable Russian taxes in respect of income derived by them in connection with the acquisition, ownership and/or disposal of the Notes (including interest received on the Notes) or in connection with payments under the Loan Agreement made by Tinkoff Bank to the Issuer (or to the Trustee, as the case may be) if Resident Noteholders qualify for persons that have actual right to the income concerned for Russian tax purposes. See *“—Taxation of Interest on the Loan”*.

Resident Noteholders should consult their own tax advisers with regards to the effect that the acquisition, holding and/or disposal of the Notes may have on their tax position.

Taxation of Non-Resident Noteholders-Individuals

Acquisition of the Notes

Acquisition of the Notes by Non-Resident Noteholders-Individuals may constitute a taxable event for Russian personal income tax purposes pursuant to provisions of the Russian Tax Code relating to the material benefit (deemed income) received by individuals as a result of the acquisition of securities. In particular, if the acquisition price of the Notes is below the lower margin of the fair market value of the Notes calculated based on specific procedure for the determination of market prices of securities for Russian personal income tax purposes, the difference may become subject to Russian personal income tax at the rate of 30 percent (or such other tax rate as may be effective at the time of the acquisition), which is, arguably, subject to reduction or elimination under the applicable double tax treaty.

Under the Russian tax legislation, taxation of income of the Non-Resident Noteholders-Individuals will depend on whether this income is qualified as received from Russian or non-Russian sources. Since the Russian Tax Code does not contain any provisions in relation to how the related material benefit receivable by individuals should be sourced, in practice the Russian tax authorities may infer that such income should be considered as Russian source income if the Notes are purchased “in Russia”. In absence of any additional guidance as to what should be

considered as a purchase of securities “in Russia”, in practice the Russian tax authorities may apply various criteria in order to determine the source of the related material benefit, including looking at the place of conclusion of the acquisition transaction, the location of the issuer, or other similar criteria. There is no assurance therefore that as a result any material benefit received by the Non-Resident Noteholders—Individuals in connection with the acquisition of the Notes will not become taxable in Russia.

Interest on the Notes

Non-Resident Noteholders-Individuals generally should not be subject to Russian personal income tax in respect of payment of interest on the Notes received from the Issuer. Taxation of interest on the Notes may however be affected by the taxation treatment of income from sale of the Notes and interest on the Loan. See “—*Sale or other Disposal of the Notes*” and “—*Taxation of Interest on the Loan*”.

Sale or other Disposal of the Notes

A Non-Resident Noteholder-Individual should not be subject to any Russian taxes in respect of gain or other income realized on a redemption, sale or other disposal of the Notes outside of Russia, provided that the proceeds of such sale, redemption, or disposal are not received from a source within Russia.

Subject to any available tax treaty relief, if receipt of any proceeds from the sale or other disposal of the Notes by a Non-Resident Noteholder-Individual is classified as income from Russian sources for Russian personal income tax purposes, these proceeds will become subject to Russian personal income tax at the rate of 30 percent (or such other tax rate as may be effective at the time of payment).

Since the Russian Tax Code does not contain any additional guidance as to when the sales or disposal proceeds should be deemed to be received from Russian sources by an individual not qualifying as a tax resident for Russian personal income tax purposes, in practice the Russian tax authorities may infer that such income should be considered as Russian source income, if the Notes are sold or disposed of “in Russia”. In the absence of any guidance as to what should be considered as a sale or other disposal of securities “in Russia”, the Russian tax authorities may apply various criteria in order to determine the source of the sale or other disposal, including looking at the place of conclusion of the transaction, the location of the Issuer, or other similar criteria. There is no assurance therefore that as a result sales or disposal proceeds received by the Non-Resident Noteholders-Individuals will not become taxable in Russia.

If the disposal proceeds are considered as being derived from Russian sources, Russian personal income tax will apply to the gross amount of sales or disposal proceeds received upon the disposition of the Notes (including accrued and paid interest on the Notes) decreased by the amount of any duly documented cost deductions (including the original acquisition costs and other documented expenses related to the acquisition, holding and the sale or other disposal of the Notes) provided that such documentation is duly executed. There is a risk that if the documentation supporting the cost deductions is deemed insufficient by the Russian tax authorities the deduction will be disallowed and the tax will apply to the gross amount of the sales or disposal proceeds.

Under certain circumstances, if sales or disposal proceeds (including accrued and paid interest on the Notes) are paid to a Non-Resident Noteholder-Individual by a party considered a tax agent for Russian tax purposes, the applicable Russian personal income tax at the rate of 30 percent (or such other tax rate as may be effective at the time of payment) should be withheld at source by such tax agent. A licensed broker or an asset manager that is a Russian legal entity or organisation carrying out operations for the benefit of the Non-Resident Noteholder—Individual under an asset management agreement, a brokerage agreement, an agency agreement, a commission agreement or a commercial mandate agreement, as well as any Russian legal entity or individual entrepreneur acquiring shares under a securities sale-purchase agreement or exchange agreement, may be considered as tax agent in respect of sale proceeds. The amount of tax withheld will be calculated after taking into account available documented deductions for the original acquisition cost and related expenses on the acquisition, holding and sale or other disposal of the Notes to the extent such deductions and expenses can be determined by the entity making the payment of income to the Non-Resident Noteholder-Individual. The tax agent would be required to report to the Russian tax authorities in respect of its inability to withhold personal income tax in full. The underwithheld amount of tax should be paid by a Non-Resident Noteholder-Individual based on a tax notification issued by the tax authorities.

If the duly documented acquisition costs and other documented expenses related to the acquisition, holding and the sale or other disposal of the Notes were born within the relationship with a party other than the tax agent obliged to calculate and withhold Russian personal income tax in relation to the sales proceeds, then these original

duly documented costs and other documented expenses related to the acquisition, holding and the sale or other disposal of the Notes may be taken into account by the tax agent upon written application of the Non-Resident Noteholder-Individual and presentation of the documents confirming the costs and expenses.

When the Notes are sold to individuals other than individual entrepreneurs, generally no Russian personal income tax should be withheld at source by these persons. The Non-Resident Noteholder—Individual will be required to file a personal income tax return individually, report the amount of income realised to the Russian tax authorities and apply for a deduction in the amount of the acquisition and other expenses related to the acquisition, holding and the sale or other disposal of the Notes confirmed by the supporting documentation. The applicable personal income tax will then have to be paid by the Non-Resident Noteholder-Individual on the basis of the personal income tax return.

Under certain circumstances gains received and losses incurred by a Non-Resident Noteholder-Individual as a result of the sale or other disposal of the Notes and other securities of the same category (i.e., securities qualified as traded or non-traded for Russian personal income tax purposes) occurring within the same tax year may be aggregated for Russian personal income tax purposes which would affect the total amount of personal income tax payable by a Non-Resident Noteholder-Individual in Russia.

Any taxable gains derived by a Non-Resident Noteholder-Individual from the sale or other disposal of the Notes are affected by changes in the exchange rate between the currency of the acquisition of the Notes, the currency of the sale or other disposal of the Notes and roubles. For personal income tax purposes, deductible costs and proceeds from a disposal of the Notes are converted into roubles at the exchange rate of the CBR as of the date when the costs were incurred and proceeds were received, respectively. This may result in a taxable income due to devaluation of the rouble, even if in the foreign currency terms there are no gains or even a capital loss.

Non-Resident Noteholders-Individuals should consult their own tax advisors with respect to tax consequences arising in connection with the sale or other disposal of the Notes, including the receipt of sales or other disposal proceeds from a source within Russia upon the sale or other disposal of the Notes.

Taxation of Non-Resident Noteholders-Legal Entities

Acquisition of the Notes

Acquisition of the Notes by the Non-Resident Noteholders-Legal Entities (whether upon their issue or in the secondary market) should not trigger any adverse Russian tax implications for the Non-Resident Noteholders-Legal Entities.

Interest on the Notes

The Non-Resident Noteholders Legal Entities generally should not be subject to any Russian taxes in respect of payment of interest on the Notes received from the Issuer.

Taxation of interest payable on the Notes may however be affected by the taxation treatment of interest on the Loan. See “—*Taxation of Interest on the Loan*”.

Sale or other Disposal of the Notes

Generally, there should be no Russian tax on gains from sale or other disposition of the Notes imposed on Non-Resident Noteholder-Legal Entity. *Sale or other Disposal of the Notes*.

There is some uncertainty regarding the tax treatment of the portion of the sales or disposal proceeds, if any, attributable to accrued interest (coupon) on the Notes where proceeds from sale or other disposition of the Notes are received from a source within Russia by a Non-Resident Noteholder—Legal Entity. It is caused by isolated instances in which the Russian tax authorities challenged the non-application of the Russian tax to the amount of accrued interest (coupon) embedded into the sale price of the Notes. Although the Ministry of Finance of the Russian Federation in its most recent clarification letters opined that the amount of sale or other disposal proceeds attributable to the accrued interest on the Eurobonds paid to a non-Russian organisation should not be regarded as Russian source income and on this basis should not be subject to taxation in Russia, there remains a possibility that a Russian entity, an individual entrepreneur or a foreign entity having registered tax presence in Russia which purchases the Notes from a Non-Resident Noteholder-Legal Entity or acts as an intermediary may deduct Russian withholding tax at the rate of 20 percent (or such other rate as could be effective at the time of such sale or other disposal) on the accrued interest portion of the disposal proceeds of the Notes.

Redemption of the Notes

Non-Resident Noteholders-Legal Entities generally should not be subject to any Russian taxes in respect of repayment of principal on the Notes received from the Issuer.

Tax Treaty Relief

Russia has entered into double tax treaties with a number of countries and honors some double tax treaties concluded by the former Union of Soviet Socialist Republics. These double tax treaties may contain provisions allowing the reduction or elimination of Russian income taxes applicable to income received by a Non-Resident Noteholder from Russian sources in connection with the acquisition, holding, sale or other disposal of the Notes.

In order to obtain the benefits available under the respective double tax treaty, a Non-Resident Noteholder must comply with the certification, information and reporting requirements which are in force in Russia (relating, in particular, to the confirmation of the entitlement and eligibility for treaty benefits).

In order to enjoy double tax treaty benefits, a Non-Resident Noteholder—Legal Entity which has the actual right to receive the respective income (i.e., which qualifies as the “beneficial owner of income”) and is eligible for the benefits of the applicable double tax treaty should provide the tax agent with satisfactory documentary evidence to these facts as well as the duly executed tax residency certificate before the date of the income payment. The tax residency of Non-Resident Noteholders – Legal Entities which are banks residing in jurisdictions which have concluded double tax treaties with Russia and which have the actual right to receive income can be confirmed by public information guides (e.g. Bankers Almanac) in lieu of the tax residency certificate.

In order to apply for tax exemption or payment of tax at a reduced tax rate under the respective double tax treaty a Non-Resident Noteholder-Individual has to provide to the tax agent a passport of a foreign citizen in order to prove his/ her tax residency status in the foreign jurisdiction. If this document is not sufficient to prove the tax residency status, the tax agent will request the Non-Resident Noteholder-Individual to provide a tax residency certificate issued by the competent authorities of his or her country of residence for tax purposes. If the documents proving residency in the respective state are submitted to the tax agent after the personal income tax is withheld, the tax agent will be required to refund to the Non-Resident Noteholder—Individual the amount of tax withheld.

The law does not clearly establish how the tax agent shall determine whether a passport is sufficient to confirm the individual’s eligibility for double tax treaty benefits.

It is not explicit whether under the tax legislation Russian citizens who are Non-Resident Noteholders- Individuals would be able to enjoy exemption from taxation at source under an applicable double tax treaty in practice.

The procedure of elimination of double taxation by means of exemption under an applicable double tax treaty of the Non-Resident Noteholders-Individuals in case of absence of a tax agent is not explicitly indicated in the Russian Tax Code.

The Non-Resident Noteholders should consult their own tax advisors regarding possible tax treaty relief and procedures for obtaining such relief with respect to any Russian taxes imposed in respect of interest income on the Notes or any income received in connection with the acquisition, holding and the sale or other disposal of the Notes.

On 7 June 2017, 68 jurisdictions, including Russia, signed the MLI. Several additional jurisdictions have signed the MLI since then. Russia has submitted through OECD diplomatic channels its notifications of completion of the internal procedures required for the MLI enforcement beginning from 1 January 2021 in respect of the double tax treaties concluded with a number of countries. The MLI-related changes may have an additional adverse impact on the availability of double taxation treaty benefits to the Non-Resident Noteholders that are tax residents in the respective countries. See “*Risk Factors – Payments on the Loan and on the Notes may be subject to Russian withholding tax*”.

Refund of Tax Withheld

If Russian withholding tax on income derived from Russian sources by a Non-Resident Noteholder-Legal Entity was withheld at source, a claim for a refund of the tax that was withheld at source can be filed by that Non-Resident Noteholder-Legal Entity with the Russian tax authorities either based on general tax reclaim procedures within three years following the date of withholding, or provided that such Non-Resident Noteholder—Legal Entity is entitled to the benefits of the applicable double tax treaty allowing it not to pay the tax or allowing it to

pay the tax at a reduced tax rate in relation to such income within three years following the year in which the tax was withheld. There is no guarantee that such refund will be available in practice to the Non-Resident Noteholder—Legal Entity.

If Russian personal income tax on income derived from Russian sources by a Non-Resident Noteholder—Individual was withheld at source despite the right of this Non-Resident Noteholder—Individual to rely on the benefits of the applicable double tax treaty allowing such individual not to pay the tax in Russia or allowing to pay the tax at a reduced tax rate in relation to such income, a claim for a refund of Russian personal tax which was excessively withheld at source together with a passport of a foreign individual/tax residency certificate issued by the competent authorities in his/ her country of residence may be filed by that Non-Resident Noteholder—Individual with the tax agent within three years following the tax year when the corresponding income was received. In the absence of a tax agent who withheld the Russian personal income tax under consideration (e.g., in case of a liquidation of the tax agent), an application for a refund may be filed with the Russian tax authorities within the same period (three years following the tax year when the corresponding income was received) with the Russian tax return, a tax residency certificate and documents proving tax withholding to the Russian tax authorities.

There can be no assurance that the tax agent and/ or the Russian tax authorities will refund this tax in practice. Although the Russian Tax Code arguably contains an exhaustive list of documents and information which have to be provided by the foreign person to the Russian tax authorities for the tax refund purposes, the Russian tax authorities may, in practice, require a wide variety of documentation confirming, for instance, a right of a Non-Resident Noteholder to obtain tax relief available under the applicable double tax treaty. Such documentation may not be explicitly required by the Russian Tax Code and may to a large extent depend on the position of local representatives of the tax inspectorates.

Obtaining a refund of Russian income taxes which were excessively withheld at source is likely to be a time consuming and lengthy process requiring many efforts and no assurance can be given that such refund will be granted to the Non-Resident Noteholders in practice.

Non-Resident Noteholders should consult their own tax advisors regarding procedures required to be fulfilled in order to obtain refund of Russian income taxes, which were excessively withheld at source.

Taxation of Interest on the Loan

In general, payments of interest on borrowed funds made by a Russian legal entity to a non-resident legal entity or organisation having no registered presence and/or no permanent establishment or no tax residency in Russia are subject to Russian withholding tax at the rate of 20 percent (or such other tax rate as may be effective at the time of payment), which could be potentially reduced or eliminated under the terms of an applicable double tax treaty.

Generally, no withholding tax should arise in Eurobond structures by virtue of the special exemption envisaged by the Russian Tax Code. The Russian Tax Code provides that Russian borrowers should be fully released from the obligation to withhold tax from interest and other payments made to foreign entities provided that the following conditions are all met:

1. interest is paid on debt obligations of Russian entities that arose in connection with the placement by foreign entities of **“issued bonds”**, which are defined as bonds or other debt obligations (a) listed and/or admitted to trading on one of the qualifying foreign exchanges and/or (b) that have been registered with one of the qualifying foreign depository/clearing organisations, where:
 - (a) the lists of qualifying foreign exchanges and foreign depository/clearing organisations were approved by the CBR in its Order No. 4393-U dated 30 May 2017 (the “Lists”). The Irish Stock Exchange (currently operating under the trading name Euronext Dublin) and the clearing systems Clearstream, Luxembourg and Euroclear are included in the Lists;

When the Irish Stock Exchange plc changes its legal name, it would technically cease appearing in the Lists. If the Notes are held through Clearstream, Luxembourg and/or Euroclear, the referenced condition for the tax exemption should be satisfied regardless of the particular stock exchange on which the Notes will be listed and/ or admitted to trading.

- (b) the connection between the loan and the issued bonds should be evident and supported with certain documents which are set forth in the Russian Tax Code including the relevant prospectus and/or the loan agreement.
- 2. the recipient of interest on the loan is a foreign entity which is the issuer of issued bonds (i.e., the Issuer), or a foreign entity authorised to receive interest income payable on the issued bonds, or a foreign entity to which rights and obligations under bonds issued by another foreign entity have been assigned;
- 3. there is a double tax treaty between Russia and the jurisdiction of tax residence of the recipient of payments on the loan which can be confirmed by a duly executed tax residency certificate.

Tinkoff Bank believes that it should be possible to satisfy the above conditions established by the Russian Tax Code and obtain a release from the obligation to withhold Russian income tax from payments of interest and certain other amounts, as the case may be, on the Loan to the Issuer as long as the conditions set forth above are met throughout the term of the Loan and the Notes.

Importantly, the Russian Tax Code does not provide for the exemption for the foreign interest recipients from Russian withholding tax and/or Russian personal income tax, as the case may be. Currently there is no requirement and mechanism in the Russian tax legislation for the foreign legal entities to self-assess and pay the tax to the Russian tax authorities, in case the tax was not withheld at source. Moreover, the Russian Ministry of Finance acknowledged in its information letter published on its website that the release of Russian companies from withholding tax agent obligations arising in Eurobonds structures should effectively mean that no Russian withholding tax should arise, since there is neither a mechanism nor obligation for a non-resident to calculate and pay independently the tax to the Russian budget under such circumstances. There can be no assurance, however, that such requirements and mechanism will not be introduced in the future or that the Russian tax authorities would not make attempts to collect the tax from the foreign income recipients, including the Issuer or the Noteholders. See *“Risk Factors – Interest payments on the Loan may become subject to Russian withholding tax”*.

If interest and/or any other amounts due under the Loan become payable to the Trustee pursuant to the Trust Deed, there is some residual uncertainty whether the release from the obligation to withhold tax under the Russian Tax Code would be available to Tinkoff Bank. Specifically, there is some uncertainty whether following the enforcement of the Security, the Trustee will qualify for the “entity authorised to receive interest income payable on the issued bonds” containing in the Russian Tax Code. It is not expected that the Trustee will, or will be able to, claim a Russian withholding tax exemption or reduction under any applicable double tax treaty under such circumstances. It creates a potential risk that in case the payments under the Loan are made to the Trustee for the benefit of the Non-Resident Noteholders, the Russian withholding tax at the rate of 20 percent (or such other tax rate as may be effective at the time of payment) or Russian personal income tax at the rate of 30 percent (or such other tax rate as may be effective at the time of payment) should be deducted from the amount of interest and some other payments under the Loan Agreement.

While some Non-Resident Noteholders may seek a reduction or elimination of Russian withholding tax or personal income tax, as applicable, or a refund of the respective taxes under applicable double tax treaties entered into between their countries of tax residence and Russia, where such treaties exist and to the extent they are applicable, there is no assurance that any treaty relief will be available to them in practice under such circumstances. Resident Noteholders that have actual right to interest and other income on the Loan will be subject to Russian personal income tax (for Resident Noteholders - Individuals) or profits tax (for Resident Noteholders – Legal Entities) at applicable Russian tax rates, which may be withheld at source or payable on a self-assessed basis.

If any payments under the Loan become subject to Russian withholding tax (as a result of which the Issuer or the Trustee will be required to reduce payments made by it under the Notes by the amount of such withholding tax) Tinkoff Bank will be obliged (subject to certain conditions) under the terms of the Loan Agreement to increase payments made under the Loan, as may be necessary, so that the net payments received by the Issuer or the Trustee will be equal to the amounts it would have received in absence of such withholding tax.

There is a risk that gross-up for Russian withholding tax will not take place and that payments made by Tinkoff Bank under the Loan will be reduced by the amount of Russian income tax or Russian personal income tax withheld by us at source.

If Tinkoff Bank is obliged to increase any payments under the Loan or to make additional payments on the Loan as described above, it may (without premium or penalty), subject to certain conditions, prepay the Loan in full. In

such case, all outstanding Notes will be redeemable at par together with accrued and unpaid interest and additional amounts, if any, to the date of repayment.

Value Added Tax (VAT)

No VAT will be payable in Russia in respect of interest and principal payments under the Loan.

UNITED STATES

U.S. Federal Income Tax Consequences

The following discussion is a summary of certain U.S. federal income tax consequences generally applicable to U.S. Holders (as defined below) only of the acquisition, ownership and disposition of the Notes. This discussion is based on the Code, the U.S. Treasury regulations promulgated thereunder, administrative guidance and court decisions, in each case as of the date hereof, all of which are subject to change, possibly with retroactive effect, and to differing interpretations. This discussion addresses only those U.S. Holders that purchase their Notes in the offering and will hold their Notes as “capital assets” within the meaning of Section 1221 of the Code (generally, property held for investment). This discussion does not address any aspect of non-U.S. tax law or U.S. state, local, estate, gift or other tax law, including consequences under the alternative minimum tax or net investment income tax, that may be applicable to a U.S. Holder. This discussion does not constitute tax advice and does not address all aspects of U.S. federal income taxation that may be relevant to particular U.S. Holders in light of their personal circumstances, or to any U.S. Holders subject to special treatment under the Code, such as:

- banks, mutual funds and other financial institutions;
- real estate investment trusts and regulated investment companies;
- traders in securities who elect to apply a mark-to-market method of accounting;
- tax-exempt organizations or governmental organizations;
- insurance companies;
- dealers or brokers in securities or foreign currency;
- individual retirement and other tax-deferred accounts;
- U.S. Holders whose functional currency is not the U.S. dollar;
- former citizens or long-term residents of the United States;
- persons that actually or constructively own 10 percent or more of the total voting power or value of all of the Issuer’s outstanding stock (including the Notes and any other securities treated as equity for U.S. federal income tax purposes);
- persons that are resident or ordinarily resident in or have a permanent establishment in a jurisdiction outside the United States;
- persons who hold their Notes as part of a straddle, hedging, conversion, constructive sale or other risk reduction transaction;
- persons subject to special tax accounting rules as a result of any item of gross income with respect to the Notes being taken into account in an applicable financial statement;
- persons who purchase or sell their Notes as part of a wash sale for tax purposes; and
- “S corporations,” entities or arrangements classified as partnerships for U.S. federal income tax purposes, or other pass-through entities (and investors therein).

For purposes of this discussion, a “U.S. Holder” means a beneficial owner of the Notes that for U.S. federal income tax purposes is:

- an individual who is a citizen or resident of the United States;
- a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) created or organized in the United States, any state thereof or the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust if (i) a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or (ii) the trust has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person for U.S. federal income tax purposes.
- If an entity or arrangement that is treated as a partnership for U.S. federal income tax purposes holds or disposes of the Notes, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. Prospective purchasers that are entities or arrangements treated as partnerships for U.S. federal income tax purposes and the partners in such partnerships are urged to consult their tax advisors about the U.S. federal income tax consequences of the acquisition, ownership and disposition of the Notes.

This discussion is for informational purposes only and is not tax advice. U.S. Holders of the Notes should consult their tax advisors with respect to the U.S. federal income tax consequences to them of the acquisition, ownership and disposition of the Notes in light of their particular circumstances, as well as any tax consequences of such matters arising under the U.S. federal tax laws other than those pertaining to income tax, including estate or gift tax laws, or under any state, local or non-U.S. tax laws or under any applicable income tax treaty.

Characterisation of the Notes

The tax characterisation of an instrument as debt or equity for U.S. federal income tax purposes is based on applicable law, and the facts and circumstances existing at the time the instrument is issued. Although no single factor is dispositive, instruments that are perpetual and, therefore, lack a fixed maturity date, are generally treated as equity for U.S. federal income tax purposes. Accordingly, the Issuer intends, to the extent it is required to take a position, to treat the Notes as equity in the Issuer, and not as indebtedness, for U.S. federal income tax purposes. No ruling will be sought from the IRS regarding the proper characterisations of the Notes. Accordingly, there can be no assurance that the IRS or the courts would agree with this characterisation. Other characterisations, including as equity in Tinkoff Bank, are possible. Prospective purchasers should consult their tax advisors regarding the U.S. tax characterisation of the Notes. The remainder of this discussion assumes that the Notes are equity in the Issuer for U.S. federal income tax purposes.

Passive Foreign Investment Company

In general, a corporation organized outside the United States will be treated as a PFIC for U.S. federal income tax purposes in any taxable year in which either (i) at least 75 percent of its gross income is “passive income” or (ii) at least 50 percent of the average fair market value of its assets is attributable to assets that produce passive income or are held for the production of passive income. Passive income for this purpose generally includes, among other things, dividends, interest, royalties, rents and gains from commodities and securities transactions and from the sale or exchange of property that gives rise to passive income. For this purpose, under certain “look-through” rules, a corporation will be treated as owning its proportionate share of the assets and earning its proportionate share of the income of any other corporation in which it owns, directly or indirectly, 25 percent or more (by value) of the stock.

Whether the Issuer’s ownership of the Subordinated Loan will qualify for these “look-through” rules and the impact of such rules on the Issuer’s PFIC treatment is subject to substantial uncertainty and may in turn depend on the PFIC status of Tinkoff Bank. The Issuer believes that there is a significant risk that the Notes will be treated as equity in a PFIC for the current taxable year and for the foreseeable future as a result of the Issuer and/or Tinkoff Bank being treated as a PFIC, and the Issuer has not made any determinations regarding its or Tinkoff Bank’s PFIC status. The remainder of this summary assumes that the Issuer is and will continue to be a PFIC.

If any entity in which the Issuer owns or is deemed to own equity interests is also a PFIC (any such entity, a “**Lower-tier PFIC**”), U.S. Holders will generally be deemed to own a proportionate amount (by value) of the shares of each such Lower-tier PFIC and will generally be subject to U.S. federal income tax according to the

rules described below under “*Payments of Interest*” or “*Sale, Exchange or Other Disposition of the Notes*” on (i) certain distributions by a Lower-tier PFIC, and (ii) dispositions of shares of Lower-tier PFICs, in each case as if the U.S. Holder held such shares directly, even though the U.S. Holder did not receive any proceeds of those distributions or dispositions. Each U.S. Holder should consult its tax adviser regarding the tax issues raised by Lower-tier PFICs.

Payments of Interest

Payments of stated interest on the Notes (including any applicable withholding thereon and any additional amounts paid in respect of such withholding) will be treated as distributions on the Issuer’s stock for U.S. federal income tax purposes.

A payment of interest on the Notes to a U.S. Holder during a taxable year generally will be treated as an “excess distribution” to the extent such payment exceeds the ratable portion of the “total excess distribution” with respect to such Notes for such taxable year. For each taxable year, the total excess distribution is generally the excess of (i) the sum of all of the payments to the U.S. Holder on such Notes during such taxable year over (ii) 125 percent of the average annual payments to the U.S. Holder on such Notes during the preceding three taxable years (or, if shorter, the period during which the U.S. Holder held such Notes). The total excess distribution with respect to such Notes is deemed to be zero for the taxable year in which such U.S. Holder’s holding period for such Notes begins. The tax payable by a U.S. Holder on an excess distribution with respect to the Notes will be determined by allocating such excess distribution ratably to each day of the U.S. Holder’s holding period for such Notes. The amount of excess distribution allocated to the taxable year of such distribution will be included as ordinary income for the taxable year of such distribution. The amount of excess distribution allocated to any other period included in such U.S. Holder’s holding period cannot be offset by any net operating losses of such U.S. Holder and will be taxed at the highest marginal rates applicable to ordinary income for each such period and, in addition, an interest charge will be imposed on the amount of tax for each such period. A Reset Rate of Interest that is increased compared to the Rate of Interest applicable prior to the relevant Reset Date, would make it more likely that interest payments for one or more taxable years would be subject to the excess distribution regime.

To the extent a payment of interest with respect to the Notes does not constitute an excess distribution to a U.S. Holder, such U.S. Holder generally will be required to include the amount of such payment in gross income as a dividend to the extent of the Issuer’s current or accumulated earnings and profits (as determined for U.S. federal income tax purposes). To the extent the amount of such payment exceeds the Issuer’s current and accumulated earnings and profits, it will be treated first as a non-taxable return of capital to the extent of the U.S. Holder’s adjusted tax basis in such Notes and, to the extent the amount of such payment exceeds such adjusted tax basis, as gain from the sale or exchange of such Notes (which gain should be treated as an excess distribution and be subject to tax consequences relating to an excess distribution described above). The Issuer does not intend to calculate its earnings and profits under U.S. federal income tax principles. Consequently, a U.S. Holder should expect to include a payment on the Notes that does not constitute an excess distribution into income as a dividend.

Payments of interest with respect to the Notes that are treated as dividends will not be eligible for either the “dividends received” deduction generally allowed to corporate shareholders with respect to dividends received from U.S. corporations or the reduced tax rate applicable to “qualified dividend income” of non-corporate taxpayers.

Subject to applicable limitations, foreign taxes withheld from payments on the Notes at a rate not exceeding the rate provided in the applicable tax treaty (if any) may be creditable against the U.S. Holder’s U.S. federal income tax liability (or at a U.S. Holder’s election, may be deducted in computing taxable income if the U.S. Holder has elected to deduct all foreign income taxes for the taxable year). The limitation on foreign taxes eligible for the U.S. foreign tax credit is calculated separately with respect to specific “baskets” of income. For this purpose, the payments on the Notes should generally constitute “passive category income.” The rules governing foreign tax credits are complex, and U.S. Holders should consult their tax advisers regarding the creditability of foreign taxes based on their particular circumstances.

The U.S. federal income taxation of payments of interest that are treated as distributions from a PFIC is extremely complex. Each U.S. Holder should consult its tax adviser with respect to the appropriate U.S. federal income tax treatment of any payments on the Notes.

Sale, Exchange or Other Disposition of the Notes

A U.S. Holder generally will recognize gain or loss for U.S. federal income tax purposes upon the sale, exchange or other disposition of the Notes in an amount equal to the difference, if any, between the amount realized on such sale, exchange or other disposition and the U.S. Holder's adjusted tax basis in the Notes. Any such gain generally will be treated as an excess distribution subject to the tax consequences described above under *"Payments of Interest"*. Any such loss generally will be treated as a capital loss. The deductibility of capital losses is subject to limitations.

The U.S. federal income taxation of the sale, exchange or other disposition of shares of a PFIC is extremely complex. U.S. Holders should consult their tax advisors with respect to the appropriate U.S. federal income tax treatment of any sale, exchange or other disposition of the Notes.

Because gains on a sale or other disposition of the Notes generally will be treated as U.S. source, the use of foreign tax credits relating to any foreign income tax imposed upon gains in respect of the Notes generally will be limited. U.S. Holders should consult their tax advisors regarding the application of foreign taxes to a sale or other disposition of the Notes and their ability to claim a foreign tax credit against their U.S. federal income tax liability.

Mark-To-Market Election

If the Notes are "regularly traded" on a "qualified exchange", a U.S. Holder may make a mark-to-market election with respect to the Notes, which may help to mitigate the materially adverse tax consequences resulting from the Issuer's PFIC status. The Notes will be treated as "regularly traded" in any calendar year in which more than a de minimis quantity of the Notes are traded on a qualified exchange on at least 15 days during each calendar quarter (or a certain lesser amount of days for the quarter that includes the date the Notes are issued).

A non-U.S. securities exchange constitutes a qualified exchange if it is regulated or supervised by a governmental authority of the country in which the securities exchange is located and meets certain trading, listing, financial disclosure and other requirements set forth in U.S. Treasury regulations. It is not clear whether the Notes will be regularly traded on a qualified exchange.

If a "mark-to-market" election is available and a U.S. Holder validly makes such an election as of the beginning of the U.S. Holder's holding period, the U.S. Holder generally will not be subject to the adverse tax consequences relating to an excess distribution or gain described above under *"Payments of Interest"* or *"Sale, Exchange or Other Disposition of the Notes"*. Instead, the U.S. Holder generally will be required to take into account the difference, if any, between the fair market value of, and its adjusted tax basis in, its Notes at the end of each taxable year as ordinary income or to the extent of any net mark-to-market gains previously included in income, ordinary loss, and to make corresponding adjustments to the U.S. Holder's adjusted tax basis in the Notes. In addition, any gain from a sale, exchange or other disposition of the Notes will be treated as ordinary income, and any loss will be treated as ordinary loss to the extent of any net mark-to-market gains previously included in income, and as a capital loss to the extent the loss exceeds such net mark-to-market gains. Although a mark-to-market election may be available with respect to the Notes, a mark-to-market election generally would not be available with respect to any Lower-tier PFIC.

U.S. Holders should consult their tax advisors with respect to the availability and tax consequences of a mark-to-market election with respect to the Notes.

Qualified Electing Fund Election

The tax consequences described above under *"Payments of Interest"* and *"Sale, Exchange or Other Disposition of the Notes"*, generally would not apply if a "qualified electing fund" ("QEF") election were available and a U.S. Holder had validly made such an election as of the beginning of such U.S. Holder's holding period for the Notes. A QEF election would only be available to a U.S. Holder, however, if the Issuer agrees to annually provide such U.S. Holder with certain information. As the Issuer does not intend to provide U.S. Holders with the required information, prospective investors should assume that a QEF election will not be available in respect of the Notes.

Substitution of the Issuer

Condition 12.3 of the Terms and Condition of the Notes provides that, in accordance with provisions of the Trust Deed and the Subordinated Loan Agreement, the Issuer may substitute any entity in place of the Issuer as creditor under the Subordinated Loan Agreement, as issuer and obligor in respect of the Notes and as obligor under the Trust Deed. Such a substitution of the issuer of the Notes might be treated for U.S. federal income tax purposes

as a deemed disposition of the Notes by a U.S. Holder in exchange for new securities issued by the new obligor. As a result of this deemed disposition, a U.S. Holder could be required to recognize gain or loss for U.S. federal income tax purposes equal to the difference, if any, between the fair market value of the new securities and the U.S. Holder's adjusted tax basis in the Notes. Any such gain generally will be taxed as described above under "*Sale, Exchange or Retirement of the Notes*". U.S. Holders should consult their tax advisors with respect to the appropriate U.S. federal income tax treatment of a change in obligor with respect to the Notes.

PFIC and Other Reporting, Backup Withholding and Information Reporting

A U.S. Holder of the Notes, as a direct or indirect shareholder of a PFIC, will be required to file an annual IRS Form 8621 (Information Return by Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund). The failure to file such form may suspend the running of the statute of limitations. In addition, U.S. Holders who are individuals and who own "specified foreign financial assets" with an aggregate value in excess of certain minimum thresholds at any time during the tax year generally are required to file an information report (IRS Form 8938) with respect to such assets with their tax returns. If a U.S. Holder does not file a required IRS Form 8938, such holder may be subject to substantial penalties and the statute of limitations on the assessment and collection of all U.S. federal income taxes of such holder for the related tax year may not close before the date which is three years after the date on which such report is filed. The Notes generally will constitute specified foreign financial assets subject to these reporting requirements, unless the Notes are held in an account at certain financial institutions. Under certain circumstances, an entity may be treated as an individual for purposes of these rules. U.S. Holders are urged to consult their tax advisors regarding their information reporting obligations, if any, with respect to their ownership and disposition of the Notes.

In certain circumstances, a U.S. Holder may be required to file Form 926 with the IRS if the subscription price paid by the U.S. Holder, when aggregated with all transfers of cash made by the U.S. Holder (or any related person) to the Issuer within the preceding twelve-month period, exceeds \$100,000 (or its foreign currency equivalent). Failure by a U.S. Holder to timely comply with such reporting requirements may result in substantial penalties. U.S. Holders should consult their tax advisers to determine whether this reporting requirement is applicable to them.

Payments made on, and proceeds from the sale, exchange or other disposition of, the Notes may, under certain circumstances, be subject to information reporting and backup withholding, unless the U.S. Holder provides proof of an applicable exemption or, in the case of backup withholding, furnishes its taxpayer identification number and otherwise complies with all applicable requirements of the backup withholding rules. Backup withholding is not an additional tax and generally will be allowed as a refund or credit against the U.S. Holder's U.S. federal income tax liability, provided that the required information is timely furnished to the IRS.

Each U.S. Holder should consult its tax adviser with respect to the tax information reporting requirements in respect of the purchase of the Notes.

IRELAND

The following is a summary of the principal Irish withholding tax consequences for individuals and companies of ownership of the Notes based on the laws and practice of the Irish Revenue Commissioners currently in force in Ireland and may be subject to change. It deals with Noteholders who beneficially own their Notes as an investment. Particular rules not discussed below may apply to certain classes of taxpayers holding Notes, such as dealers in securities, trusts, etc. The summary does not constitute tax or legal advice and the comments below are of a general nature only. Prospective investors in the Notes should consult their professional advisers on the tax implications of the purchase, holding, redemption or sale of the Notes and the receipt of interest thereon under the laws of their country of residence, citizenship or domicile.

Taxation of Noteholders

Withholding Tax

In general, tax at the standard rate of income tax (currently 20 percent) is required to be withheld from payments of Irish source interest which should include interest payable on the Notes. The Issuer will not be obliged to make a withholding or deduction for or on account of Irish income tax from a payment of interest on a Note where:

- (a) the Notes are Quoted Eurobonds, i.e. securities which are issued by a company (such as the Issuer), which are listed on a recognised stock exchange (such as Euronext Dublin) and which carry a right to interest; and

- (b) the person by or through whom the payment is made is not in Ireland, or if such person is in Ireland, either:
 - (i) the Notes are held in a clearing system recognised by the Irish Revenue Commissioners; (DTC, Euroclear and Clearstream, Luxembourg are, amongst others, so recognised); or
 - (ii) the person who is the beneficial owner of the Notes is not resident in Ireland and has made a declaration to a relevant person (such as a paying agent located in Ireland) in the prescribed form.

Thus, subject to the discussion below, so long as the Notes continue to be quoted on Euronext Dublin and are held in a clearing system recognised by the Irish Revenue Commissioners (DTC, Euroclear, Clearstream, Luxembourg are, amongst others, so recognised) interest on the Notes can be paid by any Paying Agent acting on behalf of the Issuer free of any withholding or deduction for or on account of Irish income tax. If the Notes continue to be quoted but cease to be held in a recognised clearing system, interest on the Notes may be paid without any withholding or deduction for or on account of Irish income tax provided such payment is made through a Paying Agent outside Ireland.

Interest or other distributions paid on the Notes which are profit dependent or any part of which exceeds a reasonable commercial return could, under certain anti-avoidance provisions, be re-characterised as a non-deductible distribution and be subject to dividend withholding tax in certain circumstances. However, this should not apply on the basis of a confirmation by the Issuer that, at the time the Notes were issued, the Issuer was not in possession or aware of any information which could reasonably be taken to indicate that interest or other distributions paid on the Notes would not be subject, without reduction computed by reference to the amount of such interest or other distribution, to a tax in a relevant territory which generally applies to profits, income or gains received in that relevant territory by persons from sources outside that relevant territory, where the term “relevant territory” means a member state of the EU (other than Ireland) or a country with which Ireland has signed a double tax treaty.

Encashment Tax

Irish tax will be required to be withheld at the rate of 25 percent from interest on any Note, where such interest is collected or realised by a bank or encashment agent in Ireland on behalf of any Noteholder. There is an exemption from encashment tax where (i) the beneficial owner of the interest is not resident in Ireland and has made a declaration to this effect in the prescribed form to the encashment agent or bank or (ii) the beneficial owner of the interest is a company which is within the charge to Irish corporation tax in respect of the interest.

Stamp Duty

No stamp duty or similar tax is imposed in Ireland on the issue, transfer or redemption of the Notes provided the Issuer is a qualifying company for the purposes of Section 110 of the Taxes Consolidation Act 1997 and the proceeds of the Notes are used in the course of the Issuer’s business.

CERTAIN ERISA CONSIDERATIONS

The U.S. Employee Retirement Income Security Act of 1974, as amended (“**ERISA**”), imposes fiduciary standards and certain other requirements on employee benefit plans subject thereto (collectively, “**ERISA Plans**”), including collective investment funds, separate accounts, and other entities or accounts whose underlying assets are treated as assets of such plans pursuant to the U.S. Department of Labour “plan assets” regulation, 29 CFR Section 2510.3-101, as modified by Section 3(42) of ERISA (the “**Plan Assets Regulation**”), and on those persons who are fiduciaries with respect to ERISA Plans.

Under a “look-through rule” set forth in the Plan Assets Regulation, if an ERISA Plan or a plan that is not subject to ERISA but that is subject to Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”) (collectively, “**Plans**”), invests in an “equity interest” of an entity that is neither a “publicly offered security” nor a security issued by an investment company registered under the Investment Company Act, the Plan’s assets include both the equity interest and an undivided interest in each of the entity’s underlying assets, unless an exception applies. Under one such exception to this look-through rule, the underlying assets of an entity in which a Plan makes an equity investment will not be considered “plan assets” if benefit plan investors own less than 25 percent of the value of each class of equity interest in the entity. For purposes of this 25 percent determination, the value of equity interests held by persons (other than benefit plan investors) that have discretionary authority or control with respect to the assets of the entity or that provide investment advice for a fee (direct or indirect) with respect to such assets (or any affiliate of such a person) is disregarded. An equity interest does not include debt (as determined by applicable local law) which does not have substantial equity features. The term “benefit plan investor” is defined in Section 3(42) of ERISA as: (a) an employee benefit plan (as defined in Section 3(3) of ERISA) that is subject to part 4 of subtitle B of Title I of ERISA, (b) a plan to which Section 4975 of the Code applies, or (c) any entity whose underlying assets include “plan assets” by reason of any such plan’s investment in the entity. Where the value of an equity interest in an entity relates solely to identified property of the entity, that property is treated as the sole property of a separate entity.

Because the Notes do not represent an interest in any property of the Issuer other than the Subordinated Loan, they may be regarded for ERISA purposes as equity interests in a separate entity whose sole asset is the Subordinated Loan. Further, neither the Issuer nor the Trustee will be able to monitor the Noteholders’ possible status as benefit plan investors. Accordingly, the Notes are not permitted to be acquired by any benefit plan investor.

Governmental plans, certain church plans and certain non-U.S. plans, while not subject to the prohibited transaction provisions of ERISA or the provisions of Section 4975 of the Code, may nevertheless be subject to federal, state, local, non-U.S. or other laws or regulations (such as the prohibited transaction rules of Section 503 of the Code) that are substantially similar to the foregoing provisions of ERISA or the Code and/or laws or regulations that provide that the assets of the issuer could be deemed to include “plan assets” of such plan (“**Similar Laws**”). Fiduciaries of such plans should consult with their counsel before purchasing any of the Notes or any interest therein.

By its purchase and holding of the Notes or any interest therein, the purchaser thereof will be deemed to have represented and agreed that at the time of its purchase and throughout the period in which it holds such Notes or any interest therein: (a) it is not a benefit plan investor as defined in Section 3(42) of ERISA; (b) it is not and is not using the assets of a governmental plan, church plan or non-U.S. plan subject to Similar Laws unless the purchase and holding of such Notes will not violate any such Similar Laws; and (c) it will not sell or otherwise transfer any such Notes or interest to any person unless the same foregoing representations and warranties are deemed to apply from that person.

The foregoing discussion should not be construed as legal advice. Any potential purchaser of Notes should consult its legal counsel with respect to issues arising under ERISA, Section 4975 of the Code and any Similar Laws and make its own independent decisions.

GENERAL INFORMATION

1. The Notes have been accepted for clearance through DTC, Euroclear and Clearstream, Luxembourg. The Common Code, CFI, FISN and the ISIN numbers for the Regulation S Notes are 238770386, DAFXPR, TCS FINANCE DES/ASST BKD PERP SUB and XS2387703866, respectively. The Common Code, CUSIP, CFI, FISN and ISIN numbers for the Rule 144A Notes are 238905125, 87251LAA4, DBFSQR, TCS FIN D A C/NT PERP SECD 144A and US87251LAA44, respectively.
2. The Legal Entity Identifier code of the Issuer is 213800VIPIONINOC68.
3. The Legal Entity Identifier code of Tinkoff Bank is 2534000KL0PLD6KG7T76.
4. Application has been made to list the Notes on Euronext Dublin, through Arthur Cox Listing Services Limited as listing agent (“**ACLSL**”). ACLSL is acting solely in its capacity as listing agent for the Issuer in relation to the Notes and is not itself seeking admission to the Official List or to trading on the Global Exchange Market. It is expected that the listing of the Notes will be granted on or about 16 September 2021. Transactions will normally be effected for delivery on the third working day after the day of the transaction, subject to the issuance of the Global Certificates.
5. The issue of the Notes and the execution and performance by the Issuer of the Loan Agreement and the other documents to be entered into by the Issuer in relation to the Notes have been approved and authorised by a resolution at a meeting of the board of directors of the Issuer dated 15 September 2021.
6. The Loan Agreement and the other documents to be entered into by Tinkoff Bank in relation to the issue of the Notes have been approved and authorised by a resolution of the Management Board dated 27 August 2021.
7. Since 31 December 2020, there has been no material adverse change in the prospects of the Group or Tinkoff Bank and since 30 June 2021 there has been no significant change in the financial or trading position of the Group or Tinkoff Bank.
8. Since 31 December 2019, there has been no significant change in the financial or trading position of the Issuer and no material adverse change in the financial position and prospects of the Issuer. The Issuer has no subsidiaries.
9. Each of the Issuer and Tinkoff Bank has obtained all necessary consents, approvals and authorisations in connection with the issue of the Notes and the execution and performance by it of the Loan Agreement, and the other documents to be entered into by it in connection with the issue of the Notes.
10. No consents, approvals, authorisations or orders of any regulatory authorities in Ireland or Russia are required by the Issuer or Tinkoff Bank for its entry into, and the performance of its obligations under, the Loan Agreement or for the issue and performance of the Notes.
11. There have been no governmental, legal or administrative or arbitration proceedings (including any such proceedings which are pending or threatened of which, Tinkoff Bank is aware) during the 12 months prior to the date of these Listing Particulars, which may have or have had in the recent past, a significant effect on the financial position or profitability of Tinkoff Bank.
12. The Issuer is not and has not during the 12 months prior to the date of these Listing Particulars been involved in any governmental, legal or arbitration proceedings that may have, or have had in the recent past, a significant effect on the Issuer’s financial position or profitability, nor is the Issuer aware that any such proceedings are pending or threatened.
13. The Trust Deed provides, *inter alia*, that the Trustee may act and/or rely on the opinion or advice of or a certificate of any information obtained from any lawyer, banker, valuer, surveyor, broker, auctioneer, or other expert (whether or not addressed to the Trustee), notwithstanding that such opinion, advice, certificate or information contains a monetary or other limit on the liability of any of the above-mentioned persons in respect thereof.
14. The Financial Statements of the Group included in these Listing Particulars, have been audited by PricewaterhouseCoopers Limited (“**PwC**”), independent accountants, as stated in their reports appearing herein. PwC has registered offices at Julia House, 3 Themistocles Dervis Street, CY-1066, Nicosia, Cyprus. PwC is a member of the Institute of Certified Public Accountants of Cyprus.

15. The Tinkoff Bank Financial Statements included in these Listing Particulars, have been audited by AO PricewaterhouseCoopers Audit (“**PwC Russia**”), independent accountants, as stated in their reports appearing herein. PwC Russia has registered offices at White Square Business Center, 10 Butyrskiy Val, Moscow, 125047, Russian Federation. PwC Russia is a member of the Self-Regulated Organisation of Auditors Association “Sodruzhestvo”.
16. For the life of the Listing Particulars, copies (and certified English translations where the documents at issue are not in English) of the following documents may be inspected in physical form at the registered office of the Issuer and the office of the Principal Paying Agent in London during usual business hours on any weekday (Saturdays and public holidays excepted):
- (a) a copy of these Listing Particulars, together with any supplement to these Listing Particulars;
 - (b) the constitution of the Issuer;
 - (c) the Charter of Tinkoff Bank;
 - (d) the Financial Statements of the Group;
 - (e) the Tinkoff Bank Financial Statements;
 - (f) a copy of the audited financial statements of the Issuer in respect of the financial years ended 31 December 2019 and 2018, which are the most recent audited financial statements of the Issuer for two years;
 - (g) the Loan Agreement;
 - (h) the Agency Agreement; and
 - (i) the Trust Deed, which includes the forms of the Global Certificates and the Definitive Certificates.
17. The Issuer does not intend to provide any post-issuance transaction information regarding the Notes or the Loan.
18. The Bank of New York Mellon SA/NV, Dublin Branch will act as Registrar and Transfer Agent in relation to the Notes.
19. The Notes are expected to be rated ‘B-’ by Fitch and by ‘B3(hyb)’ Moody’s.
20. The expenses in connection with the admission of the Notes to the Official List and to trading on the Global Exchange Market are expected to amount to approximately EUR 5,000.
21. The language of these Listing Particulars is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.
22. The Managers and their affiliates have performed certain investment banking and advisory and general financing and banking services for members of the Group from time to time for which they have received customary fees and expenses. The Managers and their affiliates may, from time to time, engage in future transactions with and perform services for members of the Group in the ordinary course of their business.

APPENDIX A—OVERVIEW OF THE BANKING SECTOR AND BANKING REGULATION IN RUSSIA

Overview

As at the date of these Listing Particulars, the banking sector mostly offers services related to short-term and midterm financing due to the historical instability of the Russian lending market and the difficulty borrowers face in providing adequate collateral.

According to the CBR, as at 1 January 2021, the total assets of the Russian banking sector were valued at approximately RUB 103,842 billion, which represented an increase of 17.0 percent, compared to 1 January 2020. The capital base of Russian credit organisations was valued at approximately RUB 10,681 billion as at 1 January 2021. According to the CBR, as at 1 January 2021, the total share capital of Russian credit organizations was RUB 4,812 billion, which represented a 1.1 percent decrease, compared to RUB 4,867 billion as at 1 January 2020.

According to the CBR, as at 1 January 2021, the total amount of individuals' deposits with Russian banks amounted to RUB 32,834.2 billion (of which deposits for a period of more than one year in roubles amounted to RUB 8,193.7 billion and deposits for a period of more than one year in foreign currencies totalled RUB 3,609.4 billion), compared to RUB 30,549.01.4 billion as at 1 January 2020. Corporate deposits with Russian banks as at 1 January 2021 amounted to RUB 24,406.75 billion (of which deposits in roubles amounted to RUB 16,539.1 billion and deposits in foreign currencies totalled RUB 6,867.7 billion), compared to RUB 21,683.99 billion as at 1 January 2020.

According to the CBR, the remaining sources of the banking sector's funding base are debt security issues (including saving certificates, deposit certificates, bonds, promissory notes and bank acceptances) and interbank credit operations, amounting to RUB 2,679.4 billion and RUB 9,972.5 billion as at 1 January 2021, respectively, compared to RUB 2,322.8 billion and RUB 8,960.1 billion as at 1 January 2020, respectively.

According to the CBR, as at 1 January 2021, the total amount of loans and other funding in roubles provided by Russian banks in roubles increased to RUB 53,086.13 billion (of which loans in the amount of RUB 19,949.6 billion was provided to retail customers, loans and other funding in the amount of RUB 33,136.6 billion was provided to corporate customers, excluding banks and other financial institutions, and loans and other funding in the amount of RUB 807.0 billion was provided to state financial agencies and non-budgetary funds) as compared to RUB 47,310.7 billion as at 1 January 2020. The total amount of loans and other funding provided by Russian banks in foreign currencies amounted to RUB 11,804.1 billion as at 1 January 2021 (of which loans and other funding in the amount of RUB 94.07 billion was provided to retail customers, loans and other funding in the amount of RUB 11,623.6 billion was provided to corporate customers, excluding banks and other financial institutions) as compared to RUB 9,404.5 billion as at 1 January 2020.

History of the Russian Banking Sector and Banking Statistics

Under the Soviet regime, the former State Bank of the USSR, or Gosbank, (the predecessor of the CBR) allocated resources from the Russian Government's budget according to the prevailing economic plan, and was in effect the only bank in existence. In 1987, with the relaxation of controls over companies and interbank settlements, a small group of dependent, specialised banks developed to conduct business relating to savings, foreign trade, construction, industry, agriculture and small enterprises.

In 1988 and 1989, during the second phase of the reform, regional commercial banks (primarily in the form of cooperatives or joint stock companies) began to rapidly emerge (with initial capital between RUB 500,000 and RUB 300 million). By the beginning of 1992, 1,500 licences had been granted to banks.

In 1991, three of the specialised state dependent banks were transformed into joint-stock companies and some regional branches became independent from their head offices through management buyouts.

The CBR assumed all the functions of Gosbank in November 1991 and Gosbank was liquidated in December of that year.

Between 1991 and 1998 the Russian banking sector experienced rapid growth. The number of commercial banks in Russia increased from 358 in 1990 to 2,538 in 1996. On 17 August 1998, the Russian financial market suffered a serious crisis in part as a result of the Asian financial crisis that began in 1997, causing major concerns over the liquidity and solvency of the market as a whole. In connection with the crisis, the Russian Government defaulted

on its sovereign debt and the CBR announced a gradual devaluation of the rouble, the imposition of a repayment moratorium on certain loans to foreigners and the compulsory restructuring of approximately US\$40 billion of short-term treasury instruments. Many banks went into bankruptcy or fell under the administration of the Agency for Restructuring of Credit Organisations (“**ARCO**”). However, due to the stabilisation of the Russian banking sector, the importance of ARCO as the administrator of credit organisations undergoing financial restructuring has decreased. On 18 October 2003, the last of such credit organisations was withdrawn from ARCO’s administration, and pursuant to Federal Law No. 87-FZ “On abolition of Federal Law “On Restructuring of Credit Organisations” and certain provisions of legal acts of the Russian Federation and on the liquidation procedure of state corporation “Agency for Restructuring of Credit Organisations” dated 28 July 2004 (the “**ARCO Liquidation Law**”), ARCO itself was liquidated. Pursuant to the ARCO Liquidation Law and Federal Law No. 177-FZ “On Insurance of Deposits of Individuals in Banks in the Russian Federation” dated 23 December 2003 (the “**Deposit Insurance Law**”), the assets of ARCO were transferred to the Deposit Insurance Agency.

Following to the 1998 financial crisis, the number of credit organisations operating in Russia fell to 1,586 by 1 July 2004. The 1998 financial crisis revealed the lack of proper controls in the banking sector and increased public concerns over the integrity of the banking system, in particular, concerns regarding misleading advertising, money laundering and corruption.

Further, the Russian banking sector experienced instability and a liquidity deficit in 2004 resulting from the actions taken by the CBR and a crisis of confidence among Russian banking customers. From May to July 2004, the CBR revoked banking licences of a number of Russian banks, and the resulting uncertainty in the Russian banking system led to the virtual collapse of the interbank lending market and to liquidity pressures for many Russian banks. The collapse of a number of Russian banks caused panic among depositors, and even the more reliable, larger banks experienced depositor withdrawals and liquidity problems as banks were unable to attract funds on the interbank market or from their customer base. In 2004, the Russian banking sector experienced instability, which resulted in a crisis of confidence towards Russian banks by their customers. The CBR took effective steps to reverse the trend. The rate of mandatory reserves that banks were required to deposit with the CBR was temporarily reduced from 7 percent to 3.5 percent. To implement these measures, the CBR permitted banks to immediately reduce their mandatory reserves. Accordingly, banks’ borrowing costs have been reduced. In addition, legislation was passed to combat the crisis and to minimise potential losses of private depositors. In accordance with amendments to Federal Law No. 86-FZ “On the Central Bank of the Russian Federation (Bank of Russia)” dated 10 July 2002 (the “**Central Bank Law**”) enacted in 2004, the CBR is required to make payments to private depositors of insolvent Russian banks if such banks have not been admitted to the system of private deposit insurance prior to their bankruptcy. The CBR is also able to impose, for the term of one year, a limit on the interest rates on deposits paid by banks to private depositors. In addition, banks are required to disclose certain information related to the interest rates on deposits, banks’ liabilities in respect of deposits and amounts of cash withdrawals by private depositors.

In 2007, disclosure of effective interest rate became a precondition to grouping the loans in portfolios for the purposes of calculation of loss allowances (but later this provision was abolished). Since April 2008, banks are required to disclose all costs that may be associated with obtaining a bank loan by an individual.

In the second half of 2008, in response to the global credit crisis and its impact on the Russian banking system and overall economy, the Russian authorities and the CBR introduced certain measures intended to prevent bankruptcy of credit organisations. These measures were taken in accordance with Federal Law No. 175-FZ “On Additional Measures for Strengthening the Stability of the Banking System for the Period until 31 December 2011” dated 27 October 2008, as amended (the “**Banking System Stability Law**”) and decisions taken in September and October 2008 prior to the effective date of this law. The Banking System Stability Law was subsequently prolonged until 31 December 2014 and was abolished on 22 December 2014. The number of credit organisations subject to such measures decreased from 20 (with assets of RUB 62.6 billion, or 1.6 percent of the total assets of Russian credit organisations) as at 1 January 2009 to 17 (with assets of RUB 3,514.5 billion, or 4.9 percent of the total assets of Russian credit organisations) as at 1 June 2015.

The Banking System Stability Law envisaged that the Deposit Insurance Agency would assist distressed banks through, *inter alia*: (a) attracting investors for credit organisations, which are experiencing financial difficulties; and (b) liaising with the CBR regarding the provision of financial assistance to such credit organisations.

The Banking System Stability Law expanded the list of bankruptcy prevention measures available for Russian credit organisations by introducing the following additional procedures:

- provision of financial assistance to private investors that have agreed to acquire a controlling stake in a credit organisation in distress;
- financial assistance to other credit organisations that have agreed to acquire certain assets and obligations of a credit organisation in distress;
- acquisition of a controlling stake in a credit organisation in distress directly by the Deposit Insurance Agency (if there is no investor willing to participate in rehabilitation proceedings);
- provision of financial assistance to a credit organisation in distress subject to acquisition of a controlling stake in such credit organisation by either a private investor or the Deposit Insurance Agency;
- making arrangements for public sale of the assets securing obligations of a credit organisation owed to its creditors, including the CBR; and
- appointment of the Deposit Insurance Agency by the CBR to act as temporary administrator in relation to a credit organisation.

The decision as to whether bankruptcy prevention measures should be launched in respect of a particular credit organisation rests with the CBR and the Deposit Insurance Agency.

The analysis of the financial position of a credit organisation for the purpose of provision of state support to it will be performed by the CBR and the Deposit Insurance Agency. Based on the results of the analysis the Deposit Insurance Agency will develop a rehabilitation plan for that credit organisation which will then need to be approved by the CBR.

According to the Deposit Insurance Agency, as at 30 July 2021, the CBR and the Deposit Insurance Agency have launched rehabilitation measures in respect of 68 credit organisations. For further information on legislative and governmental measures adopted in 2008 and 2009 in response to the global economic crisis, see “—*Measures to Support the Liquidity and Solvency of Russian Banks and Legal Entities since October 2008*”.

Structure of the Russian Banking Sector

The Russian banking sector consists of the CBR, credit organisations and representative offices of foreign banks. Credit organisations, in turn, consist of banks, which provide a wide range of banking services, and non-banking credit organisations, which provide only limited banking services, such as maintaining accounts and making payments.

State-owned banks continue to play a key role in the development of the Russian banking sector. State owned banks offering retail banking services include Sberbank and VTB. Other state owned banks focus primarily on operations with budgetary funds and participate in the realisation of governmental programmes (for example, Rosselkhozbank (Russian Agricultural Bank)).

Although it is not possible for foreign banks to directly conduct business on the Russian financial market, many major foreign banks have subsidiary banks in Russia. The presence of foreign owned banks in the Russian market is relatively limited as their activities have been restricted in order to protect the nascent Russian banks. Foreign owned banks must satisfy additional requirements in connection with obtaining a licence, for example, there must be a degree of reciprocity in the home country of the foreign bank. According to the CBR, as at 1 January 2021, the number of credit organisations operating in Russia with a 100 percent foreign participation amounted to 57, and with a foreign participation in the amount from 50 to 100 percent amounted to 15.

Current Competitive Landscape

The banking sector in Russia is highly fragmented and competitive. As at 1 August 2021, according to the CBR, there were 376 banks and non-banking credit organisations registered in Russia. However, at 1 January 2021, the five largest banks accounted for 63.6 percent of the total value of banking assets in Russia, and the following fourteen largest banks accounted for 22.1 percent, according to the CBR.

According to the CBR, a number of the country's largest banks are part of financial industrial groups and as such undertake transactions for related parties. As at 1 June 2021, approximately 76.4 percent of banks and non-banking credit organisations operating in Russia were located in the Moscow region. The following tables set out market share data for the ten largest banking groups by total assets (according to Expert RA), volume of retail loans with maturity period up to three years and volume of credit card loans as at 1 August 2021, with corresponding market shares.

	Total Assets		Market ⁽¹⁾ share (% of total)
	Rank	RUB billion	
Sberbank	1	35,699.2	31.7%
VTB Bank	2	18,470.4	16.4%
Gazprombank	3	7,777.5	6.9%
National Clearing Centre	4	6,140.7	5.5%
Alfa-Bank	5	4,863.2	4.3%
Russian Agricultural Bank	6	3,882.9	3.5%
Promsvyazbank	7	3,353.3	2.9%
Moscow Credit Bank	8	3,166.5	2.8%
Otkritie	9	2,893.9	2.6%
SovcomBank	10	1,735.8	1.5%
Total (Top-10)	-	87,983.4	78.1%
Total	-	112,458.2	100.0%

Source: Expert Ra

(1) Market shares are calculated as a percentage of the Top-100 total amount.

Ranking by Retail Loans as of 1 August 2021		
Bank	RUB billion	Market share (% of total)
Sberbank	9,716.5	41.5%
VTB Bank	3,930.3	16.8%
Alfa-Bank	1,127.6	4.8%
Gazprombank	733.8	3.1%
Russian Agricultural Bank	611.3	2.6%
Other banks	7,278.6	31.2%
Total	23,398.1	100.0%

Source: Expert Ra

(1) Market shares are calculated as a percentage of the Top-100 total amount.

Ranking by Credit Card Loans as of 31 December 2020		
Bank	RUB Billion	Market share (% of total)
Sberbank	703.4	43.4%
Tinkoff Bank	227.3	14.0%
Alfa-Bank	182.7	11.3%
VTB Bank	100.1	6.2%
Other consumer banks ⁽¹⁾	271.0	16.7%
Other banks	136.2	8.4%
Total	1,620.7	100.0%

Source: CBR data

(1) Other consumer banks include Sovcombank, Russian Standart Bank, Vostochny Bank, MTS Bank, OTP Bank and Pochta Bank.

The presence of foreign-owned banks in the Russian market is relatively limited. Historically, foreign controlled banks have primarily serviced multinational firms operating within Russia and conducted inter-bank operations. More recently, these banks have increased their presence in Russian retail banking and have increased their loan

portfolio in several sectors of the economy. The level of foreign investment in the Russian banking sector remains relatively low, with foreign banks accounting for 14.4 percent of statutory capital as at 1 January 2021, according to the CBR, compared to 13.9 percent as at 1 January 2020.

The Retail Banking Sector in Russia

Russia's financial services sector is still underdeveloped and underpenetrated relative to the most developed economies, such as the United States, the UK or Germany, as well as certain emerging high growth economies when measured in terms of the ratio of retail loans or retail deposits or insurance premiums to GDP.

The Russian financial services sector has been growing rapidly since the global economic and financial crisis of 2008-2009, spurred by economic recovery and growth, as well as by the development of financial services infrastructure. According to the CBR, during 2019-2020 total retail loans in the Russian banking system increased by 26.2 percent from RUB 14,901 billion as of 1 January 2019 to RUB 20,528 as of 1 January 2021, while total retail deposits increased by 13.3 percent from RUB 28,459.5 billion to RUB 30,549 billion during the same period.

The following table sets forth selected key data on the evolution and development of Russia's retail banking sector as per the CBR.

	As at 31 December				
	2020	2019	2018	2017	2016
Retail bank loans (RUB in billions)	17,650	14,901	12,174	10,804	10,684
Percent growth.....	15.6	22.4	12.7	1.1	(5.7)
Retail bank deposits (RUB in billions) ..	32,030	28,460	25,987	24,322	23,219
Percent growth.....	11.2	9.5	6.8	4.8	25.1

Sources: CBR data.

The following table sets forth selected key data on credit cards:

	As at 1 January				
	2021	2020	2019	2018	2017
Credit Card Loans (RUB in billions).....	1,621	1,595	1,310	1,118	0,995
Percent growth.....	1.6	17.9	14.7	11.0	(8.0)
Number of credit cards issued (in thousands) ⁽¹⁾	39,143	37,184	35,082	32,155	30,144

Source: CBR data.

(1) Includes plastic card overdrafts.

Credit card lending has stood out as one of the fastest growing sub-segments of retail bank lending in Russia in recent years – from RUB 995 billion as of 31 December 2016 to RUB 1,621 billion as of 31 December 2020.

The rapid growth of Russia's credit card industry is partially driven by the increasing adoption of credit cards as a more convenient alternative to cash. Historically predominantly a cash-based economy, Russia is quickly building its electronic payments sector, as people become more accustomed to cashless payments, such as payments made by credit cards, debit cards and prepaid cards, as well as via eWallets, mobile wallets or bank transfers. Generally, bank card adoption in Russia is from 254.8 million bank cards issued as of 1 January 2017 to 305.6 million as of 1 January 2021 according to CBR. According to CBR data, as of 1 January 2021 there were 2.1 bank cards per person in Russia. The volume of bank card transactions in Russia grew from 12,823.9 million as of 31 December 2015 to 49,938.4 million as of 31 December 2020. There were 39.1 million credit cards in circulation in Russia as of 1 January 2021.

Other rapidly developing forms of non-cash payments include mobile payments, which are relatively new to the Russian market, but with increasing Internet and smartphone penetration, greater volumes of e-commerce and development of processing infrastructure, their volumes could grow rapidly and account for a significant share of payment transactions in Russia.

The Insurance Sector in Russia

Among the markets of the emerging countries, Russia's insurance market is turning out to be the most important with significant upside given its low penetration ratios relative to other markets.

After the demise of the USSR in 1992, Russia abandoned the state-controlled obligatory insurance system in favour of a voluntary insurance market based on private property, although some types of compulsory social insurance were maintained to cover the needs of the State. The old state monopoly for domestic insurance, Gosstrakh, became the privatised Rosgosstrakh, Russia's current market leader. Similarly, the same thing happened with the old state monopoly for "external insurance" (international), Ingosstrakh, which was also privatised and, with Western investors now also having a stake in it, remains one of the most important Russian insurers. During the transitional phase up to 2006, the main features of the Russian insurance market were (i) strong presence of captive insurance companies created by influential private economic and financial groups (Alfa, Interros, Lukoil) (ii) use of schemes to optimise tax payments to the State, these being channelled through insurance (chiefly Life and reinsurance) and (iii) high number of not very viable insurers created to implement the schemes in question.

The decisive return to the real, classic insurance market, geared to Western insurance legislation, occurred in Russia from 2006 under pressure from State regulatory bodies. The market was then restructured, with processes of concentration among insurance companies being triggered at the same time the presence of international capital in the Russian insurance market also increased. As a result, a substantial number of insurers lost their licences. As of 31 December 2020 Russia had 232 registered insurance undertakings, comprising 160 insurance companies, 59 insurance brokers and 13 mutual, based on CBR data. Total insurance premiums (excluding compulsory medical insurance) grew rapidly from RUB 1,180.6 billion as of 31 December 2016 to RUB 1,540.9 billion as of 31 December 2020 according to the CBR.

Non-life insurance predominates over life insurance for various reasons, including the situation of the Russian economy during the political transition, the low level of insurance culture among the population and the lack of confidence in private insurance. The low volume of life insurance in Russia stands out, in contrast to the structure of the insurance market in the countries of Western Europe.

Internet and Mobile Markets

The rapid adoption of Internet and mobile data services in Russia is creating significant opportunities for technology-based financial services providers, such as the Group, to acquire and service customers almost all across the country. According to International Telecommunication Union data and Newzoo's Global Mobile Market Report, in Russia over 85 percent of population are Internet users and more than 68 percent of population are smartphone users.

The following table sets forth a comparison of Internet and smartphone statistics across large advanced and emerging markets economies:

	2020 Internet users in millions	2020 percentage of population	2020 percentage of population with smartphones
USA.....	312.3	95.5%	81.6%
Russia	124.0	85.1%	68.5%
Germany	77.8	93.6%	77.9%
UK.....	65.0	96.8%	78.9%
France.....	58.0	89.3%	77.6%
Italy.....	50.5	90.8%	75.9%
Spain.....	42.4	83.4%	74.3%

Sources: International Telecommunication Union, Newzoo's Global Mobile Market Report.

An important trend in Russia's Internet and mobile markets has been the rapid growth of retail transactions conducted through these two channels. According to CBR the volume of non-cash payments carried 70.3 percent of payments carried out in 2020.

For reference, the table below sets forth the average and end of year RUB/US\$ exchange rates since 2016 as per

the CBR:

	2016	2017	2018	2019	2020
RUB/US\$ Average	66.8335	58.3010	62.9264	64.6184	72.3230
RUB/US\$ End of Period	60.6569	57.6002	69.4706	61.9057	73.8757

Sources: CBR data.

Role of the CBR

The CBR is the primary authority responsible for the regulation of banking institutions in Russia and also acts as Russia's central bank.

Until 2002, the CBR had been operating under the general terms of reference of Federal Law "On the Central Bank of the Russian Federation (the Bank of Russia)" dated 2 December 1990, as amended. In 2002, this law was superseded by the Central Bank Law. According to the Central Bank Law, the State cannot be liable for the CBR's obligations, nor can the CBR be liable for the State's obligations unless the relevant liability has been undertaken or is required by law. The CBR's property is under federal ownership.

The CBR is legally and financially independent of the Russian Government. The CBR's governing bodies are the Board of Directors and the National Banking Council, a collective management body carrying out certain governing functions, which were solely vested in the Board of Directors prior to adoption of the Central Bank Law (including, among other things, making decisions on maximum capital expenditures of the CBR, distribution of profits gained by the CBR, appointment of the CBR's chief auditor, approval of the CBR's accounting rules and requirements). The structure of the CBR comprises of the Moscow Head Office, a number of regional branches in constituent entities of the Russian Federation (in some of the Russian republics the CBR's regional branches are called National) and local branches. The Chairman of the CBR's Board of Directors is appointed on the recommendation of the President for a fixed term of five years by the State Duma (the lower chamber of the Russian Parliament), can be replaced under the same procedure, and has the right to participate in meetings of the Russian Government (Cabinet). The Ministers (or Deputy Ministers, as the case may be) of Finance and of Economic Development have the right to participate in meetings of the CBR's Board of Directors with consultative voting rights. The members of the National Banking Council are appointed by the Council of Federation (the upper chamber of the Russian Parliament), the State Duma, the President and the Government of the Russian Federation. The Chairman of the CBR is a member of the National Banking Council ex officio.

Under the Central Bank Law, the Banking Law and Federal Law No. 173-FZ "On Currency Regulation and Currency Control" dated 10 December 2003, as amended (the "**Currency Control Law**"), the CBR is authorised to adopt implementing regulations on various banking and currency control issues. The CBR has actively used this authorisation in recent years, creating a detailed and extensive body of regulations.

The Federal Service for Financial Markets (the "**FSFM**") used to issue licences to banking institutions acting as professional participants of the Russian securities market. According to the Federal Law No. 251-FZ "On Amending Certain Legislative Acts of the Russian Federation in connection with the Transfer of Authorities on Regulation, Control and Supervision in Financial Markets" dated 23 July 2013, as amended, the authorities of the FSFM were transferred to the CBR with effect from 1 September 2013. The CBR succeeded the authorities of the FSFM in regulating and overseeing, inter alia, activities of banks as professional participants of the securities market.

Under current legislation, the CBR has the following major functions:

<i>Function</i>	<i>Summary</i>
Issue of money and regulation of circulation	The CBR is the sole issuer of rouble banknotes and regulates their circulation. The CBR plans and arranges for the printing of banknotes and the engraving of coins, establishes the rules for their transportation and storage and regulates over-the-counter operations with cash. However, the CBR is prohibited from issuing money for purposes of budget deficit rouble and foreign currency accounts of residents and non-residents in Russia.
Licensing	Issuance, suspension and revocation of banking licenses to banks.

Function

Control and supervision

Summary

Bank supervision (compliance with mandatory economic ratios and reserves requirements, sanctions for violations, overseeing banking operations); defining format requirements for accounting and statistical reports; fixing reporting schedules; appointment of temporary administration to banks; control over acquisition (and/or a trust management) of significant (more than 1 percent) stakes in banks; assessment of financial standing of banks' founders (shareholders/participants).

Banking Regulation

The Banking Law is the principal law regulating the Russian banking sector. Among other things, it defines credit organisations, sets forth the list of banking operations and other transactions that credit organisations may perform and establishes the framework for the registration and licensing of credit organisations and the regulation of banking activity by the CBR.

In accordance with Federal Law No. 135-FZ "On Protection of Competition" dated 26 July 2006, as amended, the FAS regulates mergers and acquisitions of stakes in excess of 25, 50 and 75 percent of the total voting shares in credit organisations established in the form of joint stock companies, participation interests representing one third, half and two thirds of the charter capital of credit organisations established in the form of limited liability companies and acquisitions of certain shares of credit organisations' assets or rights to determine conditions relating to their activities. In addition, the CBR approval is required for the acquisition of or setting up of a trust management over stakes in excess of 10 percent of total voting shares in Russian credit organisations and any subsequent increases of ownership/trust holding above thresholds of 25 percent, 50 percent and 75 percent of shares or the acquisition of 100 percent of share capital. The CBR approval is valid for one year from the date of issuance, and the applicant may acquire any amount of shares in a credit organisation within the threshold and total acquisition price stipulated in such CBR approval. Where more than 1 percent of share capital of a bank is purchased or trust management over such shares is created, the CBR should be notified of such acquisition or actions. Tax authorities supervise tax assessments of banks. Other governmental authorities are largely inactive in relation to banks. The Association of Russian Banks, comprising, as at 31 December 2020, 173 members, including 99 member credit organisations, was established pursuant to the provisions of the Banking Law as a non-commercial self-regulatory organisation. It offers various types of technical support to its members and lobbies the interests of banks in all branches of power. Set out below are some of the principal features of the regulatory regime governing banks in Russia.

Recent Amendments to the Banking Law

In accordance with the amendments introduced by the Federal Law No. 29-FZ "On Amending Certain Legislative Acts of the Russian Federation" dated 14 March 2013 it is forbidden for foreign banks to establish their branches on the territory of Russia. Therefore, foreign banks may carry out business activity on the territory of Russia only by establishment of subsidiary companies or through representative offices, whereas branches of foreign banks were excluded from the bank system of Russia. The Regulation of the CBR No. 467-P dated 22 April 2015 sets for the procedure for opening representative offices of foreign credit organisations in Russia and for the activities thereof.

On 2 July 2013, further amendments to the Banking Law were introduced by the Federal Law No. 146-FZ "On Amendments to Certain Legislative Acts of the Russia Federation". Among the most important, amendments provide for the following:

- preliminary CBR consent is required for acquisition of over 10 percent of shares in a Russian bank (instead of the previous 20 percent threshold);
- rules for qualifying a banking group (*bankovskaya gruppа*) and a banking holding (*bankovskiy kholding*) were changed. As opposed to the previous rules, the amendments define a banking group as an association of legal entities under control or significant influence of one credit organisation. The definition of a banking holding was expanded: a bank holding is now defined as an association of legal entities, at least one of which is a credit organisation, under control of a parent legal entity, not a credit organisation, provided that a share of banking activities is at least 40 percent of the overall activities of this holding. Rules for reporting and disclosure by Russian banks were also slightly clarified in connection with the above new rules; and

- competence of the board of directors of a Russian bank was expanded. In particular, the amendments authorise the board of directors to adopt risk and capital management strategy, methodology of risk management and models of risk assessment, the procedure for resolving of conflicts of interests in the bank, appoint the head of an internal audit department and adopt regulations relating to remuneration of, and requirements to, employees involved in operations affecting compliance with mandatory capital ratios and interests of clients of the bank. Therefore, such authorities may not be referred to competence of the other management bodies.

In July 2015, the CBR published Order No. 3737-U “On Procedure of Determination of the List of Systemically Important Credit Organisations” that introduced certain criteria and procedure for the preparation of a list of systemically important credit organisations. For the purposes of preparing this list, the CBR has taken into account, among other things, the size of a credit organisation in relation to the entire banking sector, the amount of retail deposits, the volume of funds raised from other financial institutions and the funds placed with other financial institutions. The list of systemically important credit organisations includes banks that account for more than four-fifths of the total assets of the Russian banking sector and is subject to annual review. Credit organisations are informed by the CBR of being included in the list. The list of systemically important credit organisations was initially published on 15 July 2015 and updated on 20 October 2015, 30 September 2016, 13 September 2017, 5 October 2018, 14 October 2019 and 29 October 2020.

In December 2015, the Federal Law No. 372-FZ “On Amending Article 16 and Article 18 of the Banking Law” introduced additional requirements to the establishment and operations of credit organisations with foreign investments (investment of non-residents).

Amendments introduced to Russian bankruptcy legislation in 2017 provide for a new type of financial rehabilitation of Russian banks. Such rehabilitation shall be conducted by the CBR via a specially established Fund for the Consolidation of the Banking Sector. This fund will play a key role in the CBR’s efforts to remove weak and unstable banks via consolidation and improve the overall health of the banking sector. The fund consists of cash contributions made by the CBR and the funds’ property is legally separated other assets owned by the CBR.

The CBR has established a management company for purposes of managing the Fund for the Consolidation of the Banking Sector which will on the CBR’s behalf participate in implementing measures to prevent bankruptcy of credit institutions and use the property of the fund.

Using the fund, the CBR will be able to invest in the share capital of banks undergoing financial rehabilitation in the course of implementing measures to prevent the bankruptcy of credit institutions. The fund’s management company will manage the banks undergoing financial rehabilitation by the CBR, create mutual investment funds, sell investment units to the CBR, carry out the functions of the temporary administration on the basis of the rehabilitation plan approved by the CBR.

On 1 May 2017, Federal Law No. 92-FZ “On Amendments to Certain Legislative Acts of the Russian Federation”, effective from 1 June 2017, introduced a set of structural amendments to the banking regulation. In particular, the amendments provide that Russian banks divide into two groups: the banks having general license and the banks having basic license. A bank having basic license is unable to perform certain kinds of banking operations with foreign persons, such as placing of funds deposited with it by individuals and legal entities on its behalf and for its own account, taking precious metals as deposits and placing them, issuing bank guarantees or acting as a surety, leasing operations, acquiring claims against foreign persons, as well as to open a correspondent account with a foreign bank, save for the purposes of participating in foreign payment systems. Furthermore, the amendments provide for RUB 1 billion as a minimum amount of charter and regulatory capital of a bank having general license and RUB 300 million as a minimum amount of a charter capital and equity of a bank having basic license. The amendments also regulate a procedure of acquiring the status of a bank having general license.

On 29 July 2017, the Federal Law No. 281-FZ “On Amendments to Certain Legislative Acts of the Russian Federation Relating to Improvement of Mandatory Requirements for Incorporators (Shareholders), Management Bodies and Officers of Financial Organisations”, effective from 28 January 2018, introduced a new set of amendments to the Banking Law. In particular, the amendments refine qualification and reputational requirements for senior officers of a credit organisation and reputational requirements for its shareholders (or potential shareholders) or controlling persons (or its shareholders’ controlling persons). The amendments also improve the procedure and grounds for refusal to grant approval of a transaction for the acquisition of shares in a credit organisation.

In June 2018, Federal Law No. 123-FZ “On authorised entity for the rights of consumers of financial services” introduced new institution of financial ombudsman that considers the claims of customers against the financial institutions during the pre-trial proceedings. Introduction of financial ombudsman is due to significant increase of claims of customers against banks and other credit institutions.

Licensing

A licence must be obtained from the CBR in order for any institution to engage in banking activity as defined in the Banking Law. Applicants must be incorporated within Russia and registered with the CBR as a credit organisation, and submit, *inter alia*, a feasibility report and detailed information on the suitability of the applicant’s management team. A banking licence may be denied for a number of reasons, including if the financial standing of the founders of the bank is deemed unsatisfactory by the CBR, or if the proposed candidates for the senior management of the bank, including members of the management board and the chief executive officer, are deemed to be unsuitable or do not meet the qualification requirements.

Recent amendments to the Banking Law and the CBR Law introduced a multi-level banking system in Russia. Starting from 1 June 2017, the banking licences are divided into basic and universal depending on the size of a bank’s own funds. The own funds of a bank with a basic banking licence must not be less than RUB 300 million. The universal banking licence requires that the bank’s own funds are not less than RUB 1 billion. The banks with own funds below RUB 1 billion as at 1 January 2018 are required to increase their capital to the statutory minimum by 1 January 2019 and for the four consecutive months preceding 1 January 2019 to comply with mandatory ratios for banks with a universal licence to be eligible to apply to the CBR to retain the universal licence.

The banks with a basic licence may perform only a limited number of banking operations. In particular, such banks may not perform such operations with non-Russian organisations, entities and individuals as placement of borrowed funds, issuance of bank guarantees and holding of deposits in and dealing with precious metals. Such banks are also not able to open bank accounts with non-Russian banks. At the same time, the banks with a basic licence are subject to simplified regulatory reporting requirements.

Additional requirements have been introduced for obtaining a licence for taking deposits from individuals. The licence could be granted to a bank for being a member of the Deposit Insurance System and which has been existing for more than two years from the date of its registration. Such requirement may be dispensed with if (a) the charter capital of a newly established bank with a universal licence or the regulatory capital of a bank is not less than RUB 3,600 million, and (b) the bank with a universal licence complies with the CBR’s requirement to publicly disclose all information relating to persons having significant influence or control over decisions made by the bank’s management bodies.

Pursuant to the Banking Law, a bank’s licence may be revoked by the CBR if, *inter alia*: (a) the information upon which the licence has been issued is untrue and misleading; (b) the bank delays the commencement of its operations for more than one year from the issue of the licence; (c) reporting statements submitted by the bank turn out to be materially untrue and misleading; (d) the bank delays submission of its monthly reports to the CBR for more than 15 days; (e) the bank conducts banking operations (or a single operation) not permitted by its licence; (f) the bank’s activities do not comply with Russian banking or anti-money laundering legislation or regulations of the CBR and the bank has been subject to sanctions for such breaches/non-compliance before that; (g) multiple failures within a year, whether intentionally or by negligence, to carry out bailiffs orders requiring seizure of funds in customer accounts; (h) in cases of insolvency, the revocation of the banking licence is requested by the temporary administration appointed to the bank; (i) the bank repeatedly fails to submit updated information required to be reflected in the Unified State Register of Legal Entities and Entrepreneurs in the Russian Federation; (j) a bank involved in mortgage-backed asset management operations does not comply with Russian mortgage-backed securities legislation and the bank has been subject to sanctions for such breaches/non-compliance before that; or (k) multiple failures within a year to comply with Russian anti-money-laundering or insider trading laws and regulations.

The CBR must revoke a bank’s licence if, *inter alia*: (a) its capital adequacy ratio falls below 2 percent; (b) its regulatory capital is less than the minimal charter capital as set by the CBR as at the date of the state registration of the relevant bank; (c) the bank fails to adjust its charter capital to its regulatory capital according to CBR requirements within 45 days of the CBR notification; (d) the bank fails to satisfy the claims of its creditors or make mandatory payments (for example, taxes and duties) amounting to an aggregate minimum of RUB 100,000 within 14 days of their maturity; (e) the amount of the bank’s regulatory capital is less than a certain statutory

threshold during a certain defined period of time; or (f) the bank fails to meet requirements related to either basic or universal licence and transferring from one type of licence to another.

Regulation of Capital

Basel Implementation in Russia

Over the recent years, the CBR, in cooperation with Russian banks, has started preparing the implementation of international approaches of capital adequacy of credit organisations under Basel II as issued by the Basel Committee. Currently, the standardised approach for credit risks of Basel II as set forth in Pillar 1 “Minimum Capital Requirements”, is being applied in Russia. CBR Letter No. 96-T of 29 June 2011 issued as part of introducing Pillar 2 “Supervisory Review Process” (the “**Methodical Recommendations**”) recommends credit organisations to elaborate and use the respective internal procedures for capital adequacy assessment which should comprise the process of assessment by a credit organisation of adequacy of its own capital, i.e. its internal capital to cover accepted and potential risks, as well as constitute a part of such credit organisation’s corporate culture.

Basel III Regulation

The implementation of Basel III in Russia was carried out as follows: (1) requirements for capital between 2013 and 2015, (2) capital conservation buffer within 2016 and 2018, (3) leverage ratio starting from 1 January 2018, (4) liquidity coverage ratio commencing from 1 January 2015, and (5) net stable funding ratio starting from 1 January 2018.

From 1 January 2014, Regulation No. 395-P was fully applied by Russian banks for the purposes of calculating their own funds (capital). Regulation No. 395-P provided that the following two types of subordinated debt instruments that may qualify for inclusion into bank regulatory capital if they meet the requirements set out in Regulation No. 395-P: (a) perpetual and certain long-term subordinated debt instruments; and (b) plain subordinated debt instruments.

Regulation No. 395-P was gradually phased in during the period from 1 January 2014 until 1 January 2018 as described below. CBR’s Regulation No. 4098-U provided further clarification on the provisions of Regulation No. 395-P, and introduced additional requirements and methodology for formation of a bank’s capital. Most recently, Regulation No. 395-P and Regulation No. 4098-U was superseded by Regulation No. 646-P, introducing certain amendments aimed at enhancing the quality of Russian banks’ capital sources. Regulation No. 646-P entered into force on 29 September 2018 and remains in effect as at the date of these Listing Particulars.

Classification of Capital Under Regulation No. 646-P

Regulation No. 646-P distinguishes, between core capital (*osnovnoi kapital*) (“**Tier 1 capital**”) and supplemental capital (“**Tier 2 capital**”) (*dopolnitelnyi kapital*) (together, “**own funds**” or “**regulatory capital**”). Tier 1 capital is further divided into base capital (“**Base Tier 1 capital**”) (*bazovyi kapital*) and additional capital (“**Additional Tier 1 capital**”) (*dobavochnyi kapital*). Pursuant to Regulation No. 646-P, the own funds (capital) of Russian banks is determined as the amount of its Tier 1 capital and Tier 2 capital less certain items listed in Regulation No. 646-P became effective on 28 September 2018.

Subordinated Debt

Prior to the enactment of Regulation No. 395-P, which first implemented Basel III principles with respect to the composition and assessment of sufficiency of bank regulatory capital, and the superseding Regulation No. 646-P, which is currently in force, Russian banks’ capital calculations were used, among other things, in CBR mandatory ratio reporting, as well as requirements for subordinated debt to qualify as part of a bank’s capital, and were primarily set out in CBR Regulation No. 215-P “On the Method of Determination of Own Funds (Capital) of Credit Organisations” dated 10 February 2003, as amended.

Regulation No. 646-P sets out requirements for subordinated financings (in the form of a loan, a deposit or debt securities) which may be included in additional Tier 1 capital and those which may be included in Tier 2 capital of a credit organisation. Amongst other changes, Regulation 395-P and subsequently Regulation No. 646-P introduced to Russian banking legislation the concept of conversion of subordinated debt into equity (while retaining the concept of writedown and cancellation of subordinated debt instruments), which are features that have been derived from the Basel III regulations.

Regulation No. 646-P sets out, *inter alia*, the following requirements for subordinated debt to qualify as part of a bank's Tier 2 capital.

The agreement must provide that, if the bank's CET 1 ratio (defined as a ratio of the bank's adjusted base capital to its risk-weighted assets) falls below 2 percent for six or more operational days within a 30-day period, or the Deposit Insurance Agency implements bankruptcy prevention measures consisting of financial assistance provided pursuant to the Insolvency Law, then:

- the subordinated debt shall be converted into the bank's ordinary shares; and/or
- the accrued interest shall be fully or partially cancelled; and
- a partial or full write down of the principal amount of such debt (and any applicable financial sanctions) shall occur

(the "**Write Down Measures**").

Similarly to Regulation No. 395-P, Regulation No. 646-P does not establish any limitations on the amount of subordinated debt which could be counted towards Tier 1 or Tier 2 capital. However, as part of the CBR's policy aimed at enhancing the quality of the capital base of credit organisations, Regulation No. 646-P excluded proceeds from placement of subordinated bonds among individuals who are not registered as qualified investors from the range of permitted sources of bank regulatory capital.

Subordinated debt may also be included into a bank's Tier 1 capital, if it meets certain requirements in addition to those applicable for subordinated debt qualifying as part of Tier 2 capital. In particular, such debt must be perpetual under Regulation No. 646-P and in each case provide for implementation of the Write Down Measures in case the CET 1 ratio falls below 5.125 percent. In addition, Tier 1 capital subordinated debt must allow the credit organisation to unilaterally repudiate payment of interest under such debt.

If the CET 1 ratio was breached due to losses, such losses may only be covered by the Write Down Measures after utilisation of other sources of base capital (including reserve funds and undistributed profit) to remedy such losses.

Regulation No. 646-P sets out certain other requirements for subordinated debt, including, *inter alia*: (a) a right of a bank to repay a subordinated loan using Russian federal bonds; (b) ability of a bank to include subordinated loans with no defined repayment term or subordinated bonds with no defined repayment term into the calculation of a bank's additional Tier 1 capital; (c) maximum interest rate for rouble-denominated instruments and for foreign currency-denominated instruments shall not exceed 15 percent and 10 percent, respectively; (d) ability of the CBR to require a bank to convert its subordinated debt instrument into its equity to bring the bank's CET 1 ratio up to 5.125 percent if the bank's CET 1 ratio falls below 5.125 percent for six or more business days within a 30-day period, or the Deposit Insurance Agency implements bankruptcy prevention measures consisting of financial assistance pursuant to Insolvency Law.

In addition, under Article 25.1 of the Banking Law, implementation by the CBR's Board of Directors of a plan of measures aimed at bankruptcy prevention with the participation of the CBR or the approval by the CBR's Banking Supervision Committee of a plan of implementation of anti-bankruptcy measures by the Deposit Insurance Agency can also trigger the writedown or conversion of subordinated debt.

Furthermore, Regulation No. 646-P broadened the list of grounds allowing the CBR to withhold consent to early repayment of subordinated debt, and introduced additional grounds for the writedown or conversion of subordinated debt of banks holding basic licences and non-banking credit organisations.

Mandatory Economic Ratios

CBR Instruction No. 199-I "On Mandatory ratios and Capital Buffers to Capital Adequacy Ratios of Banks with Universal Licence" dated 29 November 2019 (the "**Mandatory Economic Ratios Instruction**") establishes mandatory economic ratios applicable to banks in Russia.

The following table sets forth the mandatory economic ratios that banks must observe on a daily basis and periodically report to the CBR. Unless stated otherwise, such ratios are calculated on the basis of RAS, as formulated by applicable Russian laws and CBR regulations.

As mentioned above, a bank's capital base consists of core capital and supplemental capital. Core capital consists of base capital and additional capital and includes, among other items, charter capital, share premium, retained earnings and certain reserve funds. Supplemental capital includes, among other items, reserves for asset revaluations, reserves for loan losses, certain preferred shares and subordinated debt.

Mandatory Economic Ratio	Description	CBR Mandatory Economic Ratio Requirements
Adequacy ratios	These ratios are intended to limit the risk of a bank's insolvency and to establish the minimum size of the bank's capital base necessary to cover credit, operational and market risks. Adequacy ratios include capital adequacy ratio (N1.0), common equity tier 1 capital adequacy ratio (N1.1) and Tier 1 capital adequacy ratio (N1.2).	
Capital adequacy ratio (N1.0)	This ratio is formulated as a ratio of a bank's capital base (calculated in accordance with Regulation No. 646-P) to: (i) credit risk on on-balance sheet assets, (ii) credit risk on off-balance sheet items, (iii) credit risk on derivatives, (iv) charge for potential losses as a result of deterioration of creditworthiness of counterparty, (v) operational risk and (vi) market risk.	Minimum 8 percent
Common equity tier 1 capital adequacy ratio (N1.1)	This ratio is formulated as a ratio of a bank's common equity tier 1 capital (calculated in accordance with Regulation No. 646-P) to: (i) credit risk on on-balance sheet assets, (ii) credit risk on off-balance sheet items, (iii) credit risk on derivatives, (iv) charge for potential losses as a result of deterioration of creditworthiness of counterparty, (v) operational risk and (vi) market risk.	Minimum 4.5 percent
Tier 1 capital adequacy ratio (N1.2)	This ratio is formulated as a ratio of a bank's tier 1 capital (calculated in accordance with Regulation No. 646-P) to: (i) credit risk on on-balance sheet assets, (ii) credit risk on off-balance sheet items, (iii) credit risk on derivatives, (iv) charge for potential losses as a result of deterioration of creditworthiness of counterparty, (v) operational risk and (vi) market risk.	Minimum 6 percent
Instant liquidity ratio (N2)	This ratio is intended to limit the bank's liquidity risk during one operational day. It is defined as the minimum ratio of a bank's highly liquid assets to its liabilities payable on demand.	Minimum 15 percent
Current liquidity ratio (N3)	This ratio is intended to limit the bank's liquidity risk during 30 calendar days preceding the date of the calculation of this	Minimum 50 percent

Mandatory Economic Ratio	Description	CBR Mandatory Economic Ratio Requirements
	ratio. It is defined as the minimum ratio of a bank's liquid assets to its liabilities payable on demand and liabilities with terms of up to 30 calendar days.	
Long-term liquidity ratio (N4)	This ratio is intended to limit the bank's liquidity risk from placement of funds into long-term assets. It is defined as the maximum ratio of the bank's credit claims maturing in more than one year to the sum of its capital base and liabilities maturing in more than one year.	Maximum 120 percent
Maximum exposure to a single borrower or a group of related borrowers (N6)	This ratio is intended to limit the credit exposure of a bank to one borrower or a group of related borrowers (defined as persons who belong to the same banking holding, are close relatives, or persons who can directly or indirectly materially influence the decisions of corporate borrowers). It is defined as the maximum ratio of the aggregate amount of the banks various credit claims to a borrower (or a group of related borrowers) to its capital base. The CBR issued Letter No. 106-T dated 10 September 2004, as amended recommending that Russian banks implement an exposure limit for economically related borrowers. Under this letter, borrowers are "economically related" if a decline in the financial condition of one borrower affects or may affect the financial condition of the other borrower; and may result in such other borrowers inability to perform its obligations to the bank (e.g., if the borrower is simultaneously a creditor of a bank and a debtor to another creditor of the bank). This letter was superceded by the Mandatory Economic Ratios Instruction, which also provides criteria for economically related borrows. Under this letter, economically related borrowers include economically related borrowers within the meaning of Article 64 of the Federal Law "On the Central Bank" dated 29 December 2014, as well as borrowers which are closely related. However, the limit has not been officially introduced yet.	Maximum 25 percent
Maximum amount of major credit risks (N7)	This ratio is intended to limit the aggregate amount of a bank's major credit risks (defined in the Banking Law as the sum of loans to, and guarantees or sureties in respect of, clients with exposure exceeding	Maximum 800 percent

Mandatory Economic Ratio	Description	CBR Mandatory Economic Ratio Requirements
	5 percent, of a bank's capital base). It is defined as the maximum ratio of the aggregate amount of major credit risks to a bank's capital base.	
Ratio for the use of the bank's capital base to acquire shares (participation interests) in other legal entities (N12)	This ratio is intended to limit the aggregate risk of banks investments in shares (participation interests) of other legal entities. It is defined as the maximum ratio of the banks investments in shares (participation interests) of other legal entities to its capital base.	Maximum 25 percent
Maximum amount of an exposure of a bank's related person (group of related persons) (N25)	This ratio is defined as the maximum ratio of the aggregate amount of the obligations of a bank's related person (or a group of related persons), whether to a bank or to other party, giving rise to a bank's claim against such person (or group of persons) to a capital base of a bank.	Maximum 20 percent
Minimum ratio of mortgage coverage to the amount of mortgage-backed bonds (N18)	This ratio regulates (limits) the credit risk of credit institutions issuing mortgage-backed bonds by determining the minimum ratio of mortgage coverage to the amount of mortgage-backed bonds.	Minimum 100 percent

In addition to mandatory economic ratio requirements the CBR set out three capital buffers to the common equity: (a) capital conservation buffer; (b) countercyclical buffer and (c) additional capital buffer for systemically important credit organisations. The capital conservation buffer applies to all credit institutions and has been set at 0.625 percent of risk-weighted assets starting from 1 January 2016 and will be increased each subsequent year by an additional 0.625 percent to reach 2.5 percent by 1 January 2019.

The CBR has set a minimum allowed countercyclical buffer at 25 percent of the weighted average of countercyclical buffers set in all jurisdictions to which the bank has credit and market exposure (calculated in accordance with applicable CBR rules) starting from 1 January 2016 which will gradually increase each year to reach 100 percent by 2019. The level of the applicable countercyclical buffer for the Russian banks is determined by the CBR and as at the date of these Listing Particulars set at zero percent of risk-weighted assets.

The systemically important credit organisations are subject to an additional capital buffer of 0.15 percent of risk-weighted assets starting from 1 January 2016 with subsequent increases each year to reach 1 percent on 1 January 2019.

Instruction 199-I establishes five groups of assets and risk weighting coefficients for each of such group: (i) 0 percent for the assets classified in the I group; (ii) 20 percent for the assets classified in the II group; (iii) 50 percent for the assets classified in the III group; (iv) 100 percent for the assets classified in the IV group; and (v) 150 percent for the assets classified in the V group. Such risk weighting coefficients represent percentage of the asset value which is to be accounted included in the bank's risk-weighted assets for purposes of calculating the bank's capital adequacy ratios and can be increased by buffers prescribed by the CBR with respect to certain classes of assets, including consumer loans.

In December 2018, the board of directors of the CBR decided upon new risk weighting coefficients for new loans granted by Russian banks on or after 1 April 2019 as a result of which the risk weighting coefficients were increased (i) from 120 percent to 150 percent for loans with annual effective interest rates calculated based on CBR requirements ranging from 10 percent to 15 percent, (ii) from 140 percent to 170 percent for loans with annual effective interest rates ranging from 15 percent to 20 percent, (iii) from 170 percent to 200 percent for

loans with annual effective interest rates ranging from 20 percent to 25 percent and (iv) from 200 percent to 230 percent for loans with annual effective interest rates ranging from 25 percent to 30 percent.

In addition, the Banking Law imposes restrictions on banks regarding the payment of dividends, investments in companies and certain other actions if such actions may result in breach of the capital conservation buffer established by the applicable CBR regulations.

Exposure Concentration Ratio

CBR announced that starting from 1 January 2019, it plans to gradually introduce into the Russian banking regulation the provisions of the Basel Committee's Supervisory Framework for Measuring and Controlling Large Exposures (the "**Large Exposures Framework**") adopted in April 2014. The provisions of the Large Exposures Framework are expected to be implemented in respect of systemically important credit organisations.

The CBR currently plans to implement the Large Exposures Framework in several stages. In the course of Stage 1 (took place during 2019), the CBR set the ratio of maximum concentration of exposure per borrower or group of related borrowers (PKC6.1), which systemically important banks are obliged to calculate and report starting from 1 January 2019.

During Stage 2, based on the results of monitoring of the above indicator, the CBR will take a decision regarding the terms and specifics for setting PKC6.1 as a mandatory exposure concentration ratio.

The PKC6.1 ratio shall be calculated based on the respective bank's Tier 1 capital. All of the bank's exposures to a borrower (a group of related borrowers), contingent credit obligations and derivatives are included in the calculation not weighted by risk level, minus provisions for possible losses. The credit exposure calculation does not include, inter alia, claims on central banks and governments (including the Government of the Russian Federation), constituent entities and municipalities of Russia, and claims guaranteed or secured with debt securities issued by such counterparties.

Nevertheless, on 27 March 2020, the Basel Committee on Banking Supervision decided to postpone for one year — until 1 January 2023 — the deadlines for the implementation of changes to the Basel III framework, the updated requirements for market risk management and the Pillar 3 disclosure requirements.

Charter Capital Requirements

Starting from 1 June 2017, pursuant to the Banking Law, a bank could perform banking operations under either a basic or a universal licence, depending on the size of the bank's own funds. The own funds of a bank with a basic banking licence must not be less than RUB 300 million. The universal banking licence requires that the bank's own funds are not less than RUB 1 billion. The banks with own funds below RUB 1 billion as at 1 January 2018 were required to increase their capital to the statutory minimum by 1 January 2019 and for the four consecutive months preceding that date to comply with mandatory ratios for banks with a universal licence to be eligible to apply to the CBR to retain the universal licence.

Financial Stability of Shareholders

In accordance with the Banking Law, the financial position of the shareholders which own more than 10 percent of the share capital or exercise control over the credit institution must comply with certain requirements set out in the Regulation No. 626-P "On the Assessment of, and Requirements for, Financial Standing, Grounds for Recognising Financial Standing as Unsatisfactory with Regard to the Founders (Participants in) of a Credit Institution and other Persons Specified by Federal Law No. 281-FZ, Dated 29 July 2017 "On Amending Certain Laws of the Russian Federation with Regard to Improving Mandatory Requirements for Financial Institutions' Founders (Participants), Management Bodies and Officials" dated 28 December 2017, including requirements for net assets and financial statements. In case of non-compliance with such requirements the CBR may issue an order requiring to rectify the violation or to decrease the share of such shareholder down to 10 percent. From the date of the publication of the order and until the date of publication of the information on its withdrawal (after the requirements are fulfilled) voting rights of such shareholder at the shareholders meeting shall be limited by its 10 percent share. If such shareholder does not fulfil the requirements provided in the CBR's order within 90 days, the CBR may seek mandatory decrease of the share of such shareholder down to 10 percent through court.

Reporting Requirements

Russian banks must regularly submit balance sheets to the CBR, together with financial statements showing their actual respective financial positions. They must also inform the CBR in respect of providing large loans (exceeding 5 percent of a bank's capital). Banking groups (namely an association of legal entities under control or significant influence of one credit organisation) and banking holding (namely an association of legal entities, at least one of which is a credit organisation, under control of a parent legal entity, not a credit organisation, provided that a share of banking activities is at least 40 percent of the overall activities of this holding) must regularly submit consolidated accounts to the CBR. The CBR may at any time carry out full or selective checks of a bank's submissions, and may inspect all books and records of the bank. In addition, annual audits must be carried out by an audit company that is a member of a self-regulatory organisation of auditors. Starting from 2004, all credit organisations in Russia have been required to prepare financial statements according to both RAS and IFRS, except for those with a basic licence. Banks must file IFRS standalone and audited consolidated annual accounts with the CBR on an annual basis. The CBR publicly discloses certain financial metrics and regulatory ratios filed by the Russian banks.

Mandatory Reserve Deposit Requirements

To cover loan losses and currency, interest and financial risks, the CBR requires banks to form mandatory reserve deposits and keep them in designated non-interest-bearing accounts with the CBR. Particular reserve requirements are set by the Board of Directors of the CBR from time to time. As at the date of these Listing Particulars, banks are required to post compulsory reserves to be held on non-interest-bearing accounts with the CBR. To stabilise the situation on the local financial market and to support the liquidity of the Russian banking sector, the CBR decreased in October 2008 mandatory reserves for various obligations of credit organisations to 0.5 percent and successively increased them to 4.75 percent or 8.00 percent for the banks' obligations to individuals roubles or and foreign currency, respectively, to 4.75 percent or 8.00 percent for the banks' obligations to other obligations in roubles or foreign currency, respectively, and to 4.75 percent or 8.00 percent for the banks' obligations to non-resident legal entities roubles or and foreign currency, respectively, such requirements being applicable to all banks holding a universal banking licence.

The mandatory reserves are calculated by banks in accordance with CBR Regulation No. 507-P dated 1 December 2015, as amended, and CBR Regulation No. 5158-U dated 31 May 2019 ("**Regulation No. 5158-U**") (together, the "**Reserves Regulations**"). Regulation No. 5158-U set forth different mandatory reserve deposit requirements applicable to banks holding universal licences, banks holding basic licences, and non-banking credit organisations. The Reserves Regulations require the banks to promptly report to the CBR and its regional units at the end of each calendar month with calculation of reserves and to promptly post additional reserves, if necessary. The CBR and its regional units have a right to conduct unscheduled audits of credit organisations to monitor their compliance with the reserve rules. The Reserves Regulations do not require the creation of reserves for certain long-term borrowings, although it requires posting of reserves for obligations to non-resident banks. If a bank does not comply with the mandatory cash balance requirements, the CBR may impose a fine and directly debit the bank's correspondent account with the CBR in respect of the shortfall in reserve amounts.

Provisioning

The CBR established certain rules concerning the creation of loan impairment provisions for loans extended by banks. Russian credit organisations are required to calculate and establish their loan impairment provisions in accordance with Regulation No. 590-P "On the Procedure for Making Provisions for Possible Losses on Loans and Similar Indebtedness by Credit Organisations" dated 28 June 2017, as amended ("**Regulation No. 590-P**"). Regulation 590-P requires credit organisations to rank their loans into five categories. The range of loans that must be provided for has been extended to include assigned rights under contracts, financial leasing operations, rights under repo contracts and various other operations. It has been established that loans classified as Category I loans (standard loans) do not need provisions. In addition, credit organisations are required to classify their loan security into two groups on the basis of its quality (taking into account the financial position and of the guarantor and quality of the encumbered asset).

Pursuant to Regulation No. 590-P, the debt servicing level of a loan is considered to be good if the aggregate loan or interest repayment arrear does not exceed 5 days (in respect of loans granted to legal entities) and 30 days (in respect of loans granted to individuals) for the last 180 calendar days. The debt servicing level of a loan is considered to be bad in cases if, among other things, the aggregate loan or interest repayment arrear exceed 30 days (in respect of loans granted to legal entities) and 60 days (in respect of loans granted to individuals) for the last 180 calendar days. In addition, restructuring of a loan (including change of the loan nominal currency and time

periods for repayment of the loan and interest) may affect the debt servicing level. Loans should be classified on the basis of professional judgment by the credit organisation taking into account the borrower's financial standing and debt servicing level. The credit organisation must evaluate at its discretion the borrowers financial standing and debt servicing level as good, average or bad. Regulation No. 590-P sets forth the relevant tests to be applied towards a particular loan and borrower. Finally, the regulation provides for a somewhat simplified procedure in respect of writing off bad debts, especially minor debts, as compared to the former procedures.

Provisions for loan losses are calculated at the end of each calendar month. Such provisions only cover losses relating to the principal amount of loans and exclude interest and any discount. The CBR and its regional branches may audit the banks' compliance with requirements relating to provisions for loan losses and verify the correctness of calculations in respect of such provisions.

The CBR also established rules concerning creation of provisions for loans other than loan impairment, which may include losses from investments in securities, funds held in correspondent accounts of other banks, contingent liabilities, forward contracts and other transactions. CBR Regulation No. 611-P of 23 October 2017 requires banks to rank such assets and operations into five categories of quality reflecting the following situations: (i) no real or potential threat of losses; (ii) moderate potential threat of losses; (iii) serious potential or moderate real threat of losses; (iv) simultaneous potential and moderate real threat of losses or material real threat of losses; and (v) value of particular type of asset or operation is going to be lost completely. Banks are then required to provide for each type of asset or operation in the amounts corresponding to the amounts of possible losses but within the following framework established by the CBR for each risk group indicated above, respectively: (i) 0 percent; (ii) 1 percent to 20 percent; (iii) 21 percent to 50 percent; (iv) 51 percent to 100 percent; and (v) 100 percent. The CBR and its regional units are responsible for monitoring bank compliance with these rules.

Pursuant to the CBR Directive No. 1584-U of 22 June 2005, mandatory provisions must also be created for operations with residents of certain off-shore jurisdictions in the amount of 25 percent or 50 percent depending on the jurisdictions involved.

Regulation of Currency Exposure

In CBR Instruction No. 178-I "On the Establishment of the Amounts (Limits) of the Open Currency Positions, on the Methods of their Calculation and Particularities of Lending Organisations' Control and Compliance therewith" of 28 December 2016, the CBR established rules regarding exposure of banks to foreign currency and precious metals (collectively, "**currency exposure**"), as well as controls over such exposure. Currency exposure is calculated with respect to net amounts of balance sheet positions, spot market positions, forward positions, option positions and positions under guarantees, suretyships and letters of credit. Open currency position is calculated as the sum of all these net amounts. Such exposure is calculated for each currency and each precious metal, and then recalculated into roubles in accordance with the official exchange rates and CBR's prices for precious metals.

The CBR established that at the end of each operation day, the total amount of all long or short currency positions should not exceed 20 percent of a bank's capital base. At the same time, at the end of each operation day the long or short positions with respect to one particular currency or precious metal and balancing position in roubles should not exceed 10 percent of a bank's capital base.

Accounting Practices

The CBR has established a standard format for the presentation of a bank's accounts and instructions on how transactions are recorded within the accounts. It requires the preparation of financial statements and other accounts in accordance with CBR Regulation No. 579-P of 27 February 2017, Directive of the CBR No. 2851-U "On the procedure for the filling in of and delivery of reporting statements to the CBR" of 16 July 2012, as amended. Despite certain differences, such financial statements represent an approximation to IFRS.

Annual financial statements may be published only after their certification by an independent auditor. Quarterly financial statements may be published without such certification by an independent auditor.

Credit organisations must prepare financial statements in accordance with IFRS on the basis of financial statements prepared in accordance with RAS. The CBR issued recommendations as to how to prepare IFRS financial statements in the CBR letter No. 234-T dated 6 December 2013 that contains pro forma IFRS financial statements and examples of typical adjustments to RAS financial statements.

Anti-Money-Laundering Legislation

Russia, as a member of the FATF, has developed and enacted certain anti-money-laundering legislation. The Anti-Money-Laundering Law follows the FATF Forty Recommendations and the FATF Special Recommendations on Terrorist Financing and provides for measures to combat money laundering in Russia to be implemented by individuals and organisations, including Russian banking institutions which are involved in transactions with money and certain property. Pursuant to the Anti-Money-Laundering Law, Russian banks are obligated to, among other things: (1) establish and maintain systems of internal control ensuring that the bank and its clients are in compliance with Russian anti-money-laundering legislation; (2) monitor and record certain client transactions, as specified in the Anti-Money-Laundering Law; and (3) report certain client transactions specified by the Anti-Money-Laundering Law to the relevant Russia authorities. Furthermore, in certain cases Russian banks must suspend client transactions and inform the relevant Russian authorities. The current Anti-Money-Laundering Law does not permit banks to suspend or freeze client transactions for longer than five business days unless extended by the authorised body for a longer period. The Federal Service of Financial Monitoring is the main governmental authority acting as a financial intelligence unit, and, together with the CBR, exercises control over banks' compliance with the Anti-Money-Laundering Law. Russian banks are obligated to report through the CBR to the Federal Services on Financial Monitoring with respect to the types of transactions mentioned above.

Failure by Russian banks and/or their officers to comply with the requirements of the Anti-Money-Laundering Law may result in the imposition of sanctions, including the revocation of a banking licence (with a subsequent liquidation of the bank) and criminal penalties for individuals.

On 30 June 2013, several amendments to the Anti-Money-Laundering Law came into force. They were introduced by the Federal Law No. 134-FZ "Amending Certain Legislative Acts of the Russian Federation on the Counter Measures on Illegal Financial Operations" dated 28 June 2013. These amendments, among other things:

- introduced the definition of the "beneficiary owner" to the Anti-Money-Laundering Law in order to extend the scope of client identification procedure;
- set forth the obligation for the clients to provide all necessary information on their beneficiary owners to banks (for the banks to comply with the provisions of the Anti-Money-Laundering Law);
- set forth the obligation for the banks to take reasonable steps for preliminary identification of the clients' reputation, financial position and objectives of the business activity;
- set forth the obligation for the banks to freeze monetary funds and other assets of individuals and legal entities under certain circumstances; and
- for additional measures against financing terrorism.

One more set of amendments to the Anti-Money-Laundering Law was adopted by Federal Law No. 424-FZ "On amending the Anti-Money-Laundering Law" dated 30 December 2015. This new law has extended the definition of the "client" to include concept of a "foreign structure without incorporation of a legal entity" which means a structure (such as fund, trust or partnership) entitled by law to do business without being a body corporate. According to these amendments, credit organisations are required to verify certain information related to the foreign structure.

In April 2018, new amendments to the Anti-Money-Laundering Law were adopted. These amendments established the obligation of audit organisations and individual auditors to notify Rosfinmonitoring of any reason to believe that transactions of the audited entity could or may be carried out in order to legalise proceeds of crime. Also, the amendments introduced the concept of "personal account" and established the legal regime for its use.

Financial Consumer Protection

Financial consumer protection is generally based on the Law No. 2300-1 "On Consumer Protection" dated 7 February 1992, as amended (the "**Consumer Protection Law**") and the Federal Law No. 353-FZ "On Consumer Lending" dated 21 December 2013, as amended (the "**Consumer Lending Law**").

The Consumer Lending Law, which regulates consumer lending in Russia, came into force on 1 July 2014. The Consumer Lending Law is intended to provide more specific regulation of consumer protection in the Russian banking sector, and is in contrast to the Consumer Protection Law, which contains more general regulations. The Consumer Lending Law will not apply to mortgage loans.

The Consumer Lending Law sets requirements in relation to the terms of a consumer loan agreement. In particular, according to the Consumer Lending Law, a consumer loan agreement must contain general and specific terms. General terms of the consumer loan agreement are based on the lender's template form, whilst the specific terms are agreed between the lender and the borrower. The Consumer Lending Law designates, among others, the following terms to be the specific terms of the consumer loan agreement: (i) amount of the loan or lending limit (and the procedure of change of the lending limit), (ii) term of the loan and repayment date, (iii) currency of the loan, (iv) the annual percentage rate (in case of floating interest rate – the calculation procedure), (v) payment schedule of the loan, (vi) purpose of the loan and (vii) borrower's liability for undue performance of its obligations under the consumer loan.

The Consumer Lending Law sets the priority of payments under the loan in case the payment made by the borrower is insufficient to discharge its relevant payment obligations. In particular, the Consumer Lending Law sets out the following priority of payments: (i) overdue interest payments, (ii) overdue principal payments, (iii) penalty, (iv) current interest payments, (v) current principal payments and (vi) other payments as provided by the Russian legislation on consumer lending and the consumer loan agreement.

In addition, the Consumer Lending Law sets out the limits of penalties payable under a consumer loan agreement in case of the borrower's payment default. The penalty shall not exceed (i) 20 percent per annum, if the consumer loan agreement states that the interest continues to accrue on the overdue payment of the principal of the loan, or (ii) 0.1 percent per day, if the consumer loan agreement states that the interest stops accruing on the overdue amount of the principal of the loan, after the payment default of the borrower has occurred.

According to the Consumer Lending Law, the effective interest rate of the loan shall not exceed the lower of (i) 365 percent per annum (1 percent per day) or (ii) one third the mid-market effective interest rate of the relevant category of consumer loans established by the CBR quarterly.

The mid-market effective interest rate is determined by the CBR 45 calendar days prior to each quarter, during the course of which the relevant mid-market effective interest rate will be applicable for the purposes of limitation stipulated by the Consumer Lending Law. The CBR calculates the effective interest rate using weighted average rate of (i) not less than 100 largest lenders in respect of the relevant category of loan or (ii) not less than one third of all lenders in respect of the relevant category of loan. The latest value of the mid-market effective interest rate has been published by the CBR on 16 August 2021. The effective interest rate for unsecured consumer loans for up to RUB 30,000 and made for a period of less than one year must not exceed 31.1 percent for the first quarter of 2021.

For a loans with repayment term up to 1 year:

- 21.958 percent for the no-purpose loans, purpose loans without collateral (excluding POS loans) and debt refinancing loans with principal amount up to 30,000 RUB;
- 15.747 percent for the no-purpose loans, purpose loans without collateral (excluding POS loans) and debt refinancing loans with principal amount from 30,000 RUB up to 100,000 RUB;
- 14.048 percent for the no-purpose loans, purpose loans without collateral (excluding POS loans) and debt refinancing loans with principal amount from 100,000 RUB up to 300,000 RUB; and
- 9.870 percent for the no-purpose loans, purpose loans without collateral (excluding POS loans) and debt refinancing loans with principal amount exceeding 300,000 RUB;

For a loans with repayment term exceeding than 1 year:

- 15.917 percent for the no-purpose loans, purpose loans without collateral (excluding POS loans) and debt refinancing loans with principal amount up to 30,000 RUB;
- 17.182 percent for the no-purpose loans, purpose loans without collateral (excluding POS loans) and debt refinancing loans with principal amount from 30,000 RUB up to 100,000 RUB;
- 16.147 percent for the no-purpose loans, purpose loans without collateral (excluding POS loans) and debt refinancing loans with principal amount from 100,000 RUB up to 300,000 RUB; and
- 12.902 percent for the no-purpose loans, purpose loans without collateral (excluding POS loans) and debt refinancing loans with principal amount exceeding 300,000 RUB.

The CBR also publish value of the mid-market effective interest rate for certain other types of consumer loans.

Bankruptcy (Insolvency) and Other Related Issues

Bankruptcy of credit organisations in Russia is governed by the Insolvency Law. Bankruptcy of credit organisations was also previously governed by the Federal Law No. 40-FZ “On Bankruptcy of credit organisations”. This law was terminated by the Federal Law No. 432-FZ dated 22 December 2014 and a new 4.1 Chapter “Bankruptcy of credit organisations” was included in the Insolvency Law.

Bankruptcy

Bankruptcy proceedings against a Russian bank may only be initiated after the revocation by the CBR of its banking licence. Following the revocation of the bank’s licence, amongst other consequences, all obligations of the bank will be deemed to have fallen due and until the liquidator or the competition manager is appointed, the bank will be prohibited from entering into transactions and performing its obligations, except for a limited number of current and settlement transactions and operations listed in the Banking Law.

Bankruptcy proceedings may be initiated against a Russian bank provided that its business has “signs” of insolvency, as described in the Insolvency Law; the overall amount of the outstanding obligations is not less than RUB 100,000; the bank has failed to perform such obligations within 14 days of their due date; or after the revocation of the bank’s licence, its total assets do not cover all of its outstanding obligations.

Prior to the institution of bankruptcy proceedings, the CBR, on its own initiative or upon the application of the authorised body of the bank, has the right to take action aimed at preventing the bank’s bankruptcy. Such action may include (a) financial rehabilitation of the bank (for example, financial support, changing the structure of assets and liabilities or organisational structure of the bank), (b) appointment of a temporary administration to the bank, (c) reorganisation or (d) measures carried out by the Management Company to prevent bankruptcy of a bank that is licensed to hold retail deposits.

Recent amendments to the Banking Law granted the CBR a right to independently implement bankruptcy prevention measures over distressed banks. The CBR also has a right to appoint its representatives to a bank for analysis of its financial condition and decision on participation of the CBR in bankruptcy prevention measures or for settlement of such bank’s obligations.

The CBR has created the Fund for Consolidation of the Banking Sector (the “**Fund**”) and incorporated the Management Company. The Management Company is expected to participate in the implementation of the agreed bankruptcy prevention measures at the expense of the Fund.

Pursuant to the recent amendments to the Insolvency Law, adopted as a part of the federal legislation package intended to prevent the spread of the COVID-19 pandemic, the government of the Russian Federation is entitled to introduce a moratorium on the initiation of insolvency proceedings by creditors in exceptional circumstances such as the COVID-19 pandemic. The Government of the Russian Federation enacted such moratorium by its Decree dated 3 April 2020 No. 428 (as amended) in respect of, among others, companies with strategic importance for the national defence and security of the Russian Federation, Russian systemically important companies and companies holding certain types of licences (the “**Affected Debtors**”). The list of Affected Debtors may be amended from time to time. The insolvency moratorium expired in January 2021, however, the moratorium regime may be re-introduced by the Russian Government if the circumstances giving rise to its introduction continue to persist.

Shareholders’ Liability

As part of the financial rehabilitation process, pursuant to Article 189.15 of the Insolvency Law, shareholders may refuse the right to receive dividends and may divert their share in the bank’s profit towards the bank’s financial rehabilitation. Alternatively or additionally, shareholders may have to make extra contributions to the bank’s share capital, write off the bank’s debts, act as sureties on the bank’s loans or place funds on deposit in the respective bank with a term of no less than 6 months and an interest rate not exceeding the CBR key interest rate. Shareholders may also be involved in other forms of financial rehabilitation measures upon their discretion, the discretion of the bank, the CBR and, in certain cases, the Deposit Insurance Agency.

Temporary Administration

Temporary administration is a procedure which is aimed at the financial rehabilitation of a bank. Technically, temporary administration precedes, and does not necessarily result in, the commencement of bankruptcy proceedings. Temporary administration may be imposed by the CBR in certain negative financial circumstances as set out in Article 189.26 of the Insolvency Law. The grounds for the appointment of a temporary administration include, among other things, breach of certain financial and regulatory capital ratios, a bank's failure to perform its payment obligations to some of its creditors for a period greater than seven days due to insufficient funds in its correspondent accounts, as well as the emergence of grounds for revocation of a bank's licence. Temporary administration may also be introduced pursuant to a plan of participation of the CBR in bankruptcy prevention measures adopted by the CBR's Board of Directors, or following the adoption by the CBR's Banking Supervision Committee of a plan of bankruptcy prevention measures to be taken by the Deposit Insurance Agency. If the plan is adopted by the CBR's Board of Directors, the functions related to temporary administration can be transferred either to the Management Company or the Deposit Insurance Agency.

The introduction of a temporary administration may entail a limitation or suspension of the powers of the executive bodies of a bank. The temporary administration can manage a bank and is further entitled to request that the CBR impose a three-month moratorium on all payments of a bank to counterparties and creditors, which may be prolonged for a period of up to three months. The temporary administration may also refuse performance of agreements or challenge transactions under Articles 189.39 and 189.40 of the Insolvency Law. The procedure for introduction of a temporary administration is described in CBR Regulations No. 675-P and No. 676-P, both dated 25 February 2019.

Priority of Claims

Under the Insolvency Law, claims of unsecured creditors against Russian banks are generally subordinated to the claims of individual clients arising out of deposit and bank account agreements, certain claims of creditors arising after the initiation of the bankruptcy proceedings and certain other ongoing payments, workplace injury and moral damages obligations, severance pay, employment related obligations and royalties. There is also a small risk that claims of unsecured creditors may be further subordinated to claims under certain tax and mandatory payment obligations to the Russian Government, although the Insolvency Law ranks such claims equally. Furthermore, unsecured claims are also effectively subordinated to claims secured by a Russian law pledge. Under the Insolvency Law, claims of creditors secured by a Russian law pledge are settled with the money received from the sale of pledged assets. Claims of creditors secured by a Russian law pledge remaining unsatisfied upon the sale of pledged assets would be ranked as claims of unsecured creditors after the obligations mentioned above, irrespective of the time of the creation of such claims.

The Insolvency Law provides that the proceeds from the sale of the pledged assets will be used as follows: (a) 70 percent (or 80 percent if the pledge secures a credit agreement) to satisfy secured claims; (b) 20 percent (or 15 percent if the pledge secures a credit agreement) to satisfy claims of creditors of the first and second priorities, provided the debtor's other property is insufficient to satisfy such claims; and (c) the remaining amount to cover court expenses, remuneration to a bankruptcy manager and related expenses. Any obligations of creditors secured by a pledge remaining unsatisfied following the sale of the pledged assets would be ranked as claims of unsecured creditors.

Liquidation and Revocation of the Banking Licence

Mandatory Liquidation

The procedure for the revocation of banking licences and liquidation of banks is regulated by the Banking Law. See "*Regulation — Licensing*" above.

Upon the revocation of its licence, a bank must be liquidated either under mandatory solvent liquidation procedures set out in the Banking Law or under bankruptcy procedures set out in the Insolvency Law.

Article 20 of the Banking Law establishes the consequences of the revocation of the banking licence, including that the CBR must impose a "temporary administration" on the relevant bank, that all obligations of the bank are deemed to have fallen due, that enforcement of execution documents issued on the basis of court judgments, with certain exceptions, is suspended and that entering into transactions and performance by the bank of its obligations is prohibited until the liquidator or the competition manager is appointed.

The CBR must make a public announcement of the revocation of the banking licence within one week of resolving to revoke such a licence.

Voluntary Liquidation

In the case of voluntary liquidation of a bank, the shareholders (founders), upon the adoption of the relevant decision, must apply to the CBR for cancellation of the banking licence and, upon its cancellation, the liquidation should be carried out in accordance with the liquidation rules and applicable CBR regulations. In particular, shareholders will appoint the liquidation commission to oversee the liquidation process.

Banking and Other Relevant Reforms

Following the 1998 financial crisis, Russian banks took important steps towards developing more transparent business practices and more diversified portfolios of assets. In recent years, confidence in local banks has gradually improved, as evidenced by the substantial growth in the volume of private deposits in Russian banks.

On 5 April 2011, the Russian Government and the CBR issued their joint Strategy. The Strategy replaced the five year Strategies for the Development of the Banking Sector in the Russian Federation issued in December 2001 and April 2005, and set out an action plan for the facilitation of the development of the Russian banking sector up to 2015.

Among other things, the Strategy outlined the targets for the reform of the Russian banking sector, the forecast of the results of such reform and the analysis of the current condition of the Russian banking sector. The Strategy also listed measures, which should be implemented to achieve these targets.

The system of the insurance of private deposits was introduced in 2003. According to the Deposit Insurance Law, banks holding a CBR licence for attracting deposits from individuals and opening and administering individuals' accounts will qualify for such activities. Subject to a bank's compliance with certain regulatory requirements, it enters the system of the insurance of individuals' deposits and thus qualifies to receive deposits and open accounts for individuals. If a bank fails to comply with the applicable requirements or chooses not to participate in the insurance system, it will be precluded from receiving deposits and opening accounts for individuals. Banks accepting private deposits and opening accounts for individuals are required to make quarterly payments to the insurance fund as described below.

Under the Deposit Insurance Law, the protection for each individual is limited to RUB 1,400,000 per bank and banks are required to make quarterly payments into a deposit insurance fund. The previous protection threshold was RUB 700,000. This threshold was increased by the Federal Law No. 451-FZ "On Amending Article 11 of the Federal Law "On Retail Deposit Insurance" and Article 46 of the Federal Law "On the Central Bank" dated 29 December 2014. The insurance payment from the deposit insurance fund will be payable to depositors if a bank's licence has been revoked or if the CBR has imposed a moratorium on payments by the bank. The basis of the deposit insurance contribution is the quarterly average of daily balances of retail deposits. Standard contribution premiums cannot exceed 0.15 percent of the contribution basis. In certain circumstances, the premium can be increased up to 0.3 percent of the contribution basis, but not for more than two quarters in every 18 months. When the size of the insurance fund reaches 5 percent of total retail deposits of all Russian banks, all succeeding contribution premiums cannot exceed 0.05 percent of the contribution basis, and when the size of the insurance fund exceeds 10 percent of all Russian banks' retail deposits, no contributions need to be made, but they resume once the insurance fund falls below the 10 percent threshold.

On 30 December 2004, the President signed Federal Law No. 218-FZ "On Credit Histories" (the "**Credit Histories Law**"). Most of the provisions of the Credit Histories Law came into force on 1 June 2005. Pursuant to the Credit Histories Law, the "credit history" of a borrower (whether an individual or a legal entity) consists of certain data, as defined by the Credit Histories Law, which describe the borrower's performance under loan or credit arrangements and which are stored with a "credit history bureau" (a Russian legal entity included in the State Register of Credit History Bureaus, whose principal activity is to collect, process and store credit history data and issue "reports", as defined in the Credit Histories Law). In August 2021, 8 credit history bureaus were registered with the CBR and operating.

The Credit Histories Law defines the procedures for the submission of data to credit history bureaus, disclosure by bureaus of such data to authorised users, and the rights and obligations of borrowers and bureaus. It also sets out the procedures for the registration of credit history bureaus and the transfer of credit history data upon their liquidation.

Credit history bureaus may disclose credit history data only to:

- a borrower itself;
- banks or other legal entities which are users of such data (with the borrower's consent);
- courts and, with the consent of a prosecutor general, certain enforcement agencies;
- the Central Credit History Catalogue administered by the CBR to allow the centralised search of all credit history data;
- the Federal Service of Court Bailiffs;
- notaries in connection with inheritance procedures; and
- the CBR.

Credit organisations are obliged to make their activities compliant with the Credit Histories Law within nine months of the date of its entry into force. Since 1 September 2005, banks have been required to enter into agreements with at least one credit history bureau and provide it with the relevant information relating to the borrowers.

In connection with the entry into force of the Credit Histories Law, amendments to the Banking Law, the Civil Code and to the Code of Administrative Offences were introduced in order to make them compliant with the Credit Histories Law. Specifically, these amendments address issues concerning bank secrecy, liability for unauthorised access to, and disclosure of, credit history data, and violation of the procedure for the collection, storage and processing of such data.

In addition to the Credit Histories Law and as part of the development of consumer lending legislation, Federal Law No. 152-FZ "On Mortgage Backed Securities" dated 11 November 2003 and amendments to the Civil Code, Tax Code and Federal Law No. 102-FZ "On Mortgage" were enacted in 2003/2004. By means of these laws, Russian legislators attempted to make mortgage lending attractive to banks and affordable to individuals by simplifying the applicable procedures and making them more transparent and less costly. Another intention of this new legislation is to introduce improved regulation of mortgage backed securities in order to make them more attractive for investors.

On 18 June 2004, the Currency Control Law came into force, replacing the former Federal Law "On Currency Regulation and Currency Control" of 1992 almost in its entirety. The Currency Control Law is generally aimed at the gradual liberalisation of Russian currency control regulations. Pursuant to the Currency Control Law, the CBR had the power to regulate certain currency operations (including non-banking operations performed by Russian banks) by introducing a "special account requirement". As at 1 January 2007, the major remaining restrictions envisaged in the Currency Control Law (including the "special account requirement") have been abolished.

As part of implementing legislation contemplated by the Currency Control Law, the CBR passed Directive No. 1425-U of 28 April 2004, which came into force on 18 June 2004. Directive No. 1425-U confirms that no currency control limitations will apply to bank operations between authorised banks and sets forth a list of non-banking transactions between authorised banks that are exempt from currency control restrictions. Directive No. 1425-U specifically provides that all other non-banking transactions of authorised banks will fall under the general currency control regime applicable to resident legal entities.

The Rescue Measures Law

Federal Law No. 173-FZ dated 13 October 2008 "On Supplementary Measures to Support the Financial System of the Russian Federation", as amended (the "**Rescue Measures Law**") came into effect on 14 October 2008.

Under Article 4 of the Rescue Measures Law, Vnesheconombank is to receive deposits in the amount of up to RUB 410 billion in the aggregate from the National Welfare Fund, which Vnesheconombank would use to provide unsecured subordinated loans to Russian banks. The availability period for such loans expired on 31 December 2010.

On 20 October 2008, the Supervisory Board of Vnesheconombank approved the “Procedure for implementation by Vnesheconombank of measures set out in Articles 4 and 6 of the Rescue Measures Law” which describes the measures implemented to provide additional liquidity to Russian banks through Vnesheconombank (the “**Procedure**”).

The Procedure lists certain eligibility criteria that a Russian bank must meet to qualify for Vnesheconombank financing, including a minimum credit rating of B- from Fitch or S&P’s and B3 from Moody’s, absence of outstanding tax liabilities at the federal or regional level and absence of CBR sanctions against the bank and some other criteria.

Chapter III of the Procedure sets out the key terms of Vnesheconombank loans, which include, inter alia, the requirement to appoint VEB representatives to the management bodies of the borrower upon VEB request.

The Securities Market Law

A banking licence does not authorise a credit organisation to act as a securities broker, dealer or forex dealer, registrar, securities manager or to provide custody services (other than acting as a paying agent). In order to perform these functions, according to the Securities Market Law a credit organisation must obtain a licence from the CBR. The operations of Russian banks in the securities market are subject to Russian securities laws and regulations adopted by the CBR or its predecessors that govern the activities of brokers, dealers, forex dealers, securities managers, registrars and securities custodians, and the relations between professional market participants and investors. CBR also oversees the compliance of all professional market participants, including banks, with the Russian securities laws and regulations.

The Insider Dealing Law

The Insider Dealing Law generally came into force on 31 July 2011, save for the provisions relating to criminal liability for unlawful use of insider information and revocation of a banking licence due to multiple instances of non-compliance with the Insider Dealing Law during one year. The Insider Dealing Law enumerates categories of persons that can be considered insiders, including, among others, issuers and management companies, as well as professional market participants (including brokers and dealers) and other persons who transact on behalf of their clients with financial instruments, foreign currency and/or goods, and have received insider information from such clients. Under the Insider Dealing Law, any person who illegally uses insider information and publishes misleading information may be held liable for misuse of information and/or market manipulation. Furthermore, insiders must comply with certain new disclosure requirements, including, *inter alia*, keeping the insiders list and sending notices of transactions by the insiders to the CBR and the relevant legal entities. In implementing the Insider Dealing Law and pursuant to CBR Regulation No. 5140-U dated 6 May 2019, the CBR discloses certain information relating to Russian banks on its website, including: (1) the status and results of its inspections, (2) licence revocations, (3) cases of imposing an administrative liability upon a credit organisation and/or its sole executive body, (4) an invalidation of the CBR’s approval for taking retail deposits and opening and maintaining bank accounts for individuals, and (5) stages of issuance of securities by banks.

The Deposit Insurance Law

The Deposit Insurance Law introduced a mandatory retail deposit insurance scheme for Russian banks that offer retail deposit services pursuant to a CBR licence. The Deposit Insurance Law prescribed the requirements for admission to the deposit insurance scheme, and compliance with these requirements are verified by the CBR on a case-by-case basis.

According to the Deposit Insurance Agency, in August 2021, 1,014 banks participated in the deposit insurance scheme. A bank that does not participate in the deposit insurance scheme is not permitted to accept retail deposits or open accounts for individuals. Starting from 1 July 2015, banks which satisfy certain conditions are obliged to make additional contributions established by the Deposit Insurance Agency. If a bank in a particular quarter has entered into any agreement with deposit rate exceeding the basic level of profitability by 2 percent to 3 percent such bank is subject to additional contribution. If banks accept deposits with rates exceeding the basic level of profitability by more than 3 percent or certain additional conditions set out by the CBR are satisfied, then such banks must pay higher additional contributions. The basic level of profitability will be established by the CBR every month by determination of the average rate calculated on the basis of the highest deposit rates offered to unlimited range of depositors by the banks holding, in aggregate, two thirds of retail deposits in Russia.

The Retail Deposit Insurance Law provides for the establishment of a new regulator, the Deposit Insurance Agency, which, among other things, collects fund contributions, manages the fund, calculates insurance premiums and monitors insurance payments. The Deposit Insurance Agency maintains a register of all banks that hold a retail banking licence.

The National Payment System Law

Federal Law No. 161-FZ “On the National Payment System” (the “**National Payment System Law**”) that was adopted on 27 June 2011, generally came into force on September 29, 2011. This law provides for legal and organisational principles of the national payment system, establishes the procedure for rendering of payment services, including making transfer of monetary funds, use of electronic means of payment, as well as sets forth requirements for organisation and operation of payment systems and the procedure for monitoring and supervision over the national payment system. This law provides that only credit institutions may carry out transfers of electronic monetary funds. Credit institutions may enter into agreements with other organisations, under which the latter may render to the credit institutions operational and clearing services for the transfer of electronic monetary funds. Under this law, the CBR is vested with additional functions of monitoring and supervision over the national payment system.

The Central Depository Law

Federal Law No. 414-FZ “On the Central Depository” dated 7 December 2011, as amended (the “**Central Depository Law**”), which generally came into force on 1 January 2012, provides legal framework for establishment, and operational conditions, of the central depository, in particular, setting out rights and obligations of the central depository, requirements to its activities and specifics of the state control and supervision over its activities. The Central Depository Law aims at improving effectiveness and competitiveness of Russian stock market, including, expediting and facilitating securities trade settlements and mitigating the risks associated therewith. Under this law, the central depository is defined as a depository that is a non-banking credit organisation (“NCO”), to which the status of the central depository has been assigned. Only a joint-stock company registered in Russia can be the central depository. Pursuant to the Central Depository Law, the central depository (within one year from the date of assignment of its status) shall take all necessary steps in order to open its nominal holder accounts, in particular, in all securities registers of issuers obliged to disclose information in accordance with the Securities Market Law. In addition, the Central Depository Law prohibits persons maintaining securities registers from opening, and depositing securities to, other nominal holder accounts from the opening date of a nominal holder account of the central depository. On 6 November 2012, CJSC NCO “National Settlement Depository” was assigned the central depository status by Order of the FSFM No. 12-2761/PZ-I.

Accession of Russia to the WTO

On 16 December 2011, Russia signed the Protocol on its accession to the WTO. The ratification procedures were completed in July 2012, and the accession to the WTO became effective for Russia on 22 August 2012. Upon the Protocol’s entry into force, Russia became subject to the WTO regime. However, in relation to its banking sector, Russia made a reservation that it would review market access requirements for the establishment of branches of foreign banks and securities firms in the context of future negotiations on the accession of Russia to the OECD or within the framework of the next round of the WTO multilateral trade negotiations. As at the date of these Listing Particulars, the CBR allows foreign banks either (i) to incorporate a subsidiary bank in Russia regulated by the CBR or (ii) to maintain a representative office in Russia, provided that, among other matters, the parent bank has a good reputation and is in good financial standing in its home country. A subsidiary of a foreign bank is an entity operational within the scope of its banking licence, which must comply with Russian laws and CBR regulations (including on mandatory CBR ratios), while the activities of a representative office are limited to facilitating banking operations and representing the interests of its foreign parent. The accession of Russia to the WTO is also expected to necessitate unification of requirements applicable to private banks, banks under state control and foreign-controlled banks, including, among other things, abolishing some Russian law provisions that may be deemed discriminatory against foreign-owned banks in favour of banks controlled by Russian nationals or the state. At the same time, Russia managed to keep a limit on an overall amount of foreign investments into the banking sector of Russia post-accession, which shall not exceed 50 percent of the total equity capital of all credit organisations registered in Russia. If the threshold is exceeded, the CBR will have a right (i) not to authorise new foreign investments in the banking sector, and/or (ii) to impose a temporary ban on disposal of banks’ equity capital to foreign investors, including, *inter alia*, through an increase of equity capital at the account of a foreign investor.

Measures to Support the Liquidity and Solvency of Russian Banks and Legal Entities since October 2008

Since October 2008, the Russian Government and the CBR have announced and, in many cases, fully implemented, measures intended to support the liquidity and solvency of Russian banks and to increase the availability of credit to businesses, which have been seen as critical for restoring investor confidence and supporting the medium-term economic growth of the Russian economy. These measures are set out below:

- The Russian Government through the CBR and Vnesheconombank may provide up to RUB 910 billion in subordinated loans to State-owned and private banks under certain conditions. The RUB 910 billion state contribution to banking sector capital in the form of long-term subordinated loans is one of the key economic initiatives announced by the Russian Government to restore confidence in the Russian banking sector. State-owned banks such as Sberbank, VTB and Russian Agricultural Bank received RUB 500 billion, RUB 200 billion and RUB 25 billion, accordingly, as part of this initiative. The remaining amount has been distributed among privately-owned Russian banks subject to certain conditions.
- On the basis of special resolutions of the Russian Government the funds repaid by the banks as borrowers under the subordinated loan agreements may be used for purchasing preferred shares of such banks.
- The CBR was authorised to enter into agreements with non-state banks to partially compensate such banks for the losses suffered during the period from 14 October 2008 to 31 December 2010 as the result of operations on the interbank market with banks whose licences are revoked. Vnesheconombank had the right, until 31 December 2009, to originate foreign currency loans up to US\$50 billion to Russian legal entities to repay and/or refinance the loans received from foreign lenders prior to 25 September 2008.
- In October 2008, the CBR temporarily decreased the reserve requirements for banks to 0.5 percent for all types of financial obligations (prior to the decrease, the reserve requirements for banks were 4.5 percent for financial obligations to non-resident banks, 1.5 percent for financial obligations to individuals and 2.0 percent for all other financial obligations).
- The Russian Government has increased the insurance coverage for retail deposits to RUB 1,400,000.
- The Russian Government has pledged RUB 500 billion to stabilise the financial markets, out of which Vnesheconombank, a state-owned bank, has received RUB 250 billion to implement measures to support the Russian financial markets. In November 2008, Vnesheconombank received a contribution of RUB 75 billion to its charter capital to help stabilise the repo market. The remaining RUB 175 billion was deposited with Vnesheconombank and partially used to support the Russian debt and equity markets.
- The Deposit Insurance Agency added 27 Russian banks to a short list of banks which received an aggregate of RUB 830 billion as additional support from the state in the form of Federal loan bonds (OFZ) in the amount equal to 25 percent of their capital (own funds) transferred to such banks on a pro rata basis. Federal Law No. 317-FZ “On Amending Articles 46 and 76 of the Federal Law on Central Bank of Russian Federation (Bank of Russia)” dated 30 December 2008 vested the CBR with the right to appoint its authorised representatives to the banks and credit institutions which, inter alia, have received any foreign currency loans and/or subordinated loans under the Rescue Measures Law. The CBR Regulation No. 2182-U dated 9 February 2009 provides for the procedure for such authorised representatives appointment, their rights and obligations including, inter alia, the right to participate in the meetings of the management bodies of such banks and credit institutions and the right to request information on management remuneration and the issuance of loans to third parties.
- CBR Regulation No. 5158-U “On Determination of Mandatory Reserve Requirements of the Bank of Russia” dated 31 May 2019 established the current mandatory reserves requirements for the obligations of credit organisations. These requirements differ depending on several factors: type of a bank license (basic or universal); currency (foreign or Russian); person (individual or legal entity); term; residency. Government Decree No. 18 “On the Procedure of National Welfare Fund Assets Management” was amended in 2008 and 2009 to increase the scope of financial instruments in which funds from the National Welfare Fund can be invested. The National Welfare Fund was established in 2008 using oil revenues, with a view to partially funding contributions to pensions of Russian citizens and to make up shortfalls in other contributions from the federal budget to federal pension funds. As a consequence, up to RUB 955 billion of such funds may be deposited in Vnesheconombank to support the Russian financial markets.

- The number of instruments eligible for the CBR's collateralised facility and for refinancing transactions with the CBR has been increased and the CBR may accept, among other things, the pledge of certain bonds and suretyships granted by certain Russian banks as collateral under its facilities to credit organisations.
- On 21 July 2014, President of the Russian Federation signed amendments to the Rescue Measures Law that allow the Russian Government to use certain funds, repaid under subordinated loans provided by Vnesheconombank to credit institutions under the Rescue Measures Law, to purchase preferred shares of credit institutions. According to the Russian Government Decree dated 22 August 2014, Vnesheconombank will purchase preferred shares of VTB Bank and Russian Agricultural Bank using the funds of subordinated loans repaid by VTB Bank, VTB 24 Bank and Russian Agricultural Bank. In August 2014, Sberbank publically announced its decision to convert subordinated loan obtained in accordance with the Rescue Measures Law into perpetual debt as such possibility was provided to Sberbank by amendments introduced to the Rescue Measures Law.
- According to the Federal Law No. 224-FZ dated 13 July 2015 "On Public Private Partnership and Municipal Private Partnerships in the Russian Federation and on Amendments to Certain Legislative Acts of the Russian Federation", Vnesheconombank has the right to prolong the term of unsecured subordinated loans provided to Russian credit organisations if the funds from the National Welfare Fund deposited in Vnesheconombank are prolonged by the decision of the Government of Russia.

Recent Amendments to the Civil Code

On 18 July 2008, former Russian President Dmitry Medvedev issued a decree requiring various amendments to be made to the Russian Civil Code. The Concept of Development of Russian Civil Legislation was subsequently adopted on 7 October 2009. The proposed amendments are divided into a number of sets.

On 30 December 2012, current Russian President Vladimir Putin signed into law the first set of amendments to the Russian Civil Code, which form part of a major reform to Russian civil legislation. The majority of the first set of amendments became effective on 1 March 2013. These amendments relate primarily to certain basic principles of civil law, limits on the exercise of civil rights, changes to rules on state registration of rights to certain types of property, as well as recognising the principle of compensation for losses incurred as a result of unlawful acts of the state authorities.

A second set of amendments to the Russian Civil Code was signed into law on 7 May 2013. These amendments affect, inter alia, the general rules on transactions, the grounds on which a transaction may be challenged and the rules governing representation and powers of attorney. The amendments became effective on 1 September 2013.

A third set of amendments to the Russian Civil Code was signed into law on 26 June 2017. These amendments introduce, inter alia, a certain changes of loan and credit agreements regulation, as well as other changes to the financial deals regulation. The amendments became effective on 1 June 2018.

A fourth set of amendments to the Civil Code was adopted on 18 March 2019 and became effective on 1 October 2019. These amendments introduce a new concept of digital rights and modify existing laws governing, among other things, performance of contractual obligations and requirements for written form of contracts.

A fifth set of amendments to the Russian Civil Code was signed into law on 16 December 2019 and became effective from 1 January 2020. These amendments introduce certain changes to the protections available to a good-faith purchaser of real estate.

The fifth set of amendments to the Russian Civil Code was adopted on 31 July 2020 and became effective from 11 August 2020. These amendments effect the procedure of transfer of a participation interest in a limited liability company to such company.

The latest set of amendments to the Russian Civil Code was adopted on 30 December 2020 and will become effective from 29 June 2021. These amendments relate to the powers and duties of pledge managers.

As of the date of these Listing Particulars, the potential interpretation by state authorities (including the courts), along with the impact of the above amendments on the Tinkoff Bank's activities and corporate governance, are unknown.

INDEX TO THE FINANCIAL STATEMENTS OF THE GROUP

Consolidated Condensed Interim Financial Information as of and for the six months ended 30 June 2021	F-2
Consolidated Financial Statements as of and for the year ended 31 December 2020	F-62
Consolidated Financial Statements as of and for the year ended 31 December 2019	F-200

TCS Group Holding PLC

**International Financial Reporting Standards
Consolidated Condensed Interim Financial Information
(Unaudited)**

30 June 2021



Report on review of Consolidated Condensed Interim Financial Information

To TCS Group Holding PLC

Introduction

We have reviewed the accompanying consolidated condensed interim statement of financial position of TCS Group Holding PLC and its subsidiaries (the 'Group') as at 30 June 2021 and the related consolidated condensed interim statement of profit or loss and other comprehensive income for the three-month and six-month periods then ended, and consolidated condensed interim statements of changes in equity and cash flows for the six-month period then ended, and notes, comprising a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of this consolidated condensed interim financial information in accordance with International Accounting Standard 34, "Interim Financial Reporting" as adopted by the European Union. Our responsibility is to express a conclusion on this consolidated condensed interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated condensed interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting" as adopted by the European Union.

PricewaterhouseCoopers Limited
Certified Public Accountants and Registered Auditors

25 August 2021
Nicosia
Cyprus

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TCS Group Holding PLC
Consolidated Condensed Interim Statement of Financial Position

<i>In millions of RR</i>	Note	30 June 2021 (Unaudited)	31 December 2020
ASSETS			
Cash and cash equivalents	5	108,480	136,351
Mandatory cash balances with the CBRF		6,642	5,379
Due from other banks		1,097	1,887
Investments in securities	6	223,645	238,454
Repurchase receivables	6	5,099	29
Loans and advances to customers	7	507,374	376,521
Financial derivatives		5,197	5,035
Guarantee deposits with payment systems		15,187	15,475
Brokerage receivables	8	42,077	24,064
Current income tax assets		39	3,133
Deferred income tax assets		780	947
Tangible fixed assets and right-of-use assets		12,705	10,481
Intangible assets		11,753	7,082
Other financial assets		21,415	31,070
Other non-financial assets		4,514	3,386
TOTAL ASSETS		966,004	859,294
LIABILITIES			
Due to banks	9	9,712	4,819
Customer accounts	10	706,729	626,837
Debt securities in issue		21,681	23,910
Financial derivatives		209	109
Brokerage payables	8	8,644	9,206
Current income tax liabilities		904	-
Deferred income tax liabilities		364	333
Subordinated debt		20,412	20,755
Insurance provisions		7,021	6,067
Other financial liabilities		33,046	34,337
Other non-financial liabilities		10,127	5,905
TOTAL LIABILITIES		818,849	732,278
EQUITY			
Share capital	11	230	230
Share premium	11	26,998	26,998
Treasury shares	11	(3,711)	(3,238)
Share-based payment reserve	20	3,496	1,548
Retained earnings		125,337	99,540
Revaluation reserve for investments in debt securities		(5,870)	1,849
Equity attributable to shareholders of the Company		146,480	126,927
Non-controlling interest		675	89
TOTAL EQUITY		147,155	127,016
TOTAL LIABILITIES AND EQUITY		966,004	859,294

Approved for issue and signed on behalf of the Board of directors on 25 August 2021.


Constantinos Economides
Director


Mary Trimithiotou
Director

TCS Group Holding PLC
Consolidated Condensed Interim Statement of Profit or Loss and Other Comprehensive Income

In millions of RR	Note	Unaudited			
		Six months ended 30 June 2021	Three months ended 30 June 2021	Six months ended 30 June 2020	Three months ended 30 June 2020
Interest income calculated using the effective interest rate method	12	75,041	39,839	64,376	32,669
Other similar income	12	113	56	11	7
Interest expense calculated using the effective interest rate method	12	(11,699)	(6,197)	(11,153)	(5,579)
Other similar expense	12	(40)	(20)	(74)	(36)
Expenses on deposit insurance programme	12	(1,111)	(568)	(801)	(221)
Net margin	12	62,304	33,110	52,359	26,840
Credit loss allowance for loans and advances to customers and credit related commitments	7	(9,432)	(4,832)	(27,437)	(12,047)
Credit loss allowance (charge)/ recovery for debt securities at FVOCI		(34)	91	(261)	(154)
Total credit loss allowance for debt financial instruments		(9,466)	(4,741)	(27,698)	(12,201)
Net margin after credit loss allowance		52,838	28,369	24,661	14,639
Fee and commission income	13	36,073	19,609	19,826	9,829
Fee and commission expense	13	(16,836)	(9,142)	(9,290)	(4,009)
Customer acquisition expense	14	(19,214)	(10,709)	(8,118)	(4,111)
Net (losses)/gains from derivatives revaluation		(241)	(1,081)	2,958	(4,263)
Net gains/(losses) from foreign exchange translation		758	2,252	(4,501)	2,300
Net (losses)/gains from operations with foreign currencies		(670)	(1,004)	920	236
Net gains from disposals of investments in securities		789	766	6,249	2,882
Net gains from financial assets at FVTPL		1,502	82	10	43
Insurance premiums earned		10,128	5,301	9,386	4,617
Insurance claims incurred		(1,940)	(904)	(2,109)	(770)
Administrative and other operating expenses	15	(25,201)	(13,399)	(16,106)	(8,610)
Net gains from repurchase of subordinated debt		5	21	150	19
Other operating income		451	211	728	326
Profit before tax		38,442	20,372	24,764	13,128
Income tax expense		(8,180)	(4,271)	(5,510)	(2,894)
Profit for the period		30,262	16,101	19,254	10,234
Other comprehensive (loss)/income					
<i>Items that may be reclassified to profit or loss</i>					
Debt securities at FVOCI and Repurchase receivables:					
- Net (losses)/gains arising during the period, net of tax		(7,288)	(762)	3,050	5,469
- Net gains reclassified to profit or loss upon disposal, net of tax		(431)	(413)	(4,999)	(2,305)
Other comprehensive (loss)/income for the period, net of tax		(7,719)	(1,175)	(1,949)	3,164
Total comprehensive income for the period		22,543	14,926	17,305	13,398
Profit/ (loss) is attributable to:					
- Shareholders of the Company		30,294	16,140	19,246	10,229
- Non-controlling interest		(32)	(39)	8	5
Total comprehensive income/ (loss) is attributable to:					
- Shareholders of the Company		22,575	14,965	17,297	13,393
- Non-controlling interest		(32)	(39)	8	5
Earnings per share for profit attributable to the Shareholders of the Company, basic (expressed in RR per share)		153.96	81.83	98.38	52.11
Earnings per share for profit attributable to the Shareholders of the Company, diluted (expressed in RR per share)		150.51	79.90	97.45	51.68

The notes № 1-24 are an integral part of this Consolidated Condensed Interim Financial Information.

TCS Group Holding PLC

Attributable to shareholders of the Company

The notes № 1-24 are an integral part of this Consolidated Condensed Interim Financial Information.

TCS Group Holding PLC
Consolidated Condensed Interim Statement of Cash Flows

In millions of RR	Note	Unaudited	
		Six months ended 30 June 2021	Six months ended 30 June 2020
Cash flows from operating activities			
Interest income received calculated using the effective interest rate method		74,459	63,991
Other similar income received		77	11
Interest expense paid calculated using the effective interest rate method		(11,715)	(11,417)
Recoveries from written-off loans	7	2,153	1,789
Expenses on deposits insurance paid		(1,020)	(921)
Fees and commissions received		36,077	21,076
Fees and commissions paid		(16,263)	(9,879)
Customer acquisition expense paid		(17,676)	(7,428)
Gains from operations with foreign currencies received		400	51
Losses from operations with derivatives paid		(244)	(443)
Insurance premiums received		10,447	8,930
Insurance claims paid		(1,765)	(1,576)
Recoveries from the purchased loans received	7	1,885	590
Other operating income received		500	2,278
Administrative and other operating expenses paid		(18,841)	(12,833)
Income tax paid		(2,170)	(3,891)
Cash flows from operating activities before changes in operating assets and liabilities		56,304	50,328
Changes in operating assets and liabilities			
Net increase in CBRF mandatory reserves		(1,263)	(763)
Net decrease in due from banks		790	216
Net increase in loans and advances to customers		(142,566)	(17,904)
Net increase in brokerage receivables		(18,013)	(11,840)
Net decrease/(increase) in debt securities measured at FVTPL		1,578	(952)
Net (increase)/decrease in guarantee deposits with payment systems		(437)	-
Net decrease in other financial assets		9,395	5,221
Net increase in other non-financial assets		(294)	(525)
Net increase in due to banks		5,059	3,613
Net increase in customer accounts		84,405	55,499
Net (decrease)/increase in brokerage payables		(562)	3,925
Net (decrease)/increase in other financial liabilities		(4,053)	65
Net decrease in non-financial liabilities		(348)	(175)
Net cash (used in)/from operating activities		(10,005)	86,708
Cash flows (used in)/from investing activities			
Acquisition of tangible fixed assets		(2,600)	(844)
Acquisition of intangible assets		(2,197)	(1,415)
Acquisition of investments in securities, repurchase receivables and other investments		(25,868)	(300,080)
Proceeds from sale and redemption of investments in securities		23,439	224,923
Net cash used in investing activities		(7,226)	(77,416)
Cash flows (used in)/from financing activities			
Dividends paid	16	(3,628)	(5,132)
Repayment of subordinated debt		(435)	(1,955)
Repayment of principal of lease liabilities		(329)	(366)
GDR's buy-back	11	(1,877)	(661)
Repayment of debt securities in issue		(2,247)	(813)
Proceeds of perpetual loan participation notes		484	208
Net cash used in financing activities		(8,032)	(8,719)
Effect of exchange rate changes on cash and cash equivalents		(2,608)	1,545
Net (decrease)/increase in cash and cash equivalents		(27,871)	2,118
Cash and cash equivalents at the beginning of the period	5	136,351	55,564
Cash and cash equivalents at the end of the period	5	108,480	57,682

The notes № 1-24 are an integral part of this Consolidated Condensed Interim Financial Information.

1 Introduction

This consolidated condensed interim financial information for the six months ended 30 June 2021 for TCS Group Holding PLC (the “Company”) and its subsidiaries (together referred to as the “Group” or “TCS Group Holding PLC”) has been prepared in accordance with International Accounting Standard 34 (IAS 34) “Interim Financial Reporting” as adopted by the European Union (EU).

The Company was incorporated, and is domiciled, in Cyprus in accordance with the provisions of the Companies Law, Cap. 113.

The Board of Directors of the Company at the date of authorisation of this consolidated condensed interim financial information consists of: Ashley Dunster, Constantinos Economides, Margarita Hadjitofi, Martin Cocker, Mary Trimithiotou, Maria Gordon, Nicholas Huber, Nitin Saigal and Oliver Hughes (from 25 March 2021). The following directors joined the Board on 11 May 2021: Ashley Dunster, Margarita Hadjitofi, Maria Gordon, Nicholas Huber and Nitin Saigal. Mr. Alexios Ioannides and Mr. Jacques Der Megreditchian retired on 11 and 28 May 2021 respectively.

The Company Secretary is Caelion Secretarial Limited, 25 Spyrou Araouzou, 25 Berengaria, 5th floor, Limassol 3036, Cyprus.

At 30 June 2021 the share capital of the Company is comprised of ordinary shares (31 December 2020: class A shares and class B shares). Each ordinary share has a nominal value of USD 0.04 per share and carries one vote. As at 30 June 2021 the number of issued ordinary shares is 199,305,492 (31 December 2020: the number of issued class A shares is 129,391,449 and class B shares is 69,914,043). Refer to Note 11 for further information on the share capital. On 25 October 2013 the Group completed an initial public offering of its class A ordinary shares in the form of global depository receipts (GDRs) listed on the London Stock Exchange plc. On 2 July 2019 the Group completed a secondary public offering (SPO) of its class A shares in the form of GDRs. On 28 October 2019 the Group’s GDRs started trading also on the Moscow Exchange.

As at 30 June 2021 and 31 December 2020 the entities and the individuals holding Company’s shares were:

	30 June 2021 (Unaudited)		31 December 2020		Country of Incorporation
	Class of shares	Percentage on total issued shares	Class of shares	Percentage on total issued shares	
Guaranty Nominees Limited (JP Morgan Chase Bank NA)	Ordinary	64.92%	Class A	64.92%	United Kingdom
Virtue Trustees (Switzerland) AG as Trustee of the New Rigi Trust	Ordinary	35.08%	-	-	Switzerland
Ioanna Georgiou	Ordinary	0.00%	Class A	0.00%	Cyprus
Panagiota Charalambous	Ordinary	0.00%	Class A	0.00%	Cyprus
Maria Vyra	Ordinary	0.00%	Class A	0.00%	Cyprus
Chloi Panagiotou	Ordinary	0.00%	Class A	0.00%	Cyprus
Leonora Chagianni	Ordinary	0.00%	Class A	0.00%	Cyprus
Antonis Strati	Ordinary	0.00%	Class A	0.00%	Cyprus
Virtue Trustees (Switzerland) AG as Trustee of the Bernina Trust	-	-	Class B	18.47%	Switzerland
Virtue Trustees (Switzerland) AG as Trustee of the Rigi Trust	-	-	Class B	16.61%	Switzerland
Total		100.00%		100.00%	

Guaranty Nominees Limited is a company holding ordinary shares of the Company for which GDRs are issued under a deposit agreement made between the Company and JP Morgan Chase Bank NA signed in October 2013.

As at 31 December 2020 the ultimate controlling party of the Company was Mr. Oleg Tinkov, who controlled approximately 84.38% of the aggregated voting rights attached to the class A and B shares, excluding voting rights attaching to TCS Group Holding PLC GDRs he holds, if any.

1 Introduction (Continued)

On 7 January 2021 all issued 69,914,043 class B shares (35.08% of the total number of issued shares) held by the Rigi Trust and the Bernina Trust were converted to class A shares, and on the same date all issued shares were reclassified and redesignated as ordinary shares. Following the conversion, each share carries a single vote, and the total number of votes capable of being exercised are equal to the total number of issued shares (currently 199,305,492 shares following the class B share conversion). The number of GDRs in issue remained unchanged. After conversion Mr. Oleg Tinkov's voting rights dropped to 35.08%. Also the shares held by the two trusts were transferred to the New Rigi Trust. After the transfer Mr. Oleg Tinkov's voting rights remained unchanged. As at 30 June 2021 in accordance with IFRS 10 definition of control the Group has no ultimate controlling party. Though the founder, Mr. Oleg Tinkov, retains control over a major shareholding.

As at 30 June 2021 and 31 December 2020 the six individuals listed in the table above each held one share. The individuals hold them as nominees of Mr. Oleg Tinkov.

The subsidiaries of the Group are set out below. Except where stated the Group owns 100% of shares and has 100% of voting rights of each of these subsidiaries as at 30 June 2021 and 31 December 2020.

JSC "Tinkoff Bank" (the "Bank") provides on-line retail banking services in Russia. The Bank specialises in issuing credit cards and other credit products.

JSC "Tinkoff Insurance" (the "Insurance Company") provides insurance services such as accident, property, travellers, financial risks and auto insurance.

LLC Microfinance company "T-Finans" provides micro-finance services.

TCS Finance D.A.C. is a structured entity which issued debt securities including subordinated perpetual bonds for the Group. The Group neither owns shares nor has voting rights in this company. However, this entity was consolidated as it was specifically set up for the purposes of the Group, and the Group has exposure to substantially all risks and rewards through outstanding guarantees of the entity's obligations.

LLC "TCS" provides printing, distribution and other services to the Group.

LLC "Phoenix" is a debt collection agency.

LLC "Tinkoff Mobile" is a mobile virtual network operator set up in 2017 to provide mobile services.

LLC "CloudPayments" is a developer of online payment solutions whose core business is online merchant acquiring in Russia. As at 30 June 2021 and 31 December 2020 the Group held 95% of the shares of LLC "CloudPayments".

ANO "Tinkoff Education" is a non-commercial organization set up by the Bank as the sole founder.

LLC "Tinkoff Capital" is an asset management company established in June 2019 to manage investment funds, mutual funds and non-state pension funds.

LLC "Tinkoff Invest Lab" is an infrastructure company created for supporting and optimizing of the Group's investment services.

LLC "Tinkoff Software DC" (Russia) and LLC "Tinkoff Software DC" (Belarus) provide software development services.

In August 2020 the Group acquired a 22.15% shareholding in Incantus Holding Limited, which is a group of fintech start-ups launched in 2020 to provide a range of services to retail customers in Europe (excluding CIS) through the mobile banking platform Vivid Money. On 31 May 2021 Incantus was restructured into a new holding, Vivid Money Holdco Limited. As a result of series of new shares issuances related to fresh equity funding, the Company's share in Vivid Money Holdco Limited has diluted to 11.70% as at 30 June 2021 (31 December 2020: 16.32%).

1 Introduction (Continued)

In April 2021 the Group acquired a 77.4% shareholding in LLC “Beskontakt”. LLC “Beskontakt” is a fintech company developing the “Koshelek” app, which is a digital wallet and a mobile app aggregating bank and loyalty cards. The acquired entity will assist to expand the Group’s customer base through marketing and cross-selling of its products to the app’s users. Refer to Notes 21 and 22 for the details of this acquisition.

EBT is a special purpose trust which has been specifically created for the long-term incentive programme for Management of the Group (MLTIP). The Group neither owns shares nor has voting rights in EBT.

Principal activity. The Group’s principal business activities are retail banking to private individuals, individual entrepreneurs’ and small and medium enterprises’ (“SME”) accounts and banking services, brokerage services, insurance operations, acquiring and payments’ services within the Russian Federation through the Bank and the Insurance Company. The Bank operates under general banking license No. 2673 issued by the Central Bank of the Russian Federation (“CBRF”) on 8 December 2006. The Insurance Company operates under an insurance license issued by the CBRF.

The Bank participates in the state deposit insurance scheme, which was introduced by Federal Law No. 177-FZ “Deposits insurance in banks of the Russian Federation” dated 23 December 2003. The State Deposit Insurance Agency guarantees repayment of up to RR 1.4 million per individual, individual entrepreneur and small enterprise deposits in case of the withdrawal of a license of a bank or a CBRF-imposed moratorium on payments.

Registered address and place of business. The Company’s registered address is 25 Spyrou Araouzou, Berengaria 25, 5th floor, Limassol 3036, Cyprus, and place of business is Office 403, Lophitis Business Centre I, Corner of 28th October/Emiliou Chourmouziou Streets, Limassol 3035 Cyprus. The Bank’s and the Insurance Company’s registered address is 2-nd Khutorskaya Street, 38A, building 26, 127287, Moscow, Russian Federation.

Presentation currency. This consolidated condensed interim financial information is presented in millions of Russian Rubles (RR).

2 Operating Environment of the Group

Russian Federation. The Group operates mainly within the Russian Federation. In March 2020 the World Health Organization (WHO) announced that the spread of the COVID-19 virus across the globe is a pandemic. Significant restrictions on travel and movement of individuals and the closure of non-essential businesses have either been imposed in most countries or have happened as a result of the pandemic. This has led to significant declines in GDP in most if not all large economically strong countries. Russia has not been immune to the negative personal and economic hardships arising from this virus and from the response to it trying to limit its spread.

In 2020 the Government of the Russian Federation has implemented various support measures for individuals and corporates impacted by the COVID-19 pandemic including their right in certain circumstances to obtain repayment holidays on their loans for up to 6 months and reduced rates of interest in this period. Also the Group has itself implemented several measures to support its clients, especially those who face financial difficulties and a significant decrease of current income due to the situation.

2020 has been a ground shaking year across the globe in many industries, but in the Russian credit market the COVID-19 dislocations proved less impactful than during the previous crises of 2008-09 or 2013-2014, in part helped by government support and more disciplined lending practices of the biggest banks. In 2020 the CBR relaxed risk weights for the first time in many years. This coupled with restructuring programmes launched by many banks helped the credit card market to still grow by 1.6% in 2020.

In the second quarter of 2021, the new wave of the COVID-19 pandemic began, however, the Government of the Russian Federation took all the restrictive measures to limit a spread of the virus and the introduction of a lockdown. However, the level of ongoing uncertainty in relation to further negative developments around the COVID-19 pandemic and possible impact on the Group remains high.

In order to reflect appropriately the uncertainty associated with the COVID-19 pandemic the Group made a decision to keep the macro-adjustment calculation approach.

2 Operating Environment of the Group (Continued)

According to IFRS 9 “Financial Instruments”, the Group uses forecast information in the expected credit loss models, including forecasts of macroeconomic indicators. For the purpose of calculating credit loss allowances as at 30 June 2021, the Group took into account expectations regarding the following macro-factors and allocated higher weight to the pessimistic macroeconomic scenario:

- Russian stock market index MOEX;
- Moscow Prime Offered Rate;
- Debt load of Russian population based on statistics from bureaus of credit history.

The management of the Group considers that the Group has demonstrated over the years and during the current COVID-crisis its ability to withstand shocks and retains its positive long-term outlook in particular due to the following advantages of the Group’s business model:

- using flexible business structure, the Group swiftly shifted some of its resources from businesses that were needed to run more conservatively to businesses with higher growth prospects;
- the Group has a highly liquid, diversified, foreign exchange hedged, and well-capitalized balance sheet;
- the Group’s digital model is exactly what is needed in the current environment and this can be seen in the ongoing increased online payment volumes as well as increased take up of its mobile lifestyle app, current accounts, and brokerage business.

The Group regularly stress tests its business to assess the sustainability of its liquidity and capital positions. These tests demonstrate that Group’s current levels of capital and liquidity are more than sufficient to absorb potential economic and operational shocks related to the new waves of the COVID-19 pandemic.

3 Critical Accounting Estimates and Judgements in Applying Accounting Policies

The Group makes estimates and assumptions that affect the amounts recognized in the consolidated condensed interim financial information and the carrying amounts of assets and liabilities 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, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognized in the consolidated condensed interim financial information 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 of significant judgement and involves the use of complex models and data inputs. The following components of ECL calculation have a major impact on credit loss allowance: probability of default (“PD”) (impacted by definition of default, SICR, forward-looking scenarios and their weights) and loss given default (“LGD”). The Group makes estimates and judgments, which are constantly analyzed based on statistical data, actual and forecast information, as well as management experience, including expectations regarding future events that are considered reasonable in the current circumstances.

In 2020, in order to address rising credit risks, the Group adjusted the main approaches to assessing the level of expected credit losses, and given that the ongoing uncertainty in relation to further impact of COVID-19 pandemic remains, the Group decided to keep this approach during the six and three months ended 30 June 2021:

- the macroeconomic model has become more conservative, based on different scenarios: base, optimistic and pessimistic, and higher weight is assigned to the pessimistic scenario;
- for loans in default the Group has applied increased coefficients of LGD;
- the Group has estimated the volume of loans to individuals which were restructured despite no evidence of any SICR, as of the reporting date and applied higher PDs to such loans for the purposes of estimation of expected credit losses.

3 Critical Accounting Estimates and Judgements in Applying Accounting Policies (Continued)

The impact of the changed macroeconomic conditions assessed using the approaches described above was approximately RR 4.7 billion of additional credit loss allowance as at 30 June 2021 (31 December 2020: RR 5.6 billion).

An increase or decrease in PDs by 0.5% compared to PDs used in the ECL estimates calculated at 30 June 2021 would result in an increase or decrease in credit loss allowances of RR 1.8 billion (31 December 2020: by 2% RR 5.2 billion).

An increase or decrease in LGDs by 1% compared to LGDs used in the ECL estimates calculated at 30 June 2021 would result in an increase or decrease in credit loss allowances of RR 0.8 billion (31 December 2020: by 2% RR 1.5 billion).

4 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 Group. The functions of CODM are performed by the Management of the Bank and the Management of the Insurance Company.

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

Since the business of the Group is expanding certain operating segments became significant enough to be considered as separate reportable segments. This triggered changes in the number and composition of segments to be presented. Disclosures for comparative periods were amended accordingly. The Group is organised on the basis of 7 main business segments:

Consumer finance – representing retail loans (credit cards, cash loans, POS loans, car loans, secured loans), deposits and savings, also lifestyles and travel services to individuals.

Retail debit cards - representing customer current accounts services to individuals with the loyalty programmes, co-branded offers, and also lifestyles and travel services to individuals. Assets of the segment are represented by placements of the funds attracted in investments in securities, treasury transactions, other financial and non-financial assets.

InsurTech – representing insurance services provided to individuals, such as personal accident insurance, personal property insurance, travel insurance and vehicle insurance.

InvestTech - representing online brokerage platform for investing in a range of securities including Russian and international securities (ETFs, stocks, bonds, etc.).

Acquiring and payments – providing merchants and businesses the ability to process payments online using internet and offline acquiring services, through direct-to-merchant agreements, aggregators and the Group's own aggregator CloudPayments.

SME services – representing customer current accounts, savings, deposits services and loans to individual entrepreneurs and small to medium businesses. Assets of the segment are represented by placements of the funds attracted into investments in securities, treasury transactions, other financial and non-financial assets.

Mobile virtual network operator (MVNO) services - providing full coverage across Russia and international roaming, offering a number of value-added options such as virtual numbers, music and video streaming services, etc.

The Group's principal activities are mainly undertaken within the Russian Federation. Given the retail nature of business of the segments, the Group does not have any significant revenue stream from any single customer.

TCS Group Holding PLC

4 Segment Analysis (Continued)

Factors that management used to identify the reportable segments

The Group's segments are strategic business units that focus on different services to the customers of the Group. Their performance is analysed separately by the CODM and they are managed separately because each business unit requires different marketing strategies and represents different types of businesses.

Measurement of operating segment profit or loss, assets and liabilities

The CODM reviews financial information prepared based on International financial reporting standards adjusted to meet the requirements of internal reporting. The CODM evaluates performance of each segment based on profit before tax.

Information about reportable segment assets and liabilities, profit or loss

Segment reporting of the Group's assets and liabilities as at 30 June 2021 is set out below:

	Consumer Finance	Retail Debit Cards	Insur-Tech	Invest-Tech	Unaudited Acquiring and Payments	SME Services	MVNO services	Eliminations	Total
In millions of RR									
Reportable segment assets	537,789	277,690	19,532	70,574	15,574	52,593	1,165	(8,913)	966,004
Reportable segment liabilities	223,171	394,708	8,351	103,854	850	92,722	4,106	(8,913)	818,849

Segment reporting of the Group's assets and liabilities as at 31 December 2020 is set out below:

<i>In millions of RR</i>	Consumer Finance	Retail Debit Cards	Insur-Tech	Invest-Tech	Acquiring and Payments	SME Services	MVNO services	Eliminations	Total
Reportable segment assets	458,245	245,923	12,437	73,773	15,563	55,517	755	(2,919)	859,294
Reportable segment liabilities	203,723	345,585	6,901	83,428	649	91,412	3,499	(2,919)	732,278

All jointly used assets, such as fixed assets, rights of use assets and intangible assets were allocated to the segments on the basis of detailed analysis of usage of those assets by segments.

TCS Group Holding PLC
Notes to the Consolidated Condensed Interim Financial Information – 30 June 2021

4 Segment Analysis (Continued)

Segment reporting of the Group's income and expenses for the six months ended 30 June 2021 is set out below:

<i>In millions of RR</i>	Unaudited						
	Consumer Finance	Retail Debit Cards	Insur-Tech	Invest-Tech	Acquiring and Payments	SME Services	MVNO services
External revenues							
Interest income	63,904	5,622	210	3,789	-	1,624	5
Fee and commission income							
- <i>Fee and commission income on cards' and current accounts' services</i>	1,445	8,110	-	247	-	5,813	59
- <i>Fee for selling credit protection</i>	2,558	-	-	-	-	-	-
- <i>Acquiring commission</i>	-	39	-	-	9,471	-	-
- <i>MVNO and investments services</i>	-	-	-	5,107	-	-	1,244
- <i>Other fees receivable</i>	380	1,542	-	-	58	-	-
Timing of fee and commission income recognition:							
- At point in time	3,207	8,502	-	5,002	9,529	3,804	424
- Over time	1,176	1,189	-	352	-	2,009	879
Total fee and commission income	4,383	9,691	-	5,354	9,529	5,813	1,303
Insurance premiums earned	-	-	10,128	-	-	-	-
Other operating income	294	-	145	-	12	-	-
Total external revenues	68,581	15,313	10,483	9,143	9,541	7,437	1,308
Revenues from other segments							
Interest income	-	1,762	66	-	-	868	-
Fee and commission income	-	-	-	-	-	-	-
- <i>Acquiring commission</i>	-	-	-	-	49	-	-
- <i>Other fees receivable</i>	2	153	-	-	-	-	269
Insurance premiums earned	-	-	80	-	-	-	-
Other operating income	122	-	-	-	-	-	-
Total revenues from other segments	124	1,915	146	-	49	868	269
TOTAL REVENUES	68,705	17,228	10,629	9,143	9,590	8,305	1,577
Interest expense	(8,061)	(6,665)	-	(159)	-	(661)	-
Credit loss allowance charge	(9,609)	(71)	-	-	-	214	-
Fee and commission expense	(1,391)	(6,664)	(45)	(1,343)	(6,207)	(447)	(808)
Insurance claims incurred	-	-	(1,992)	-	-	-	-
Administrative and other operating expenses	(10,735)	(5,441)	(2,206)	(1,959)	(1,356)	(2,897)	(652)
Other gains/ (losses)	97	1,740	(50)	250	-	106	-
Segment result before acquisition expenses	39,006	127	6,336	5,932	2,027	4,620	117
Customer acquisition expense	(8,384)	(4,050)	(891)	(4,100)	(169)	(1,462)	(667)
SEGMENT RESULT	30,622	(3,923)	5,445	1,832	1,858	3,158	(550)

TCS Group Holding PLC
Notes to the Consolidated Condensed Interim Financial Information – 30 June 2021

4 Segment Analysis (Continued)

Segment reporting of the Group's income and expenses for the three months ended 30 June 2021 is set out below:

In millions of RR	Unaudited					Elimina- tions	Total
	Consumer Finance	Retail Debit Cards	Insur- Tech	Invest- Tech	Acquiring and Payments		
External revenues							
Interest income	33,946	2,876	107	2,038	-	925	3
Fee and commission income							
- Fee and commission income on cards' and current accounts' services	742	4,422	-	113	-	3,161	39
- Fee for selling credit protection	1,349	-	-	-	-	-	-
- Acquiring commission	-	20	-	-	5,449	-	-
- MVNO and investments services	-	-	-	2,434	-	-	682
- Other fees receivable	222	942	-	-	34	-	-
Timing of fee and commission income recognition:							
- At point in time	1,712	4,753	-	2,367	5,483	2,129	243
- Over time	601	631	-	180	-	1,032	478
Total fee and commission income	2,313	5,384	-	2,547	5,483	3,161	721
Insurance premiums earned	-	-	5,301	-	-	-	-
Other operating income	132	-	71	-	8	-	-
Total external revenues	36,391	8,260	5,479	4,585	5,491	4,086	724
Revenues from other segments							
Interest income	-	996	46	-	-	447	-
Fee and commission income							
- Acquiring commission	-	-	-	-	29	-	-
- Other fees receivable	1	106	-	-	-	-	159
Insurance premiums earned	-	-	53	-	-	-	-
Other operating income	61	-	-	-	-	-	-
Total revenues from other segments	62	1,102	99	-	29	447	159
TOTAL REVENUES	36,453	9,362	5,578	4,585	5,520	4,533	883
Interest expense	(3,885)	(3,886)	-	(159)	-	(344)	-
Credit loss allowance charge	(5,117)	67	-	-	-	309	-
Fee and commission expense	(604)	(3,556)	(26)	(688)	(3,625)	(238)	(447)
Insurance claims incurred	-	-	(916)	-	-	-	-
Administrative and other operating expenses	(5,606)	(3,034)	(1,116)	(990)	(689)	(1,602)	(385)
Other gains/ (losses)	417	327	(78)	250	-	120	-
Segment result before acquisition expenses	21,658	(720)	3,442	2,998	1,206	2,778	51
Customer acquisition expense	(4,840)	(2,352)	(596)	(2,037)	(93)	(753)	(370)
SEGMENT RESULT	16,818	(3,072)	2,846	961	1,113	2,025	(319)

TCS Group Holding PLC
Notes to the Consolidated Condensed Interim Financial Information – 30 June 2021

4 Segment Analysis (Continued)

Segment reporting of the Group's income and expenses for the six months ended 30 June 2020 is set out below:

<i>In millions of RR</i>	Unaudited						
	Consumer Finance	Retail Debit Cards	Insur-Tech	Invest-Tech	Acquiring and Payments	SME Services	MVNO services
External revenues							
Interest income	58,330	4,047	207	702	-	1,095	6
Fee and commission income	-	-	-	-	-	-	-
- <i>Fee and commission income on cards' and current accounts' services</i>	1,406	4,349	-	99	-	3,937	5
- <i>Fee for selling credit protection</i>	2,399	-	-	-	-	-	-
- <i>Acquiring commission</i>	-	-	-	-	4,558	-	-
- <i>MVNO and investments services</i>	-	-	-	1,613	-	-	776
- <i>Other fees receivable</i>	262	387	-	-	35	-	-
Timing of fee and commission income recognition:							
- At point in time	2,959	3,957	-	1,596	4,593	2,118	211
- Over time	1,108	779	-	116	-	1,819	570
Total fee and commission income	4,067	4,736	-	1,712	4,593	3,937	781
Insurance premiums earned	-	-	9,386	-	-	-	-
Other operating income	621	-	97	-	10	-	-
Total external revenues	63,018	8,783	9,690	2,414	4,603	5,032	787
Revenues from other segments							
Interest income	-	1,449	30	-	-	641	-
Fee and commission income	-	-	-	-	-	-	-
- <i>Acquiring commission</i>	-	-	-	-	41	-	-
- <i>Other fees receivable</i>	-	4	-	-	-	-	169
Insurance premiums earned	-	-	40	-	-	-	-
Other operating income	183	-	-	-	-	-	-
Total revenues from other segments	183	1,453	70	-	41	641	169
TOTAL REVENUES	63,201	10,236	9,760	2,414	4,644	5,673	956
Interest expense	(8,902)	(4,640)	-	-	-	(606)	-
Credit loss allowance charge	(27,095)	(253)	-	-	-	(350)	-
Fee and commission expense	(1,156)	(3,861)	(41)	(539)	(2,860)	(348)	(545)
Insurance claims incurred	-	-	(2,153)	-	-	-	-
Administrative and other operating expenses	(7,274)	(2,928)	(1,857)	(774)	(728)	(2,119)	(483)
Other (losses) / gains	(541)	5,145	89	-	-	1,093	-
Segment result before acquisition expenses	18,233	3,699	5,798	1,101	1,056	3,343	(72)
Customer acquisition expense	(4,530)	(1,312)	(527)	(873)	(159)	(555)	(438)
SEGMENT RESULT	13,703	2,387	5,271	228	897	2,788	(510)

TCS Group Holding PLC
Notes to the Consolidated Condensed Interim Financial Information – 30 June 2021

4 Segment Analysis (Continued)

Segment reporting of the Group's income and expenses for the three months ended 30 June 2020 is set out below:

<i>In millions of RR</i>	Consumer Finance	Retail Debit Cards	Insur-Tech	Invest-Tech	Unaudited Acquiring and Payments	SME Services	MVNO services	Eliminations	Total
External revenues									
Interest income	29,350	2,277	108	451	-	487	3	-	32,676
Fee and commission income	-	-	-	-	-	-	-	-	-
- Fee and commission income on cards' and current accounts' services	627	2,027	-	63	-	1,907	3	-	4,627
- Fee for selling credit protection	1,176	-	-	-	-	-	-	-	1,176
- Acquiring commission	-	-	-	-	2,236	-	-	-	2,236
- MVNO and investments services	-	-	-	1,062	-	-	404	-	1,466
- Other fees receivable	120	185	-	-	19	-	-	-	324
Timing of fee and commission income recognition:									
- At point in time	1,375	1,811	-	1,057	2,255	1,008	105	-	7,611
- Over time	548	401	-	68	-	899	302	-	2,218
Total fee and commission income	1,923	2,212	-	1,125	2,255	1,907	407	-	9,829
Insurance premiums earned	-	-	4,617	-	-	-	-	-	4,617
Other operating income	285	-	36	-	5	-	-	-	326
Total external revenues	31,558	4,489	4,761	1,576	2,260	2,394	410	-	47,448
Revenues from other segments									
Interest income	-	756	14	-	-	305	-	(1,075)	-
Fee and commission income	-	-	-	-	-	-	-	-	-
- Acquiring commission	-	-	-	-	36	-	-	(36)	-
- Other fees receivable	-	1	-	-	-	-	98	(99)	-
Insurance premiums earned	-	-	12	-	-	-	-	(12)	-
Other operating income	126	-	-	-	-	-	-	(126)	-
Total revenues from other segments	126	757	26	-	36	305	98	(1,348)	-
TOTAL REVENUES	31,684	5,246	4,787	1,576	2,296	2,699	508	(1,348)	47,448
Interest expense	(4,387)	(2,297)	-	-	-	(227)	-	1,075	(5,836)
Credit loss allowance charge	(11,795)	(144)	-	-	-	(262)	-	-	(12,201)
Fee and commission expense	(529)	(1,328)	(38)	(362)	(1,381)	(151)	(271)	51	(4,009)
Insurance claims incurred	-	-	(751)	-	-	-	-	(19)	(770)
Administrative and other operating expenses	(4,045)	(1,580)	(973)	(435)	(369)	(1,004)	(219)	15	(8,610)
Other (losses) / gains	(1,590)	2,450	(68)	-	-	425	-	-	1,217
Segment result before acquisition expenses	9,338	2,347	2,957	779	546	1,480	18	(226)	17,239
Customer acquisition expense	(2,126)	(688)	(238)	(649)	(91)	(286)	(259)	226	(4,111)
SEGMENT RESULT	7,212	1,659	2,719	130	455	1,194	(241)	-	13,128

4 Segment Analysis (Continued)

Retail debit cards segment is the most important channel for acquisition of new clients to the Group's ecosystem. During the six months ended 30 June 2021 new customer acquisition reached historically high level.

Fee and commission income on cards' and current accounts' services include SME services commission, SMS fee, interchange fee, foreign currency exchange transactions fee, fee for money transfers, cash withdrawal fee and replenishment fee.

Interest income and interest expense from other segments for the six and three months ended 30 June 2021 amounted to RR 2,696 million and RR 1,489 million, respectively (for the six and three months ended 30 June 2020: RR 2,120 million and RR 1,075 million, respectively). These were calculated using the funds transfer pricing curve.

5 Cash and Cash Equivalents

<i>In millions of RR</i>	30 June 2021 (Unaudited)	31 December 2020
Cash on hand	25,520	21,069
Cash balances with the CBRF (other than mandatory reserve deposits)	20,148	38,646
Placements with other banks and non-bank credit organizations with original maturities of less than three months	62,812	76,636
Total cash and cash equivalents	108,480	136,351

Cash on hand includes cash balances in ATMs and cash balances in transit. Placements with other banks and organizations with original maturities of less than three months include placements under reverse sale and repurchase agreements in the amount of RR 3,727 million as at 30 June 2021 (31 December 2020: RR 33,210 million). The Group has a right to sell or repledge securities received under reverse sale and repurchase agreements.

The carrying amount of cash and cash equivalents at 30 June 2021 and 31 December 2020 also represents the Group's maximum exposure to credit risk on these assets.

For the purpose of ECL measurement cash and cash equivalents balances are included in Stage 1 for excellent, good and monitor credit quality, in Stage 2 for sub-standard and Stage 3 for doubtful credit quality. The ECL for these balances represents an immaterial amount, therefore the Group did not recognise any credit loss allowance for cash and cash equivalents. Except for reverse sale and repurchase agreements, amounts of cash and cash equivalents are not collateralised. As at 30 June 2021 the fair value of collateral under reverse sale and repurchase agreements was RR 4,141 million (31 December 2020: RR 34,527 million). There is no material impact of collateral on credit loss allowance for cash and cash equivalents. Refer to Note 19 for the disclosure of the fair value of cash and cash equivalents.

6 Investments in Securities and Repurchase Receivables

<i>In millions of RR</i>	30 June 2021 (Unaudited)	31 December 2020
Securities measured at fair value through other comprehensive income	220,820	234,189
Securities measured at fair value through profit or loss	2,825	4,265
Total investments in securities	223,645	238,454
Repurchase receivables	5,099	29
Total investments in securities and repurchase receivables	228,744	238,483

6 Investments in Securities and Repurchase Receivables (Continued)

Repurchase receivables represent securities sold under sale and repurchase agreements which the counterparty has the right, by contract or custom, to sell or repledge. As at 30 June 2021 the sale and repurchase agreements are short-term and mature in July 2021. Refer to Note 9 for the related liabilities.

Refer to Note 19 for the disclosure of the fair value of investments in securities and repurchase receivables. Securities at FVOCI reclassified to repurchase receivables continue to be carried at fair value in accordance with accounting policies for these categories of assets.

1) Investments in securities and repurchase receivables measured at fair value through other comprehensive income (FVOCI)

The table below discloses investments in debt securities and repurchase receivables measured at FVOCI by classes:

<i>In millions of RR</i>	30 June 2021 (Unaudited)	31 December 2020
Investments in securities		
Russian government bonds	125,710	123,916
Corporate bonds	83,714	96,200
Municipal bonds	9,138	9,474
Foreign government bonds	2,258	4,599
Repurchase receivables		
Russian government bonds	5,072	-
Corporate bonds	-	29
Total investments in securities and repurchase receivables measured at FVOCI	225,892	234,218
Including credit loss allowance	749	714

2) Securities measured at fair value through profit or loss (FVTPL)

The table below discloses investments in securities and repurchase receivables measured at FVTPL by classes:

<i>In millions of RR</i>	30 June 2021 (Unaudited)	31 December 2020
Investments in securities		
Perpetual corporate bonds	2,325	4,265
Corporate shares	500	-
Repurchase receivables		
Perpetual corporate bonds	27	-
Total investments in securities and repurchase receivables measured at FVTPL	2,852	4,265

Investments in securities measured at FVTPL are carried at fair value, which also reflects any credit risk related write-downs and best represents Group's maximum exposure to credit risk. The securities measured at FVTPL are not collateralized.

7 Loans and Advances to Customers

<i>In millions of RR</i>	30 June 2021 (Unaudited)	31 December 2020
Gross carrying amount of loans and advances to customers at AC	576,613	445,529
Less credit loss allowance	(72,525)	(70,900)
Total carrying amount of loans and advances to customers at AC	504,088	374,629
Loans and advances to customers at FVTPL	3,286	1,892
Total loans and advances to customers	507,374	376,521

Loans and advances to customers at FVTPL represent a loan that does not meet SPPI requirement and that was issued to a related party (refer to Note 20).

Gross carrying amount and credit loss allowance amount for loans and advances to customers at AC by classes at 30 June 2021 and 31 December 2020 are disclosed in the table below:

<i>In millions of RR</i>	30 June 2021 (Unaudited)			31 December 2020		
	Gross carrying amount	Credit loss allowance	Carrying amount	Gross carrying amount	Credit loss allowance	Carrying amount
Credit card loans	302,977	(52,475)	250,502	267,586	(54,242)	213,344
Cash loans	112,812	(12,885)	99,927	68,131	(11,055)	57,076
Other loans	160,824	(7,165)	153,659	109,812	(5,603)	104,209
Secured loans	55,421	(1,482)	53,939	40,232	(1,099)	39,133
Car loans	56,177	(3,407)	52,770	33,991	(2,144)	31,847
POS loans	43,408	(1,770)	41,638	32,690	(1,611)	31,079
Loans to IE and SME	5,818	(506)	5,312	2,899	(749)	2,150
Total loans and advances to customers at AC	576,613	(72,525)	504,088	445,529	(70,900)	374,629

Credit cards are issued to customers for cash withdrawals or payment for goods or services, within the range of limits established by the Bank. These limits may be increased or decreased from time-to-time based on management decision. Credit card loans are not collateralized.

Cash loans represent a product for the borrowers who have a positive credit history and who do not have overdue loans in other banks. Cash loans are loans provided to customers via the Bank's debit cards. These loans are available for withdrawal without commission.

Secured loans represent loans secured with a car or real estate.

POS ("Point of sale") loans represent loans to fund online and offline purchases through internet and offline shops for individual borrowers.

Car loans represent loans for the purchase of a vehicle which is used as collateral under the loan.

Loans to IE and SME represent loans provided by the Bank to individual entrepreneurs and small and medium businesses for the purpose of working capital management.

7 Loans and Advances to Customers (Continued)

The credit loss allowance for loans and advances to customers recognised in the period is impacted by a variety of factors. The main movements in the tables presented below are described as follows:

- new originated or purchased category represents the gross carrying amounts and the related ECL of purchased loans and loans issued during the reporting period (and withdrawals of limits of new credit card borrowers) as at the end of the reporting period or as at the date of transfer of loan out of stage 1 (whichever date is earlier);
- 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. Transfers present the amount of credit loss allowance charged or recovered at the moment of transfer of a loan among the respective stages;
- changes to ECL measurement model assumptions and estimates represent movements due to changes in PDs, EADs and LGDs models during the period;
- movements other than transfers and new originated or purchased loans category represent all other movements of ECL in particular related to changes in gross carrying amounts (including drawdowns, repayments, and accrued interest), as well as updates of inputs to ECL model in the period;
- write-offs of allowances are related to assets that were written-off during the period;
- unwinding of discount (for Stage 3) category represents adjustment to credit loss allowance and gross carrying amount for Stage 3 loans to increase it to discounted amount of the expected cash shortfalls to the reporting date using the effective interest rate;
- Modification of original cash flows without derecognition represents adjustment to credit loss allowance and gross carrying amount of Stage 3 loans caused by the modification of terms of those loans which is not substantial.

7 Loans and Advances to Customers (Continued)

The following tables disclose the changes in the credit loss allowance and gross carrying amount for loans and advances to customers between the beginning and the end of the reporting and comparative periods:

	Unaudited								
	Credit loss allowance				Gross carrying amount				
	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Purchased/ originated credit impaired	Total
<i>In millions of RR</i>									
Credit card loans									
At 31 December 2020	16,441	7,560	30,241	54,242	210,074	11,758	45,573	181	267,586
<i>Movements with impact on credit loss allowance charge for six months ended 30 June 2021</i>									
New originated or purchased	2,388	-	-	2,388	37,493	-	-	3	37,496
Transfers:									
- to lifetime (from Stage 1 to Stage 2)	(2,115)	5,898	-	3,783	(10,448)	10,448	-	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(1,433)	(6,151)	12,206	4,622	(7,002)	(8,404)	15,406	-	-
- recovered (from Stage 3 to Stage 2 and from Stage 2 to Stage 1)	488	(1,304)	(24)	(840)	2,033	(2,002)	(31)	-	-
Movements other than transfers and new originated or purchased loans	(787)	1,517	(2,358)	(1,628)	11,176	(122)	(3,006)	11	8,059
Total movements with impact on credit loss allowance charge for six months ended 30 June 2021	(1,459)	(40)	9,824	8,325	33,252	(80)	12,369	14	45,555
<i>Movements without impact on credit loss allowance charge for the period</i>									
Unwinding of discount (for Stage 3)	-	-	2,549	2,549	-	-	2,549	-	2,549
Write-offs	-	-	(10,064)	(10,064)	-	-	(10,064)	-	(10,064)
Sales	-	-	(1,258)	(1,258)	-	-	(1,330)	-	(1,330)
Modification of original cash flows without derecognition	-	-	(1,319)	(1,319)	-	-	(1,319)	-	(1,319)
At 30 June 2021	14,982	7,520	29,973	52,475	243,326	11,678	47,778	195	302,977

7 Loans and Advances to Customers (Continued)

	Credit loss allowance				Gross carrying amount				Total
	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Purchased/ originated credit impaired	
Credit card loans									
At 31 March 2021	15,207	7,430	31,029	53,666	224,992	11,569	47,539	176	284,276
<i>Movements with impact on credit loss allowance charge for three months ended 30 June 2021</i>									
New originated or purchased	810	-	-	810	17,317	-	-	2	17,319
Transfers:									
- to lifetime (from Stage 1 to Stage 2)	(1,943)	5,352	-	3,409	(9,469)	9,469	-	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(183)	(5,200)	6,108	725	(725)	(6,961)	7,686	-	-
- recovered (from Stage 3 to Stage 2 and from Stage 2 to Stage 1)	580	(1,560)	(36)	(1,016)	2,519	(2,473)	(46)	-	-
Movements other than transfers and new originated or purchased loans	511	1,498	(1,382)	627	8,692	74	(1,597)	17	7,186
Total movements with impact on credit loss allowance charge for three months ended 30 June 2021	(225)	90	4,690	4,555	18,334	109	6,043	19	24,505
<i>Movements without impact on credit loss allowance charge for the period</i>									
Unwinding of discount (for Stage 3)	-	-	1,202	1,202	-	-	1,202	-	1,202
Write-offs	-	-	(5,172)	(5,172)	-	-	(5,172)	-	(5,172)
Sales	-	-	(1,080)	(1,080)	-	-	(1,138)	-	(1,138)
Modification of original cash flows without derecognition	-	-	(696)	(696)	-	-	(696)	-	(696)
At 30 June 2021	14,982	7,520	29,973	52,475	243,326	11,678	47,778	195	302,977

7 Loans and Advances to Customers (Continued)

	Credit loss allowance			Unaudited					
	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Purchased/ Originated credit impaired	Total
<i>In millions of RR</i>									
Credit card loans									
At 31 December 2019	11,704	6,853	25,572	44,129	197,796	11,432	35,373	336	244,937
<i>Movements with impact on credit loss allowance charge for six months ended 30 June 2020</i>									
New originated or purchased	1,592	-	-	1,592	18,008	-	-	138	18,146
Transfers:									
- to lifetime (from Stage 1 to Stage 2)	(4,471)	9,083	-	4,612	(18,999)	18,999	-	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(1,856)	(6,295)	14,804	6,653	(10,089)	(8,906)	18,995	-	-
- recovered (from Stage 3 to Stage 2 and from Stage 2 to Stage 1)	345	(779)	(27)	(461)	1,487	(1,454)	(33)	-	-
Changes to ECL measurement model assumptions and estimates	2,984	286	1,275	4,545	-	-	-	-	-
Movements other than transfers and new originated or purchased loans	4,412	2,683	(1,968)	5,127	2,612	807	(2,322)	(113)	984
Total movements with impact on credit loss allowance charge for six months ended 30 June 2020	3,006	4,978	14,084	22,068	(6,981)	9,446	16,640	25	19,130
<i>Movements without impact on credit loss allowance charge the period</i>									
Unwinding of discount (for Stage 3)	-	-	3,134	3,134	-	-	3,134	-	3,134
Write-offs	-	-	(6,384)	(6,384)	-	-	(6,384)	-	(6,384)
Sales	-	-	(785)	(785)	-	-	(878)	-	(878)
Modification of original cash flows without derecognition	-	-	(6,138)	(6,138)	-	-	(6,138)	-	(6,138)
At 30 June 2020	14,710	11,831	29,483	56,024	190,815	20,878	41,747	361	253,801

7 Loans and Advances to Customers (Continued)

	Credit loss allowance				Unaudited				
	Stage 1 (12- months ECL)	Stage 2 (lifeti-me ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Purchased/ originated credit impaired	Total
<i>In millions of RR</i>									
Credit card loans									
At 31 March 2020	15,430	8,156	26,553	50,139	201,584	13,828	37,584	311	253,307
<i>Movements with impact on credit loss allowance charge for three months ended 30 June 2020</i>									
New originated or purchased	347	-	-	347	5,176	-	-	138	5,314
Transfers:									
- to lifetime (from Stage 1 to Stage 2)	(4,348)	8,258	-	3,910	(17,260)	17,260	-	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(285)	(6,656)	8,093	1,152	(1,125)	(9,189)	10,314	-	-
- recovered (from Stage 3 to Stage 2 and from Stage 2 to Stage 1)	550	(955)	(23)	(428)	2,132	(2,102)	(30)	-	-
Changes to ECL measurement model assumptions and estimates	(416)	8	1,076	668	-	-	-	-	-
Movements other than transfers and new originated or purchased loans	3,432	3,020	(1,225)	5,227	308	1,081	(1,078)	(88)	223
Total movements with impact on credit loss allowance charge for three months ended 30 June 2020	(720)	3,675	7,921	10,876	(10,769)	7,050	9,206	50	5,537
<i>Movements without impact on credit loss allowance charge for the period</i>									
Unwinding of discount (for Stage 3)	-	-	1,703	1,703	-	-	1,703	-	1,703
Write-offs	-	-	(3,479)	(3,479)	-	-	(3,479)	-	(3,479)
Sales	-	-	(330)	(330)	-	-	(382)	-	(382)
Modification of original cash flows without derecognition	-	-	(2,885)	(2,885)	-	-	(2,885)	-	(2,885)
At 30 June 2020	14,710	11,831	29,483	56,024	190,815	20,878	41,747	361	253,801

7 Loans and Advances to Customers (Continued)

	Credit loss allowance				Unaudited				
					Gross carrying amount				
	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Purchased/ originated credit impaired	Total
<i>In millions of RR</i>									
Cash loans									
At 31 December 2020	4,120	2,041	4,894	11,055	56,186	4,767	6,748	430	68,131
<i>Movements with impact on credit loss allowance charge for six months ended 30 June 2021</i>									
New originated or purchased	3,587	-	-	3,587	69,404	-	-	6	69,410
Transfers:									
- to lifetime (from Stage 1 to Stage 2)	(703)	3,082	-	2,379	(5,189)	5,189	-	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(470)	(1,290)	2,413	653	(1,115)	(1,536)	2,651	-	-
- recovered (from Stage 3 to Stage 2 and from Stage 2 to Stage 1)	60	(257)	(7)	(204)	921	(914)	(7)	-	-
Movements other than transfers and new originated or purchased loans	(1,295)	(1,151)	(429)	(2,875)	(21,257)	(1,482)	(309)	52	(22,996)
Total movements with impact on credit loss allowance charge for six months ended 30 June 2021	1,179	384	1,977	3,540	42,764	1,257	2,335	58	46,414
<i>Movements without impact on credit loss allowance charge for the period</i>									
Unwinding of discount (for Stage 3)	-	-	288	288	-	-	288	-	288
Write-offs	-	-	(1,669)	(1,669)	-	-	(1,669)	-	(1,669)
Sales	-	-	(308)	(308)	-	-	(331)	-	(331)
Modification of original cash flows without derecognition	-	-	(21)	(21)	-	-	(21)	-	(21)
At 30 June 2021	5,299	2,425	5,161	12,885	98,950	6,024	7,350	488	112,812

7 Loans and Advances to Customers (Continued)

	Credit loss allowance				Unaudited				
	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Purchased/ originated credit impaired	Total
<i>In millions of RR</i>									
Cash loans									
At 31 March 2021	4,699	1,945	5,204	11,848	74,309	4,753	7,219	365	86,646
<i>Movements with impact on credit loss allowance charge for three months ended 30 June 2021</i>									
New originated or purchased	2,109	-	-	2,109	43,369	-	-	-	43,369
Transfers:									
- to lifetime (from Stage 1 to Stage 2)	(564)	2,313	-	1,749	(3,899)	3,899	-	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(137)	(856)	1,184	191	(287)	(1,013)	1,300	-	-
- recovered (from Stage 3 to Stage 2 and from Stage 2 to Stage 1)	48	(211)	(16)	(179)	812	(794)	(18)	-	-
Movements other than transfers and new originated or purchased loans	(856)	(766)	(259)	(1,881)	(15,354)	(821)	(181)	123	(16,233)
Total movements with impact on credit loss allowance charge for three months ended 30 June 2021	600	480	909	1,989	24,641	1,271	1,101	123	27,136
<i>Movements without impact on credit loss allowance charge for the period</i>									
Unwinding of discount (for Stage 3)	-	-	137	137	-	-	137	-	137
Write-offs	-	-	(851)	(851)	-	-	(851)	-	(851)
Sales	-	-	(238)	(238)	-	-	(256)	-	(256)
At 30 June 2021	5,299	2,425	5,161	12,885	98,950	6,024	7,350	488	112,812

7 Loans and Advances to Customers (Continued)

	Unaudited								
	Credit loss allowance				Gross carrying amount				
	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Purchased/ originated credit impaired	Total
<i>In millions of RR</i>									
Cash loans									
At 31 December 2019	2,358	1,882	3,789	8,029	51,925	5,034	4,670	636	62,265
<i>Movements with impact on credit loss allowance charge for six months ended 30 June 2020:</i>									
New originated or purchased	968	-	-	968	15,814	-	-	4	15,818
Transfers:									
- to lifetime (from Stage 1 to Stage 2)	(910)	3,373	-	2,463	(5,508)	5,508	-	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(527)	(1,512)	3,135	1,096	(1,578)	(1,905)	3,483	-	-
- recovered (from Stage 3 to Stage 2 and from Stage 2 to Stage 1)	61	(253)	(3)	(195)	1,053	(1,049)	(4)	-	-
Changes to ECL measurement model assumptions and estimates	832	115	141	1,088	-	-	-	-	-
Movements other than transfers and new originated or purchased loans	533	(777)	(469)	(713)	(15,217)	(996)	(80)	(33)	(16,326)
Total movements with impact on credit loss allowance charge for six months ended 30 June 2020	957	946	2,804	4,707	(5,436)	1,558	3,399	(29)	(508)
<i>Movements without impact on credit loss allowance charge the period</i>									
Unwinding of discount (for Stage 3)	-	-	217	217	-	-	217	-	217
Write-offs	-	-	(974)	(974)	-	-	(974)	-	(974)
Sales	-	-	(229)	(229)	-	-	(246)	-	(246)
Modification of original cash flows without derecognition	-	-	(1,403)	(1,403)	-	-	(1,403)	-	(1,403)
At 30 June 2020	3,315	2,828	4,204	10,347	46,489	6,592	5,663	607	59,351

7 Loans and Advances to Customers (Continued)

	Credit loss allowance				Unaudited				
	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)	Total	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)	Purchased/ originated credit impaired	Total
<i>In millions of RR</i>									
Cash loans									
At 31 March 2020	3,637	2,304	4,174	10,115	53,340	5,347	5,373	684	64,744
<i>Movements with impact on credit loss allowance charge for three months ended 30 June 2020:</i>									
New originated or purchased	230	-	-	230	4,308	-	-	4	4,312
Transfers:									
- to lifetime (from Stage 1 to Stage 2)	(815)	2,651	-	1,836	(4,154)	4,154	-	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(162)	(1,223)	1,650	265	(345)	(1,495)	1,840	-	-
- recovered (from Stage 3 to Stage 2 and from Stage 2 to Stage 1)	68	(253)	(5)	(190)	969	(963)	(6)	-	-
Changes to ECL measurement model assumptions and estimates	28	16	109	153	-	-	-	-	-
Movements other than transfers and new originated or purchased loans	329	(667)	(204)	(542)	(7,629)	(451)	(16)	(81)	(8,177)
Total movements with impact on credit loss allowance charge for three months ended 30 June 2020	(322)	524	1,550	1,752	(6,851)	1,245	1,818	(77)	(3,865)
<i>Movements without impact on credit loss allowance charge for the period</i>									
Unwinding of discount (for Stage 3)	-	-	115	115	-	-	115	-	115
Write-offs	-	-	(595)	(595)	-	-	(595)	-	(595)
Sales	-	-	(111)	(111)	-	-	(119)	-	(119)
Modification of original cash flows without derecognition	-	-	(929)	(929)	-	-	(929)	-	(929)
At 30 June 2020	3,315	2,828	4,204	10,347	46,489	6,592	5,663	607	59,351

7 Loans and Advances to Customers (Continued)

The following tables disclose the changes in the credit loss allowance and gross carrying amount between the beginning and the end of the reporting periods for secured loans, car loans, POS loans and loans to IE and SME combined as the amount of such changes for these products is not significant.

	Unaudited								
	Credit loss allowance				Gross carrying amount				
	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Purchased/ originated credit impaired	Total
<i>In millions of RR</i>									
Other loans									
At 31 December 2020	1,782	1,558	2,263	5,603	98,677	7,530	3,318	287	109,812
<i>Movements with impact on credit loss allowance charge for six months ended 30 June 2021</i>									
New originated or purchased	1,456	-	-	1,456	87,443	-	-	14	87,457
Transfers:									
- to lifetime (from Stage 1 to Stage 2)	(366)	3,146	-	2,780	(8,789)	8,789	-	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(173)	(631)	1,395	591	(901)	(1,101)	2,002	-	-
- recovered (from Stage 3 to Stage 2 and from Stage 2 to Stage 1)	24	(178)	(5)	(159)	1,781	(1,773)	(8)	-	-
Movements other than transfers and new originated or purchased loans	(458)	(1,862)	(166)	(2,486)	(33,025)	(2,528)	(301)	34	(35,820)
Total movements with impact on credit loss allowance charge for six months ended 30 June 2021	483	475	1,224	2,182	46,509	3,387	1,693	48	51,637
<i>Movements without impact on credit loss allowance charge for the period</i>									
Unwinding of discount (for Stage 3)	-	-	158	158	-	-	158	-	158
Write-offs	-	-	(543)	(543)	-	-	(543)	-	(543)
Sales	-	-	(64)	(64)	-	-	(69)	-	(69)
Modification of original cash flows	-	-	(171)	(171)	-	-	(171)	-	(171)
At 30 June 2021	2,265	2,033	2,867	7,165	145,186	10,917	4,386	335	160,824

7 Loans and Advances to Customers (Continued)

	Unaudited								
	Credit loss allowance			Total	Gross carrying amount				Total
	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)		Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Purchased/ originated credit impaired	
<i>In millions of RR</i>									
Other loans									
At 31 March 2021	2,059	1,846	2,541	6,446	115,695	8,801	3,818	300	128,614
<i>Movements with impact on credit loss allowance charge for three months ended 30 June 2021</i>									
New originated or purchased	837	-	-	837	56,036	-	-	-	56,036
Transfers: - to lifetime (from Stage 1 to Stage 2)	(276)	2,221	-	1,945	(6,179)	6,179	-	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(48)	(538)	762	176	(203)	(873)	1,076	-	-
- recovered (from Stage 3 to Stage 2 and from Stage 2 to Stage 1)	21	(150)	(15)	(144)	1,628	(1,609)	(19)	-	-
Movements other than transfers and new originated or purchased loans	(328)	(1,346)	(73)	(1,747)	(21,791)	(1,581)	(137)	35	(23,474)
Total movements with impact on credit loss allowance charge for three months ended 30 June 2021	206	187	674	1,067	29,491	2,116	920	35	32,562
<i>Movements without impact on credit loss allowance charge for the period</i>									
Unwinding of discount (for Stage 3)	-	-	85	85	-	-	85	-	85
Write-offs	-	-	(291)	(291)	-	-	(291)	-	(291)
Sales	-	-	(56)	(56)	-	-	(60)	-	(60)
Modification of original cash flows	-	-	(86)	(86)	-	-	(86)	-	(86)
At 30 June 2021	2,265	2,033	2,867	7,165	145,186	10,917	4,386	335	160,824

7 Loans and Advances to Customers (Continued)

	Credit loss allowance				Unaudited				
	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Purchased/ originated credit impaired	Total
<i>In millions of RR</i>									
Other loans									
At 31 December 2019	873	749	957	2,579	71,062	4,171	1,279	198	76,710
<i>Movements with impact on credit loss allowance charge for six months ended 30 June 2020</i>									
New originated or purchased	410	-	-	410	30,075	-	-	17	30,092
Transfers:									
- to lifetime (from Stage 1 to Stage 2)	(276)	2,121	-	1,845	(6,551)	6,551	-	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(144)	(515)	1,207	548	(835)	(849)	1,684	-	-
- recovered (from Stage 3 to Stage 2 and from Stage 2 to Stage 1)	14	(89)	(6)	(81)	957	(947)	(10)	-	-
Changes to ECL measurement model assumptions and estimates	251	23	28	302	-	-	-	-	-
Movements other than transfers and new originated or purchased loans	264	(926)	(154)	(816)	(22,905)	(1,518)	(140)	(5)	(24,568)
Total movements with impact on credit loss allowance charge for six months ended 30 June 2020	519	614	1,075	2,208	741	3,237	1,534	12	5,524
<i>Movements without impact on credit loss allowance charge the period</i>									
Unwinding of discount (for Stage 3)	-	-	66	66	-	-	66	-	66
Write-offs	-	-	(146)	(146)	-	-	(146)	-	(146)
Sales	-	-	(27)	(27)	-	-	(29)	-	(29)
Modification of original cash flows	-	-	(285)	(285)	-	-	(285)	-	(285)
At 30 June 2020	1,392	1,363	1,640	4,395	71,803	7,408	2,419	210	81,840

7 Loans and Advances to Customers (Continued)

	Credit loss allowance				Unaudited				
	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Purchased/ originated credit impaired	Total
<i>In millions of RR</i>									
Other loans									
At 31 March 2020	1,337	1,142	1,306	3,785	74,276	5,497	1,819	235	81,827
<i>Movements with impact on credit loss allowance charge for three months ended 30 June 2020</i>									
New originated or purchased	170	-	-	170	13,842	-	-	17	13,859
Transfers:									
- to lifetime (from Stage 1 to Stage 2)	(228)	1,553	-	1,325	(4,512)	4,512	-	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(47)	(483)	689	159	(197)	(767)	964	-	-
- recovered (from Stage 3 to Stage 2 and from Stage 2 to Stage 1)	18	(102)	(2)	(86)	1,027	(1,022)	(5)	-	-
Changes to ECL measurement model assumptions and estimates	(41)	(57)	12	(86)	-	-	-	-	-
Movements other than transfers and new originated or purchased loans	183	(690)	(59)	(566)	(12,633)	(812)	(53)	(42)	(13,540)
Total movements with impact on credit loss allowance charge for three months ended 30 June 2020	55	221	640	916	(2,473)	1,911	906	(25)	319
<i>Movements without impact on credit loss allowance charge the period</i>									
Unwinding of discount (for Stage 3)	-	-	41	41	-	-	41	-	41
Write-offs	-	-	(86)	(86)	-	-	(86)	-	(86)
Sales	-	-	(10)	(10)	-	-	(10)	-	(10)
Modification of original cash flows	-	-	(251)	(251)	-	-	(251)	-	(251)
At 30 June 2020	1,392	1,363	1,640	4,395	71,803	7,408	2,419	210	81,840

The credit loss allowance charge during the six months ended 30 June 2021 presented in the tables above differs from the amount presented in the consolidated condensed interim statement of profit or loss and other comprehensive income for the period due to RR 2,153 million (three months ended 30 June 2021: RR 1,279 million) recovery of amounts previously written-off as uncollectible, due to RR 1,885 million (three months ended 30 June 2021: RR 1,173 million) recovery from the purchased loans in excess of their acquisition price, and due to RR 577 million recovery of ECL for credit related commitments (three months ended 30 June 2021: RR 327 million recovery of ECL for credit related commitments).

7 Loans and Advances to Customers (Continued)

The credit loss allowance charge during the six months ended 30 June 2020 presented in the tables above differs from the amount presented in the consolidated condensed interim statement of profit or loss and other comprehensive income for the period due to RR 1,789 million recovery of amounts previously written-off as uncollectible (three months ended 30 June 2020: RR 1,024 million), and due to RR 833 million charge of ECL for credit related commitments, including RR 499 million of charge due to changes to ECL measurement model assumptions and estimates (three months ended 30 June 2020: due to RR 99 million release of ECL for credit related commitments).

The amount of the recovery received from written-off loans and purchased loans during the period was credited directly to the credit loss allowance line in the consolidated condensed interim statement of profit or loss and other comprehensive income.

Uncollectible assets are partly written-off against the related credit loss allowance usually after one year since they become overdue. The amount of uncollectible part of loan is estimated on a loan portfolio basis taking into account defaulted loans recovery statistics. The Group writes-off financial assets that are mostly still subject to enforcement activity, however, there is no reasonable expectation of recovery.

The contractual amount outstanding of loans and advances to customers which were written off during six and three months ended 30 June 2021 and are still subject to enforcement activity are equal to RR 9,319 million and RR 4,555 million, respectively (RR 6,420 million during six months ended 30 June 2020 and RR 3,521 million during three months ended 30 June 2020). Any analysis on credit loss allowance should be performed with write-off policy taken into consideration.

The amount of the ECL for credit related commitments is accounted for separately from ECL for credit cards loans and is included in other financial liabilities in the consolidated condensed interim statement of financial position.

During the six months ended 30 June 2021 the Group sold credit-impaired loans to third parties (external debt collection agencies) with a gross amount of RR 1,730 million (three months ended 30 June 2021: RR 1,454 million) and credit loss allowance of RR 1,630 million (three months ended 30 June 2021: RR 1,374 million). The difference between the carrying amount of these loans and the consideration received was recognised as losses in the amount of RR 72 million within credit loss allowance for loans and advances to customers and credit related commitments for the six months ended 30 June 2021 (three months ended 30 June 2021 losses in the amount of RR 71 million).

During the six months ended 30 June 2020 the Group sold credit-impaired loans to third parties (external debt collection agencies) with a gross amount of RR 1,153 million (three months ended 30 June 2020: RR 511 million) and credit loss allowance of RR 1,041 million (three months ended 30 June 2020: RR 451 million). The difference between the carrying amount of these loans and the consideration received was recognised as losses in the amount of RR 93 million within credit loss allowance for loans and advances to customers and credit related commitments for the six months ended 30 June 2020 (three months ended 30 June 2020: losses in the amount of RR 52 million).

Presented below is an analysis of issued, activated and utilised cards based on their credit card limits as at the end of the reporting period:

<i>In units</i>	30 June 2021 (Unaudited)	31 December 2020
Credit card limits		
Up to 20 RR thousand	1,243,781	1,046,228
20-40 RR thousand	643,908	538,746
40-60 RR thousand	552,824	497,940
60-80 RR thousand	560,072	495,431
80-100 RR thousand	538,047	479,786
100-120 RR thousand	384,777	331,606
120-140 RR thousand	431,990	378,547
140-200 RR thousand	959,182	870,503
More than 200 RR thousand	254,834	225,417
Total number of cards (in units)	5,569,415	4,864,204

7 Loans and Advances to Customers (Continued)

Table above only includes credit cards less than 180 days overdue.

The following table contains an analysis of the credit risk exposure of loans and advances to customers measured at AC and for which an ECL allowance is recognised. The carrying amount of loans and advances to customers below also represents the Group's maximum exposure to credit risk on these loans.

Loans and advances to customers at 30 June 2021 are disclosed as follows:

	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Purchased/ originated credit impaired	Total
<i>In millions of RR</i>					
Credit card loans					
- Excellent	107,582	-	-	-	107,582
- Good	124,648	1,193	-	-	125,841
- Monitor	11,096	3,977	-	-	15,073
- Sub-standard	-	6,508	9,274	-	15,782
- NPL	-	-	38,504	195	38,699
Gross carrying amount	243,326	11,678	47,778	195	302,977
Credit loss allowance	(14,982)	(7,520)	(29,973)	-	(52,475)
Carrying amount	228,344	4,158	17,805	195	250,502
Cash loans					
- Excellent	64,525	-	-	-	64,525
- Good	33,904	3,983	-	-	37,887
- Monitor	521	868	-	-	1,389
- Sub-standard	-	1,173	1,026	-	2,199
- NPL	-	-	6,324	488	6,812
Gross carrying amount	98,950	6,024	7,350	488	112,812
Credit loss allowance	(5,299)	(2,425)	(5,161)	-	(12,885)
Carrying amount	93,651	3,599	2,189	488	99,927

7 Loans and Advances to Customers (Continued)

	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Purchased/ originated credit impaired	Total
<i>In millions of RR</i>					
Secured Loans					
- Excellent	33,535	-	-	-	33,535
- Good	15,116	4,075	-	-	19,191
- Monitor	222	811	-	-	1,033
- Sub-standard	-	419	-	-	419
- NPL	-	-	1,243	-	1,243
Gross carrying amount	48,873	5,305	1,243	-	55,421
Credit loss allowance	(376)	(621)	(485)	-	(1,482)
Carrying amount	48,497	4,684	758	-	53,939
Car loans					
- Excellent	34,083	-	-	-	34,083
- Good	16,836	2,062	-	-	18,898
- Monitor	298	554	-	-	852
- Sub-standard	-	533	-	-	533
- NPL	-	-	1,811	-	1,811
Gross carrying amount	51,217	3,149	1,811	-	56,177
Credit loss allowance	(1,162)	(935)	(1,310)	-	(3,407)
Carrying amount	50,055	2,214	501	-	52,770
POS loans					
- Excellent	32,121	-	-	-	32,121
- Good	7,621	1,331	-	-	8,952
- Monitor	287	278	-	-	565
- Sub-standard	-	293	25	-	318
- NPL	-	-	1,117	335	1,452
Gross carrying amount	40,029	1,902	1,142	335	43,408
Credit loss allowance	(518)	(344)	(908)	-	(1,770)
Carrying amount	39,511	1,558	234	335	41,638
Loans to IE and SME					
- Excellent	3,155	-	-	-	3,155
- Good	1,857	400	-	-	2,257
- Monitor	55	95	-	-	150
- Sub-standard	-	66	-	-	66
- NPL	-	-	190	-	190
Gross carrying amount	5,067	561	190	-	5,818
Credit loss allowance	(209)	(133)	(164)	-	(506)
Carrying amount	4,858	428	26	-	5,312

7 Loans and Advances to Customers (Continued)

Loans and advances to customers at 31 December 2020 are disclosed as follows:

	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Purchased/ originated credit impaired	Total
<i>In millions of RR</i>					
Credit card loans					
- Excellent	68,398	-	-	-	68,398
- Good	131,957	1,891	-	-	133,848
- Monitor	9,719	3,757	-	-	13,476
- Sub-standard	-	6,110	9,326	-	15,436
- NPL	-	-	36,247	181	36,428
Gross carrying amount	210,074	11,758	45,573	181	267,586
Credit loss allowance	(16,441)	(7,560)	(30,241)	-	(54,242)
Carrying amount	193,633	4,198	15,332	181	213,344
Cash loans					
- Excellent	33,877	-	-	-	33,877
- Good	22,053	3,189	-	-	25,242
- Monitor	256	546	-	-	802
- Sub-standard	-	1,032	989	-	2,021
- NPL	-	-	5,759	430	6,189
Gross carrying amount	56,186	4,767	6,748	430	68,131
Credit loss allowance	(4,120)	(2,041)	(4,894)	-	(11,055)
Carrying amount	52,066	2,726	1,854	430	57,076
Secured Loans					
- Excellent	21,201	-	-	-	21,201
- Good	13,937	3,307	-	-	17,244
- Monitor	105	442	-	-	547
- Sub-standard	-	366	-	-	366
- NPL	-	-	874	-	874
Gross carrying amount	35,243	4,115	874	-	40,232
Credit loss allowance	(256)	(482)	(361)	-	(1,099)
Carrying amount	34,987	3,633	513	-	39,133
Car loans					
- Excellent	21,444	-	-	-	21,444
- Good	9,136	1,427	-	-	10,563
- Monitor	136	263	-	-	399
- Sub-standard	-	322	-	-	322
- NPL	-	-	1,263	-	1,263
Gross carrying amount	30,716	2,012	1,263	-	33,991
Credit loss allowance	(664)	(558)	(922)	-	(2,144)
Carrying amount	30,052	1,454	341	-	31,847

7 Loans and Advances to Customers (Continued)

	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Purchased/ originated credit impaired	Total
<i>In millions of RR</i>					
POS loans					
- Excellent	25,159	-	-	-	25,159
- Good	4,998	793	-	-	5,791
- Monitor	121	121	-	-	242
- Sub-standard	-	166	28	-	194
- NPL	-	-	1,017	287	1,304
Gross carrying amount	30,278	1,080	1,045	287	32,690
Credit loss allowance	(527)	(227)	(857)	-	(1,611)
Carrying amount	29,751	853	188	287	31,079
Loans to IE and SME					
- Excellent	1,673	-	-	-	1,673
- Good	760	295	-	-	1,055
- Monitor	7	12	-	-	19
- Sub-standard	-	16	-	-	16
- NPL	-	-	136	-	136
Gross carrying amount	2,440	323	136	-	2,899
Credit loss allowance	(335)	(291)	(123)	-	(749)
Carrying amount	2,105	32	13	-	2,150

Stage 3 includes restructured loans that are less than 90 days overdue which are not considered as NPL according to the Group's credit risk grading master scale.

Loans in courts are included in Stage 3 and are loans to delinquent borrowers, against which the Group has filed claims to courts in order to recover outstanding balances. As at 30 June 2021 the gross carrying amount of the loans in courts was RR 34,836 million (31 December 2020: RR 31,082 million).

Refer to Note 19 for the disclosure of the fair value of loans and advances to customers. Information on related party balances is disclosed in Note 20.

8 Brokerage Receivables and Brokerage Payables

	30 June 2021 (Unaudited)	31 December 2020
<i>In millions of RR</i>		
Amounts receivable from brokers and clearing organizations	42,077	24,064
Total brokerage receivables	42,077	24,064
Amounts payable to brokers and clearing organizations	8,644	9,206
Total brokerage payables	8,644	9,206

Brokerage receivables represent placements under reverse sale and repurchase agreements made by the Bank with central counterparty to provide customers of the Bank who have brokerage accounts with the Bank with the possibility to acquire securities in case those customers have insufficient own funds to acquire those securities. These balances are fully collateralized by highly liquid securities and have minimal credit risk. As at 30 June 2021 the fair value of collateral of brokerage receivables was RR 39,363 million (31 December 2020: RR 24,113 million). For the purpose of ECL measurement brokerage receivables are included in Stage 1. The ECL for these balances represents an immaterial amount, therefore the Group did not recognise any credit loss allowance for brokerage receivables.

8 Brokerage Receivables and Brokerage Payables (Continued)

Brokerage payables represent funds attracted under sale and repurchase agreements made by the Bank with central counterparty to provide customers of the Bank who have brokerage accounts with the Bank with the possibility to borrow securities and make a short sale. As at 30 June 2021 the fair value of collateral of brokerage payables was RR 9,317 million (31 December 2020: RR 9,696 million). These balances are fully collateralized by highly liquid securities and have minimal credit risk.

9 Due to Banks

<i>In millions of RR</i>	30 June 2021 (Unaudited)	31 December 2020
Correspondent accounts and overnight placements of other banks	4,856	4,795
Sale and repurchase agreements with other banks	4,856	24
Total due to banks	9,712	4,819

Refer to Note 6 for information on the amounts included in due to banks received under sale and repurchase agreements and fair value of securities pledged. Refer to Note 19 for the disclosure of the fair value of amounts due to banks.

10 Customer Accounts

<i>In millions of RR</i>	30 June 2021 (Unaudited)	31 December 2020
Individuals		
- Current/demand accounts	375,172	323,145
- Brokerage accounts	94,880	73,970
- Term deposits	139,815	135,995
IE and SME		
- Current/demand accounts	90,243	89,199
- Term deposits	2,479	2,213
Other legal entities		
- Current/demand accounts	4,096	2,267
- Term deposits	44	48
Total customer accounts	706,729	626,837

Refer to Note 19 for the disclosure of the fair value of customer accounts. Information on related party balances is disclosed in Note 20.

11 Share Capital, Share Premium and Treasury Shares

<i>In millions of RR except for the number of shares</i>	Number of authorised shares	Number of outstanding shares	Ordinary shares	Share premium	Treasury shares	Total
At 1 January 2020	210,034,648	199,305,492	230	26,998	(3,164)	24,064
GDRs buy-back	-	-	-	-	(661)	(661)
GDRs and shares transferred under MLTIP	-	-	-	-	587	587
At 31 December 2020	210,034,648	199,305,492	230	26,998	(3,238)	23,990
GDRs buy-back	-	-	-	-	(1,877)	(1,877)
GDRs and shares transferred under MLTIP	-	-	-	-	1,404	1,404
At 30 June 2021 (Unaudited)	210,034,648	199,305,492	230	26,998	(3,711)	23,517

At 30 June 2021 the total number of outstanding shares is 199,305,492 shares (31 December 2020: 199,305,492 shares) with a par value of USD 0.04 per share (31 December 2020: USD 0.04 per share).

At 30 June 2021 and 31 December 2020 treasury shares represent GDRs of the Group repurchased from the market for the purposes permitted by Cyprus law including contribution to MLTIP. Refer to Note 20.

At 30 June 2021 the total number of treasury shares is 2,212,577 (31 December 2020: 3,013,379).

During the six months ended 30 June 2021 the Group repurchased 425,017 GDRs at market price for RR 1,877 million (2020: the Group repurchased 650,000 GDRs at market price for RR 661 million).

During the six months ended 30 June 2021 the Group transferred 1,225,819 GDRs (2020: 1,809,681 GDRs), representing 0.62% (2020: 0.91%) of the issued shares, upon vesting under the MLTIP. This resulted in a transfer of RR 1,404 million (2020: RR 587 million) out of treasury shares to retained earnings.

12 Net Margin

	Unaudited			
	Six months ended 30 June 2021	Three months ended 30 June 2021	Six months ended 30 June 2020	Three months ended 30 June 2020
<i>In millions of RR</i>				
Interest income calculated using the effective interest rate method				
Loans and advances to customers, including:				
<i>Credit card loans</i>	46,799	24,612	46,486	23,488
<i>Cash loans</i>	7,542	4,308	6,104	3,004
<i>POS loans</i>	3,362	1,610	2,156	1,031
<i>Secured loans</i>	3,274	1,760	2,281	1,190
<i>Car loans</i>	2,979	1,715	1,494	757
<i>Loans to IE and SME</i>	792	493	256	113
Debt securities and repurchase receivables at FVOCI	6,297	3,226	4,601	2,464
Brokerage operations	3,759	2,014	594	397
Placements with other banks and non-bank credit organizations with original maturities of less than three months	237	101	404	225
Total interest income calculated using the effective interest rate method	75,041	39,839	64,376	32,669
Other similar income				
Financial assets at FVTPL	113	56	11	7
Total interest income	75,154	39,895	64,387	32,676
Interest expense calculated using the effective interest rate method				
Customer accounts, including:				
<i>Individuals</i>				
- Current/demand accounts	6,284	3,408	4,789	2,475
- Term deposits	2,520	1,261	3,636	1,789
<i>IE and SME</i>	531	278	519	203
<i>Other legal entities</i>	11	6	14	10
Subordinated debt	981	487	948	466
RR denominated bonds	973	469	1,008	500
Due to banks	399	288	221	127
Euro-Commercial Paper	-	-	18	9
Total interest expense calculated using the effective interest rate method	11,699	6,197	11,153	5,579
Other similar expense				
Lease liabilities	40	20	74	36
Total interest expense	11,739	6,217	11,227	5,615
Expenses on deposit insurance programme	1,111	568	801	221
Net margin	62,304	33,110	52,359	26,840

13 Fee and Commission Income and Expense

<i>In millions of RR</i>	Unaudited			
	Six months ended 30 June 2021	Three months ended 30 June 2021	Six months ended 30 June 2020	Three months ended 30 June 2020
Fee and commission income				
Acquiring commission	9,510	5,469	4,558	2,236
Brokerage fee	5,107	2,434	1,613	1,062
SME services commission	4,485	2,415	3,258	1,585
Interchange fee	2,880	1,563	1,116	524
Foreign currency exchange transactions fee	2,867	1,559	1,904	731
Fee for selling credit protection	2,558	1,349	2,399	1,176
Fee for money transfers	2,503	1,377	1,249	665
SMS fee	2,365	1,232	1,887	949
Income from MVNO services	1,244	682	776	404
Subscription fee	650	396	-	-
Cash withdrawal fee	477	271	320	147
Replenishment fee	97	60	62	26
Marketing services fee	183	124	196	92
Other fees receivable	1,147	678	488	232
Total fee and commission income	36,073	19,609	19,826	9,829

Acquiring commission represents commission for processing card payments from online and offline points of sale. Brokerage fee includes trading fee and brokerage account service fee. SME services commission represents commission for services to individual entrepreneurs and small to medium businesses. Fee for selling credit protection represents fee which the Bank receives for selling voluntary credit insurance to borrowers of the Group. Income from MVNO services represents income from providing mobile services such as full coverage across Russia and international roaming, offering a number of value-added options such as virtual numbers, music and video streaming services, etc.

The Group has refined the presentation of the Group's revenue structure by reclassifying the sum of merchant acquiring fee from SME services commission to acquiring commission. The comparative information was amended accordingly:

<i>In millions of RR</i>	Unaudited		
	As originally presented	Reclassification	As reclassified
Six months ended 30 June 2020			
Acquiring commission	3,454	1,104	4,558
SME services commission	4,362	(1,104)	3,258
Three months ended 30 June 2020			
Acquiring commission	1,703	533	2,236
SME services commission	2,118	(533)	1,585

<i>In millions of RR</i>	Unaudited			
	Six months ended 30 June 2021	Three months ended 30 June 2021	Six months ended 30 June 2020	Three months ended 30 June 2020
Fee and commission expense				
Payment systems	11,810	6,584	5,968	2,327
Banking and other fees	1,869	926	925	543
Service fees	1,652	818	1,193	565
Costs of MVNO services	808	443	536	265
Payment channels	697	371	668	309
Total fee and commission expense	16,836	9,142	9,290	4,009

13 Fee and Commission Income and Expense (Continued)

Payment systems fees represent fees for MasterCard, Visa and other payment systems' services. Service fees represent fees for statement printing, mailing service, sms services and others. Payment channels represent fees paid to third parties through whom borrowers make loan repayments. Costs of MVNO services represent expenses for the traffic, telecommunications service and roaming.

14 Customer Acquisition Expense

<i>In millions of RR</i>	Unaudited			
	Six months ended 30 June 2021	Three months ended 30 June 2021	Six months ended 30 June 2020	Three months ended 30 June 2020
Marketing and advertising	11,548	6,654	3,467	1,707
Staff costs	4,724	2,461	2,976	1,551
Cards issuing expenses	1,124	624	342	181
Partnership expenses	804	459	548	277
Credit bureaux	640	319	522	275
Telecommunication expenses	204	127	131	63
Other acquisition	170	65	132	57
Total customer acquisition expenses	19,214	10,709	8,118	4,111

Customer acquisition expenses represent expenses paid by the Group on services related to origination of customers which are not directly attributable to the recognised assets and are not incremental. The Group uses a variety of different channels for the acquisition of new customers.

Staff costs represent salary expenses and related costs of employees directly involved in customer acquisition. Included in staff costs are statutory social contributions to the state non-budgetary funds in the amount of RR 1,315 million for the six months and RR 687 million for the three months ended 30 June 2021 (RR 769 million for the six months and RR 379 million for the three months ended 30 June 2020).

15 Administrative and Other Operating Expenses

	Unaudited			
	Six months ended 30 June 2021	Three months ended 30 June 2021	Six months ended 30 June 2020	Three months ended 30 June 2020
Staff costs	19,690	10,633	11,304	5,900
Amortization of intangible assets	1,448	809	894	482
IT and software support	1,022	560	624	347
Depreciation of fixed assets	981	516	815	411
Short-term and low-value lease	479	242	367	196
Professional services	503	373	239	112
Depreciation of right-of-use assets	284	148	318	167
Office maintenance and office supplies	267	109	189	93
Communication services	222	109	174	96
Collection expenses	215	113	214	128
Security expenses	91	49	101	46
Other administrative expenses	444	216	215	80
Other provisions (recovery)/ charge and impairment (reversal)/ loss	(445)	(478)	652	552
Total administrative and other operating expenses	25,201	13,399	16,106	8,610

15 Administrative and Other Operating Expenses (Continued)

Gain in Other provisions (recovery)/ charge and impairment (reversal)/ loss caused by settlement in uncertainty in regards to equity investment assets recoverable amount.

Included in staff costs are statutory social contributions to the non-budget funds and share-based remuneration:

	Unaudited			
	Six months ended 30 June 2021	Three months ended 30 June 2021	Six months ended 30 June 2020	Three months ended 30 June 2020
Statutory social contribution to the non-budget funds	3,345	1,790	2,129	1,109
Total	3,345	1,790	2,129	1,109
Share-based remuneration				
- Management long-term incentive programme	2,395	1,224	195	109
- Key employees retention plan	355	236	110	110
Total	2,750	1,460	305	219

16 Dividends

The movements in dividends during the six months ended 30 June 2021 and 2020 are as follows:

<i>In millions of RR</i>	Unaudited	
	2021	2020
Dividends payable at 1 January	656	582
Dividends declared	3,559	4,858
Dividends paid	(3,628)	(5,132)
Foreign exchange differences and other movements	(285)	348
Dividends payable at 30 June	302	656
Dividends per share declared (in USD)	0.24	0.35

The movements in dividends during three months ended 30 June 2021 and 2020 are as follows:

<i>In millions of RR</i>	Unaudited	
	2021	2020
Dividends payable at 31 March	3,414	2,170
Dividends declared	7	2,039
Dividends paid	(2,356)	(3,881)
Foreign exchange differences and other movements	(763)	328
Dividends payable at 30 June	302	656
Dividends per share declared (in USD)	-	0.14

16 Dividends (Continued)

Dividends declared in the tables above represent dividends declared by the Board of Directors reduced by RR 29 million for the six months and by RR 22 million for the three months ended 30 June 2020 for dividends on GDRs acquired by the Company from the market not for the immediate purposes of the existing MLTIP.

On 10 March 2021 the Board of directors declared an interim dividend of USD 0.24 (RR 17.82) per share/per GDR with a total amount allocated for dividend payment of around USD 47.8 million (RR 3,552 million).

On 11 May 2020 the Board of Directors declared an interim dividend in line with the current dividend policy of USD 0.14 (RR 10.34) per share/per GDR with a total amount allocated for dividend payment of around USD 28 million (RR 2,061 million). Declared dividends were paid in USD on 1 and 2 June 2020.

On 10 March 2020 the Board of directors declared an interim dividend of USD 0.21 (RR 14.18) per share/per GDR with a total amount allocated for dividend payment of around USD 41.9 million (RR 2,826 million). Declared dividends were paid in USD on 30 March and 1 April 2020.

Dividends payable at 30 June 2021 related to treasury shares acquired under MLTIP amounting to RR 302 million are included in other non-financial liabilities (31 December 2020: RR 656 million).

On 11 March 2021 the Group announced suspension of dividend payments for the remainder of 2021 to keep the funds inside the Group to provide for organic and/or inorganic growth opportunities.

17 Management of Capital

The Group's objectives when managing capital are (i) for the Bank to comply with the capital requirements set by the Central Bank of Russian Federation (CBRF), (ii) for the Insurance Company to comply with the capital requirements set by the legislation of the Russian Federation, (iii) for the Group to comply with the financial covenants set by the terms of securities issued; (iv) to safeguard the Group's ability to continue as a going concern.

The Group considers total capital under management to be equity attributable to shareholders of the Company as shown in the consolidated condensed interim statement of financial position. The amount of capital that the Group managed as of 30 June 2021 was RR 147,155 million (31 December 2020: RR 127,016 million).

Compliance with capital adequacy ratios set by the CBRF is monitored daily and submitted to the CBRF monthly with reports outlining their calculation reviewed and signed by the Bank's Chief Executive Officer and Chief Accountant. Other objectives of capital management are evaluated annually. In accordance with information provided internally to key management personnel, the amount of regulatory capital of the Bank calculated in accordance with the methodology set by CBRF as at 30 June 2021 was RR 131,299 million, and the equity capital adequacy ratio (N1.0) was 12.21% (31 December 2020: RR 121,350 million and 13.07%). Minimum required statutory equity capital adequacy ratio (N1.0) was 8% as at 30 June 2021 (31 December 2020: 8%).

The Group also monitors capital requirements including capital adequacy ratio under the Basel III methodology of the Basel Committee on Banking Supervision: global regulatory framework for more resilient banks and banking systems (hereinafter "Basel III").

17 Management of Capital (Continued)

The composition of the Group's capital calculated in accordance with the methodology set by Basel Committee with capital adjustments as set out in Basel III is as follows:

<i>In millions of RR</i>	30 June 2021 (Unaudited)	31 December 2020
Share capital	230	230
Share premium	26,998	26,998
Treasury shares	(3,711)	(3,238)
Share-based payment reserve	3,496	1,548
Retained earnings	125,337	99,540
Revaluation reserve for investments in debt securities	(5,870)	1,849
Less intangible assets	(11,753)	(7,082)
Non-controlling interest	675	89
Common Equity Tier 1 (CET1)	135,402	119,934
Additional Tier 1	20,412	20,755
Tier 1 capital	155,814	140,689
Total capital	155,814	140,689
Risk weighted assets (RWA)		
Credit risk	638,825	562,918
Operational risk	199,184	199,184
Market risk	21,327	24,707
Total risk weighted assets (RWA)	859,336	786,809
Common equity Tier 1 capital adequacy ratio (CET1/ Total RWA), %	15.76%	15.24%
Tier 1 capital adequacy ratio (Tier 1 capital / Total RWA), %	18.13%	17.88%
Total capital adequacy ratio (Total capital / Total RWA), %	18.13%	17.88%

The Group and the Bank have complied with all externally imposed capital requirements throughout the six and three months ended 30 June 2021 and the year ended 31 December 2020.

The Insurance Company has complied with all capital requirements set by the legislation of the Russian Federation throughout the six months ended 30 June 2021 and the year ended 31 December 2020.

18 Contingencies and Commitments

Legal proceedings. From time to time and in the normal course of business, claims against the Group may be received. On the basis of its own estimates and internal professional advice, management is of the opinion that no material unprovided losses will be incurred in respect of claims.

18 Contingencies and Commitments (Continued)

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 by 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 noncompliant counterparties. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year when decision about review was made. 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 assessment for controlled transactions (transactions between related parties and certain transactions between unrelated parties), if such transactions are not on an arm's length.

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.

The Group includes companies incorporated outside of Russia. The tax liabilities of the Group are determined on the assumption that these companies are not subject to Russian profits tax, because they do not have a permanent establishment in Russia. The Company is a tax resident of Cyprus only and full beneficial owner of the Bank and Insurance Company. This interpretation of relevant legislation may be challenged but the impact of any such challenge cannot be reliably estimated currently; however, it may be significant to the financial position and/or the overall operations of the Group.

The Controlled Foreign Company (CFC) legislation introduced Russian taxation of profits of foreign companies and non-corporate structures (including trusts) controlled by Russian tax residents (controlling parties). The CFC income is subject to a 20% tax rate if the CFC is controlled by a legal entity and a rate of 13% if it is controlled by an individual. As a result, management reassessed the Group's tax positions and recognised current tax expense as well as deferred taxes that arose from the expected taxable manner of recovery of the relevant Group's operations to which the CFC legislation applies to and to the extent that the Group (rather than its owners) is obliged to settle such taxes.

As Russian tax legislation does not provide definitive guidance in certain areas, the Group adopts, from time to time, interpretations of such uncertain areas that reduce the overall tax rate of the Group. While management currently estimates that the tax positions and interpretations that it has taken can probably be sustained, there is a possible risk that outflow of resources will be required should such tax positions and interpretations be challenged by the tax authorities. 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. As at 30 June 2021 and 31 December 2020 no material tax risks were identified.

Future lease payments related to leases where leased asset is of low value or short term. The future cash outflows to which the Group is exposed and which are not reflected in the lease liabilities amounted to RR 334 million at 30 June 2021 and relate primarily to leases of assets which are of low value or short term (31 December 2020: RR 233 million).

Compliance with covenants. The Group is subject to certain covenants related primarily to its subordinated perpetual debt. Non-compliance with such covenants may result in negative consequences for the Group. Management believes that the Group was in compliance with all such covenants as at 30 June 2021 and 31 December 2020.

Credit related commitments and performance guarantees issued. The primary purpose of these instruments is to ensure that funds are available to a customer as required. Commitments to extend credit represent unused portions of authorizations to extend credit in the form of credit card loans, guarantees. 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. 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.

18 Contingencies and Commitments (Continued)

Performance guarantees are contracts that provide compensation if another party fails to perform a contractual obligation. Such contracts do not transfer credit risk. The risk under performance guarantee contracts is the possibility that the insured event (i.e. the failure to perform the contractual obligation by another party) occurs. The key risks the Group faces are significant fluctuations in the frequency and severity of payments incurred on such contracts relative to expectations. The Group uses a scoring model to predict levels of such payments. Claims must be made before the contract matures and most claims are settled within short term. This allows the Group to achieve a high degree of certainty about the estimated payments and therefore future cash flows.

Outstanding credit related commitments and performance guarantees are as follows:

<i>In millions of RR</i>	30 June 2021 (Unaudited)	31 December 2020
Unused limits on credit card loans	238,363	208,405
Unused limits on SME loans	10,411	7,291
Credit loss allowance	(2,960)	(3,537)
Total credit related commitments, net of credit loss allowance	245,814	212,159
Performance guarantees issued	163	498
Provisions	(1)	(4)
Total performance guarantees issued, net of provisions	162	494

The total outstanding contractual amount of unused limits on contingencies and commitments liability does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded. In accordance with credit card service conditions the Group has a right to refuse the issuance, activation, reissuing or unblocking a credit card, and is providing a credit card limit at its own discretion and without explaining its reasons.

The following table contains an analysis of credit related commitments by credit quality at 30 June 2021 based on credit risk grades.

<i>In millions of RR</i>	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
Credit related commitments				
- Excellent	223,802	-	-	223,802
- Good	12,325	67	-	12,392
- Monitor	12,278	302	-	12,580
Unrecognised gross amount	248,405	369	-	248,774
Credit loss allowance	(2,945)	(15)	-	(2,960)
Unrecognised net amount	245,460	354	-	245,814

18 Contingencies and Commitments (Continued)

The following table contains an analysis of credit related commitments by credit quality at 31 December 2020 based on credit risk grades.

<i>In millions of RR</i>	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
Credit related commitments				
- Excellent	187,576	-	-	187,576
- Good	15,239	84	-	15,323
- Monitor	12,546	251	-	12,797
Unrecognised gross amount	215,361	335	-	215,696
Credit loss allowance	(3,513)	(24)	-	(3,537)
Unrecognised net amount	211,848	311	-	212,159

Also, the Group may decide to increase or decrease a credit card limit using a scoring model, which is based on the client's behaviour model. Therefore, the fair value of the contractual amount of revocable unused limits on contingencies and commitments is close to zero. Credit related commitments are denominated in RR.

The following table contains an analysis of performance guarantees issued by credit quality based on credit risk grades.

<i>In millions of RR</i>	30 June 2021 (Unaudited) Stage 1 (12-months ECL)	31 December 2020 Stage 1 (12-months ECL)
Performance guarantees issued		
- Excellent	96	310
- Good	67	188
Unrecognised gross amount	163	498
Provisions	(1)	(4)
Unrecognised net amount	162	494

Mandatory cash balances with the CBRF of RR 6,642 million as at 30 June 2021 (31 December 2020: RR 5,379 million) represent mandatory reserve deposits which are not available to finance the Bank's day to day operations.

19 Fair Value of Financial Instruments

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).

19 Fair Value of Financial Instruments (Continued)

(a) Recurring fair value measurements

Recurring fair value measurements are those that the accounting standards require or permit in the 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:

<i>In millions of RR</i>	30 June 2021 (Unaudited)				31 December 2020			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
ASSETS AT FAIR VALUE								
Investments in securities	212,128	11,017	500	223,645	232,198	6,256	-	238,454
Repurchase receivables	5,099	-	-	5,099	29	-	-	29
Loans and advances to customers	-	-	3,286	3,286	-	-	1,892	1,892
Financial derivatives	-	5,197	-	5,197	-	5,035	-	5,035
Total assets recurring fair value measurements	217,227	16,214	3,786	237,227	232,227	11,291	1,892	245,410
LIABILITIES AT FAIR VALUE								
Financial derivatives	-	209	-	209	-	109	-	109
Total liabilities recurring fair value measurements	-	209	-	209	-	109	-	109

Investments in securities categorised in level 2 are represented by liquid debt securities classified in “Good” credit risk grade.

The description of valuation techniques and the description of the inputs used in the fair value measurement for level 2 and level 3 measurements at 30 June 2021 are as follows:

<i>In millions of RR</i>	Fair value	Valuation technique	Inputs used
ASSETS AT FAIR VALUE			
Investments in securities	11,017	Observable quotes for comparable securities adjusted by multiplier depending on the degree of the market activity	Quotes from the automated fair value system for financial instruments of NSD Price Center* Russian rouble curve. USD Dollar Swaps Curve. EUR Swaps Curve. CDS quotes assessment of counterparty credit risk or reference entities.
Foreign exchange swaps and forwards	5,197	Discounted cash flows adjusted for counterparty credit risk	
Total recurring fair value measurements at level 2 (Unaudited)	16,214		

19 Fair Value of Financial Instruments (Continued)

<i>In millions of RR</i>	Fair value	Valuation technique	Inputs used
Investments in securities	500	Revaluation of the corporate shares at FVTPL based on the share price as per the most recent sale purchase transactions	Share price as per the most recent sale purchase transaction
Loans and advances to customers	3,286	Revaluation of the convertible loan based on the share price of Vivid Money Holdco Limited as per the most recent sale purchase transactions with shares of Vivid Money Holdco Limited (Note 20)	Share price as per the most recent sale purchase transaction. Conservative FV adjustment due to business uncertainty.
Total recurring fair value measurements at level 3 (Unaudited)	3,786		

LIABILITIES AT FAIR VALUE

Foreign exchange swaps and forwards	209	Discounted cash flows adjusted for counterparty credit risk	Russian rouble curve. USD Dollar Swaps Curve. EUR Swaps Curve. CDS quotes assessment of counterparty credit risk or reference entities.
Total recurring fair value measurements at level 2 (Unaudited)	209		

The description of valuation techniques and the description of the inputs used in the fair value measurement for level 2 and level 3 measurements at 31 December 2020 are as follows:

<i>In millions of RR</i>	Fair value	Valuation technique	Inputs used
ASSETS AT FAIR VALUE			
Investments in securities	6,256	Observable quotes for comparable securities adjusted by multiplier depending on the degree of the market activity	Quotes from the automated fair value system for financial instruments of NSD Price Center* Russian rouble curve. USD Dollar Swaps Curve. EUR Swaps Curve. CDS quotes assessment of counterparty credit risk or reference entities.
Foreign exchange swaps and forwards	5,035	Discounted cash flows adjusted for counterparty credit risk	
Total recurring fair value measurements at level 2	11,291		
Loans and advances to customers	1,892	Revaluation of the convertible loan based on the share price of Vivid Money Holdco Limited as per the most recent sale purchase transactions with shares of Vivid Money Holdco Limited (Note 20)	Share price as per the most recent sale purchase transaction
Total recurring fair value measurements at level 3	1,892		

19 Fair Value of Financial Instruments (Continued)

<i>In millions of RR</i>	Fair value	Valuation technique	Inputs used
LIABILITIES AT FAIR VALUE			
Foreign exchange swaps and forwards	109	Discounted cash flows adjusted for counterparty credit risk	Russian rouble curve. USD Dollar Swaps Curve. EUR Swaps Curve. CDS quotes assessment of counterparty credit risk or reference entities.
Total recurring fair value measurements at level 2	109		

* NSD Valuation Center is a fair value measurement service for bonds and other financial instruments, accredited by the CBRF.

There were no changes in the valuation techniques for level 2 recurring fair value measurements during the six months ended 30 June 2021. Level 2 derivatives comprise foreign exchange forwards and swaps (2020: same).

The foreign exchange forwards have been fair valued using forward exchange rates that are quoted in an active market. Foreign exchange swaps are fair valued using forward interest rates extracted from observable yield curves. The effects of discounting are generally insignificant for level 2 derivatives.

Changes of the fair value measurements at Level 3 for the six months ended 30 June 2021 are as follows:

<i>In millions of RR</i>	Loans and advances to customers
Fair value as at 31 December 2020 - Level 3	1,892
Other interest income	12
Net losses from foreign exchange translation	(195)
Net gains from revaluation of convertible loan	1,577
Fair value as at 30 June 2021 - Level 3	3,286

Changes of the fair value measurements at Level 3 for the year ended 31 December 2020 are as follows:

<i>In millions of RR</i>	Loans and advances to customers
Fair value at the date of recognition - Level 3	1,374
Other interest income	8
Net gains from foreign exchange translation	16
Net gains from revaluation of convertible loan	494
Fair value as at 31 December 2020 - Level 3	1,892

As at 30 June 2021, if the share price had been 10% lower/higher, fair value of loans and advances to customers carried at fair value would have been RR 227 million lower/higher (31 December 2020: RR 64 million).

19 Fair Value of Financial Instruments (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:

<i>In millions of RR</i>	30 June 2021 (Unaudited)				31 December 2020			
	Level 1	Level 2	Level 3	Carrying value	Level 1	Level 2	Level 3	Carrying value
FINANCIAL ASSETS CARRIED AT AMORTISED COST								
Cash and cash equivalents								
- Cash on hand	25,520	-	-	25,520	21,069	-	-	21,069
- Cash balances with the CBRF (other than mandatory reserve deposits)	-	20,148	-	20,148	-	38,646	-	38,646
- Placements with other banks and non-bank credit organizations with original maturities of less than three months	-	62,812	-	62,812	-	76,636	-	76,636
Mandatory cash balances with the CBRF	-	6,642	-	6,642	-	5,379	-	5,379
Due from other banks	-	1,097	-	1,097	-	1,887	-	1,887
Loans and advances to customers	-	-	504,454	504,088	-	-	374,996	374,629
Guarantee deposits with payment systems	-	-	15,187	15,187	-	-	15,475	15,475
Brokerage receivables	-	42,077	-	42,077	-	24,064	-	24,064
Other financial assets								
Settlement of operations with plastic cards receivable	-	15,309	-	15,309	-	23,882	-	23,882
Other receivables	-	6,106	-	6,106	-	7,188	-	7,188
Total financial assets carried at amortised cost	25,520	154,191	519,641	698,986	21,069	177,682	390,471	588,855

19 Fair Value of Financial Instruments (Continued)

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

<i>In millions of RR</i>	30 June 2021 (Unaudited)				31 December 2020			
	Level 1	Level 2	Level 3	Carrying value	Level 1	Level 2	Level 3	Carrying value
FINANCIAL LIABILITIES CARRIED AT AMORTISED COST								
Due to banks	-	9,712	-	9,712	-	4,819	-	4,819
Brokerage payables	-	8,644	-	8,644	-	9,206	-	9,206
Customer accounts								
Individuals								
-Current/demand accounts	-	375,172	-	375,172	-	323,145	-	323,145
- Brokerage accounts	-	94,880	-	94,880	-	73,970	-	73,970
-Term deposits	-	143,019	-	139,815	-	138,971	-	135,995
SME								
-Current/demand accounts	-	90,243	-	90,243	-	89,199	-	89,199
-Term deposits	-	2,485	-	2,479	-	1,915	-	2,213
Other legal entities								
-Current/demand accounts	-	4,096	-	4,096	-	2,267	-	2,267
-Term deposits	-	44	-	44	-	48	-	48
Debt securities in issue								
RR Bonds issued on domestic market	22,029	-	-	21,681	24,824	-	-	23,910
Subordinated debt								
Perpetual subordinated bonds	21,605	-	-	20,412	22,174	-	-	20,755
Other financial liabilities								
Settlement of operations with plastic cards	-	19,097	-	19,097	-	23,079	-	23,079
Trade payables	-	9,130	-	9,130	-	6,150	-	6,150
Credit related commitments	-	-	-	2,960	-	-	-	3,537
Other financial liabilities	-	1,859	-	1,859	-	1,571	-	1,571
Total financial liabilities carried at amortised cost	43,634	758,381	-	800,224	46,998	674,340	-	719,864

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. Where quoted market prices are not available, the Group used valuation techniques. 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.

As at 30 June 2021 and 31 December 2020 the fair value of the debt securities in issue and subordinated debt has been calculated based on quoted prices from the Moscow Exchange MICEX-RTS, St. Petersburg Exchange and Global Exchange Market, where the Group's debt securities are listed and traded.

19 Fair Value of Financial Instruments (Continued)

Weighted average discount rates used in determining fair value as of 30 June 2021 and 31 December 2020 are disclosed below:

<i>In % p.a.</i>	30 June 2021 (Unaudited)	31 December 2020
Assets		
Cash and cash equivalents	0.0	0.0
Due from other banks	2.4	3.2
Investments in securities	5.4	5.4
Repurchase receivables	6.4	5.1
Loans and advances to customers	29.7	33.5
Brokerage receivables	14.9	15.4
Liabilities		
Due to banks	4.7	4.4
Customer accounts	2.2	2.2
Debt securities in issue	7.7	6.1
Brokerage payables	15.0	15.6
Subordinated debt	4.6	5.3

20 Related Party Transactions

Parties are generally considered to be related if the parties are under common control or one party has the ability to control the other party or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. Other related parties (excluding associates and joint ventures) in the tables below are represented by entities which are under the control of Oleg Tinkov. The outstanding balances with related parties were as follows:

<i>In millions of RR</i>	30 June 2021 (Unaudited)		31 December 2020	
	Key management personnel	Associates, joint ventures and other related parties	Key management personnel	Associates, joint ventures and other related parties
ASSETS				
Gross amounts of loans and advances to customers (contractual interest rate: 1.7-12.4% p.a. (31 December 2020: 1.7-21.7% p.a.))	357	3,286	422	1,892
Other financial assets	-	550	-	158
TOTAL ASSETS	357	3,836	422	2,050
LIABILITIES				
Customer accounts (contractual interest rate: 1.6-2.2% p.a. (31 December 2020: 0.8-3.7% p.a.))	1,171	4,139	1,221	2,086
Other non-financial liabilities	848	-	584	-
TOTAL LIABILITIES	2,019	4,139	1,805	2,086
EQUITY				
Share-based payment reserve				
- Management long-term incentive programme	3,113	-	1,378	-
TOTAL EQUITY	3,113	-	1,378	-

20 Related Party Transactions (Continued)

On 31 August 2020 the Group acquired shareholding in Vivid Money Holdco Limited (Note 1), which is a group of fintech start-ups launched in 2020 to provide a range of services to retail customers in Europe (excluding CIS). The investment in Vivid Money Holdco Limited was classified as an investment in associate and accounted for using the equity method. Also in 2020 the Group issued convertible loan to Vivid Money Holdco Limited (Note 7), which is carried at FV.

The income and expense items with related parties were as follows:

	Unaudited							
	Six months ended 30 June 2021		Three months ended 30 June 2021		Six months ended 30 June 2020		Three months ended 30 June 2020	
	Key manage- ment personnel	Other related parties	Key manage- ment personnel	Other related parties	Key manage- ment personnel	Other related parties	Key manage- ment personnel	Other related parties
<i>In millions of RR</i>								
Interest income calculated using the effective interest rate method	11	137	5	129	12	16	11	8
Other similar income	-	12	-	6	-	-	-	-
Interest expense calculated using effective interest rate method	(22)	-	(13)	-	(22)	(19)	(11)	(9)
Net gains/ (losses) from foreign exchange translation	-	179	-	152	-	(7)	-	22
Net gains from financial assets at FVTPL	-	1,577	-	38	-	-	-	-
Administrative and other operating expenses	(3,113)	(160)	(1,211)	(60)	(893)	(48)	(440)	(48)
Other operating income	-	-	-	-	-	-	-	6

Key management compensation is presented below:

	Unaudited			
	Six months ended 30 June 2021	Three months ended 30 June 2021	Six months ended 30 June 2020	Three months ended 30 June 2020
<i>Short-term benefits:</i>				
- Salaries	593	301	457	226
- Short-term bonuses	530	265	293	147
<i>Long-term benefits:</i>				
- Management long-term incentive programme	1,965	628	135	59
- Key employees retention plan	25	17	8	8
Total	3,113	1,211	893	440

Key employees retention plan (KERP). On 14 April 2020 the Group launched a new long term incentive programme for more than 250 senior and middle management level employees. The purpose of the programme is to retain and motivate key employees with high potential. This is a performance-based cash-settled programme linked to the market price of GDRs. On 15 April 2021 the Group provided a new grant within KERP for over 400 employees senior and middle management level. The expenses related to those participants who are considered to be key management personnel are disclosed in the table above.

Management long-term incentive programme. On 31 March 2016 the Group introduced a MLTIP as both a long-term incentive and a retention tool for the management of the Group. Total number of GDRs attributable to the management is 15,440 thousand as at 30 June 2021 (31 December 2020: 15,290 thousand).

20 Related Party Transactions (Continued)

Participants of the programme receive the vested parts of their grants provided that they remain employed by the Group throughout the vesting period. Participants are entitled to the dividends, if any. Participants who leave the Group lose their right for the unvested parts of the grants.

The fair value of the awards as at grant dates is determined on the basis of market quotes of GDRs as at those dates.

Each grant before 2020 is divided into 4 equal awards. Each award vests over 4 years in equal tranches. The delivery dates as of which the GDRs are allowed to be sold by the participants correspond to the vesting dates 31 March, as well as each subsequent 31 March (with the exception of 2019 when the vesting date for all participants was 31 January 2019) until 2022 for participants joining in 2016, until 2023 for participants joining in 2017, until 2024 for participants joining in 2018, until 2025 for participants joining in 2019.

Each grant provided in 2020 and 2021 is divided into 5 equal tranches. The delivery dates as of which the GDRs are allowed to be sold by the participants correspond to the vesting dates 31 August, as well as each subsequent 31 August until 2025 for participants joining in 2020, and until 2026 for participants joining in 2021.

The following table discloses the changes in the numbers of GDRs attributable to the MLTIP:

<i>In thousands</i>	Number of GDRs attributable to the MLTIP
At 31 December 2019	3,782
Granted	5,350
Vested	(1,810)
Forfeited	(46)
At 31 December 2020	7,276
Granted	150
Vested	(1,226)
Forfeited	(6)
At 30 June 2021 (Unaudited)	6,194

21 Events after the End of the Reporting Period

In July 2021 the Group exercised a call option agreement with the founders and remaining stakeholders of LLC "Beskontakt" by 8%. As a result, the Group's shareholding increased to 85.4%.

On 5-6 July 2021 the Group completed the securitization of mortgage loans, placed by mortgage agent TB- 1. The placement included Class A and B bonds secured by a portfolio of mortgage loans. Class A bonds totaling RR 5.6 billion were placed with private and institutional investors with a coupon of 7.9%. Class B bonds were repurchased by the Bank.

22 Significant Accounting Policies

Basis of preparation. This consolidated condensed interim financial information has been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU and should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2020 which have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the requirements of the Cyprus Companies Law, Cap. 113.

22 Significant Accounting Policies (Continued)

Except as described below, the same accounting policies and methods of computation were followed in the preparation of this consolidated condensed interim financial information as compared with the annual consolidated financial statements for the year ended 31 December 2020.

Cash-settled share-based programme. The expense is recognized gradually over the vesting period and is measured at the fair value of the liability at each end of the reporting period. The fair value of the liability reflects all vesting conditions, except for the requirement of the employee to stay in service which is reflected through the amortization schedule.

The liability is measured, initially and at the end of each reporting period until settled, at fair value, taking into account the terms and conditions on which the instruments were granted and the extent to which the employees have rendered service to date.

Beskontakt acquisition. On 29 April 2021 the Group obtained control of LLC “Beskontakt” through acquisition of its 77,4% net assets (refer to Note 1). To account for this acquisition, the Group decided to apply an optional concentration test as allowed under IFRS 3 “Business combination”. The concentration test would be met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. A single identifiable asset in this acquisition would be the technology-based intangible asset which intricately integrates mobile application named “Koshelek” with substantial database of users of the application. These are integral parts of one intangible asset which cannot be segregated and used separately from each other. The fair value of the gross assets acquired was determined using one of the methods provided in the Amendments to IFRS 3 “Definition of a Business”. The assets acquired, other than a single identifiable technology-based intangible asset, are immaterial. The concentration test has demonstrated that approximately 95% of the fair value of gross assets acquired would be concentrated in a single identifiable technology-based intangible asset. Therefore, the Group concluded that the acquired set of assets and activities is not a business. For the acquisition of an asset or a group of assets that does not constitute a business, such a transaction or event does not give rise to goodwill.

Interim period tax measurement. Interim period income tax expense is accrued using the effective tax rate that would be applicable to expected total annual earnings, that is, the estimated weighted average annual effective income tax rate applied to the pre-tax income of the interim period.

Seasonality. Management does not consider that the Group's business exhibits material differences due to seasonality.

Foreign currency translation. At 30 June 2021 the rate of exchange used for translating foreign currency balances was USD 1 = RR 72.3723 (31 December 2020: USD 1 = RR 73.8757), and the average rate of exchange was USD 1 = RR 74.2781 for the six months ended 30 June 2021 and USD 1 = RR 74.2155 for the three months ended 30 June 2021 (six months ended 30 June 2020: USD 1 = RR 69.3714, three months ended 30 June 2020: USD 1 = 72.3611).

Changes in presentation. In 2020 because of significant growth in the brokerage operations and the related balances and volumes of transactions, the Group made a detailed review of the relevant accounting policies to achieve more relevant and reliable presentation. As a result of such review and because of significantly increased balances the Group reclassified brokerage receivables and brokerage payables from cash and cash equivalents and due to banks, respectively, into separate line items in the consolidated condensed interim statement of financial position. Also the Group identified that certain portion of brokerage operations fee and commission income related to margin trading of Group's clients has more characteristics of being interest income rather than fee and commission income. Hence the Group made relevant reclassification from fee and commission income into interest income in the consolidated condensed interim statement of profit or loss and other comprehensive income. Similar reclassifications were made in the consolidated condensed interim statement of cash flows.

Management considers that the above reclassifications will result in a more reliable and relevant presentation of the financial information which is more consistent with the market practice of many other banks.

22 Significant Accounting Policies (Continued)

In September 2020 as a result of a detailed review of the marketing agreements with the payment systems the Group changed its accounting policy in relation to income received under these agreements by reclassifying it from Other operating income to reduce the Payment System fees accounted for in Interest income and Fee and commission expenses. Part of the net payment system fees which relates to the borrowers' transactions is included in the effective interest income of the loans. Another part which relates to the customer's transactions was reclassified to Fee and commission expenses and presented on a net basis within the payment systems. Management considers that this reclassification results in a more reliable and relevant presentation of the substance of these agreements since such income from payment systems primarily represents volume rebates, hence it could be offset against related expenses.

In December 2020 given the increase in the related amounts the Group refined its accounting policy in relation to recoveries received in excess of gross carrying amount of purchased loans and reclassified them from Other operating income line to Credit loss allowance for loans and advances to customers and credit related commitments line of consolidated condensed interim statement of profit or loss and other comprehensive income.

In March 2021 the Group refined its presentation of non-recoverable VAT expenses by including them into the expense items which triggered such VAT expenses. The management considers that such refined presentation results in more relevant presentation of substance of those non-recoverable VAT expenses. As a result, the comparative information was amended accordingly in the notes to the following financial statements line items: Fee and commission expense, Customer acquisition expense and Administrative and other operating expenses (refer to Notes 13, 14 and 15).

The effect of changes described above on the consolidated condensed interim statement of profit or loss and other comprehensive income for the six and three months ended 30 June 2020 is as follows:

<i>In millions of RR</i>	Unaudited		
	As originally presented	Reclassification	As reclassified
Six months ended 30 June 2020:			
Interest income calculated using the effective interest rate method	63,399	977	64,376
Credit loss allowance for loans and advances to customers and credit related commitments	(28,027)	590	(27,437)
Fee and commission income	20,420	(594)	19,826
Fee and commission expense	(10,260)	970	(9,290)
Administrative and other operating expenses	(16,385)	279	(16,106)
Other operating income	2,950	(2,222)	728
Three months ended 30 June 2020:			
Interest income calculated using the effective interest rate method	31,889	780	32,669
Credit loss allowance for loans and advances to customers and credit related commitments	(12,421)	374	(12,047)
Fee and commission income	10,226	(397)	9,829
Fee and commission expense	(5,115)	1,106	(4,009)
Administrative and other operating expenses	(8,753)	143	(8,610)
Other operating income	2,332	(2,006)	326

22 Significant Accounting Policies (Continued)

The effect of changes described above on the consolidated condensed interim statement of cash flows for the six months ended 30 June 2020 is as follows:

<i>In millions of RR</i>	Unaudited		
	As originally presented	Reclassification	As reclassified
Interest income received calculated using the effective interest rate method	63,014	977	63,991
Fees and commissions received	20,421	655	21,076
Recoveries from the purchased loans received	-	590	590
Other operating income received	4,500	(2,222)	2,278
Net increase in brokerage receivables	-	(11,840)	(11,840)
Net increase in due to banks	7,193	(3,580)	3,613
Net (decrease)/increase in brokerage payables	-	3,925	3,925
Cash and cash equivalents at the beginning of the period	57,796	(2,232)	55,564
Cash and cash equivalents at the end of the period	71,409	(13,727)	57,682

23 Adoption of New or Revised Standards and Interpretations

The following amended standard became effective from 1 January 2021, but did not have any material impact on the Group:

- Interest rate benchmark (IBOR) reform – phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (issued on 27 August 2020 and effective for annual periods beginning on or after 1 January 2021).
- Covid-19-Related Rent Concessions – Amendments to IFRS 16 (issued on 28 May 2020 and effective for annual periods beginning on or after 1 June 2020).

24 New Accounting Pronouncements

Certain new amendments have been issued that are mandatory for the annual periods beginning on or after 1 January 2021, which the Group has not early adopted:

IFRS 17 "Insurance Contracts" (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2023)*. IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. As a consequence, it was difficult for investors to compare and contrast the financial performance of otherwise similar insurance companies. IFRS 17 is a single principle-based standard to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The standard requires recognition and measurement of groups of insurance contracts at: (i) a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset) (ii) an amount representing the unearned profit in the group of contracts (the contractual service margin). Insurers will be recognising the profit from a group of insurance contracts over the period they provide insurance coverage, and as they are released from risk. If a group of contracts is or becomes loss-making, an entity will be recognising the loss immediately. The Group is currently assessing the impact of IFRS 17 on the insurance contracts issued by the Insurance Company as well as the impact for credit cards and similar loan products which may include insurance component.

Amendments to IFRS 17 and an amendment to IFRS 4 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023)*. The amendments relate to eight areas of IFRS 17, and they are not intended to change the fundamental principles of the standard. The following amendments to IFRS 17 were made: effective date, expected recovery of insurance acquisition cash flows, contractual service margin attributable to investment services, reinsurance contracts held – recovery of losses and other amendments.

24 New Accounting Pronouncements (Continued)

Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023)*.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023)*.

Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12 (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023). The amendments to IAS 12 specify how to account for deferred tax on transactions such as leases and decommissioning obligations.

The following other new pronouncements are not expected to have any material impact on the Group when adopted:

- IFRS 14, Regulatory Deferral Accounts (issued on 30 January 2014 and effective for annual periods beginning on or after 1 January 2016)*.
- Classification of liabilities as current or non-current – Amendments to IAS 1 (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2022)*.
- Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022)*.
- Classification of liabilities as current or non-current, deferral of effective date – Amendments to IAS 1 (issued on 15 July 2020 and effective for annual periods beginning on or after 1 January 2023)*.
- Covid-19-Related Rent Concessions – Amendments to IFRS 16 (issued on 31 March 2021 and effective for annual periods beginning on or after 1 April 2021).

* Denotes standards, interpretations and amendments which have not yet been endorsed by the European Union.

TCS Group Holding PLC

**International Financial Reporting Standards
Consolidated Financial Statements and
Independent Auditor's Report**

31 December 2020

Board of directors

Constantinos Economides, Chairman
Alexios Ioannides
Mary Trimithiotou
Jacques Der Megreditchian
Martin Robert Cocker

The above all served throughout 2020 and through to the date of these consolidated financial statements.

The Company's Articles of Association include regulations for the retirement by rotation of Directors at each annual general meeting. These regulations will operate in 2021 on the basis of the composition of the Board at the relevant date.

Company Secretary
Caelion Secretarial Limited
25 Spyrou Araouzou
Berengaria 25, 5th floor,
3036, Limassol, Cyprus

Registered office
25 Spyrou Araouzou
Berengaria 25, 5th floor,
3036, Limassol, Cyprus

The Board of directors presents its report together with the audited consolidated financial statements of TCS Group Holding PLC (the “Company”) and its subsidiaries (collectively the “Group”) for the year ended 31 December 2020.

Principal activities and nature of operations of the Group

1. The Group’s principal activities are mainly undertaken within the Russian Federation and consist of on-line retail banking operations, through its subsidiary JSC “Tinkoff Bank” (the “Bank”), and other operations through its subsidiaries, such as insurance operations through JSC “Tinkoff Insurance” (the “Insurance Company”), mobile services through LLC “Tinkoff Mobile” and asset management through LLC “Tinkoff Capital” (Note 1).
2. The Bank specialises in retail banking for individuals, individual entrepreneurs (“IE”), small and medium enterprises (“SME”) and brokerage services. The Bank which is fully licensed by the Central Bank of Russia, launched its operations in the Summer of 2007 and is a member of the Russian Deposit Insurance System. The Insurance Company specialises in providing non-life insurance coverage such as accident, property, travel, credit protection and auto insurance. The founder of the Company is Oleg Tinkov who was also the controlling shareholder throughout 2020.

Changes in group structure

3. During 2020 the Group founded an infrastructure company LLC “Tinkoff Invest Lab” to support and optimize the Group’s investment services.
4. In August 2020 the Group acquired a 22.15% shareholding in Incantus Holding Limited by transferring its 100% shareholding in LLC “Fintech DC” to Incantus Holding Limited and by providing a convertible loan (Notes 7 and 38). Incantus Holding Limited is a group of fintech start-ups launched in 2020 to provide a range of services to retail customers in Europe (excluding CIS) through the mobile banking platform Vivid Money. In October 2020 a new venture capital fund has invested into the share capital of Incantus Holding Limited. As a result the Company’s shareholding in Incantus Holding Limited has decreased to 16.32%.
5. As at 31 December 2020 the Group holds 16.32% of the shares of Incantus Holding Limited.

Review of developments, position and performance of the Group’s business

6. The Group operates a flexible business model. Its virtual network enables it to quickly and easily increase business or slow down customer acquisition depending upon the availability of funding and market conditions. The Bank’s primary customer acquisition channels are Internet and Mobile, but it also uses Direct Sales Agents and partnerships (co-brands) to acquire new customers. These customer acquisition models, combined with the Bank’s virtual network, afford it a geographic reach across all of Russia’s regions resulting in a highly diversified portfolio.
7. In 2020 the Group signed a long-term rental contract for space in a business centre in Moscow, which is currently under construction, and which will become the Group’s new headquarters. Construction will be completed according to plan in 2022.
8. In 2020 LLC “Tinkoff Capital” launched Russia’s first exchange-traded fund (ETF) tracking the Nasdaq Technology Sector Index (NDXT).
9. During 2020 the Company actively continued the development of its call-center and software development services in Cyprus, providing training so that these employees might provide a wider range of services to the Bank and, indirectly, its customers.
10. The key offerings of JSC “Tinkoff Insurance” are personal accident insurance, collective insurance against accidents and illnesses, travel insurance, motor vehicle insurance and property insurance, compulsory third party liability insurance (CTP) and voluntary third party liability insurance (VTP) (Note 23). The Insurance Company focuses on online sales.

11. In terms of financial performance the profit of the Group for the year ended 31 December 2020 was RR 44,213 million (2019: RR 36,123 million). This result is driven by two major continuing trends: the ongoing growth of the Group's consumer finance business and a growing contribution from the non-credit fees-and-commission business lines. Net margin increased by 19.1% to RR 104,702 million (2019: increased by 46.6% to RR 87,926 million) on the back of credit and investment portfolio growth. The growth of the credit portfolio was driven not only by credit card loans but also by other types of loans, such as secured, cash and POS loans. The Group aims to diversify its credit portfolio by the extension of collateralised credit products which represents a business line with lower credit risks. The 90 days plus overdue loans ratio ("NPL") increased to 10.4% as at 31 December 2020 (2019: 9.1%). The NPL coverage ratio reduced to 153% as at 31 December 2020 (2019: reduced to 156%). The Investment in securities portfolio increased by 76.4% and amounted to RR 238,454 million as at 31 December 2020 (31 December 2019: increased by 35% to RR 135,178 million). This growth has been fuelled by the continued development of the debit card and SME business lines. The Group continues to maintain a good quality and diversified securities portfolio. During the year the Bank developed the Tinkoff Investments product by increasing the customer base and providing of new trading instruments to its clients. The Group's Insurance business continues to develop at a good pace. This year insurance premiums earned increased by 31.6% to RR 18,567 million (2019: increase by 111.4% to RR 14,110 million). The growth was as a result of a continuous development of auto (including CTP and VTP) and travel insurance, as well as the growth of personal accident insurance along with the credit portfolio and providing a wider coverage of insured risks. In order to reflect appropriately the uncertainty associated with the COVID-19 pandemic, the Group has made changes to its ECL model, which resulted in approximately RR 5.6 billion of additional credit loss allowance charge in the first half of 2020 and was the main driver of increased cost of risk. Refer to Notes 2 and 3.

Environmental matters

12. As the Group is an online-only financial institution, the management of the Group believes that none of the Group's business relationships, products or services are likely to have any significant actual or potential significant environmental impacts and do not believe its operations are exposed to any material environmental risks. Management, in reaching this view, have taken into account the risk of adverse impacts that may stem from the Company's own activities as well as its business relationships including its supply and subcontracting chains. This belief is based on continuous scrutiny of the business. The Group is continuously reviewing its processes to identify opportunities to reduce their environmental impact.

Human resources

13. Empowerment is an important ingredient in the success of our organization. To achieve this, decision-making is delegated to levels deep below the management team, discussion, idea generation and exchange and transparency are actively promoted and encouraged and an open leadership style ensures that information can move freely. The Group utilizes all types of forums to promote continual dialogue – such as email, online chat rooms, flash meetings, as well as formalized meeting structures. The Group offers clear far-reaching career path for its employees, a unique work environment and fair and transparent compensation.
14. Clear performance evaluation processes and fair compensation are essential. Compensation is a combination of fixed rate salary and supplemental bonuses and is based on employee performance. Employees are evaluated on a regular basis in order to monitor their achievement against their Key Performance Indicators as well as to provide feedback which can be used for their career development and to determine incentive compensation.
15. Prior to its IPO in 2013, the Group set up share-based management long term incentive plans as retention and motivational tools for key and senior managers. In March 2016, the Group announced a consolidated long-term management incentive and retention plan, covering around 50 key, senior and middle managers (MLTIP). Since then the Group has announced the expansion of MLTIP. The total size of the MLTIP pool was 8.13% of the Group's share capital as at 31 December 2020. The plan is designed to align more closely managers' interests with those of shareholders to grow the Group's value. Current MLTIP is awarded over four years with each annual award vesting over the subsequent three years. The Group believes that participation in its share capital is an effective motivation and retention tool. The management incentive and retention plan embraces more managers, for two main reasons: firstly, internal promotions as some employees were promoted to key managerial positions; and, secondly, as part of its expansion and transformation into a financial marketplace, the Group has hired a significant number of new managers to develop and manage new business lines and to strengthen internal controls, including cyber security.

16. In April 2020 the Group launched a key employees retention plan (KERP), which is a new long term incentive program for more than 250 senior and middle management level employees. The purpose of the program is to retain and motivate key employees with high potential. This is a performance-based cash-settled program linked to the market price of the Group's GDRs.

Non-Financial Information and Diversity Statement

17. The Group's policies and other information that provide an understanding of the development, performance, position and impact of the Group's activities in the areas of environmental, social and employee matters, respect for human rights, anti-corruption and bribery matters can be found in the Group's most recently published Non-Financial Information and Diversity Statement (Sustainability Report). The Group will publish its Sustainability Report for the year ended 2020, on the Company's website, www.tcsgh.com.cy (and www.tinkoff.ru/eng) no later than 30 June 2021.

Principal risks and uncertainties

18. The Group's business and financial results are impacted by uncertainties and volatilities in the Russian economic environment which can be impacted by global factors and/or by national factors.
19. The Group is subject to a number of principal risks which might adversely impact its performance. The principal activities of the Group are banking and insurance operations and so it is within this area that the principal risks occur. Management considers that those principal risks are financial risks, operational risks and legal risks. Financial risk comprises market risks (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.
20. The Board has put in place arrangements to identify, evaluate and manage the principal risks and uncertainties faced by the Group. The Group has an established risk management program that focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. This is overseen by a dedicated Risk Management function, which works with senior management of the operating companies in Russia as well as the Board of directors in this area. The primary objectives of the financial risk management function are to establish acceptable risk limits, and then ensure that the exposures remain within these limits. The operational and legal risk management functions are intended to ensure the proper functioning of internal policies and procedures that minimize operational and legal risks. The risk management strategy is established so as to identify, assess, monitor and manage the risks arising from Group's activities. These risks as well as other risks and uncertainties, which affect the Group and how these are managed, are presented in Notes 29 and 31 of the consolidated financial statements.
21. Analysis of impact of COVID-19 pandemic on the Group is disclosed in the Note 2 of the consolidated financial statements.

Contingencies

22. The Group's contingencies are disclosed in Note 31 to the consolidated financial statements.

Future developments

23. The Group's strategic objective is to be a full service, online financial and lifestyle ecosystem with a broad range of financial, insurance and quasi-financial products, serving customers through a high-tech online and mobile platform that offers premium quality service and convenience, while maintaining high growth rates, profitability and effective data-driven risk management.

Results

24. The Group's results for the year are set out on page 2 of the consolidated financial statements. Information on distribution of profits is presented in Note 27.

Any important events for the Group that have occurred after the end of the financial year

25. Important events for the Group that have occurred after the end of the financial year are presented in Note 39.

Share capital, redesignation and conversion of class B and class A shares

26. As at 31 December 2020 the issued share capital of the Company was 199,305,492 shares (2019: same). Of these 129,391,449 were class A shares (2019: 119,291,268) and 69,914,043 class B shares (2019: 80,014,224) with a par value of USD 0.04 per share. In December 2020 10,100,181 class B shares in the Company held by the Rigi Trust were converted to class A shares. As a result of the conversion, Mr. Oleg Tinkov's voting rights in the Group decreased from 87.03% to 84.38%.
27. On 7 January 2021 all 69,914,043 issued class B shares (35.08% of the total number of issued shares) held by the Rigi Trust and the Bernina Trust were converted to class A shares, and on the same date all issued shares were reclassified and redesignated as ordinary shares. Following the conversion, each share carries a single vote, and the total number of votes capable of being exercised is equal to the total number of issued shares (currently 199,305,492 shares following the class B share conversion). As a result of the conversion, Mr. Oleg Tinkov's voting rights in the Group decreased from 84.38% to 35.08%. As a result his control over the Group was ceased.

Treasury shares

28. At 31 December 2020 the Group held 3,013,379 (2019: 4,185,166) of its own GDRs, equivalent to approximately RR 3,238 million (2019: RR 3,164 million) and which represent 1.5% (2019: 2.1%) of the issued shares.
29. Treasury shares are GDRs of TCS Group Holding PLC that are held by a special purpose trust which has been specifically created for the long-term incentive programme for the MLTIP (see Note 38 for further information).
30. During 2020 the Group repurchased 650,000 GDRs at market price for RR 661 million (2019: no GDRs were repurchased).
31. During 2020 the Group transferred 1,809,681 GDRs (2019: 2,419,187 GDRs), representing 0.91% (2019: 1.21%) of the issued shares, upon vesting under the MLTIP. This resulted in a transfer of RR 587 million (2019: RR 506 million) out of treasury shares to retained earnings.

Research and development activities

32. During the years ended 31 December 2020 and 2019 the Group has undertaken research and development activities related to software including greater use of biometrics, voice assistant, social networking, machine learning and intelligence.

Board of directors

33. The members of the Board of directors as of 31 December 2020 and at the date of this report are presented above. All served throughout the year ended 31 December 2020 and through to the date of these consolidated financial statements.
34. There were no significant changes in the assignment of responsibilities or remuneration of the Board of directors.

Branches

35. The Group did not operate through any branches during the year.

Independent auditor

36. The Independent Auditor, PricewaterhouseCoopers Limited, has expressed its willingness to continue in office. A resolution giving authority to the Board of directors to fix its remuneration will be proposed at the Annual General Meeting (AGM).

Going concern

37. The Directors have access to all information necessary to exercise their duties. The Directors continue to adopt the going concern basis in preparing the consolidated financial statements based on the fact that, after making enquiries and following a review of the Group's budget for 2021, including cash flows and funding facilities, the Directors consider that the Group has adequate resources to continue in operation for the foreseeable future. This assessment was made with the available information to the Group as at the date of approving the financial statements.

Corporate Governance Statement

GDRs of TCS Group Holding PLC (a Cyprus incorporated company), with each GDR issued under a deposit agreement dated on or about 24 October 2013 with JPMorganChase Bank N.A. as depositary representing one ordinary (formerly class A) share, are listed on London Stock Exchange. The Company's GDRs are also listed on the Moscow Exchange. No shares of TCS Group Holding PLC are listed on any exchange.

The Company is required to comply with the UK corporate governance regime to the extent it applies to foreign issuers of GDRs listed on the London Stock Exchange. The Company has not adopted corporate governance measures of the same standard in all respects as those adopted by UK incorporated companies or companies with a premium listing on the London Stock Exchange.

As the shares themselves are not listed on the Cyprus Stock Exchange (or elsewhere), the Cypriot corporate governance regime, which only relates to companies that are listed on the Cyprus Stock Exchange, does not apply to the Company and accordingly the Company does not monitor its compliance with that regime.

From IPO in 2013 until 7 January 2021, the Company maintained a capital structure with two classes of shares, class A and class B. On 7 January 2021, all class B shares were converted to class A and simultaneously all shares were reclassified and redesignated as ordinary shares all ranking pari passu for all purposes and in all respects with the other existing shares, with the provisions in the Articles of Association of the Company relating to class B shares deemed deleted.

The Company's Home State is Cyprus.

A description of the terms and conditions of the GDRs can be found at "Terms and Conditions of the Global Depositary Receipts", "Summary of the Provisions relating to the GDRs whilst still in Master Form" and "Description of Arrangements to Safeguard the Rights of the Holders of the GDRs" in the Prospectus issued by the Company dated 22 October 2013 and on the website at www.tinkoff.ru/eng.

Copies of the Articles of Association of the Company adopted on 21 October 2013, the terms of reference of the Committees, and other corporate governance related as well as investor relations related materials can also be found on the website www.tinkoff.ru/eng, at the Company's main website www.tcsgh.com.cy, on the Company's page on the London Stock Exchange website (www.londonstockexchange.com/exchange/prices-and-markets/stocks/summary) and at the official site of the Department of Registrar of Companies, Cyprus (<http://www.mcit.gov.cy/>).

The Board of directors

The role of the Board is to provide entrepreneurial leadership to the Group within a framework of prudent and effective controls which enable risk to be assessed and managed. The Board sets the Group's strategic objectives, ensures that the necessary financial and human resources are in place for the Group to meet its objectives and reviews management's performance. The Board also sets the Group's values and standards and ensures that its obligations towards the shareholders and other stakeholders are understood and met.

The Board operates under a formal schedule of matters reserved to the Board for its decision, approved by shareholders in 2013.

The authorities of the members of the Board are specified by the Articles of Association of the Company and by law. The current five strong Board of directors is comprised of three executive directors including the chairman, and two non-executive directors both of whom are independent. There was no change in the composition of the Board or status of the directors in 2020. The Board of directors contains no Director B.

The longest serving director Mr. Constantinos Economides took over the role of Chairman of the Board of directors in June 2015. The names of the people who served on the Board during 2020 are listed at the Board of directors and other officers.

The Group has established two Committees of the Board. Specific responsibilities have been delegated to those committees as described below.

The Board is required to undertake a formal and rigorous review annually of its own performance, that of its committees and of its individual directors. That review was recently carried out, in-house, in relation to 2020, looking at overall performance. All directors completed detailed questionnaires on the Board's, the committees' and individual director's performance. The role of appraising the Chairman of the Board for 2020 was performed by the Chairman of the Audit Committee. Analysis of the resultant feedback will be discussed at a meeting of the Board of directors on 10 March 2021 and no changes are expected to be made in the performance of the Board, its committees or individual directors.

The Board has not appointed a senior independent director. There are only two independent directors of whom at least one will retire each year.

Number of directors

Unless and until otherwise determined by the Company in general meeting, the number of directors shall be no less than four, of whom two must be non-executive, and until 7 January 2021 was not permitted to exceed seven, when class B shares were in issue. From 7 January 2021, there is no maximum number of directors.

The Articles of Association of the Company provide for the retirement by rotation of certain directors at each Annual General Meeting (AGM). At the AGM on 24th August 2020 the director who retired by rotation was Mr. Jacques Der Megreditchian who was duly reappointed that day by vote of all the shareholders.

Committees of the Board of directors

The Company has established two Committees of the Board of directors: the Audit Committee and the Remuneration Committee. Their terms of reference are summarized below. Both Committees were formed in October 2013. The Board reserves the right to amend their terms of reference and arranges a periodic review of each Committee's role and activities and considers the appropriateness of additional committees.

Committees-current composition

The Audit Committee is chaired by an independent non-executive director Mr. Martin Cocker, and had, until 16 August 2019, two other members both non-executive directors, one of whom was independent. From 16 August 2019 the Audit Committee has comprised its chairman Mr. Martin Cocker and one independent non-executive director.

The Remuneration Committee is also chaired by an independent non-executive director, Mr. Jacques Der Megreditchian, and had until 16 August 2019 two other members both non-executive directors, one of whom was independent. From 16 August 2019 the Remuneration Committee has comprised its chairman Mr. Jacques Der Megreditchian and one independent non-executive director.

The current terms of reference of both Committees are available to the public and can be found on the Group's websites. A short summary of both is set out below.

Role of the Audit Committee

The Audit Committee's primary purpose and responsibility is to assist the Board in its oversight responsibilities. In executing this role the Audit Committee monitors the integrity of the financial statements of the Group prepared under International Financial Reporting Standards ("IFRS") as adopted by the European Union (EU) and any formal announcements relating to the Group's and the Company's financial performance, reviewing significant financial reporting judgments contained in them, oversees the financial reporting controls and procedures implemented by the Group and monitors and assesses the effectiveness of the Company's internal financial controls, risk management systems, internal audit function, the independence and qualifications of the independent auditor and the effectiveness of the external audit process. The Audit Committee is required to meet at appropriate times in the reporting and audit cycle but in practice meets more often as required.

Under its terms of reference, the Audit Committee is required, at least once each year, to review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and to recommend any changes it considers necessary for Board approval. The Audit Committee met this obligation through members participating in the main Board review described above. After consideration of the review, no changes were proposed to the committee's terms of reference. The Audit Committee operates a structured framework around the extensive work it does on non-financial statements related matters holding at least two additional meetings annually, which would typically be held at the Bank's head office in Moscow, to consider specific, non-financial statements related areas within its terms of reference. No such meeting was held in 2020 due to COVID-19 travel restrictions but at least two are planned for 2021.

The Audit Committee has developed a risk matrix which constantly evolves to reflect new risks, the perceived impact of, and the Group's appetite for, any given risk and the measures taken to mitigate those risks. This matrix is run in conjunction with the internal audit function.

Changes in the top management team

A new post of chief information security officer was created in late 2017 and filled, with additional personnel expert in cyber-security recruited, in a very competitive market, through 2019 and 2020 to support the Group's ever-increasing efforts to stay ahead of trends and threats in this sphere. The Group has further broadened its top management team with a new chief investment officer appointed in 2019 and a new chief operating officer appointed in early 2020.

Role of the Remuneration Committee

The Remuneration Committee is responsible for determining and reviewing among other things the framework of remuneration of the executive directors, senior management and its overall cost and the Group's remuneration policies. The objective is to ensure that the executive management of the Group are provided with appropriate incentives to encourage enhanced performance and are in a fair and responsible manner rewarded for their individual contributions to the success of the Group. The Remuneration Committee's terms of reference include reviewing the design and determining targets for any performance related pay schemes and reviewing the design of all share incentive plans for approval by the Board. The Remuneration Committee is required to meet at least twice a year but in practice meets far more often.

The Remuneration Committee continued with its work into 2020 on an ongoing review of the operation of the Group's MLTIP which launched in 2016 and in considering additional awards to both existing and new participants for this and subsequent years.

In the end of Q2 2020 the Committee approved the proposals of launching a new incentive and retention plan for more than 250 senior and middle managers (KERP).

The Committee has also been working on plans for an incentive and compensation arrangement within MLTIP for when, in the period 2022 to 2024, existing awards made to MLTIP joiners in 2016-2017 start to go into run off. The Remuneration Committee recommended in June 2020 and December 2020 7 and 8 members of key management respectively be granted new awards under MLTIP in Q3 2021.

Under its terms of reference the Remuneration Committee is required at least once each year to review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and to recommend any changes it considers necessary for Board approval. The Remuneration Committee met this obligation through members participating in the main Board review (described above) under which detailed questionnaires were completed by all directors assessing the operation of the Board and both committees as well as individual directors. Although earlier reviews had resulted in certain minor changes to the Remuneration Committee's terms of reference, no further changes were felt required based on the most recent review. The Committee continues to meet as required.

Appointment, retirement, rotation and removal of directors

The directors of the Company are appointed by the general meeting of shareholders with the sanction of an ordinary resolution. Such an appointment may be made to fill a vacancy or as an additional director. But no director may be appointed unless nominated by the Board of directors or a committee duly authorized by the Board of directors or by a shareholder or shareholders together holding or representing shares which in aggregate constitute or represent at least 5% in number of votes carried or conferred by the shares giving a right to vote at a general meeting.

The Board of directors may at any time appoint any person to the office of director either to fill a vacancy or as an additional director and every such director shall hold office only until the next following annual general meeting and shall not be taken into account in determining the directors who are to retire by rotation.

One third of the directors (or if their number is not a multiple of three, the number nearest to three but not exceeding one-third) shall retire by rotation at every annual general meeting. Directors holding an executive office are excluded from retirement by rotation.

Directors may be removed from office by the shareholders at a general meeting with the sanction of an ordinary resolution, subject to giving 28 days' notice to that director in accordance with the Articles of Association.

The office of director shall be vacated if the director:

- becomes bankrupt or makes any arrangement or composition with his creditors generally; or
- becomes prohibited from being a director by reason of any court order made under Section 180 (disqualification from holding the position of director on the basis of fraudulent or other conduct) of the Cyprus Companies Law; or
- becomes, or may be, of unsound mind; or
- resigns his office by notice in writing to the Company left at the registered office; or
- is absent from meetings of the board for six consecutive months without permission of the Board of directors and his alternative director (if any) does not attend in his place and the Board of directors resolves that his office be vacated.

Significant direct/indirect holdings

For the significant direct and indirect shareholdings held in the share capital of the Company, please refer to Note 1 of the consolidated financial statements.

Internal control and risk management systems in relation to the financial reporting process

Policies, procedures and controls exist around financial reporting. Management is responsible for executing and assessing the effectiveness of these controls.

Financial reporting process

The Board of Directors is responsible for the preparation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap.113, and for such internal control as the Board of directors 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, the Board of directors 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 the Board of directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board has delegated to the Audit Committee the responsibility for reviewing the consolidated financial statements to ensure that they are in compliance with the applicable framework and legislation and for recommending these to the Board for approval. The Audit Committee is responsible for overseeing the Group's financial reporting process.

Internal Controls and Risk Management

Management is responsible for setting the principles in relation to risk management. The risk management organisation is divided between Policy Making Bodies and Policy Implementation Bodies. Policy Making Bodies are responsible for establishing risk management policies and procedures, including the establishment of limits. The main Policy Making Bodies are the Board of directors, the Management Board, the Finance Committee, the Credit Committee and the Business Development Committee.

The policy implementation level of the Group's risk management organisation consists of the Finance Department, the Risk Management Department, the Collections Department and the Internal Control Service.

In addition the Group has implemented an online analytical processing management system based on a common SAS data warehouse that is updated on a daily basis. The set of daily reports includes but is not limited to sales reports, application processing reports, reports on the risk characteristics of the card portfolios, vintage reports, transition matrix (roll rates) reports, reports on the pre-, early and late collections activities, reports on compliance with CBR requirements, capital adequacy and liquidity reports, operational liquidity forecast reports and information on intra-day cash flows.

Diversity policy

The Group is committed to offering equal opportunity to all current and prospective employees, such that no applicant or employee is discriminated in favour of or against on the grounds of sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation in recruitment, training, promotion or any other aspect of employment.

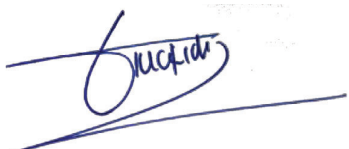
Recruitment, training and promotion are exclusively based on merit. All the Group employees involved in the recruitment and management of staff are responsible for ensuring the policy is fairly applied within their areas of responsibility. The Group applies this approach throughout, at all levels. This includes its administrative, management and supervisory bodies, including the Board of directors of the Company.

The composition and diversity information of the Board of directors of the Group for the year ended and as at 31 December 2020 is set out below:

Name	Age	Male/Female	Educational/professional background
Constantinos Economides	45	Male	ICAEW, MSc in Management Sciences, experience in 'Big Four' professional services firms
Alexios Ioannides	44	Male	ICAEW, ICPAC, BSc in Business Administration, experience in 'Big Four' professional services firms
Mary Trimithiotou	43	Female	ICPAC, FCCA, Licensed insolvency practitioner, experience in 'Big Four' professional services firms
Martin Robert Cocker	61	Male	ICAEW, BSc in Mathematics and Economics, experience in 'Big Four' professional services firms
Jacques Der Megreditchian	61	Male	BSc in Business Administration and in Financial Analysis, banking and finance experience

Further details of the corporate governance regime of the Company can be found on the website: <https://www.tinkoff.ru/eng/investor-relations/corporate-governance/>.

By Order of the Board



Constantinos Economides
Chairman of the Board
Limassol
10 March 2021



Independent Auditor's Report

To the Members of TCS Group Holding PLC

Report on the Audit of the Consolidated Financial Statements

Our opinion

In our opinion, the accompanying consolidated financial statements of TCS Group Holding PLC (the "Company") and its subsidiaries (together the "Group") give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

What we have audited

We have audited the consolidated financial statements which are presented in pages 1 to 118 and comprise:

- the consolidated statement of financial position as at 31 December 2020;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the consolidated financial statements is International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group throughout the period of our appointment in accordance with the *International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)* together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Cyprus and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our audit approach

Overview

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the Board of Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.



- Overall group materiality: Russian Roubles (“RR”) 2 800 million, which represents approximately 5% of profit before tax.
- We planned and conducted our audit to cover the two largest business components of the Group, being Banking and Insurance operations, for which we performed full scope audits of each of their complete financial information.
- For the other components, we performed substantive audit procedures where necessary.

We have identified the following key audit matters:

- Credit loss allowance for loans and advances to customers, using the expected credit loss model in line with the requirements of IFRS 9 “Financial Instruments”;
- Recognition of interest income calculated using the effective interest rate method on loans and advances to customers.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the consolidated financial statements as a whole.



Overall group materiality	RR 2 800 million
How we determined it	Approximately 5% of profit before tax.
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by the users of the consolidated financial statements, and it is a generally accepted benchmark. We chose 5%, which in our experience is an acceptable quantitative threshold for this materiality benchmark.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above RR 140 million as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

How we tailored our group audit scope

TCS Group Holding PLC is the parent of a group of companies. The financial information of this Group is included in the consolidated financial statements of TCS Group Holding PLC.

Considering our ultimate responsibility for the opinion on the Group's consolidated financial statements we are responsible for the direction, supervision and performance of the group audit. In this context, we tailored the scope of our audit and determined the nature and extent of the audit procedures for the components of the Group to ensure that we perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the significance and/or risk profile of the group entities or activities, the accounting processes and controls, and the industry in which the Group operates.

The Group has two primary business components, being Banking (which includes retail business for individuals and small and medium-sized entities business) and Insurance operations both of which operate primarily in the Russian Federation. The Banking business comprises a number of reporting units being JSC Tinkoff Bank, LLC Microfinance company T-Finans, LLC Phoenix and LLC Tinkoff Capital. The Insurance business comprises solely JSC Tinkoff Insurance. Full scope audit procedures were performed in respect of the Banking and Insurance operations.

Other Group business reporting components are not considered to be primary business components for audit purposes. Where necessary, additional substantive audit procedures were carried out across these non-primary components at the financial statement item level in order to achieve the desired level of audit evidence. The consolidated financial statements are a consolidation of all of the above business reporting components.

We determined the level of involvement we needed to have in the audit work at the business reporting components to be able to conclude whether sufficient appropriate audit evidence was obtained as a basis for our opinion on the consolidated financial statements as a whole. We worked with other PwC network firms in relation to the activity of the Group in the Russian Federation and Cyprus. Overall, we have obtained sufficient and appropriate audit evidence regarding the consolidated financial information of the Group as a whole to provide a basis for our audit opinion on the consolidated financial statements.



Key audit matters incorporating the most significant risks of material misstatements, including assessed risk of material misstatements due to fraud

Key audit matters are those matters that, in our professional judgement, 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.

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><i>Credit loss allowance for loans and advances to customers, using the expected credit loss model in line with the requirements of IFRS 9 “Financial Instruments”</i></p> <p>This is a complex accounting standard for which models have been developed by the Group as a basis to calculate expected credit losses (“ECL”). These calculations involve the application of significant management judgement and estimates.</p> <p>Therefore, we applied focus to the “expected credit loss” models used by the Management for the purpose of compliance with IFRS 9. These models are described in more detail in Note 40 “Significant Accounting Policies” and Note 29 “Financial and Insurance Risk Management” to the consolidated financial statements.</p> <p>An assessment of the credit loss allowance for loans and advances to customers is performed on a portfolio basis, with the key assumptions being the probability of an account falling into arrears and subsequently defaulting (which is impacted by the definitions of “significant increase in credit risk” and “default”), the estimated recoveries from defaulted loans and the lifetime period for revolving credit facilities. Statistical models are used for the assessment of the probability of default, recovery rate and the lifetime period for revolving credit facilities. In addition, calculation of the expected credit loss allowance incorporates forward-looking information, taking into consideration different macro-economic scenarios and adjusting the probability of default. During 2020 the Group refined the methodologies used for calculation of the allowance to address changes in the economic environment associated with the COVID-19 pandemic.</p> <p>Note 40 “Significant Accounting Policies”, Note 3 “Critical Accounting Estimates and Judgements in Applying Accounting Policies”, Note 7 “Loans and Advances to Customers”</p>	<p>In relation to the ECL models for measuring credit loss allowance we assessed the appropriateness of the key assumptions used in the methodologies and models of the Group (including refinements to those made to address changes in the economic environment associated with the COVID-19 pandemic) and their compliance with the requirements of IFRS 9.</p> <p>For a sample of loans, we recalculated their probabilities of default and compared the results with the models’ outputs. Additionally, we reviewed the Group’s back-testing of probabilities of default estimated on the basis of the models by comparing them to the actual default rates evidenced in the loan portfolios.</p> <p>With regard to the controls relating to the credit loss allowance calculation process, we assessed and tested on a sample basis the design and operating effectiveness of the key controls over credit loss data and calculations. These key controls included those over classification of certain loans by loan portfolios, allocation of cash received from customers to respective loans and advances to customers, identification of the overdue loans and the data transfer from source systems to the credit loss allowance models.</p> <p>We determined that we could place reliance upon these key controls for the purposes of our audit.</p> <p>In addition, we performed testing, on a sample basis, of the statistical models used to calculate the credit loss allowance and we also tested, on a sample basis, the completeness of restructured credit-impaired loans. This testing of the models varied by portfolio including testing of the coding used, re-performance of the calculation including</p>



Key Audit Matter	How our audit addressed the Key Audit Matter
<p>and Note 29 “Financial and Insurance Risk Management” to the consolidated financial statements provide detailed information on the credit loss allowance for loans and advances to customers.</p>	<p>calculation of the effect of forward-looking information on credit loss allowance and testing the system generated data used in the models.</p> <p>We tested a sample of post model accounting adjustments where applicable, including considering the basis for the adjustment, the logic applied, the source data used, the key assumptions adopted and consistency with prior periods. We verified management assumptions in the context of the economic environment that is affected by the COVID-19 pandemic.</p> <p>We assessed the disclosures made against the relevant accounting standards for their completeness and accuracy.</p> <p>Based on the evidence obtained we found the models used to be appropriate and the outputs from the models to be reasonable.</p>
<p><i>Recognition of interest income calculated using the effective interest rate method on loans and advances to customers</i></p> <p>We focused on this area mainly because management’s calculation of interest income applying the effective interest rate method uses, in addition to relevant nominal interest rates, a number of different fees received and costs incurred. Significant management judgement and estimates are involved in determining the expected lives of loans, and which fees and costs are included in interest income instead of net commission income and the pattern of their recognition in income. The Group has from its history of lending in different economic conditions and cycles a significant amount of information from which to assess trends in payments, repayments and product transfers. This detailed information is used to obtain estimates of its customers’ behaviour and performance, including the assumptions around expected lives of loans which is then used in the effective interest rate calculation.</p> <p>Note 40 “Significant Accounting Policies”, Note 3 “Critical Accounting Estimates and Judgements in Applying Accounting Policies”, Note 20 “Net Margin” and Note 29 “Financial and Insurance Risk Management” included in the consolidated financial statements provide detailed information on the interest income</p>	<p>Our audit procedures in relation to the effective interest rates of loans originated by the Group included testing, on a sample basis, the key controls in relation to the nominal interest income, and the fee income and costs incurred which contribute to interest income calculated using the effective interest rate method. These controls included those over calculation and accrual of the nominal interest income and fee income and costs incurred parts of interest income calculated using the effective interest rate method and the data transfer from the source system to the accounting system.</p> <p>We determined that we could place reliance upon these key controls for the purposes of our audit.</p> <p>We analysed the appropriateness and consistency of the methodology and its application across each of the loan portfolios and loans’ credit quality stages within these portfolios and assessed the reasonableness of the key assumptions and estimates used in the methodology calculations, including the fee income and costs components of the effective interest income rate and expected repayment periods of the loans by considering historic</p>



Key Audit Matter	How our audit addressed the Key Audit Matter
calculated using the effective interest rate method and effective interest rates of loans and advances to customers.	<p>information. We also assessed the mathematical accuracy of the calculations through re-performance of a sample of them.</p> <p>In addition, we performed substantive analytical procedures to assess the reasonableness of the interest income calculated using the effective interest rate method recognised by the Group.</p> <p>Our testing did not identify any material errors in management's application of the effective interest rate method for interest income from loans and advances to customers.</p>

Reporting on other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Consolidated Management Report including the Corporate Governance Statement, which we obtained prior to the date of this auditor's report, and the Group's complete Annual Report, which is expected to be made available to us after that date. Other information does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not and 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 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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Group's complete Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and if not corrected, we will bring the matter to the attention of the members of the Company at the Company's Annual General Meeting and we will take such other action as may be required.

Responsibilities of the Board of Directors and those charged with governance for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors 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, the Board of Directors 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 the Board of Directors 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.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgement 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 the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with 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.

Report on Other Legal and Regulatory Requirements

Pursuant to the requirements of Article 10(2) of the EU Regulation 537/2014 we provide the following information in our Independent Auditor's Report, which is required in addition to the requirements of International Standards on Auditing.

Appointment of the Auditor and Period of Engagement

We were first appointed as auditors of the Group by the members of the Company for the audit of the consolidated financial statements for the year ended 31 December 2007. Our appointment has been renewed annually, since then, by shareholder resolution. In December 2008 the Company listed Euro denominated bonds on the Swedish Stock Exchange (NASDAQ OMX Stockholm) and accordingly the first financial year the Company qualified as an EU PIE was the year ended 31 December 2008. Since then, the total period of uninterrupted engagement appointment was 13 years.

Consistency of the Additional Report to the Audit Committee

We confirm that our audit opinion on the consolidated financial statements expressed in this report is consistent with the additional report to the Audit Committee of the Company, which we issued on 10 March 2021 in accordance with Article 11 of the EU Regulation 537/2014.

Provision of Non-audit Services

We declare that no prohibited non-audit services referred to in Article 5 of the EU Regulation 537/2014 and Section 72 of the Auditors Law of 2017 were provided. In addition, there are no non-audit services which were provided by us to the Group and which have not been disclosed in the consolidated financial statements or the consolidated management report.

Other Legal Requirements

Pursuant to the additional requirements of the Auditors Law of 2017, we report the following:

- In our opinion, based on the work undertaken in the course of our audit, the consolidated management report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and the information given is consistent with the consolidated financial statements.
- In light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the consolidated management report. We have nothing to report in this respect.



- In our opinion, based on the work undertaken in the course of our audit, the information included in the corporate governance statement in accordance with the requirements of subparagraphs (iv) and (v) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113, and which is included as a specific section of the consolidated management report, have been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and is consistent with the consolidated financial statements.
- In our opinion, based on the work undertaken in the course of our audit, the corporate governance statement includes all information referred to in subparagraphs (i), (ii), (iii), (vi) and (vii) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113.
- In light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the corporate governance statement in relation to the information disclosed for items (iv) and (v) of subparagraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113. We have nothing to report in this respect.

Other Matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Article 10(1) of the EU Regulation 537/2014 and Section 69 of the Auditors Law of 2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

The engagement partner on the audit resulting in this independent auditor's report is George C. Kazamias.

A handwritten signature in blue ink that reads "George C. Kazamias" followed by a stylized arrow pointing to the right.

George C. Kazamias
Certified Public Accountant and Registered Auditor
for and on behalf of

PricewaterhouseCoopers Limited
Certified Public Accountants and Registered Auditors

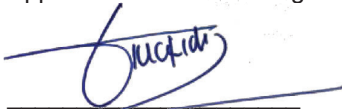
PwC Central, 43 Demostheni Severi Avenue
CY-1080 Nicosia, Cyprus


10 March 2021

TCS Group Holding PLC
Consolidated Statement of Financial Position

<i>In millions of RR</i>	Note	31 December 2020	31 December 2019
ASSETS			
Cash and cash equivalents	5	136,351	55,564
Mandatory cash balances with the CBRF		5,379	3,448
Due from other banks	6	1,887	2,084
Loans and advances to customers	7	376,521	329,175
Financial derivatives	35	5,035	390
Investments in securities	8	238,454	135,178
Repurchase receivables	8	29	-
Guarantee deposits with payment systems	9	15,475	8,877
Brokerage receivables	10	24,064	2,799
Current income tax assets		3,133	815
Deferred income tax assets	26	947	1,517
Tangible fixed assets and right-of-use assets	11	10,481	10,560
Intangible assets	11	7,082	5,435
Other financial assets	12	31,070	21,673
Other non-financial assets	12	3,386	2,510
TOTAL ASSETS		859,294	580,025
LIABILITIES			
Due to banks	13	4,819	23
Customer accounts	14	626,837	411,614
Debt securities in issue	15	23,910	26,078
Financial derivatives	35	109	590
Brokerage payables	10	9,206	1,207
Deferred income tax liabilities	26	333	142
Subordinated debt	16	20,755	18,487
Insurance provisions	17	6,067	6,280
Other financial liabilities	18	34,337	14,648
Other non-financial liabilities	18	5,905	4,874
TOTAL LIABILITIES		732,278	483,943
EQUITY			
Share capital	19	230	230
Share premium	19	26,998	26,998
Treasury shares	19	(3,238)	(3,164)
Share-based payment reserve	38	1,548	1,039
Retained earnings		99,540	66,880
Revaluation reserve for investments in debt securities		1,849	3,996
Equity attributable to shareholders of the Company		126,927	95,979
Non-controlling interest	34	89	103
TOTAL EQUITY		127,016	96,082
TOTAL LIABILITIES AND EQUITY		859,294	580,025

Approved for issue and signed on behalf of the Board of directors on 10 March 2021.


Constantinos Economides
Director


Mary Trimithiotou
Director

The notes № 1-42 are an integral part of these Consolidated Financial Statements.

TCS Group Holding PLC
Consolidated Statement of Profit or Loss and Other Comprehensive Income

<i>In millions of RR</i>	Note	2020	2019
Interest income calculated using the effective interest rate method	20	128,084	111,129
Other similar income	20	83	118
Interest expense calculated using the effective interest rate method	20	(21,581)	(21,317)
Other similar expense	20	(139)	(134)
Expenses on deposit insurance	20	(1,745)	(1,870)
Net margin	20	104,702	87,926
Credit loss allowance for loans and advances to customers and credit related commitments	7,18	(38,972)	(26,551)
Credit loss allowance (charge)/reversal for debt securities at FVOCI	8	(369)	139
Total credit loss allowance for debt financial instruments		(39,341)	(26,412)
Net margin after credit loss allowance		65,361	61,514
Fee and commission income	21	47,609	35,858
Fee and commission expense	21	(21,599)	(15,123)
Customer acquisition expense	22	(22,588)	(18,177)
Net gains/(losses) from derivatives revaluation		4,163	(2,563)
Net (losses)/gains from foreign exchange translation		(6,850)	2,216
Net gains/(losses) from operations with foreign currencies		1,595	(968)
Net gains from disposals of debt securities at FVOCI		7,210	301
Net gains from financial assets at FVTPL		603	389
Insurance premiums earned	23	18,567	14,110
Insurance claims incurred	23	(3,814)	(4,891)
Administrative and other operating expenses	24	(35,621)	(27,852)
Net gains from repurchase of subordinated debt		168	-
Other operating income	25	1,445	722
Profit before tax		56,249	45,536
Income tax expense	26	(12,036)	(9,413)
Profit for the year		44,213	36,123
Other comprehensive (loss)/income			
<i>Items that may be reclassified to profit or loss</i>			
Debt securities at FVOCI and Repurchase receivables:			
- Net gains arising during the year, net of tax		3,621	5,381
- Net gains reclassified to profit or loss upon disposal, net of tax		(5,768)	(241)
Other comprehensive (loss)/income for the year, net of tax		(2,147)	5,140
Total comprehensive income for the year		42,066	41,263
Profit is attributable to:			
- Shareholders of the Company		44,209	36,122
- Non-controlling interest		4	1
Total comprehensive income is attributable to:			
- Shareholders of the Company		42,062	41,262
- Non-controlling interest		4	1
Earnings per share for profit attributable to the Shareholders of the Company, basic (expressed in RR per share)	19	225.60	193.62
Earnings per share for profit attributable to the Shareholders of the Company, diluted (expressed in RR per share)	19	223.73	190.05

The notes № 1-42 are an integral part of these Consolidated Financial Statements.

TCS Group Holding PLC
Consolidated Statement of Changes in Equity

	Note	Attributable to shareholders of the Company							Total equity
		Share capital	Share premium	Share-based payment reserve	Revaluation reserve for investments in debt securities	Treasury shares	Retained earnings	Total	
<i>In millions of RR</i>									
Balance at 31 December 2018		188	8,623	1,232	(1,144)	(3,670)	36,785	42,014	42,250
Profit for the year		-	-	-	-	-	36,122	36,122	36,123
Other comprehensive income:									
Investments in debt securities at FVOCI and Repurchase receivables		-	-	-	5,140	-	-	5,140	5,140
Total comprehensive income for the year		-	-	-	5,140	-	36,122	41,262	41,263
Shares issued	19	42	18,874	-	-	-	-	18,916	18,916
Secondary public offering costs	19	-	(499)	-	-	-	-	(499)	(499)
Acquisition of non-controlling interest in subsidiaries	-	-	-	-	-	-	(327)	(327)	(461)
Share-based payment reserve	19	-	-	(193)	-	506	156	469	469
Dividends declared	27	-	-	-	-	-	(5,856)	(5,856)	(5,856)
Balance at 31 December 2019		230	26,998	1,039	3,996	(3,164)	66,880	95,979	96,082
Profit for the year		-	-	-	-	-	44,209	44,209	44,213
Other comprehensive loss:									
Investments in debt securities at FVOCI and Repurchase receivables		-	-	-	(2,147)	-	-	(2,147)	(2,147)
Total comprehensive (loss)/income for the year		-	-	-	(2,147)	-	44,209	42,062	42,066
GDRs buy-back	19	-	-	-	-	(661)	-	(661)	(661)
Share-based payment reserve	19	-	-	509	-	587	(4)	1,092	1,092
Dividends declared	27	-	-	-	-	-	(11,545)	(11,545)	(11,563)
Balance at 31 December 2020		230	26,998	1,548	1,849	(3,238)	99,540	126,927	127,016

The notes № 1-42 are an integral part of these Consolidated Financial Statements.

TCS Group Holding PLC
Consolidated Statement of Cash Flows

<i>In millions of RR</i>	Note	2020	2019
Cash flows from operating activities			
Interest income received calculated using the effective interest rate method		129,555	107,854
Other similar income received		11	175
Interest expense paid calculated using the effective interest rate method		(22,280)	(21,334)
Recoveries from written-off loans	7	4,063	3,420
Expenses on deposits insurance paid		(1,792)	(1,673)
Fees and commissions received		47,613	35,802
Fees and commissions paid		(22,236)	(15,993)
Customer acquisition expense paid		(21,116)	(19,272)
Gains/(losses) from operations with foreign currencies received/(paid)		831	(968)
Losses from operations with derivatives paid		(934)	(647)
Insurance premiums received		18,193	16,254
Insurance claims paid		(3,629)	(4,337)
Recoveries from the purchased loans received		1,750	693
Other operating income received		1,053	1,137
Administrative and other operating expenses paid		(30,456)	(26,119)
Income tax paid		(12,930)	(13,606)
Cash flows from operating activities before changes in operating assets and liabilities		87,696	61,386
Changes in operating assets and liabilities			
Net increase in CBRF mandatory reserves		(1,931)	(1,013)
Net decrease/(increase) in due from banks		197	(1,308)
Net increase in loans and advances to customers		(81,724)	(151,771)
Net increase in brokerage receivables		(21,265)	(2,799)
Net (increase)/decrease in debt securities measured at FVTPL		(3,788)	5,879
Net increase in guarantee deposits with payment systems		(4,325)	(4,848)
Net increase in other financial assets		(9,708)	(4,046)
Net (increase)/decrease in other non-financial assets		(1,038)	19
Net increase/(decrease) in due to banks		4,777	(2,685)
Net increase in customer accounts		201,922	135,633
Net increase in brokerage payables		7,999	1,207
Net increase in other financial liabilities		16,512	1,387
Net decrease in non-financial liabilities		(39)	(524)
Net cash from operating activities		195,285	36,517
Cash flows (used in)/from investing activities			
Acquisition of tangible fixed assets		(2,076)	(1,783)
Acquisition of intangible assets		(3,642)	(2,539)
Acquisition of investments in securities, repurchase receivables and other investments		(375,444)	(108,246)
Proceeds from sale and redemption of investments in securities		282,288	71,000
Net cash used in investing activities		(98,874)	(41,568)
Cash flows (used in)/from financing activities			
Dividends paid	27	(11,853)	(5,601)
Repayment of debt securities in issue	28	(2,894)	(6,583)
Repayment of subordinated debt	28	(1,937)	-
GDRs buy-back	19	(661)	-
Repayment of principal of lease liabilities	28	(758)	(1,087)
Proceeds from subordinated debt	28	710	46
Proceeds from debt securities in issue	28	331	23,254
Proceeds from secondary public offering	19	-	18,916
Secondary public offering costs paid	19	-	(499)
Other financing activities cash flows		-	(461)
Net cash (used in)/from financing activities		(17,062)	27,985
Effect of exchange rate changes on cash and cash equivalents		1,438	(1,172)
Net increase in cash and cash equivalents		80,787	21,762
Cash and cash equivalents at the beginning of the year	5	55,564	33,802
Cash and cash equivalents at the end of the year	5	136,351	55,564

The notes № 1-42 are an integral part of these Consolidated Financial Statements.

1 Introduction

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (“IFRS”) for the year ended 31 December 2020 for TCS Group Holding PLC (the “Company”) and its subsidiaries (together referred to as the “Group”), and in accordance with the requirements of the Cyprus Companies Law, Cap.113.

The Company was incorporated, and is domiciled, in Cyprus in accordance with the provisions of the Companies Law, Cap. 113.

The Board of directors of the Company at the date of authorisation of these consolidated financial statements consists of: Constantinos Economides, Alexios Ioannides, Mary Trimithiotou, Jacques Der Megreditchian and Martin Robert Cocker.

The Company Secretary is Caelion Secretarial Limited, 25 Spyrou Araouzou, 25 Berengaria, 5th floor, Limassol 3036, Cyprus.

At 31 December 2020 and 2019 the share capital of the Company is comprised of class A shares and class B shares. A “class A” share is an ordinary share with a nominal value of USD 0.04 per share and carrying one vote. A “class B” share is an ordinary share with a nominal value of USD 0.04 per share and carrying 10 votes. As at 31 December 2020 the number of issued class A shares is 129,391,449 (2019: 119,291,268) and issued class B shares is 69,914,043 (2019: 80,014,224). Refer to Note 19 for further information on the share capital. On 25 October 2013 the Group completed an initial public offering of its class A ordinary shares in the form of global depository receipts (GDRs) listed on the London Stock Exchange plc. On 2 July 2019 the Group completed a secondary public offering (SPO) of its class A shares in the form of GDRs. On 28 October 2019 the Group’s GDRs started trading also on the Moscow Exchange.

As at 31 December 2020 and 2019 the entities and the individuals holding either class A or class B shares of the Company were:

	Class of shares	31 December 2020	31 December 2019	Country of Incorporation
Guaranty Nominees Limited (JP Morgan Chase Bank NA)	Class A	64.92%	59.85%	United Kingdom
Virtue Trustees (Switzerland) AG as Trustee of the Bernina Trust	Class B	18.47%	-	Switzerland
Virtue Trustees (Switzerland) AG as Trustee of the Rigi Trust	Class B	16.61%	-	Switzerland
Ioanna Georgiou	Class A	0.00%	0.00%	Cyprus
Panagiota Charalambous	Class A	0.00%	0.00%	Cyprus
Maria Vyra	Class A	0.00%	0.00%	Cyprus
Chloi Panagiotou	Class A	0.00%	0.00%	Cyprus
Leonora Chagianni	Class A	0.00%	0.00%	Cyprus
Antonis Strati	Class A	0.00%	-	Cyprus
Marios Panayides	Class A	-	0.00%	Cyprus
Altoville Holdings Limited	Class B	-	18.47%	Cyprus
Nemorenti Limited	Class B	-	21.68%	Cyprus
Total		100.00%	100.00%	

Guaranty Nominees Limited is a company holding class A shares of the Company for which GDRs are issued under a deposit agreement made between the Company and JP Morgan Chase Bank NA signed in October 2013.

On 19 March 2020 Altoville Holdings Limited and Nemorenti Limited transferred all of the Company’s class B shares owned by them to two Tinkov family trusts. Russian entrepreneur Mr. Oleg Tinkov, who was the beneficial owner of Altoville Holdings Limited and Nemorenti Limited at 31 December 2019, remained the ultimate beneficiary of these B shares.

1 Introduction (Continued)

On 14 December 2020 10,100,181 class B shares of the Group held by the Rigi Trust were converted to class A shares. As a result of the conversion, Mr. Oleg Tinkov's voting rights in the Group decreased from 87.03% to 84.38%.

As at 31 December 2020 the ultimate controlling party of the Company was Mr. Oleg Tinkov, who controlled approximately 84.38% (2019: 87.03%) of the aggregated voting rights attached to the class A and B shares, excluding voting rights attaching to TCS Group Holding PLC GDRs he holds, if any.

On 7 January 2021 all 69,914,043 class B shares (35.08% of the total number of issued shares) held by the Rigi Trust and the Bernina Trust were converted to class A shares, and on the same date all issued shares were reclassified and redesignated as ordinary shares. Following the conversion, each share carries a single vote, and the total number of votes capable of being exercised are equal to the total number of issued shares (currently 199,305,492 shares following the class B share conversion). The number of GDRs in issue remained unchanged. As a result of the conversion, Mr. Oleg Tinkov's voting rights in the Group decreased from 84.38% to 35.08%. As a result his control over the Group was ceased.

As at 31 December 2020 and 2019 the six individuals listed in the table above each held one share. The individuals hold them as nominees of Mr. Oleg Tinkov (31 December 2019: as nominees of Altoville Holdings Limited).

The subsidiaries of the Group are set out below. Except where stated the Group owns 100% of shares and has 100% of voting rights of each of these subsidiaries as at 31 December 2020 and 2019.

JSC "Tinkoff Bank" (the "Bank") provides on-line retail banking services in Russia. The Bank specialises in issuing credit cards and other credit products.

JSC "Tinkoff Insurance" (the "Insurance Company") provides insurance services such as accident, property, travellers, financial risks and auto insurance.

LLC Microfinance company "T-Finans" provides micro-finance services.

TCS Finance D.A.C. is a structured entity which issued debt securities including subordinated perpetual bonds for the Group. The Group neither owns shares nor has voting rights in this company. However, this entity was consolidated as it was specifically set up for the purposes of the Group, and the Group has exposure to substantially all risks and rewards through outstanding guarantees of the entity's obligations.

LLC "TCS" provides printing, distribution and other services to the Group.

LLC "Phoenix" is a debt collection agency.

LLC "Tinkoff Software DC" and LLC "Fintech DC" provide software development services. In August 2020 the Group acquired a 22.15% shareholding in Incantus Holding Limited by transferring its 100% shareholding in LLC "Fintech DC" to Incantus Holding Limited and by providing a convertible loan (Notes 7 and 38). Incantus Holding Limited is a group of fintech start-ups launched in 2020 to provide a range of services to retail customers in Europe (excluding CIS) through the mobile banking platform Vivid Money. In October 2020 a new venture capital fund has invested into the share capital of Incantus Holding Limited. As a result the Company's shareholding in Incantus Holding Limited has decreased to 16.32%.

LLC "Tinkoff Mobile" is a mobile virtual network operator set up in 2017 to provide mobile services.

LLC "CloudPayments" is a developer of online payment solutions whose core business is online merchant acquiring in Russia. As at 31 December 2020 and 2019 the Group held 95% of the shares of LLC "CloudPayments".

ANO "Tinkoff Education" is a non-commercial organization set up by the Bank as the sole founder.

LLC "Tinkoff Capital" is an asset management company established in June 2019 to manage investment funds, mutual funds and non-state pension funds.

LLC "Tinkoff Invest Lab" is an infrastructure company created for supporting and optimizing of the Group's investment services.

1 Introduction (Continued)

EBT is a special purpose trust which has been specifically created for the long-term incentive programme for Management of the Group (MLTIP). The Group neither owns shares nor has voting rights in EBT.

Principal activity. The Group's principal business activities are retail banking to private individuals, individual entrepreneurs' ("IE") and small and medium enterprises' ("SME") accounts and banking services, brokerage services and insurance operations within the Russian Federation through the Bank and the Insurance Company. The Bank operates under general banking license No. 2673 issued by the Central Bank of the Russian Federation ("CBRF") on 8 December 2006. The Insurance Company operates under an insurance license issued by the CBRF.

The Bank participates in the state deposit insurance scheme, which was introduced by Federal Law No. 177-FZ "Deposits insurance in banks of the Russian Federation" dated 23 December 2003. The State Deposit Insurance Agency guarantees repayment of up to RR 1.4 million per individual, individual entrepreneur and small enterprise deposits in case of the withdrawal of a license of a bank or a CBRF-imposed moratorium on payments.

Registered address and place of business. The Company's registered address is 25 Spyrou Araouzou, Berengaria 25, 5th floor, Limassol, Cyprus, and place of business is Office 403, Lophitis Business Centre I, Corner of 28th October/Emiliou Chourmouziou Streets, Limassol 3035 Cyprus. The Bank's registered address is 1-st Volokolamsky proezd, 10, building 1, 123060, Moscow, Russian Federation. The Insurance Company's registered address is 2-nd Khutorskaya Street, building 38A, 127287, Moscow, Russian Federation. The Group's principal place of business is the Russian Federation.

Presentation currency. These consolidated financial statements are presented in millions of Russian Rubles (RR).

2 Operating Environment of the Group

Russian Federation. The Group operates mainly within the Russian Federation. There were a number of significant changes in the operating and economic environment during 2020, which had an impact on the Group's business including:

- In March 2020 the World Health Organization (WHO) announced that the spread of the COVID-19 virus across the globe is a pandemic. Significant restrictions on travel and movement of individuals and the closure of non-essential businesses have either been imposed in most countries or have happened as a result of the pandemic. This has led to significant declines in GDP in most if not all large economically strong countries. Russia has not been immune to the negative personal and economic hardships arising from this virus and from the response to it trying to limit its spread.
- Oil prices have decreased significantly due to the significant reduction in oil consumption in the current economic climate but demonstrated stable growth during the second quarter of 2020 and the rest of the year. This in turn has led to significant volatility and depreciation of the Russian Rouble exchange rate against the US dollar and the Euro.
- Further, the capital markets (equities and bonds) have seen a substantial volatility in prices in many sectors.

As of the reporting date and subsequently some of the restrictions imposed by government authorities in the Russian Federation due to the COVID-19 pandemic have been lifted and the Group observes that business activity in the Russian Federation is recovering. However, the level of ongoing uncertainty in relation to further negative developments around the COVID-19 pandemic and possible impact on the Group remains high. Hence it is practically impossible to make a comprehensive quantitative assessment with a high degree of certainty of the impact of these changes to the economic environment on the Group's financial position, and in particular in considering credit loss allowances on the loan portfolio which requires to consider the probability of default of most borrowers in the next 12 months and for others over the life of their loan. Some other factors impacting on this are set out below.

2 Operating Environment of the Group (Continued)

The Government of the Russian Federation has implemented various support measures for individuals and corporates impacted by the COVID-19 pandemic including their right in certain circumstances to obtain repayment holidays on their loans for up to 6 months and reduced rates of interest in this period.

The Group has itself implemented several measures to support its clients, especially those who face financial difficulties and a significant decrease of current income due to the situation, including the below:

- proposing internally developed loan restructuring programs as an alternative to the State announced programs which will result in either deferral or decrease in the minimal payments of outstanding loan balance for one or more months;
- broadened cashback offers for debit cards more tailored to customer individual needs and spending behaviour;
- provided several educational resources on its mobile app and website for borrowers to learn how to deal with potential unemployment or income decline, and how to request and obtain the most suitable debt restructuring program;
- supported its small and medium-sized entities client base during the pandemic by lowering acquiring and account fees, offering payment holidays, helping SMEs to move online and launching 0% loans to pay salaries in partnership with the Russian Bank for SME support.

According to IFRS 9 “Financial Instruments”, the Group uses forecast information in the expected credit loss models, including forecasts of macroeconomic indicators. For the purpose of calculating credit loss allowances as at 31 December 2020, the Group took into account expectations regarding the following macro-factors and allocated higher weight to the pessimistic macroeconomic scenario:

- Russian stock market index MOEX;
- Moscow Prime Offered Rate;
- Debt load of Russian population based on statistics from bureaus of credit history.

In order to reflect appropriately the uncertainty associated with the COVID-19 pandemic the Group has made the following changes to their ECL model:

- the macro-adjustment calculation approach was refined to reflect the most recent impact of economic developments;
- an adjustment to the loss given default was made to address lower expected recoveries during the upcoming quarters;
- higher probabilities of default were applied to the loans which have been restructured.

More detailed information about the changes and their impact on the results of the Group’s operations for the year ended 31 December 2020 is disclosed in Note 3.

The management of the Group considers that the Group has demonstrated over the years and during the current COVID-crisis its ability to withstand shocks and retains its positive long-term outlook in particular due to the following advantages of the Group’s business model:

- using flexible business structure, the Group swiftly shifted some of its resources from businesses that were needed to run more conservatively to businesses with higher growth prospects;
- the Group has a highly liquid, diversified, foreign exchange hedged, and well-capitalized consolidated statement of financial position;
- the Group’s digital model is exactly what is needed in the current environment and this can be seen in the ongoing increased online payment volumes as well as increased take up of its mobile lifestyle app, current accounts, and brokerage business;

2 Operating Environment of the Group (Continued)

The Group regularly stress tests its business to assess the sustainability of its liquidity and capital positions. These tests demonstrate that Group's current levels of capital and liquidity are more than sufficient to absorb potential economic and operational shocks related to a second wave of the COVID-19 pandemic.

3 Critical Accounting Estimates and Judgements in Applying Accounting Policies

The Group makes estimates and assumptions that affect the amounts recognized in the consolidated financial statements and the carrying amounts of assets and liabilities 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, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognized 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 of significant judgement and involves methodology, models and data inputs. The following components of ECL calculation have a major impact on credit loss allowance: probability of default ("PD") (impacted by definition of default, SICR, forward-looking scenarios and their weights) and loss given default ("LGD"). Refer to Note 29 for explanation of terms. The Group makes estimates and judgments, which are constantly analyzed based on statistical data, actual and forecast information, as well as management experience, including expectations regarding future events that are considered reasonable in the current circumstances. Refer to Note 29 for further information on ECL measurement.

In order to address rising credit risks the Group adjusted the main approaches to assessing the level of expected credit losses that have the most significant effect on the amounts recognised in the consolidated financial statements:

- the macroeconomic model has become more conservative, based on different scenarios: base, optimistic and pessimistic, and higher weight is assigned to the pessimistic scenario;
- for loans in default the Group has applied increased coefficients of LGD;
- the Group has estimated the volume of loans to individuals which were restructured despite no evidence of any SICR, as of the reporting date and applied higher PDs to such loans for the purposes of estimation of expected credit losses;

The impact of the changed macroeconomic conditions assessed using the approaches described above was approximately RR 5.6 billion of additional credit loss allowance charge in the first half of 2020 and was the main driver of increased cost of risk. This additional credit loss allowance was charged at the end of the first quarter of 2020 in the early days of the pandemic. Despite most problems arising from such loans have rolled into the general ECL model, and also most loans that were restructured in early 2020 as a result of the government of the Russian Federation and the bank's response to the pandemic have subsequently been repaid and/or normalised, but given the unpredictability of current economic environment and uncertainty regarding its development the Group made a decision to keep the macro-adjustment at this level at 31 December 2020.

In the second quarter of 2020 for the purposes of LGD estimation the Group has refined the approach to calculation of the rate used for discounting expected cash flows from defaulted loans. The refined approach is that the Group uses more disaggregated and specific discount rates for each credit product in the overall loan portfolio of the Group rather than one generic rate, which makes the estimate more precise. The impact of introducing this change comprised RR 0.9 billion of additional credit loss allowance charge.

In the fourth quarter of 2020 having accumulated additional information the Group has refined its behavioural PD model used for PD estimation for credit card loans. Also the Group has refined PD models for secured loans and car loans using the most recent statistical data. The impact of introducing these changes comprised RR 0.2 billion of credit loss allowance recovery.

In 2020 the Group has refined its approach to calculation of the impact of modification of original cash flows without derecognition on stage 3 loans credit loss allowance and gross carrying amount (refer to Note 7).

3 Critical Accounting Estimates and Judgements in Applying Accounting Policies (Continued)

In particular the Group refined the approach to estimation of timing of receipt of expected cash flows and related discounting effect.

This refinement has not affected either amounts recognised in the consolidated statement of profit or loss and other comprehensive income or the amounts recognised in consolidated statement of financial position.

An increase or decrease in PDs by 2% compared to PDs used in the ECL estimates calculated at 31 December 2020 would result in an increase or decrease in credit loss allowances of RR 5.2 billion (31 December 2019: by 1% RR 2.1 billion).

An increase or decrease in LGDs by 2% compared to LGDs used in the ECL estimates calculated at 31 December 2020 would result in an increase or decrease in credit loss allowances of RR 1.5 billion (31 December 2019: by 1% RR 0.5 billion).

Credit exposure on revolving credit facilities. For credit card loans, the Group's exposure to credit losses extends beyond the maximum contractual period of the facility. For such facilities the Group measures ECLs over the period that the Group is exposed to credit risk and ECLs are not mitigated by credit risk management actions. Application of this approach requires judgement: determining a period for measuring ECLs – the Group considers historical information and experience about: (a) the length of time for related defaults to occur on similar financial instruments following a SICR and (b) the credit risk management actions that the Group expects to take once the credit risk has increased (e.g. the reduction or removal of undrawn limits).

For details of the period over which the Group is exposed to credit risk on revolving facilities and which is used as an approximation of lifetime period for ECL calculation for stage 2 and stage 3 loans and advances to customers, refer to Note 29.

Perpetual subordinated bonds. A perpetual subordinated bond issue in June 2017 was initially recognised in the amount of USD 295.8 million (RR 16.9 billion) represented by the funds received from investors less issuance costs. Subsequent measurement of this instrument is consistent with the accounting policy for debt securities in issue. Interest expense on the instrument is calculated using the effective interest rate method and recognised in profit or loss for the year.

In the event the accrued interest is paid, the payment decreases the balance of the liability. A cancellation of accrued interest for a given period results in its conversion, at the Group's option, into equity and therefore the respective amount of the liability is reclassified to equity. Foreign exchange translation gains and losses on the bond are recognised in profit or loss for the period. Application of this approach requires judgement: the Group has taken into consideration that there are contingent settlement provisions that could genuinely arise and as such has classified the perpetual subordinated bond instrument in its entirety as a liability, rather than equity, on the basis of the terms of issue which stipulate the possible redemption of the instrument in several cases other than liquidation of the issuer. If the Group had recognized this instrument as equity, then interest expense would only have been recognized when it was paid and treated as a distribution from equity rather than an expense in profit or loss.

The Group also from time to time invests in perpetual subordinated bonds issued by third parties. The Group has taken into consideration that there are genuine contingent settlement provisions that could arise and as such has classified the investments in perpetual subordinated bonds as investments in debt securities on the basis of terms of issue which stipulate the possible redemption of the instrument in several cases other than liquidation of the issuer.

The investments in these instruments are classified as debt investment securities measured at FVTPL since the analysis of the contractual cash flow characteristics resulted in acquired perpetual bonds not passing SPPI test. If the Group had recognized this instrument as equity instrument, then it could have been measured at FVTPL or FVOCI as the Group does not hold it for trading purposes.

Interest income recognition. The effective interest method incorporates significant assumptions around expected loan lives as well as judgements of type of fees and costs that are included in interest income. Refer to Note 40.

3 Critical Accounting Estimates and Judgements in Applying Accounting Policies (Continued)

Unbundling of loans and insurance products. Certain loans issued by the Group are forgivable upon events such as the borrower's death, or the borrower becoming unemployed because the borrower had opted to purchase the Insurance Company's products to cover repayments of the related loan products issued by the Bank in such cases. The Group is able to measure the loans separately. Also the borrowers are able to take a loan without insurance at the time of issuance with no different interest rate and the borrowers can cancel the insurance products at any time, separately from the loan. Accordingly, the Group unbundles the loans from the insurance arrangement.

The portion of the fee attributable to the insurance component (i.e. the amount paid to the Insurance Company to cover the insured risk) is recognised within Insurance premiums earned line (refer to Note 23). The remaining portion of the fee approximates a fee that the Bank would have earned on market terms for selling third party insurance products and it is recognised as a fee for selling credit protection within Fee and commission income line (refer to Note 21). The timing of recognition of the two income streams does not materially vary as the insurance coverage is sold on a monthly basis.

Tax legislation. Russian and Cypriot tax, currency and customs legislation are subject to varying interpretations. Refer to Note 31.

4 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 Group. The functions of CODM are performed by the Management of the Bank and the Management of the Insurance Company.

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

Since the business of the Group is expanding certain operating segments became significant enough to be considered as separate reportable segments. This triggered changes in the number and composition of segments to be presented. Disclosures for comparative periods were amended accordingly. The Group is organised on the basis of 7 main business segments:

Consumer finance – representing retail loans (credit cards, cash loans, consumer loans, car loans, secured loans), deposits and savings, also lifestyles and travel services to individuals.

Retail debit cards – representing customer current accounts services to individuals with the loyalty programmes, co-branded offers, and also lifestyles and travel services to individuals. Assets of the segment are represented by placements of the funds attracted in investments in securities, treasury transactions, other financial and non-financial assets.

InsurTech – representing insurance services provided to individuals, such as personal accident insurance, personal property insurance, travel insurance and vehicle insurance (Note 23).

SME services – representing customer current accounts, savings, deposits services and loans to individual entrepreneurs and small to medium businesses. Assets of the segment are represented by placements of the funds attracted into investments in securities, treasury transactions, other financial and non-financial assets.

Acquiring and payments – providing merchants and businesses the ability to process payments online using internet and offline acquiring services, through direct-to-merchant agreements, aggregators and the Group's own aggregator CloudPayments.

InvestTech - representing online brokerage platform for investing in a range of securities including Russian and international securities (ETFs, stocks, bonds, etc.).

Mobile virtual network operator (MVNO) services - providing full coverage across Russia and international roaming, offering a number of value-added options such as virtual numbers, music and video streaming services, etc.

TCS Group Holding PLC
Notes to the Consolidated Financial Statements – 31 December 2020

4 Segment Analysis (Continued)

The Group's principal activities are mainly undertaken within the Russian Federation. Given the retail nature of business of the segments, the Group does not have any significant revenue stream from any single customer.

Factors that management used to identify the reportable segments

The Group's segments are strategic business units that focus on different services to the customers of the Group. Their performance is analysed separately by the CODM and they are managed separately because each business unit requires different marketing strategies and represents different types of businesses.

Measurement of operating segment profit or loss, assets and liabilities

The CODM reviews financial information prepared based on International financial reporting standards adjusted to meet the requirements of internal reporting. The CODM evaluates performance of each segment based on profit before tax.

Information about reportable segment assets and liabilities, profit or loss

Segment reporting of the Group's assets and liabilities as at 31 December 2020 is set out below:

<i>In millions of RR</i>	Consumer Finance	Retail Debit Cards	Insur- Tech	SME Services	Acquiring and Payments	Invest- Tech	MVNO services	Elimina- tions	Total
Reportable segment assets	458,245	245,923	12,437	55,517	15,563	73,773	755	(2,919)	859,294
Reportable segment liabilities	203,723	345,585	6,901	91,412	649	83,428	3,499	(2,919)	732,278

Segment reporting of the Group's assets and liabilities as at 31 December 2019 is set out below:

<i>In millions of RR</i>	Consumer Finance	Retail Debit Cards	Insur- Tech	SME Services	Acquiring and Payments	Invest- Tech	MVNO services	Elimina- tions	Total
Reportable segment assets	386,690	135,925	10,911	36,566	8,812	4,666	734	(4,279)	580,025
Reportable segment liabilities	198,057	205,840	7,032	62,054	644	13,625	970	(4,279)	483,943

All jointly used assets, such as fixed assets, rights of use assets and intangible assets were allocated to the segments on the basis of detailed analysis of usage of those assets by segments.

TCS Group Holding PLC
Notes to the Consolidated Financial Statements – 31 December 2020

4 Segment Analysis (Continued)

Segment reporting of the Group's income and expenses for the year ended 31 December 2020 is set out below:

<i>In millions of RR</i>	Consumer Finance	Retail Debit Cards	Insur- Tech	SME Services	Acquiring and Payments	Invest- Tech	MVNO services	Elimina- tions	Total
External revenues									
Interest income calculated using the effective interest rate method	113,494	9,092	409	2,358	-	2,804	10	-	128,167
Fee and commission income									
- Fee and commission income on cards' and current accounts' services	2,715	11,154	-	9,147	-	261	15	-	23,292
- Fee for selling credit protection	4,657	-	-	-	-	-	-	-	4,657
- Acquiring commission	-	-	-	-	11,049	-	-	-	11,049
- MVNO and investments services	-	-	-	-	-	4,998	1,815	-	6,813
- Other fees receivable	739	982	-	-	77	-	-	-	1,798
Timing of fee and commission income recognition:									
- At point in time	5,906	10,396	-	5,346	11,126	4,927	511	-	38,212
- Over time	2,205	1,740	-	3,801	-	332	1,319	-	9,397
Total fee and commission income	8,111	12,136	-	9,147	11,126	5,259	1,830	-	47,609
Insurance premiums earned	-	-	18,567	-	-	-	-	-	18,567
Other operating income	1,169	-	250	-	26	-	-	-	1,445
Total external revenues	122,774	21,228	19,226	11,505	11,152	8,063	1,840	-	195,788
Revenues from other segments									
Interest income	-	2,737	56	1,244	-	-	-	(4,037)	-
Fee and commission income	-	-	-	-	85	-	-	(85)	-
- Acquiring commission	-	-	-	-	-	-	379	(632)	-
- Other fees receivable	2	251	-	-	-	-	-	(72)	-
Insurance premiums earned	-	-	72	-	-	-	-	(371)	-
Other operating income	371	-	-	-	-	-	-	-	-
Total revenues from other segments	373	2,988	128	1,244	85	-	379	(5,197)	-
TOTAL REVENUES	123,147	24,216	19,354	12,749	11,237	8,063	2,219	(5,197)	195,788
Interest expense	(16,965)	(9,322)	-	(1,215)	-	-	-	4,037	(23,465)
Credit loss allowance charge	(38,243)	(372)	-	(726)	-	-	-	-	(39,341)
Fee and commission expense	(1,889)	(9,266)	(88)	(803)	(6,976)	(1,491)	(1,214)	128	(21,599)
Customer acquisition expense	(12,466)	(4,042)	(1,143)	(1,385)	(311)	(3,111)	(1,028)	898	(22,588)
Insurance claims incurred	-	-	(3,842)	-	-	-	-	28	(3,814)
Administrative and other operating expenses	(17,304)	(5,698)	(3,759)	(4,322)	(1,656)	(2,027)	(961)	106	(35,621)
Other (losses)/ gains	(610)	5,935	219	1,345	-	-	-	-	6,889
SEGMENT RESULT	35,670	1,451	10,741	5,643	2,294	1,434	(984)	-	56,249

TCS Group Holding PLC
Notes to the Consolidated Financial Statements – 31 December 2020

4 Segment Analysis (Continued)

Segment reporting of the Group's income and expenses for the year ended 31 December 2019 is set out below:

<i>In millions of RR</i>	Consumer Finance	Retail Debit Cards	Insur- Tech	SME Services	Acquiring and Payments	Invest- Tech	MVNO services	Elimina- tions	Total
External revenues									
Interest income calculated using the effective interest rate method	103,077	5,673	322	1,883	-	284	8	-	111,247
Fee and commission income									
- <i>Fee and commission income on cards' and current accounts' services</i>	2,665	8,759	-	7,867	-	33	15	-	19,339
- <i>Fee for selling credit protection</i>	5,550	-	-	-	-	-	-	-	5,550
- <i>Acquiring commission</i>	-	-	-	-	8,342	-	-	-	8,342
- <i>MVNO and investments services</i>	-	-	-	-	-	635	890	-	1,525
- <i>Other fees receivable</i>	456	592	-	-	54	-	-	-	1,102
Timing of fee and commission income recognition:									
- At point in time	6,656	8,122	-	4,791	8,396	530	235	-	28,730
- Over time	2,015	1,229	-	3,076	-	138	670	-	7,128
Total fee and commission income	8,671	9,351	-	7,867	8,396	668	905	-	35,858
Insurance premiums earned	-	-	14,110	-	-	-	-	-	14,110
Other operating income	364	-	288	69	-	-	1	-	722
Total external revenues	112,112	15,024	14,720	9,819	8,396	952	914	-	161,937
Revenues from other segments									
Interest income	-	3,739	83	1,327	-	-	1	(5,150)	-
Fee and commission income	-	-	-	-	85	-	-	(85)	-
- <i>Acquiring commission</i>	-	-	-	-	-	-	-	(333)	-
- <i>Other fees receivable</i>	-	83	-	-	-	-	250	(135)	-
Insurance premiums earned	-	-	135	-	-	-	-	(380)	-
Other operating income	380	-	-	-	-	-	-	-	-
Total revenues from other segments	380	3,822	218	1,327	85	-	251	(6,083)	-
TOTAL REVENUES	112,492	18,846	14,938	11,146	8,481	952	1,165	(6,083)	161,937
Interest expense	(18,273)	(8,561)	-	(1,632)	-	-	(5)	5,150	(23,321)
Credit loss allowance (charge)/reservall	(26,429)	61	-	(44)	-	-	-	-	(26,412)
Fee and commission expense	(2,581)	(4,682)	(21)	(729)	(6,119)	(166)	(910)	85	(15,123)
Customer acquisition expense	(11,380)	(2,024)	(1,392)	(2,150)	(112)	(841)	(1,064)	786	(18,177)
Insurance claims incurred	-	-	(4,891)	-	-	-	-	-	(4,891)
Administrative and other operating expenses	(15,052)	(4,615)	(2,320)	(3,408)	(967)	(715)	(837)	62	(27,852)
Other (losses)/ gains	(1,299)	581	(16)	109	-	-	-	-	(625)
SEGMENT RESULT	37,478	(394)	6,298	3,292	1,283	(770)	(1,651)	-	45,536

4 Segment Analysis (Continued)

Fee and commission income on cards' and current accounts' services include SME services commission, SMS fee, interchange fee, foreign currency exchange transactions fee, fee for money transfers, cash withdrawal fee and replenishment fee.

Interest income and interest expense from other segments amounted to RR 4,037 million for the year ended 31 December 2020 (2019: RR 5,150 million) are calculated using the funds transfer pricing curve.

5 Cash and Cash Equivalents

<i>In millions of RR</i>	31 December 2020	31 December 2019
Cash on hand	21,069	11,118
Cash balances with the CBRF (other than mandatory reserve deposits)	38,646	16,599
Placements with other banks with original maturities of less than three months:		
- AA- to AA+ rated	6,404	2,302
- A- to A+ rated	1,328	599
- BBB- to BBB+ rated	1,276	1,430
- BB- to BB+ rated	646	503
- B- to B+ rated	499	67
- CCC+ rated	-	2
Non-bank credit organizations:		
- BBB- to BBB+ rated	53,764	20,088
- Unrated	12,719	2,856
Total Cash and Cash Equivalents	136,351	55,564

Cash on hand includes cash balances in ATMs and cash balances in transit. Placements with other banks and organizations with original maturities of less than three months include placements under reverse sale and repurchase agreements in the amount of RR 33,210 million as at 31 December 2020 (31 December 2019: RR 18,449 million). The Group has a right to sell or repledge securities received under reverse sale and repurchase agreements.

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

<i>In millions of RR</i>	Cash balances with the CBRF	Placements with other banks and non-bank credit organizations	Total
Excellent	-	7,732	7,732
Good	38,646	55,686	94,332
Monitor	-	12,956	12,956
Sub-standard	-	262	262
Total cash and cash equivalents, excluding cash on hand	38,646	76,636	115,282

5 Cash and Cash Equivalents (Continued)

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

<i>In millions of RR</i>	Cash balances with the CBRF	Placements with other banks and non-bank credit organizations	Total
Excellent	-	2,901	2,901
Good	16,599	22,023	38,622
Monitor	-	2,921	2,921
Doubtful	-	2	2
Total cash and cash equivalents, excluding cash on hand	16,599	27,847	44,446

The carrying amount of cash and cash equivalents at 31 December 2020 and 2019 also represents the Group's maximum exposure to credit risk on these assets. Refer to Note 29 for the description of the Group's credit risk grading system.

For the purpose of ECL measurement cash and cash equivalents balances are included in Stage 1 for excellent, good and monitor credit quality, in Stage 2 for sub-standard and Stage 3 for doubtful credit quality. The ECL for these balances represents an immaterial amount, therefore the Group did not recognise any credit loss allowance for cash and cash equivalents. Except for reverse sale and repurchase agreements, amounts of cash and cash equivalents are not collateralised. As at 31 December 2020 the fair value of collateral under reverse sale and repurchase agreements was RR 34,527 million (31 December 2019: RR 20,130 million). There is no material impact of collateral on credit loss allowance for cash and cash equivalents.

Refer to Note 36 for the disclosure of the fair value of cash and cash equivalents. ECL measurement approach, interest rate, maturity and geographical risk concentration analysis of cash and cash equivalents are disclosed in Note 29.

6 Due from Other Banks

<i>In millions of RR</i>	31 December 2020	31 December 2019
Placements with other banks with original maturities of more than three months		
- <i>BBB- rated</i>	-	204
- <i>BB- to BB+ rated</i>	1,406	1,419
- <i>B- to B+ rated</i>	481	461
Total due from other banks	1,887	2,084

The table below discloses the credit quality of due from banks balances based on credit risk grades:

<i>In millions of RR</i>	31 December 2020	31 December 2019
Good	1,406	1,577
Monitor	481	507
Total due from other banks	1,887	2,084

6 Due from Other Banks (Continued)

The carrying amount of due from other banks at 31 December 2020 and 2019 also represents the Group's maximum exposure to credit risk on these assets. Refer to Note 29 for the description of credit risk grading system used by the Group. For the purpose of ECL measurement due from other banks balances are included in Stage 1.

The ECL for these balances represents an immaterial amount, therefore the Group did not create any credit loss allowance for due from other banks. Refer to Note 29 for the ECL measurement approach. Refer to Note 36 for the disclosure of the fair value of due from other banks. Interest rate, maturity and geographical risk concentration analysis are disclosed in Note 29.

7 Loans and Advances to Customers

<i>In millions of RR</i>	31 December 2020	31 December 2019
Gross carrying amount of loans and advances to customers at AC	445,529	383,912
Less credit loss allowance	(70,900)	(54,737)
Total carrying amount of loans and advances to customers at AC	374,629	329,175
Loans and advances to customers at FVTPL	1,892	-
Total loans and advances to customers	376,521	329,175

Loans and advances to customers at FVTPL represent a loan that does not meet SPPI requirement and that was issued to related party (refer to Note 38).

Gross carrying amount and credit loss allowance amount for loans and advances to customers at AC by classes at 31 December 2020 and 2019 are disclosed in the table below:

<i>In millions of RR</i>	31 December 2020			31 December 2019		
	Gross carrying amount	Credit loss allowance	Carrying amount	Gross carrying amount	Credit loss allowance	Carrying amount
Credit card loans	267,586	(54,242)	213,344	244,937	(44,129)	200,808
Cash loans	68,131	(11,055)	57,076	62,265	(8,029)	54,236
Secured loans	40,232	(1,099)	39,133	29,601	(496)	29,105
POS loans	32,690	(1,611)	31,079	25,940	(1,057)	24,883
Car loans	33,991	(2,144)	31,847	20,156	(913)	19,243
Loans to IE and SME	2,899	(749)	2,150	1,013	(113)	900
Total loans and advances to customers at AC	445,529	(70,900)	374,629	383,912	(54,737)	329,175

Credit cards are issued to customers for cash withdrawals or payment for goods or services, within the range of limits established by the Bank. These limits may be increased or decreased from time-to-time based on management decision. Credit card loans are not collateralized.

7 Loans and Advances to Customers (Continued)

Cash loans represent a product for the borrowers who have a positive credit history and who do not have overdue loans in other banks. Cash loans are loans provided to customers via the Bank's debit cards. These loans are available for withdrawal without commission.

Secured loans represent loans secured with a car or real estate.

POS ("Point of sale") loans represent loans to fund online and offline purchases through internet and offline shops for individual borrowers.

Car loans represent loans for the purchase of a vehicle which is used as collateral under the loan.

Loans to IE and SME represent loans provided by the Bank to individual entrepreneurs and small and medium businesses for the purpose of working capital management.

The credit loss allowance for loans and advances to customers recognised in the period is impacted by a variety of factors. The main movements in the tables presented below are described as follows:

- new originated or purchased category represents the gross carrying amounts and the related ECL of purchased loans and loans issued during the reporting period (and withdrawals of limits of new credit card borrowers) as at the end of the reporting period or as at the date of transfer of loan out of stage 1 (whichever date is earlier);
- 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. Transfers present the amount of credit loss allowance charged or recovered at the moment of transfer of a loan among the respective stages;
- changes to ECL measurement model assumptions and estimates represent movements due to changes in PDs, EADs and LGDs models during the period;
- movements other than transfers and new originated or purchased loans category represent all other movements of ECL in particular related to changes in gross carrying amounts (including drawdowns, repayments, and accrued interest), as well as updates of inputs to ECL model in the period;
- write-offs of allowances are related to assets that were written-off during the period;
- unwinding of discount (for Stage 3) category represents adjustment to credit loss allowance and gross carrying amount for Stage 3 loans to increase it to discounted amount of the expected cash shortfalls to the reporting date using the effective interest rate;
- Modification of original cash flows without derecognition represents adjustment to credit loss allowance and gross carrying amount of Stage 3 loans caused by the modification of terms of those loans which is not substantial.

7 Loans and Advances to Customers (Continued)

The following tables disclose the changes in the credit loss allowance and gross carrying amount for loans and advances to customers between the beginning and the end of the reporting and comparative periods:

	Credit loss allowance				Gross carrying amount				
	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Purchased/ originated credit impaired	Total
<i>In millions of RR</i>									
Credit card loans									
At 31 December 2019	11,704	6,853	25,572	44,129	197,796	11,432	35,373	336	244,937
<i>Movements with impact on credit loss allowance charge for the year:</i>									
New originated or purchased	4,037	-	-	4,037	49,264	-	-	130	49,394
Transfers:									
- to lifetime (from Stage 1 to Stage 2)	(2,520)	6,396	-	3,876	(11,557)	11,557	-	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(5,642)	(6,697)	29,371	17,032	(27,133)	(9,677)	36,810	-	-
- recovered (from Stage 3 to Stage 2 and from Stage 2 to Stage 1)	328	(784)	(23)	(479)	1,416	(1,388)	(28)	-	-
Changes to ECL measurement model assumptions and estimates	2,960	633	1,936	5,529	-	-	-	-	-
Movements other than transfers and new originated or purchased loans	5,574	1,159	(4,307)	2,426	288	(166)	(4,089)	(285)	(4,252)
Total movements with impact on credit loss allowance charge for the year	4,737	707	26,977	32,421	12,278	326	32,693	(155)	45,142
<i>Movements without impact on credit loss allowance charge for the year:</i>									
Unwinding of discount (for Stage 3)	-	-	5,713	5,713	-	-	5,713	-	5,713
Write-offs	-	-	(14,071)	(14,071)	-	-	(14,071)	-	(14,071)
Sales	-	-	(2,134)	(2,134)	-	-	(2,319)	-	(2,319)
Modification of original cash flows without derecognition	-	-	(11,816)	(11,816)	-	-	(11,816)	-	(11,816)
At 31 December 2020	16,441	7,560	30,241	54,242	210,074	11,758	45,573	181	267,586

7 Loans and Advances to Customers (Continued)

	Credit loss allowance				Gross carrying amount				
	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Purchased/ originated credit impaired	Total
<i>In millions of RR</i>									
Credit card loans									
At 31 December 2018	9,266	4,708	19,322	33,296	145,732	6,654	25,497	107	177,990
<i>Movements with impact on credit loss allowance charge for the year:</i>									
New originated or purchased	5,356	-	-	5,356	63,177	-	-	241	63,418
Transfers:									
- to lifetime (from Stage 1 to Stage 2)	(2,478)	6,097	-	3,619	(11,142)	11,142	-	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(4,644)	(4,111)	21,348	12,593	(21,206)	(5,322)	26,528	-	-
- recovered (from Stage 3 to Stage 2 and from Stage 2 to Stage 1)	233	(756)	(21)	(544)	1,101	(1,077)	(24)	-	-
Changes to ECL measurement model assumptions and estimates	(387)	-	(26)	(413)	-	-	-	-	-
Movements other than transfers and new originated or purchased loans	4,358	915	(4,267)	1,006	20,134	35	(5,771)	(12)	14,386
Total movements with impact on credit loss allowance charge for the year	2,438	2,145	17,034	21,617	52,064	4,778	20,733	229	77,804
<i>Movements without impact on credit loss allowance charge the year</i>									
Unwinding of discount (for Stage 3)	-	-	3,133	3,133	-	-	3,133	-	3,133
Write-offs	-	-	(10,999)	(10,999)	-	-	(10,999)	-	(10,999)
Sales	-	-	(986)	(986)	-	-	(1,059)	-	(1,059)
Modification of original cash flows without derecognition	-	-	(1,932)	(1,932)	-	-	(1,932)	-	(1,932)
At 31 December 2019	11,704	6,853	25,572	44,129	197,796	11,432	35,373	336	244,937

7 Loans and Advances to Customers (Continued)

	Credit loss allowance				Gross carrying amount				
	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Purchased/ originated credit impaired	Total
<i>In millions of RR</i>									
Cash loans									
At 31 December 2019	2,358	1,882	3,789	8,029	51,925	5,034	4,670	636	62,265
<i>Movements with impact on credit loss allowance charge for the year:</i>									
New originated or purchased	2,532	-	-	2,532	40,074	-	-	259	40,333
Transfers:									
- to lifetime (from Stage 1 to Stage 2)	(686)	3,078	-	2,392	(5,116)	5,116	-	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(1,393)	(1,809)	5,911	2,709	(4,273)	(2,353)	6,626	-	-
- recovered (from Stage 3 to Stage 2 and from Stage 2 to Stage 1)	60	(258)	(2)	(200)	982	(979)	(3)	-	-
Changes to ECL measurement model assumptions and estimates	701	126	291	1,118	-	-	-	-	-
Movements other than transfers and new originated or purchased loans	548	(978)	(876)	(1,306)	(27,406)	(2,051)	(297)	(465)	(30,219)
Total movements with impact on credit loss allowance charge for the year	1,762	159	5,324	7,245	4,261	(267)	6,326	(206)	10,114
<i>Movements without impact on credit loss allowance charge for the year:</i>									
Unwinding of discount (for Stage 3)	-	-	519	519	-	-	519	-	519
Write-offs	-	-	(2,363)	(2,363)	-	-	(2,363)	-	(2,363)
Sales	-	-	(397)	(397)	-	-	(426)	-	(426)
Modification of original cash flows without derecognition	-	-	(1,978)	(1,978)	-	-	(1,978)	-	(1,978)
At 31 December 2020	4,120	2,041	4,894	11,055	56,186	4,767	6,748	430	68,131

7 Loans and Advances to Customers (Continued)

	Credit loss allowance				Gross carrying amount				
	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Purchased/ originated credit impaired	Total
<i>In millions of RR</i>									
Cash loans									
At 31 December 2018	1,116	545	670	2,331	32,651	1,776	767	301	35,495
<i>Movements with impact on credit loss allowance charge for the year:</i>									
New originated or purchased	2,628	-	-	2,628	44,199	-	-	422	44,621
Transfers:									
- to lifetime (from Stage 1 to Stage 2)	(587)	2,960	-	2,373	(5,663)	5,663	-	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(897)	(528)	3,927	2,502	(3,536)	(699)	4,235	-	-
- recovered (from Stage 3 to Stage 2 and from Stage 2 to Stage 1)	14	(78)	-	(64)	408	(408)	-	-	-
Changes to ECL measurement model assumptions and estimates	(22)	-	(1)	(23)	-	-	-	-	-
Movements other than transfers and new originated or purchased loans	106	(1,017)	193	(718)	(16,134)	(1,298)	676	(87)	(16,843)
Total movements with impact on credit loss allowance charge for the year	1,242	1,337	4,119	6,698	19,274	3,258	4,911	335	27,778
<i>Movements without impact on credit loss allowance charge the year</i>									
Unwinding of discount (for Stage 3)	-	-	138	138	-	-	138	-	138
Write-offs	-	-	(524)	(524)	-	-	(524)	-	(524)
Sales	-	-	(114)	(114)	-	-	(122)	-	(122)
Modification of original cash flows without derecognition	-	-	(500)	(500)	-	-	(500)	-	(500)
At 31 December 2019	2,358	1,882	3,789	8,029	51,925	5,034	4,670	636	62,265

7 Loans and Advances to Customers (Continued)

	Credit loss allowance				Gross carrying amount			
	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
<i>In millions of RR</i>								
Secured Loans								
At 31 December 2019	150	264	82	496	27,366	2,037	198	29,601
<i>Movements with impact on credit loss allowance charge for the year:</i>								
New originated or purchased	141	-	-	141	21,517	-	-	21,517
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	(40)	954	-	914	(4,120)	4,120	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(15)	(135)	371	221	(524)	(355)	879	-
- recovered (from Stage 3 to Stage 2 and from Stage 2 to Stage 1)	3	(41)	(3)	(41)	516	(509)	(7)	-
Changes to ECL measurement model assumptions and estimates	67	3	9	79	-	-	-	-
Movements other than transfers and new originated or purchased loans	(50)	(563)	(21)	(634)	(9,512)	(1,178)	(119)	(10,809)
Total movements with impact on credit loss allowance charge for the year	106	218	356	680	7,877	2,078	753	10,708
<i>Movements without impact on credit loss allowance charge for the year:</i>								
Unwinding of discount (for Stage 3)	-	-	46	46	-	-	46	46
Write-offs	-	-	(16)	(16)	-	-	(16)	(16)
Modification of original cash flows	-	-	(107)	(107)	-	-	(107)	(107)
At 31 December 2020	256	482	361	1,099	35,243	4,115	874	40,232

7 Loans and Advances to Customers (Continued)

	Credit loss allowance				Gross carrying amount			
	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
<i>In millions of RR</i>								
Secured Loans								
At 31 December 2018	15	1	-	16	2,641	3	-	2,644
<i>Movements with impact on credit loss allowance charge for the year:</i>								
New originated or purchased	168	-	-	168	27,907	-	-	27,907
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	(23)	499	-	476	(2,141)	2,141	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(6)	-	81	75	(203)	-	203	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	-	-	-	-	1	(1)	-	-
Movements other than transfers and new originated or purchased loans	(4)	(236)	6	(234)	(839)	(106)	-	(945)
Total movements with impact on credit loss allowance charge for the year	135	263	87	485	24,725	2,034	203	26,962
<i>Movements without impact on credit loss allowance charge the year</i>								
Unwinding of discount (for Stage 3)	-	-	3	3	-	-	3	3
Modification of original cash flows	-	-	(8)	(8)	-	-	(8)	(8)
At 31 December 2019	150	264	82	496	27,366	2,037	198	29,601

7 Loans and Advances to Customers (Continued)

	Credit loss allowance				Gross carrying amount				
	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Purchased/ originated credit impaired	Total
<i>In millions of RR</i>									
POS loans									
At 31 December 2019	298	190	569	1,057	24,031	1,053	658	198	25,940
<i>Movements with impact on credit loss allowance charge for the year:</i>									
New originated or purchased	525	-	-	525	29,695	-	-	226	29,921
Transfers:									
- to lifetime (from Stage 1 to Stage 2)	(83)	642	-	559	(1,863)	1,863	-	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(119)	(234)	1,023	670	(751)	(354)	1,105	-	-
- recovered (from Stage 3 to Stage 2 and from Stage 2 to Stage 1)	3	(15)	-	(12)	206	(206)	-	-	-
Changes to ECL measurement model assumptions and estimates	40	3	16	59	-	-	-	-	-
Movements other than transfers and new originated or purchased loans	(137)	(359)	(209)	(705)	(21,040)	(1,276)	(173)	(137)	(22,626)
Total movements with impact on credit loss allowance charge for the year	229	37	830	1,096	6,247	27	932	89	7,295
<i>Movements without impact on credit loss allowance charge for the year:</i>									
Unwinding of discount (for Stage 3)	-	-	46	46	-	-	46	-	46
Write-offs	-	-	(360)	(360)	-	-	(360)	-	(360)
Sales	-	-	(50)	(50)	-	-	(53)	-	(53)
Modification of original cash flows without derecognition	-	-	(178)	(178)	-	-	(178)	-	(178)
At 31 December 2020	527	227	857	1,611	30,278	1,080	1,045	287	32,690

7 Loans and Advances to Customers (Continued)

	Credit loss allowance				Gross carrying amount				
	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Purchased/ originated credit impaired	Total
In millions of RR									
POS loans									
At 31 December 2018	190	81	189	460	14,560	505	210	105	15,380
Movements with impact on credit loss allowance charge for the year:									
New originated or purchased	357	-	-	357	23,779	-	-	145	23,924
Transfers:									
- to lifetime (from Stage 1 to Stage 2)	(61)	479	-	418	(1,673)	1,673	-	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(71)	(92)	614	451	(518)	(137)	655	-	-
- recovered (from Stage 3 to Stage 2 and from Stage 2 to Stage 1)	1	(7)	-	(6)	112	(112)	-	-	-
Changes to ECL measurement model assumptions and estimates	(15)	(7)	(1)	(23)	-	-	-	-	-
Movements other than transfers and new originated or purchased loans	(103)	(264)	(61)	(428)	(12,229)	(876)	(34)	(52)	(13,191)
Total movements with impact on credit loss allowance charge for the year	108	109	552	769	9,471	548	621	93	10,733
Movements without impact on credit loss allowance charge the year									
Unwinding of discount (for Stage 3)	-	-	19	19	-	-	19	-	19
Write-offs	-	-	(131)	(131)	-	-	(131)	-	(131)
Sales	-	-	(23)	(23)	-	-	(24)	-	(24)
Modification of original cash flows without derecognition	-	-	(37)	(37)	-	-	(37)	-	(37)
At 31 December 2019	298	190	569	1,057	24,031	1,053	658	198	25,940

7 Loans and Advances to Customers (Continued)

	Credit loss allowance				Gross carrying amount			
	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
<i>In millions of RR</i>								
Car Loans								
At 31 December 2019	368	285	260	913	18,725	1,060	371	20,156
<i>Movements with impact on credit loss allowance charge for the year:</i>								
New originated or purchased	485	-	-	485	21,598	-	-	21,598
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	(141)	844	-	703	(1,926)	1,926	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(184)	(232)	770	354	(739)	(352)	1,091	-
- recovered (from Stage 3 to Stage 2 and from Stage 2 to Stage 1)	10	(50)	-	(40)	308	(307)	(1)	-
Changes to ECL measurement model assumptions and estimates	105	13	32	150	-	-	-	-
Movements other than transfers and new originated or purchased loans	21	(302)	38	(243)	(7,250)	(315)	(20)	(7,585)
Total movements with impact on credit loss allowance charge for the year	296	273	840	1,409	11,991	952	1,070	14,013
<i>Movements without impact on credit loss allowance charge for the year:</i>								
Unwinding of discount (for Stage 3)	-	-	81	81	-	-	81	81
Write-offs	-	-	(63)	(63)	-	-	(63)	(63)
Modification of original cash flows	-	-	(196)	(196)	-	-	(196)	(196)
At 31 December 2020	664	558	922	2,144	30,716	2,012	1,263	33,991

7 Loans and Advances to Customers (Continued)

	Credit loss allowance				Gross carrying amount			
	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
<i>In millions of RR</i>								
Car Loans								
At 31 December 2018	56	25	4	85	2,754	78	6	2,838
<i>Movements with impact on credit loss allowance charge for the year:</i>								
New originated or purchased	469	-	-	469	18,238	-	-	18,238
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	(98)	466	-	368	(1,087)	1,087	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(72)	(23)	248	153	(320)	(34)	354	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	1	(4)	-	(3)	24	(24)	-	-
Changes to ECL measurement model assumptions and estimates	(1)	-	-	(1)	-	-	-	-
Movements other than transfers and new originated or purchased loans	13	(179)	(1)	(167)	(884)	(47)	2	(929)
Total movements with impact on credit loss allowance charge for the year	312	260	247	819	15,971	982	356	17,309
<i>Movements without impact on credit loss allowance charge the year</i>								
Unwinding of discount (for Stage 3)	-	-	12	12	-	-	12	12
Modification of original cash flows	-	-	(3)	(3)	-	-	(3)	(3)
At 31 December 2019	368	285	260	913	18,725	1,060	371	20,156

7 Loans and Advances to Customers (Continued)

	Credit loss allowance				Gross carrying amount			
	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
<i>In millions of RR</i>								
Loans to IE and SME								
At 31 December 2019	57	10	46	113	940	21	52	1,013
<i>Movements with impact on credit loss allowance charge for the year:</i>								
New originated or purchased	28	-	-	28	676	-	-	676
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	(143)	314	-	171	(375)	375	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(16)	(13)	77	48	(69)	(17)	86	-
Changes to ECL measurement	10	-	3	13	-	-	-	-
Movements other than transfers and new originated or purchased loans	399	(20)	-	379	1,268	(56)	1	1,213
Total movements with impact on credit loss allowance charge for the year	278	281	80	639	1,500	302	87	1,889
<i>Movements without impact on credit loss allowance charge for the year:</i>								
Unwinding of discount (for Stage 3)	-	-	11	11	-	-	11	11
Write-offs	-	-	(14)	(14)	-	-	(14)	(14)
At 31 December 2020	335	291	123	749	2,440	323	136	2,899

7 Loans and Advances to Customers (Continued)

	Credit loss allowance				Gross carrying amount			
	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
<i>In millions of RR</i>								
Loans to IE and SME								
At 31 December 2018	13	10	10	33	332	21	10	363
<i>Movements with impact on credit loss allowance charge for the year:</i>								
New originated or purchased	13	-	-	13	301	-	-	301
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	(4)	26	-	22	(58)	58	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(8)	(7)	44	29	(39)	(8)	47	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	-	-	-	-	1	(1)	-	-
Movements other than transfers and new originated or purchased loans	43	(19)	(13)	11	403	(49)	(10)	344
Total movements with impact on credit loss allowance charge for the year	44	-	31	75	608	-	37	645
<i>Movements without impact on credit loss allowance charge the year</i>								
Unwinding of discount (for Stage 3)	-	-	5	5	-	-	5	5
Modification of original cash flows	-	-	-	-	-	-	-	-
At 31 December 2019	57	10	46	113	940	21	52	1,013

The credit loss allowance charge during the year ended 31 December 2020 presented in the tables above differs from the amount presented in the consolidated statement of profit or loss and other comprehensive income for the year due to RR 4,063 million (2019: RR 3,420 million) recovery of amounts previously written-off as uncollectible, due to RR 1,750 million (2019: RR 693 million) recovery from the purchased loans in excess of their gross carrying amount, and due to RR 1,295 million (2019: RR 201 million) charge of ECL for credit related commitments, including RR 638 million of charge due to changes to ECL measurement model assumptions and estimates. The amount of the recovery received from written-off loans and purchased loans during the year was credited directly to the credit loss allowance line in the consolidated statement of profit or loss and other comprehensive income.

The contractual amount outstanding of loans and advances to customers which were written off during the reporting period ended 31 December 2020 and are still subject to enforcement activity is equal to RR 13,966 million (reporting period ended 31 December 2019: RR 10,095 million).

The amount of the ECL for credit related commitments is accounted separately from ECL for credit cards loans and is included in other financial liabilities in the consolidated statement of financial position.

7 Loans and Advances to Customers (Continued)

During the year ended 31 December 2020 the Group sold credit-impaired loans to third parties (external debt collection agencies) with a gross amount of RR 2,798 million (2019: RR 1,205 million) and credit loss allowance of RR 2,581 million (2019: RR 1,123 million). The difference between the carrying amount of these loans and the consideration received was recognised as losses in the amount of RR 186 million within credit loss allowance for loans and advances to customers and credit related commitments for the year ended 31 December 2020 (2019: losses in the amount of RR 73 million).

Presented below is an analysis of issued, activated and utilised cards based on their credit card limits as at the end of the reporting period:

<i>In units</i>	31 December 2020	31 December 2019
Credit card limits		
Up to 20 RR thousand	1,046,228	781,128
20-40 RR thousand	538,746	482,343
40-60 RR thousand	497,940	451,425
60-80 RR thousand	495,431	455,978
80-100 RR thousand	479,786	440,139
100-120 RR thousand	331,606	322,726
120-140 RR thousand	378,547	365,750
140-200 RR thousand	870,503	772,992
More than 200 RR thousand	225,417	180,731
Total number of cards (in units)	4,864,204	4,253,212

Table above only includes credit cards less than 180 days overdue.

The following table contains an analysis of the credit risk exposure of loans and advances to customers measured at AC and for which an ECL allowance is recognised. The carrying amount of loans and advances to customers below also represents the Group's maximum exposure to credit risk on these loans.

Loans and advances to customers at 31 December 2020 are disclosed as follows:

<i>In millions of RR</i>	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Purchased/ originated credit impaired	Total
Credit card loans					
- Excellent	68,398	-	-	-	68,398
- Good	131,957	1,891	-	-	133,848
- Monitor	9,719	3,757	-	-	13,476
- Sub-standard	-	6,110	9,326	-	15,436
- NPL	-	-	36,247	181	36,428
Gross carrying amount	210,074	11,758	45,573	181	267,586
Credit loss allowance	(16,441)	(7,560)	(30,241)	-	(54,242)
Carrying amount	193,633	4,198	15,332	181	213,344

7 Loans and Advances to Customers (Continued)

	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Purchased/ originated credit impaired	Total
<i>In millions of RR</i>					
Cash loans					
- Excellent	33,877	-	-	-	33,877
- Good	22,053	3,189	-	-	25,242
- Monitor	256	546	-	-	802
- Sub-standard	-	1,032	989	-	2,021
- NPL	-	-	5,759	430	6,189
Gross carrying amount	56,186	4,767	6,748	430	68,131
Credit loss allowance	(4,120)	(2,041)	(4,894)	-	(11,055)
Carrying amount	52,066	2,726	1,854	430	57,076
Secured Loans					
- Excellent	21,201	-	-	-	21,201
- Good	13,937	3,307	-	-	17,244
- Monitor	105	442	-	-	547
- Sub-standard	-	366	-	-	366
- NPL	-	-	874	-	874
Gross carrying amount	35,243	4,115	874	-	40,232
Credit loss allowance	(256)	(482)	(361)	-	(1,099)
Carrying amount	34,987	3,633	513	-	39,133
POS loans					
- Excellent	25,159	-	-	-	25,159
- Good	4,998	793	-	-	5,791
- Monitor	121	121	-	-	242
- Sub-standard	-	166	28	-	194
- NPL	-	-	1,017	287	1,304
Gross carrying amount	30,278	1,080	1,045	287	32,690
Credit loss allowance	(527)	(227)	(857)	-	(1,611)
Carrying amount	29,751	853	188	287	31,079

7 Loans and Advances to Customers (Continued)

	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Purchased/ originated credit impaired	Total
<i>In millions of RR</i>					
Car loans					
- Excellent	21,444	-	-	-	21,444
- Good	9,136	1,427	-	-	10,563
- Monitor	136	263	-	-	399
- Sub-standard	-	322	-	-	322
- NPL	-	-	1,263	-	1,263
Gross carrying amount	30,716	2,012	1,263	-	33,991
Credit loss allowance	(664)	(558)	(922)	-	(2,144)
Carrying amount	30,052	1,454	341	-	31,847
Loans to IE and SME					
- Excellent	1,673	-	-	-	1,673
- Good	760	295	-	-	1,055
- Monitor	7	12	-	-	19
- Sub-standard	-	16	-	-	16
- NPL	-	-	136	-	136
Gross carrying amount	2,440	323	136	-	2,899
Credit loss allowance	(335)	(291)	(123)	-	(749)
Carrying amount	2,105	32	13	-	2,150

7 Loans and Advances to Customers (Continued)

Loans and advances to customers at 31 December 2019 are disclosed as follows:

<i>In millions of RR</i>	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Purchased/ originated credit impaired	Total
Credit card loans					
- Excellent	87,716	-	-	-	87,716
- Good	102,020	1,582	-	-	103,602
- Monitor	8,060	3,722	-	-	11,782
- Sub-standard	-	6,128	6,661	-	12,789
- NPL	-	-	28,712	336	29,048
Gross carrying amount	197,796	11,432	35,373	336	244,937
Credit loss allowance	(11,704)	(6,853)	(25,572)	-	(44,129)
Carrying amount	186,092	4,579	9,801	336	200,808
Cash loans					
- Excellent	34,258	-	-	-	34,258
- Good	17,321	3,315	-	-	20,636
- Monitor	346	585	-	-	931
- Sub-standard	-	1,134	758	-	1,892
- NPL	-	-	3,912	636	4,548
Gross carrying amount	51,925	5,034	4,670	636	62,265
Credit loss allowance	(2,358)	(1,882)	(3,789)	-	(8,029)
Carrying amount	49,567	3,152	881	636	54,236
Secured Loans					
- Excellent	19,941	-	-	-	19,941
- Good	7,319	1,496	-	-	8,815
- Monitor	106	322	-	-	428
- Sub-standard	-	219	-	-	219
- NPL	-	-	198	-	198
Gross carrying amount	27,366	2,037	198	-	29,601
Credit loss allowance	(150)	(264)	(82)	-	(496)
Carrying amount	27,216	1,773	116	-	29,105

7 Loans and Advances to Customers (Continued)

	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Purchased/ originated credit impaired	Total
<i>In millions of RR</i>					
POS loans					
- Excellent	19,525	-	-	-	19,525
- Good	4,406	763	-	-	5,169
- Monitor	100	117	-	-	217
- Sub-standard	-	173	26	-	199
- NPL	-	-	632	198	830
Gross carrying amount	24,031	1,053	658	198	25,940
Credit loss allowance	(298)	(190)	(569)	-	(1,057)
Carrying amount	23,733	863	89	198	24,883
Car loans					
- Excellent	15,581	-	-	-	15,581
- Good	3,051	702	-	-	3,753
- Monitor	93	157	-	-	250
- Sub-standard	-	201	-	-	201
- NPL	-	-	371	-	371
Gross carrying amount	18,725	1,060	371	-	20,156
Credit loss allowance	(368)	(285)	(260)	-	(913)
Carrying amount	18,357	775	111	-	19,243
Loans to IE and SME					
- Excellent	622	-	-	-	622
- Good	314	6	-	-	320
- Monitor	4	6	-	-	10
- Sub-standard	-	9	-	-	9
- NPL	-	-	52	-	52
Gross carrying amount	940	21	52	-	1,013
Credit loss allowance	(57)	(10)	(46)	-	(113)
Carrying amount	883	11	6	-	900

Stage 3 includes restructured loans that are less than 90 days overdue which are not considered as NPL according to the Group's credit risk grading master scale. Refer to Note 29 for the description of credit risk grading system used by the Group.

Loans in courts are included in Stage 3 and are loans to delinquent borrowers, against which the Group has filed claims to courts in order to recover outstanding balances. As at 31 December 2020 the gross carrying amount of the loans in courts was RR 31,082 million (31 December 2019: RR 22,228 million).

7 Loans and Advances to Customers (Continued)

Description of collateral held for loans to individuals carried at amortised cost is as follows at 31 December 2020:

<i>In millions of RR</i>	Secured loans	Car loans	Total
Loans collateralised by:			
- residential real estate	37,896	-	37,896
- cars	2,084	24,713	26,797
Total	39,980	24,713	64,693
Unsecured exposures	252	9,278	9,530
Total gross carrying amount (representing exposure to credit risk for each class of loans at AC)	40,232	33,991	74,223

Description of collateral held for loans to individuals carried at amortised cost is as follows at 31 December 2019:

<i>In millions of RR</i>	Secured loans	Car loans	Total
Loans collateralised by:			
- residential real estate	27,437	-	27,437
- cars	1,904	15,256	17,160
Total	29,341	15,256	44,597
Unsecured exposures	260	4,900	5,160
Total gross carrying amount (representing exposure to credit risk for each class of loans at AC)	29,601	20,156	49,757

The disclosure above represents the lower of the carrying value of the loan or collateral taken; the remaining part is disclosed within the unsecured exposures which arise mainly due to application of a discount in determining the carrying value of collateral.

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 carrying value of the asset ("over-collateralised assets") and (ii) those assets where collateral and other credit enhancements are less than the carrying value of the asset ("under-collateralised assets").

7 Loans and Advances to Customers (Continued)

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

<i>In millions of RR</i>	Over-collateralised assets		Under-collateralised assets	
	Gross carrying amount of the assets	Value of collateral	Gross carrying amount of the assets	Value of collateral
Credit impaired assets:				
Secured loans	855	2,136	19	10
Car loans	200	296	1,063	715

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

<i>In millions of RR</i>	Over-collateralised assets		Under-collateralised assets	
	Gross carrying amount of the assets	Value of collateral	Gross carrying amount of the assets	Value of collateral
Credit impaired assets:				
Secured loans	194	442	4	2
Car loans	25	31	346	208

The values of collateral considered in this disclosure are after a valuation haircut of 20% (2019: 20%) for residential real estate and 30% (2019: 30%) for cars applied to consider liquidity and quality of the pledged assets.

All contractual modifications of loans with the lifetime ECL that did not lead to derecognition did not have gains less losses on modification recognised in profit or loss for the year ended 31 December 2020 (2019: same).

Refer to Note 36 for the disclosure of the fair value of loans and advances to customers. Interest rate, maturity and geographical risk concentration analysis are disclosed in Note 29. Information on related party balances is disclosed in Note 38.

8 Investments in Securities and Repurchase Receivables

<i>In millions of RR</i>	31 December 2020	31 December 2019
Debt securities measured at fair value through other comprehensive income	234,189	134,765
Securities measured at fair value through profit or loss	4,265	413
Total investments in securities	238,454	135,178
Repurchase receivables at fair value through other comprehensive income	29	-
Total investments in securities and repurchase receivables	238,483	135,178

Repurchase receivables represent securities sold under sale and repurchase agreements which the counterparty has the right, by contract or custom, to sell or repledge. As at 31 December 2020 the sale and repurchase agreements are short-term and mature in January 2021.

8 Investments in Securities and Repurchase Receivables (Continued)

1) Investments in securities and repurchase receivables measured at fair value through other comprehensive income

The table below discloses investments in debt securities and repurchase receivables measured at FVOCI by classes:

<i>In millions of RR</i>	31 December 2020	31 December 2019
Investments in securities		
Russian government bonds	123,916	56,382
Corporate bonds	96,200	72,032
Municipal bonds	9,474	6,351
Foreign government bonds	4,599	-
Repurchase receivables		
Corporate bonds	29	-
Total investments in securities and repurchase receivables measured at FVOCI	234,218	134,765
Including credit loss allowance	714	345

8 Investments in Securities and Repurchase Receivables (Continued)

1) Investments in securities and repurchase receivables measured at fair value through other comprehensive income (Continued)

The table below contains an analysis of the credit risk exposure of investments in securities and repurchase receivables measured at FVOCI at 31 December 2020, for which an ECL allowance is recognised, based on credit risk grades:

	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	Total
<i>In millions of RR</i>				
Russian government bonds				
- Good	125,422	-	-	125,422
Total AC gross carrying amount	125,422	-	-	125,422
Credit loss allowance	(255)	-	-	(255)
Fair value adjustment from AC to FV	(1,251)	-	-	(1,251)
Carrying value	123,916	-	-	123,916
Corporate bonds				
- Excellent	560	-	-	560
- Good	85,653	-	-	85,653
- Monitor	6,726	620	-	7,346
Total AC gross carrying amount	92,939	620	-	93,559
Credit loss allowance	(334)	(14)	-	(348)
Fair value adjustment from AC to FV	2,953	36	-	2,989
Carrying value	95,558	642	-	96,200
Municipal bonds				
- Good	7,750	-	-	7,750
- Monitor	1,523	-	-	1,523
Total AC gross carrying amount	9,273	-	-	9,273
Credit loss allowance	(45)	-	-	(45)
Fair value adjustment from AC to FV	246	-	-	246
Carrying value	9,474	-	-	9,474

8 Investments in Securities and Repurchase Receivables (Continued)

1) Investments in securities and repurchase receivables measured at fair value through other comprehensive income (Continued)

	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	Total
<i>In millions of RR</i>				
Foreign government bonds				
- Good	908	-	-	908
- Monitor	3,119	-	-	3,119
- Sub-standard	494	-	-	494
Total AC gross carrying amount	4,521	-	-	4,521
Credit loss allowance	(66)	-	-	(66)
Fair value adjustment from AC to FV	144	-	-	144
Carrying value	4,599	-	-	4,599

The table below contains an analysis of the credit risk exposure of debt securities measured at FVOCI at 31 December 2019, for which an ECL allowance is recognised, based on credit risk grades:

	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	Total
<i>In millions of RR</i>				
Russian government bonds				
- Good	54,471	-	-	54,471
Total AC gross carrying amount	54,471	-	-	54,471
Credit loss allowance	(99)	-	-	(99)
Fair value adjustment from AC to FV	2,010	-	-	2,010
Carrying value	56,382	-	-	56,382
Corporate bonds				
- Excellent	411	-	-	411
- Good	61,042	-	-	61,042
- Monitor	8,192	-	-	8,192
Total AC gross carrying amount	69,645	-	-	69,645
Credit loss allowance	(225)	-	-	(225)
Fair value adjustment from AC to FV	2,612	-	-	2,612
Carrying value	72,032	-	-	72,032

8 Investments in Securities and Repurchase Receivables (Continued)

1) Investments in securities and repurchase receivables measured at fair value through other comprehensive income (Continued)

	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	Total
<i>In millions of RR</i>				
Municipal bonds				
- Good	5,663	-	-	5,663
- Monitor	422	-	-	422
Total AC gross carrying amount	6,085	-	-	6,085
Credit loss allowance	(21)	-	-	(21)
Fair value adjustment from AC to FV	287	-	-	287
Carrying value	6,351	-	-	6,351

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 investments in securities and repurchase receivables at FVOCI. The investments at FVOCI are not collateralised. Refer to Note 36 for the disclosure of the fair value.

Securities at FVOCI reclassified to repurchase receivables continue to be carried at fair value in accordance with accounting policies for these categories of assets. Refer to Note 13 for the related liabilities.

The following table explains the changes in the credit loss allowance (including those pledged under repurchase agreements) and gross carrying amount for debt securities at FVOCI for the year ended 31 December 2020:

	Credit loss allowance				Gross carrying amount			
	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	Total	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	Total
<i>In millions of RR</i>								
Russian government bonds								
At 31 December 2019	99	-	-	99	54,471	-	-	54,471
<i>Movements with impact on credit loss allowance charge:</i>								
New originated or purchased	522	-	-	522	289,955	-	-	289,955
Foreign exchange gains	1	-	-	1	767	-	-	767
Redemption during the year	(160)	-	-	(160)	(89,000)	-	-	(89,000)
Disposal during the year	(233)	-	-	(233)	(129,350)	-	-	(129,350)
Interest income accrued	8	-	-	8	5,318	-	-	5,318
Interest received	(12)	-	-	(12)	(6,739)	-	-	(6,739)
Other movements	30	-	-	30	-	-	-	-
Total movements with impact on credit loss allowance charge	156	-	-	156	70,951	-	-	70,951
At 31 December 2020	255	-	-	255	125,422	-	-	125,422

8 Investments in Securities and Repurchase Receivables (Continued)

1) Investments in securities and repurchase receivables measured at fair value through other comprehensive income (Continued)

	Credit loss allowance				Gross carrying amount			
	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	Total	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	Total
<i>In millions of RR</i>								
Corporate bonds								
At 31 December 2019	225	-	-	225	69,645	-	-	69,645
<i>Movements with impact on credit loss allowance charge:</i>								
New originated or purchased	198	-	-	198	70,438	-	-	70,438
Transfers: - to lifetime (from Stage 1 to Stage 2)	(3)	3	-	-	(620)	620	-	-
Foreign exchange gains	15	-	-	15	5,061	-	-	5,061
Redemption during the year	(13)	-	-	(13)	(4,171)	-	-	(4,171)
Disposal during the year	(117)	-	-	(117)	(46,924)	-	-	(46,924)
Interest income accrued	14	-	-	14	4,587	45	-	4,632
Interest received	(16)	(1)	-	(17)	(5,077)	(45)	-	(5,122)
Other movements	31	12	-	43	-	-	-	-
Total movements with impact on credit loss allowance charge	109	14	-	123	23,294	620	-	23,914
At 31 December 2020	334	14	-	348	92,939	620	-	93,559
Municipal bonds								
At 31 December 2019	21	-	-	21	6,085	-	-	6,085
<i>Movements with impact on credit loss allowance charge:</i>								
New originated or purchased	25	-	-	25	7,440	-	-	7,440
Redemption during the year	0	-	-	0	(91)	-	-	(91)
Disposal during the year	(19)	-	-	(19)	(4,140)	-	-	(4,140)
Interest income accrued	3	-	-	3	474	-	-	474
Interest received	(2)	-	-	(2)	(495)	-	-	(495)
Other movements	17	-	-	17	-	-	-	-
Total movements with impact on credit loss allowance charge	24	-	-	24	3,188	-	-	3,188
At 31 December 2020	45	-	-	45	9,273	-	-	9,273

8 Investments in Securities and Repurchase Receivables (Continued)

1) Investments in securities and repurchase receivables measured at fair value through other comprehensive income (Continued)

	Credit loss allowance				Gross carrying amount			
	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	Total	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	Total
<i>In millions of RR</i>								
Foreign government bonds								
At 31 December 2019	-	-	-	-	-	-	-	-
<i>Movements with impact on credit loss allowance charge:</i>								
New originated or purchased	68	-	-	68	7,516	-	-	7,516
Foreign exchange gains	1	-	-	1	246	-	-	246
Disposal during the year	(11)	-	-	(11)	(3,224)	-	-	(3,224)
Interest income accrued	1	-	-	1	61	-	-	61
Interest received	(1)	-	-	(1)	(78)	-	-	(78)
Other movements	8	-	-	8	-	-	-	-
Total movements with impact on credit loss allowance charge	66	-	-	66	4,521	-	-	4,521
At 31 December 2020	66	-	-	66	4,521	-	-	4,521

8 Investments in Securities and Repurchase Receivables (Continued)

1) Investments in securities and repurchase receivables measured at fair value through other comprehensive income (Continued)

The following table explains the changes in the credit loss allowance (including those pledged under repurchase agreements) and gross carrying amount for debt securities at FVOCI for the year ended 31 December 2019:

	Credit loss allowance				Gross carrying amount			
	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	Total	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	Total
<i>In millions of RR</i>								
Corporate bonds								
At 1 January 2019	255	128	-	383	64,951	1,607	-	66,558
<i>Movements with impact on credit loss allowance charge:</i>								
New originated or purchased	89	-	-	89	25,936	-	-	25,936
<i>Transfers:</i>								
- to lifetime (from Stage 1 to Stage 2)	24	(26)	-	(2)	1,318	(1,318)	-	-
Foreign exchange losses	(12)	(6)	-	(18)	(2,702)	(96)	-	(2,798)
Redemption during the year	(12)	-	-	(12)	(3,609)	-	-	(3,609)
Disposal during the year	(91)	(40)	-	(131)	(16,348)	(193)	-	(16,541)
Interest income accrued	12	4	-	16	4,074	43	-	4,117
Interest received	(12)	(4)	-	(16)	(3,975)	(43)	-	(4,018)
Other movements	(28)	(56)	-	(84)	-	-	-	-
Total movements with impact on credit loss allowance charge	(30)	(128)	-	(158)	4,694	(1,607)	-	3,087
At 31 December 2019	225	-	-	225	69,645	-	-	69,645

8 Investments in Securities and Repurchase Receivables (Continued)

1) Investments in securities and repurchase receivables measured at fair value through other comprehensive income (Continued)

	Credit loss allowance				Gross carrying amount			
	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	Total	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	Total
<i>In millions of RR</i>								
Russian government bonds								
At 1 January 2019	66	-	-	66	25,190	-	-	25,190
<i>Movements with impact on credit loss allowance charge:</i>								
New originated or purchased	167	-	-	167	81,179	-	-	81,179
Foreign exchange losses	(2)	-	-	(2)	(833)	-	-	(833)
Redemption during the year	(63)	-	-	(63)	(30,858)	-	-	(30,858)
Disposal during the year	(53)	-	-	(53)	(20,414)	-	-	(20,414)
Interest income accrued	4	-	-	4	2,119	-	-	2,119
Interest received	(4)	-	-	(4)	(1,912)	-	-	(1,912)
Other movements	(16)	-	-	(16)	-	-	-	-
Total movements with impact on credit loss allowance charge	33	-	-	33	29,281	-	-	29,281
At 31 December 2019	99	-	-	99	54,471	-	-	54,471

8 Investments in Securities and Repurchase Receivables (Continued)

1) Investments in securities and repurchase receivables measured at fair value through other comprehensive income (Continued)

	Credit loss allowance				Gross carrying amount			
	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	Total	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	Total
<i>In millions of RR</i>								
Municipal bonds								
At 1 January 2019	35	-	-	35	5,833	-	-	5,833
<i>Movements with impact on credit loss allowance charge:</i>								
New originated or purchased	3	-	-	3	968	-	-	968
Redemption during the year	(1)	-	-	(1)	(482)	-	-	(482)
Disposal during the year	(4)	-	-	(4)	(216)	-	-	(216)
Interest income accrued	2	-	-	2	469	-	-	469
Interest received	(3)	-	-	(3)	(487)	-	-	(487)
Other movements	(11)	-	-	(11)	-	-	-	-
Total movements with impact on credit loss allowance charge	(14)	-	-	(14)	252	-	-	252
At 31 December 2019	21	-	-	21	6,085	-	-	6,085

2) Securities measured at fair value through profit or loss

The table below discloses investments in securities measured at FVTPL by classes:

<i>In millions of RR</i>	31 December 2020	31 December 2019
Perpetual corporate bonds	4,265	-
Other securities	-	413
Total securities measured at FVTPL	4,265	413

At 31 December 2019 the other securities were represented by assets of the mutual funds which were controlled by the Group and managed by LLC "Tinkoff Capital". These assets were sold at 30 September 2020.

Investments in securities measured at FVTPL are carried at fair value, which also reflects any credit risk related write-downs and best represents Group's maximum exposure to credit risk. The securities measured at FVTPL are not collateralized. Interest rate, maturity and geographical risk concentration analysis of investment in securities are disclosed in Note 29.

9 Guarantee Deposits with Payment Systems

As at 31 December 2020 and 2019 guarantee deposits were placed in favour of MasterCard with Barclays Bank Plc London (A rated), in favour of Visa with United Overseas Bank Ltd Singapore (AA- rated), and in favour of Russia payment card Mir with Russian National payment card system (NSPK).

As at 31 December 2020 the carrying value of guarantee deposits with payment systems was RR 15,475 million (2019: RR 8,877 million).

The table below discloses the credit quality of guarantee deposits with payment systems balances based on credit risk grades:

<i>In millions of RR</i>	31 December 2020	31 December 2019
- Excellent	14,803	8,376
- Good	672	501
Total guarantee deposits with payment systems	15,475	8,877

The carrying amount of guarantee deposits with payment systems at 31 December 2020 and 2019 also represents the Group's maximum exposure to credit risk on these assets. Refer to Note 29 for the description of credit risk grading system used by the Group. For the purpose of ECL measurement guarantee deposits with payment systems balances are included in Stage 1. Guarantee deposits with payment systems are unsecured financial assets.

The ECL for these balances represents an immaterial amount, therefore the Group did not create any credit loss allowance for guarantee deposits with payment systems. Refer to Note 29 for the ECL measurement approach. Interest rate, maturity and geographical risk concentration analysis are disclosed in Note 29.

10 Brokerage Receivables and Brokerage Payables

<i>In millions of RR</i>	31 December 2020	31 December 2019
Amounts receivable from brokers and clearing organizations	24,064	2,799
Total brokerage receivables	24,064	2,799
Amounts payable to brokers and clearing organizations	9,206	1,207
Total brokerage payables	9,206	1,207

Brokerage receivables represent placements under reverse sale and repurchase agreements made by the Bank with central counterparty to provide customers of the Bank who have brokerage accounts with the Bank with the possibility to acquire securities in case those customers have insufficient own funds to acquire those securities. These balances are fully collateralized by highly liquid securities and have minimal credit risk. As at 31 December 2020 the fair value of collateral of brokerage receivables was RR 24,113 million (31 December 2019: RR 2,239 million). For the purpose of ECL measurement brokerage receivables are included in Stage 1. The ECL for these balances represents an immaterial amount, therefore the Group did not recognise any credit loss allowance for brokerage receivables.

Brokerage payables represent funds attracted under sale and repurchase agreements made by the Bank with central counterparty to provide customers of the Bank who have brokerage accounts with the Bank with the possibility to borrow securities and make a short sale.

10 Brokerage Receivables and Brokerage Payables (Continued)

As at 31 December 2020 the fair value of collateral of brokerage payables was RR 9,696 million (31 December 2019: RR 1,282 million).

ECL measurement approach, interest rate, maturity and geographical risk concentration analysis are disclosed in Note 29. Refer to Note 32 for the disclosure of the the offsetting assets and liabilities. Refer to Note 36 for the disclosure of the fair value of brokerage receivables and brokerage payables.

11 Tangible Fixed Assets, Intangible Assets and Right-of-use Assets

	Land	Building	Equip- ment	Leasehold improve- ments	Vehicles	Total tangible fixed assets	Intangible assets
<i>In millions of RR</i>							
Cost							
At 31 December 2018	396	4,219	4,341	1,536	42	10,534	6,625
Additions	-	-	1,788	86	46	1,920	2,564
Disposals	-	-	(59)	(2)	-	(61)	(72)
At 31 December 2019	396	4,219	6,070	1,620	88	12,393	9,117
Additions	-	-	2,168	2	-	2,170	3,669
Disposals	-	-	(164)	(231)	-	(395)	(73)
At 31 December 2020	396	4,219	8,074	1,391	88	14,168	12,713
Depreciation and amortisation							
At 31 December 2018	-	(90)	(1,527)	(515)	(33)	(2,165)	(2,402)
Charge for the year (Note 24)	-	(43)	(1,076)	(160)	(8)	(1,287)	(1,331)
Disposals	-	-	9	2	-	11	51
At 31 December 2019	-	(133)	(2,594)	(673)	(41)	(3,441)	(3,682)
Charge for the year (Note 24)	-	(43)	(1,421)	(149)	(4)	(1,617)	(1,961)
Disposals	-	-	103	128	-	231	12
At 31 December 2020	-	(176)	(3,912)	(694)	(45)	(4,827)	(5,631)
Net book value							
At 31 December 2019	396	4,086	3,476	947	47	8,952	5,435
At 31 December 2020	396	4,043	4,162	697	43	9,341	7,082

11 Tangible Fixed Assets, Intangible Assets and Right-of-use Assets (Continued)

Intangible assets additions in the amount of RR 1,854 million related to capitalised the software developments by Tinkoff Software DC during the year ended 31 December 2020 (2019: RR 1,212 million).

Other intangible assets acquired during the year ended 31 December 2020 and 2019 mainly represent accounting software, retail banking software, insurance software, licenses and development of software.

Right-of-use assets and lease liabilities. Right-of-use-assets relate to the office premises leased by the Group. Rental contracts are typically for fixed periods from 1 to 5 years. The Group does not have extension or termination options of its lease agreements other than lease agreements of low value items.

The right of use assets by class of underlying items is analysed as follows:

<i>In millions of RR</i>	Office premises
Carrying amount at 1 January 2019	1,671
Additions	664
Depreciation charge (Note 24)	(727)
Carrying amount at 31 December 2019	1,608
Additions	234
Depreciation charge (Note 24)	(702)
Carrying amount at 31 December 2020	1,140

Prior to 1 January 2019 Group's leases of premises and equipment were classified as operating leases. 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.

Expenses relating to leases of low-value assets and short-term leases in the amount of RR 548 million are included in administrative and other operating expenses (2019: RR 410 million). Refer to Note 24. Total cash outflow for leases during the year ended 31 December 2020 was RR 758 million (2019: RR 1,087 million).

12 Other Financial and Non-financial Assets

<i>In millions of RR</i>	31 December 2020	31 December 2019
Other Financial Assets		
Settlement of operations with plastic cards	23,882	16,384
Other	7,188	5,289
Total Other Financial Assets	31,070	21,673
Other Non-Financial Assets		
Prepaid expenses	1,478	1,223
Other	1,908	1,287
Total Other Non-Financial Assets	3,386	2,510

12 Other Financial and Non-financial Assets (Continued)

Settlement of operations with plastic cards represents settlements with payment systems and payment channels on operations of the customers with banking cards due to be settled within 3 working days. This amount also includes prepayment to the payment systems for operations during holiday period.

At 31 December 2020, included in other financial assets are receivables, investments in associates and subrogation rights (2019: same).

As at 31 December 2020 and 2019 prepaid expenses consist of prepayments for marketing, IT support, security and ATM-service.

The table below discloses the credit quality of other financial assets based on credit risk grades:

<i>In millions of RR</i>	31 December 2020	31 December 2019
- Excellent	19,683	9,219
- Good	11,387	12,454
Total other financial assets	31,070	21,673

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

For the purpose of ECL measurement settlement of operations with plastic cards balances and other receivables are included in Stage 1. The ECL for these balances represents an immaterial amount, therefore the Group did not recognise any credit loss allowance. Refer to Note 29 for the ECL measurement approach. Refer to Note 36 for the disclosure of the fair value of other financial assets. The maturity and geographical risk concentration analysis of amounts of other financial assets is disclosed in Note 29.

13 Due to Banks

<i>In millions of RR</i>	31 December 2020	31 December 2019
Correspondent accounts and overnight placements of other banks	4,795	23
Sale and repurchase agreements with other banks	24	-
Total due to banks	4,819	23

At 31 December 2020, included in the amounts due to other banks are liabilities of RR 24 million (31 December 2019: nil) arising from sale and repurchase agreements with debt securities at FVOCI. Refer to Note 8.

Refer to Note 36 for the disclosure of the fair value of amounts due to banks. Interest rate, maturity and geographical risk concentration analysis of due to banks is disclosed in Note 29. Refer to Notes 32 and 33 for information on the amounts included in due to banks received under sale and repurchase agreements and fair value of securities pledged.

14 Customer Accounts

<i>In millions of RR</i>	31 December 2020	31 December 2019
Individuals		
- Current/demand accounts	323,145	199,408
- Brokerage accounts	73,970	12,253
- Term deposits	135,995	137,292
IE and SME		
- Current/demand accounts	89,199	60,174
- Term deposits	2,213	1,880
Other legal entities		
- Current/demand accounts	2,267	495
- Term deposits	48	112
Total customer accounts	626,837	411,614

Refer to Note 36 for the disclosure of the fair value of customer accounts. Interest rate, maturity and geographical risk concentration analysis of customer accounts amounts is disclosed in Note 29. Information on related party balances is disclosed in Note 38.

15 Debt Securities in Issue

<i>In millions of RR</i>	Date of maturity	31 December 2020	31 December 2019
RR denominated bonds issued in April 2019	21 March 2029	10,134	10,158
RR denominated bonds issued in September 2019	12 September 2029	10,166	10,157
RR denominated bonds issued in April 2017	22 April 2022	2,492	2,468
RR denominated bonds issued in June 2016	24 June 2021	836	835
Structured debt notes issued in December 2020	5 December 2023	119	-
Structured debt notes issued in October 2020	5 October 2023	89	-
Structured debt notes issued in December 2020	1 December 2023	74	-
EUR denominated ECP issued in December 2019	20 November 2020	-	1,030
EUR denominated ECP issued in February 2019	18 February 2020	-	831
USD denominated ECP issued in December 2019	20 November 2020	-	599
Total debt securities in issue		23,910	26,078

On 3 April 2019 the Bank issued RR denominated bonds with a nominal value of RR 10,000 million at 9.25% coupon rate maturing on 21 March 2029.

On 25 September 2019 the Bank issued RR denominated bonds with a nominal value of RR 10,000 million at 8.25% coupon rate maturing on 12 September 2029.

On 28 April 2017 the Bank issued RR denominated bonds with a nominal value of RR 5,000 million at 9.65% coupon rate maturing on 22 April 2022.

On 30 June 2016 the Group issued RR denominated bonds with a nominal value of RR 3,000 million at 11.7% coupon rate maturing on 24 June 2021.

15 Debt Securities in Issue (Continued)

During October and December 2020 the Bank issued structured debt notes with the total nominal value of RR 282 million at 0.01% coupon rate maturing in October and December 2023. The structured debt notes are linked to the performance of the underlying assets, such as the gold trust and equity indexes. The derivative instruments embedded in the structured notes were separated and accounted within financial derivatives line in the consolidated statement of financial position.

On 20 December 2019 the Group issued two tranches of ECP denominated in USD and EUR maturing on 20 November 2020. USD denominated ECP has a nominal value of USD 10 million with a discount of 3.6%. EUR denominated ECP has a nominal value of EUR 15 million with a discount of 1.0%.

On 19 February 2019 the Group issued Euro-Commercial Paper (ECP) denominated in EUR maturing on 18 February 2020, which has a nominal value of EUR 12 million with a discount of 1.25%.

The Group redeemed all outstanding ECP at maturity date.

All RR denominated bonds and structured debt notes issued by the Bank are traded on the Moscow Exchange. Refer to Note 36 for the disclosure of the fair value of debt securities in issue. Interest rate, maturity and geographical risk concentration analysis of debt securities in issue are disclosed in Note 29.

16 Subordinated Debt

As at 31 December 2020 the carrying value of the subordinated debt was RR 20,755 million (31 December 2019: RR 18,487 million).

On 15 June 2017 the Group issued perpetual subordinated loan participation notes with a nominal value of USD 300 million with zero premium. The notes have no stated maturity. The Group has a right to repay the notes at its discretion starting from 15 September 2022 and they are repayable in case of certain events other than liquidation. The notes bear a fixed interest rate of 9.25% p.a. payable quarterly starting from 15 September 2017. Interest payments may be cancelled by the Group at any time.

The claims of lenders against the Group in respect of the principal and interest on these bonds are subordinated to the claims of other creditors in accordance with the legislation of the Russian Federation.

The perpetual subordinated loan participation notes are traded on the Global Exchange Market. Interest rate, maturity and geographical risk concentration analysis of subordinated debt is disclosed in Note 29. Refer to Note 36 for the disclosure of the fair value of financial instruments.

17 Insurance Provisions

<i>In millions of RR</i>	31 December 2020	31 December 2019
Insurance Provisions		
Provision for unearned premiums	3,907	3,938
Loss provisions	2,160	2,342
Total Insurance Provisions	6,067	6,280

17 Insurance Provisions (Continued)

Movements in provision for unearned premiums for the year ended 31 December 2020 and 2019 are as follows:

<i>In millions of RR</i>	2020			2019		
	Gross provision	Reinsurer's share of provision	Provision net of reinsurance	Gross provision	Reinsurer's share of provision	Provision net of reinsurance
Provision for unearned premiums as at 1 January	3,938	(11)	3,927	1,760	(3)	1,757
Change in provision, gross	(31)	-	(31)	2,178	-	2,178
Change in reinsurers' share of provision	-	-	-	-	(8)	(8)
Provision for unearned premiums as at 31 December	3,907	(11)	3,896	3,938	(11)	3,927

Movements in loss provisions for the year ended 31 December 2020 and 2019 are as follows:

<i>In millions of RR</i>	Note	OCP and IBNR	URP	Provision for claims handling expenses	Total loss provisions
Loss provisions as at 31 December 2018		965	9	125	1,099
Losses incurred in the current reporting period		4,026	-	-	4,026
Changes in OCP, IBNR and claims handling provisions related to prior periods		(138)	-	(39)	(177)
Insurance claims paid	23	(2,923)	-	-	(2,923)
Claims handling expenses accrued		-	-	862	862
Claims handling expenses paid	23	-	-	(733)	(733)
Unexpired risk provision charge		-	253	-	253
Unexpired risk provision written off		-	(65)	-	(65)
Loss provisions as at 31 December 2019		1,930	197	215	2,342
Losses incurred in the current reporting period		3,456	-	-	3,456
Changes in OCP, IBNR and claims handling provisions related to prior periods		(119)	-	147	28
Insurance claims paid	23	(3,500)	-	-	(3,500)
Claims handling expenses accrued		-	-	528	528
Claims handling expenses paid	23	-	-	(497)	(497)
Unexpired risk provision reversal		-	(197)	-	(197)
Loss provisions as at 31 December 2020		1,767	-	393	2,160

18 Other Financial and Non-financial Liabilities

<i>In millions of RR</i>	31 December 2020	31 December 2019
Other financial liabilities		
Settlement of operations with plastic cards	23,079	6,427
Trade payables	6,150	4,621
Credit related commitments (Note 31)	3,537	2,242
Other	1,571	1,358
Total other financial liabilities	34,337	14,648
Other non-financial liabilities		
Accrued administrative expenses	2,171	1,277
Taxes payable other than income tax	1,731	1,321
Lease liabilities	1,340	1,694
Other	663	582
Total other non-financial liabilities	5,905	4,874

Settlements of operations with plastic cards include funds that were spent by customers of the Bank by usage of plastic cards but have not yet been compensated to payment systems by the Bank. Accrued administrative expenses are mainly represented by accrued staff costs.

During 2020 the Group has managed to apply an online posting mechanism which allowed customer accounts to be debited and payment systems to be credited for their transactions at the time of authorisation of the transaction. In prior periods transactions were posted only after their clearing by payment systems which could require another business day.

Movements in the credit loss allowance for credit related commitments were as follows for the year ended 31 December 2020:

<i>In millions of RR</i>	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit-impaired)	Gross committed amount
At 31 December 2019	2,228	14	-	2,242
<i>Movements with impact on provision for credit related commitments charge for the year:</i>				
New originated or purchased	920	-	-	920
Transfers:				
- to lifetime (from Stage 1 to Stage 2)	(36)	15	-	(21)
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(59)	(6)	-	(65)
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	7	(15)	-	(8)
Changes to ECL measurement model assumptions and estimates	(637)	(1)	-	(638)
Movements other than transfers and new originated or purchased loans	1,090	17	-	1,107
Total charge to profit or loss for the year	1,285	10	-	1,295
At 31 December 2020	3,513	24	-	3,537

18 Other Financial and Non-financial Liabilities (Continued)

Movements in the credit loss allowance for credit related commitments were as follows for the year ended 31 December 2019:

	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im-paired)	Gross committed amount
<i>In millions of RR</i>				
At 31 December 2018	2,024	17	-	2,041
<i>Movements with impact on provision for credit related commitments charge for the year:</i>				
New originated or purchased	840	-	-	840
Transfers:				
- to lifetime (from Stage 1 to Stage 2)	(23)	9	-	(14)
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(45)	(7)	-	(52)
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	5	(15)	-	(10)
Changes to ECL measurement model assumptions and estimates	(163)	-	-	(163)
Movements other than transfers and new originated or purchased loans	(410)	10	-	(400)
Total charge to profit or loss for the year	204	(3)	-	201
At 31 December 2019	2,228	14	-	2,242

The main movements in the table presented above are described as follows:

- new originated or purchased category represents the day one 12-month ECL for the undrawn part of the purchased loans and loans to new borrowers (for this particular product) before the first payment became due;
- transfers between Stage 1, 2 and 3 due to undrawn limits 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. Transfers present the amount of credit loss allowance for loan commitments charged or recovered at the moment of transfer of a loan commitment among the respective stages;
- movements other than transfers and new originated or purchased loans category represents all other movements of ECL for loan commitments in particular related to changes in gross carrying amounts of associated loans, ECL model assumptions and other.

Interest rate, maturity and geographical risk concentration analysis of other financial liabilities is disclosed in Note 29. Refer to Note 36 for disclosure of fair value of other financial liabilities. Refer to Note 31 for analysis of loan commitments by credit risk grades.

19 Share Capital, Share Premium and Treasury Shares

<i>In millions of RR except for the number of shares</i>	Number of authorised shares	Number of outstanding shares	Ordinary shares	Share premium	Treasury shares	Total
At 1 January 2019	191,770,766	182,638,825	188	8,623	(3,670)	5,141
Shares issued	18,263,882	16,666,667	42	18,874	-	18,916
Secondary public offering (SPO) costs	-	-	-	(499)	-	(499)
GDRs and shares transferred under MLTIP	-	-	-	-	506	506
At 31 December 2019	210,034,648	199,305,492	230	26,998	(3,164)	24,064
GDRs buy-back	-	-	-	-	(661)	(661)
GDRs and shares transferred under MLTIP	-	-	-	-	587	587
At 31 December 2020	210,034,648	199,305,492	230	26,998	(3,238)	23,990

At 31 December 2020 the total number of outstanding shares is 199,305,492 shares (31 December 2019: 199,305,492 shares) with a par value of USD 0.04 per share (31 December 2019: USD 0.04 per share).

At 31 December 2020 and 2019 treasury shares represent GDRs of the Group repurchased from the market for the purposes permitted by Cyprus law including contribution to MLTIP. Refer to Note 38.

At 31 December 2020 the total number of treasury shares is 3,013,379 (31 December 2019: 4,185,166).

During the year ended 31 December 2020 the Group repurchased 650,000 GDRs at market price for RR 661 million (2019: no GDRs were repurchased by the Group).

During the year ended 31 December 2020 the Group transferred 1,809,681 GDRs (2019: 2,419,187 GDRs), representing 0.91% (2019: 1.21%) of the issued shares, upon vesting under the MLTIP. This resulted in a transfer of RR 587 million (2019: RR 506 million) out of treasury shares to retained earnings.

In June 2019 the Company's shareholders approved a resolution to increase the authorised share capital to USD 8,401,385.92 by the creation of 18,263,882 new undesignated ordinary shares of nominal value USD 0.04 each. At 31 December 2020 the total number of authorised shares is 210,034,648 shares (31 December 2019: 210,034,648 shares) with a par value of USD 0.04 per share (31 December 2019: USD 0.04 per share).

On 2 July 2019 the Group completed a SPO on the London Stock Exchange plc and issued 16,666,667 class A shares of the Company in the form of GDRs at a price of USD 18.00 per GDR, raising aggregate gross proceeds of USD 300 million (RR 18,916 million). All issued ordinary shares are fully paid.

All the incurred SPO costs were primary direct expenses accounted within share premium.

Basic earnings per share are calculated by dividing the profit or loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year, excluding treasury shares. For the purpose of calculating diluted earnings per share the Group considered the dilutive effect of share options granted under MLTIP.

19 Share Capital, Share Premium and Treasury Shares (Continued)

Earnings per share are calculated as follows:

<i>In millions of RR except for the number of shares</i>	2020	2019
Profit for the year attributable to ordinary shareholders of the Company	44,209	36,122
Weighted average number of ordinary shares in issue used for basic earnings per ordinary share calculation (thousands)	195,962	186,559
Weighted average number of ordinary shares in issue used for diluted earnings per ordinary share calculation (thousands)	197,604	190,070
Basic earnings per ordinary share (expressed in RR per share)	225.60	193.62
Diluted earnings per ordinary share (expressed in RR per share)	223.73	190.05

Information on dividends is disclosed in Note 27.

Reconciliation of the number of shares used for basic and diluted EPS:

<i>In thousands</i>	<i>Note</i>	2020	2019
Weighted average number of ordinary shares in issue used for basic earnings per ordinary share calculation		195,962	186,559
Number of shares attributable for MLTIP		15,290	9,940
Number of shares transferred out of treasury shares upon vesting under the MLTIP to retained earnings or forfeited	38	(8,014)	(6,158)
Number of shares that would have been issued at fair value		(5,634)	(271)
Weighted average number of ordinary shares in issue used for diluted earnings per ordinary share calculation		197,604	190,070

20 Net Margin

<i>In millions of RR</i>	2020	2019
Interest income calculated using the effective interest rate method		
Loans and advances to customers, including:		
<i>Credit card loans</i>	89,253	84,325
<i>Cash loans</i>	11,439	11,878
<i>Secured loans</i>	4,950	2,285
<i>POS loans</i>	4,806	3,452
<i>Car loans</i>	3,342	1,512
<i>Loans to IE and SME</i>	529	325
Debt securities and repurchase receivables at FVOCI	10,510	6,705
Brokerage operations	2,629	184
Placements with other banks and non-bank credit organizations with original maturities of less than three months	626	463
Total interest income calculated using the effective interest rate method	128,084	111,129
Other similar income		
Financial assets at FVTPL	83	118
Total interest income	128,167	111,247
Interest expense calculated using the effective interest rate method		
Customer accounts, including:		
<i>Individuals</i>		
- Current/demand accounts	9,590	8,988
- Term deposits	6,499	7,006
<i>IE and SME</i>	1,022	1,421
<i>Other legal entities</i>	24	40
RR denominated bonds	2,027	1,282
Subordinated debt	1,948	1,846
Due to banks	439	634
Euro-Commercial Paper	32	100
Total interest expense calculated using the effective interest rate method	21,581	21,317
Other similar expense		
Lease liabilities	139	134
Total interest expense	21,720	21,451
Expenses on deposit insurance	1,745	1,870
Net margin	104,702	87,926

21 Fee and Commission Income and Expense

<i>In millions of RR</i>	2020	2019
Fee and commission income		
Acquiring commission	11,049	8,342
SME services commission	7,437	6,757
Brokerage fee	4,998	635
Fee for selling credit protection	4,657	5,550
Interchange fee	3,963	3,473
SMS fee	3,945	3,244
Foreign currency exchange transactions fee	3,943	3,024
Fee for money transfers	3,117	1,980
Income from MVNO services	1,815	890
Cash withdrawal fee	746	720
Marketing services fee	394	340
Replenishment fee	141	141
Other fees receivable	1,404	762
Total fee and commission income	47,609	35,858

SME services commission represents commission for services to individual entrepreneurs and small to medium businesses. Fee for selling credit protection represents fee which the Bank receives for selling voluntary credit insurance to borrowers of the Group. Acquiring commission represents commission for processing card payments from online and offline points of sale. Income from MVNO services represents income from providing mobile services such as full coverage across Russia and international roaming, offering a number of value-added options such as virtual numbers, music and video streaming services, etc.

The Group has refined the presentation of the Group's revenue structure by reclassifying the sum of merchant acquiring fee from SME services commission to acquiring commission. The comparative information was amended accordingly.

<i>In millions of RR</i>	2020	2019
Fee and commission expense		
Payment systems	14,684	10,420
Service fees	2,177	2,043
Banking and other fees	2,225	423
Payment channels	1,288	1,327
Costs of MVNO services	1,225	910
Total fee and commission expense	21,599	15,123

Payment systems fees represent fees for MasterCard, Visa and other payment systems' services. Service fees represent fees for statement printing, mailing service, sms services and others. Payment channels represent fees paid to third parties through whom borrowers make loan repayments. Costs of MVNO services represent expenses for the traffic, telecommunications service and roaming.

Refer to Note 40 that describes the types of revenues recognized on a point in time basis and on the over time basis.

22 Customer Acquisition Expense

<i>In millions of RR</i>	2020	2019
Marketing and advertising	10,636	8,106
Staff costs	6,689	5,916
Taxes other than income tax	1,869	1,413
Partnership expenses	1,065	979
Cards issuing expenses	890	411
Credit bureaux	878	697
Telecommunication expenses	284	326
Other acquisition	277	329
Total customer acquisition expenses	22,588	18,177

Customer acquisition expenses represent expenses paid by the Group on services related to origination of customers which are not directly attributable to the recognised assets and are not incremental. The Group uses a variety of different channels for the acquisition of new customers.

Staff costs represent salary expenses and related costs of employees directly involved in customer acquisition. Included in staff costs are statutory social contributions to the state non-budgetary funds in the amount of RR 1,650 million for the year ended 31 December 2020 (2019: RR 1,561 million).

23 Insurance Premiums Earned and Claims Incurred

<i>In millions of RR</i>	2020	2019
Insurance premiums earned		
Insurance premiums on insurance, co-insurance and reinsurance operations	18,536	16,289
Change in provision for unearned premiums	31	(2,178)
Reinsurers' share	-	(1)
Total Insurance premiums earned	18,567	14,110
Insurance claims incurred		
Insurance claims on insurance, co-insurance and reinsurance operations	(3,500)	(2,923)
Changes in loss provisions	182	(1,243)
Claims handling expenses	(497)	(733)
Reinsurers' share	1	8
Total Insurance claims incurred	(3,814)	(4,891)

The Insurance company provides following types of insurance:

Personal accident insurance and collective insurance against accidents, illnesses or loss of work provides compensation and financial protection in the event of injuries, disability, death or loss of loss of work of the borrower. It is different from life insurance and medical and health insurance. In accordance with the terms of individual insurance contracts, the policyholder and beneficiary is an individual who has entered into an insurance contract. In accordance with the terms of the collective insurance contract, the insurer is the Bank that has concluded the collective insurance contract with the Insurance Company, the beneficiary is the insured individual.

Motor vehicle insurance and property insurance provides compensation for damage to a client's vehicle or other property.

23 Insurance Premiums Earned and Claims Incurred (Continued)

Compulsory third party liability insurance (CTP) contracts provide the insured with financial protection from the risk of civil liability of vehicle owners, which may occur as a result of harm to life, health or property of others when using vehicles.

Voluntary third party (VTP) risk insurance contracts provide the insured with financial protection in case of insufficiency of insurance payment for compulsory third party liability insurance of motor vehicle owners (CTP) to compensate for harm caused to life, health and / or property.

Travel insurance provides compensation in case of medical or other unforeseen expenses of the client while being away from their place of permanent residence.

Staff and administrative expenses for insurance operations are included in Note 24.

24 Administrative and Other Operating Expenses

<i>In millions of RR</i>	Note	2020	2019
Staff costs		24,335	19,204
Amortization of intangible assets	11	1,961	1,331
Depreciation of fixed assets	11	1,617	1,287
Taxes other than income tax		1,421	1,473
Information services		1,299	787
Other provisions		1,206	260
Depreciation of right-of-use assets	11	702	727
Professional services		600	773
Short-term and low-value lease	11	548	410
Collection expenses		393	165
Office maintenance and office supplies		391	383
Communication services		275	280
Security expenses		189	167
Other administrative expenses		684	605
Total administrative and other operating expenses		35,621	27,852

The total fees charged by the Company's statutory auditor for the statutory audit of the annual consolidated and separate financial statements of the Company for the year ended 31 December 2020 amounted to RR 6.9 million (2019: RR 2.8 million). The total fees charged by the Company's statutory auditor for the year ended 31 December 2020 for other assurance services amounted to RR 0.8 million (2019: RR 3.8 million), for tax advisory services amounted to RR 3.4 million (2019: RR 2.3 million) and for other non-assurance services amounted to RR 0.1 million (2019: 2.2 million).

Included in staff costs are statutory social contributions to the non-budget funds and share-based remuneration:

<i>In millions of RR</i>	2020	2019
Statutory social contribution to the non-budget funds	4,223	3,398
Total	4,223	3,398
Share-based remuneration		
- Management long-term incentive programme	1,092	469
- Key employees retention plan	372	-
Total	1,464	469

The average number of employees employed by the Group during the reporting year, including those who are working under civil contracts, was 25,970 (2019: 26,780).

25 Other Operating Income

<i>In millions of RR</i>	2020	2019
Subrogation fee	250	218
Reimbursement fee	190	194
Other	1,005	310
Total other operating income	1,445	722

26 Income Taxes

Income tax expense comprises the following:

<i>In millions of RR</i>	2020	2019
Current tax	10,612	13,844
Deferred tax	1,424	(4,431)
Total income tax expense	12,036	9,413

The income tax rate applicable to the majority of the Group's income is 20% (2019: 20%). The operations of the Group are subject to multiple tax jurisdictions. The income tax rate applicable to the Russian subsidiaries of the Company is 20%. The income tax rate applicable to the Company registered in Cyprus is 12.5% (2019: 12.5%).

A reconciliation between the expected and the actual taxation charge is provided below.

<i>In millions of RR</i>	2020	2019
Profit before tax	56,249	45,536
Theoretical tax expense at statutory rate of 20% (2019: 20%)	11,250	9,107
Tax effect of items, which are not deductible or assessable for taxation purposes:		
- Non-deductible expenses	418	272
- Other expenses including dividend tax	709	38
Unrecognised tax losses	109	226
Effects of different tax rates:		
- Income on government and corporate securities taxed at different rates	(448)	(214)
- Results of companies of the Group taxed at different statutory rates	(2)	(16)
Income tax expenses for the year	12,036	9,413

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

In the context of the Group's current structure and Russian tax legislation, tax losses and current tax assets of different 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.

26 Income Taxes (Continued)

The tax effect of the movements in temporary differences for the year ended 31 December 2020 is detailed below.

<i>In millions of RR</i>	31 December 2019	(Charged)/ credited to profit or loss	Credited to OCI	31 December 2020
Tax effect of deductible and taxable temporary differences				
Loans and advances to customers	3,515	35	-	3,550
Tangible fixed assets	(604)	98	-	(506)
Right-of-use assets	(322)	136	-	(186)
Intangible assets	(271)	26	-	(245)
Revaluation of debt investments at FVOCI	(1,019)	(1,117)	663	(1,473)
Revaluation of debt investments at FVTPL	-	(34)	-	(34)
Accrued expenses and other temporary differences	(187)	564	-	377
Lease liabilities	339	(108)	-	231
Customer accounts	(44)	(9)	-	(53)
Debt securities in issue	(62)	4	-	(58)
Financial derivatives	40	(1,031)	-	(991)
Insurance provisions	(10)	12	-	2
Net deferred tax assets	1,375	(1,424)	663	614

The tax effect of the movements in temporary differences for the year ended 31 December 2019 is detailed below.

<i>In millions of RR</i>	31 December 2018	1 January 2019 (IFRS 16 adoption)	Credited/ (charged) to profit or loss	Charged to OCI	31 December 2019
Tax effect of deductible and taxable temporary differences					
Loans and advances to customers	696	-	2,819	-	3,515
Tangible fixed assets	(601)	-	(3)	-	(604)
Right-of-use assets	-	(334)	12	-	(322)
Intangible assets	(285)	-	14	-	(271)
Revaluation of debt investment at FVOCI	(487)	-	702	(1,234)	(1,019)
Revaluation of debt investment at FVTPL	1	-	(1)	-	-
Accrued expenses and other temporary differences	(773)	-	586	-	(187)
Lease liabilities	-	333	6	-	339
Customer accounts	(21)	-	(23)	-	(44)
Debt securities in issue	(40)	-	(22)	-	(62)
Financial derivatives	(324)	-	364	-	40
Insurance provisions	13	-	(23)	-	(10)
Net deferred tax (liabilities)/assets	(1,821)	(1)	4,431	(1,234)	1,375

27 Dividends

The movements in dividends during the year ended 31 December 2020 and 2019 are as follows:

<i>In millions of RR</i>	2020	2019
Dividends payable at 1 January	582	760
Dividends declared	11,563	5,856
Dividends paid	(11,853)	(5,601)
Foreign exchange differences and other movements	364	(433)
Dividends payable at 31 December	656	582
Dividends per share declared (in USD)	0.80	0.49

Dividends declared in the tables above represent dividends declared by the Board of directors are reduced by RR 74 million for the year ended 31 December 2020 due to dividends on GDRs acquired by the Company from the market not for the immediate purposes of the existing MLTIP (2019: RR 25 million).

On 11 November 2020 the Board of directors declared an interim dividend in line with the current dividend policy of USD 0.25 (RR 19.10) per share/per GDR with a total amount allocated for dividend payment of around USD 49.8 million (RR 3,807 million). Declared dividends were paid in USD on 30 November 2020.

On 5 August 2020 the Board of directors declared an interim dividend in line with the current dividend policy of USD 0.20 (RR 14.68) per share/per GDR with a total amount allocated for dividend payment of around USD 39.9 million (RR 2,925 million). Declared dividends were paid in USD on 24 August 2020.

On 11 May 2020 the Board of directors declared an interim dividend in line with the current dividend policy of USD 0.14 (RR 10.34) per share/per GDR with a total amount allocated for dividend payment of around USD 28 million (RR 2,061 million). Declared dividends were paid in USD on 1 and 2 June 2020.

On 10 March 2020 the Board of directors declared an interim dividend of USD 0.21 (RR 14.18) per share/per GDR with a total amount allocated for dividend payment of around USD 41.9 million (RR 2,826 million). Declared dividends were paid in USD on 30 March and 1 April 2020.

On 13 May 2019 the Board of directors declared an interim dividend of USD 0.17 (RR 11.09) per share/per GDR amounting to USD 31.05 million (RR 2,026 million). Declared dividends were paid in USD on 28 and 30 May 2019.

On 11 March 2019 the Board of directors declared an interim dividend of USD 0.32 (RR 21.11) per share/per GDR amounting to USD 58.4 million (RR 3,855 million). Declared dividends were paid in USD on 25 and 27 March 2019.

Dividends were declared and paid in USD throughout the years ended 31 December 2020 and 2019. Dividends payable at 31 December 2020 related to treasury shares acquired under MLTIP amounting to RR 656 million are included in other non-financial liabilities (31 December 2019: RR 582 million).

28 Reconciliation of Liabilities Arising from Financing Activities

The table below sets out an analysis of the Group's debt and the movements in the Group's debt for each of the periods presented. The debt items are those that are reported as financing in the consolidated statement of cash flows.

<i>In millions of RR</i>	Debt securities in issue	Perpetual subordinated bonds	Lease liabilities	Total
At 31 December 2018	9,605	20,644	-	30,249
Adoption of IFRS 16	-	-	1,665	1,665
Cash flows from repayments	(6,583)	-	(1,087)	(7,670)
Cash flows from proceeds	23,254	46	-	23,300
Foreign exchange adjustments	(432)	(2,267)	-	(2,699)
Other non-cash movements	234	64	1,116	1,414
At 31 December 2019	26,078	18,487	1,694	46,259
Cash flows from repayments	(2,894)	(1,937)	(758)	(5,589)
Cash flows from proceeds	331	710	-	1,041
Foreign exchange adjustments	459	3,609	-	4,068
Other non-cash movements	(64)	(114)	404	226
At 31 December 2020	23,910	20,755	1,340	46,005

29 Financial and Insurance Risk Management

The risk management function within the Group is carried out with respect to financial risks, operational risks and legal risks by the management of the Bank and Insurance Company. Financial risk comprises market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The primary function of financial risk management is to establish risk limits and to ensure that any exposure to risk stays within these limits. The operational and legal risk management functions are intended to ensure the proper functioning of internal policies and procedures in order to minimize operational and legal risks.

Credit risk. The Group exposes itself to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to meet an obligation. Exposure to credit risk arises as a result of the Group's lending and other transactions with counterparties giving rise to financial assets. The Group grants retail loans and SME loans to customers across all regions of Russia, therefore its credit risk is broadly diversified.

The management of the Group takes special measures to mitigate growing credit risk such as decreasing of credit limits for unreliable clients, diversifying of modes of work with overdue borrowers, toughening of scoring for the new borrowers etc., giving rise to financial assets and off-balance sheet credit-related commitments.

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 financial guarantees issued, commitments to extend credit, undrawn credit lines, the maximum exposure to credit risk is the amount of the commitment (Note 31).

29 Financial and Insurance Risk Management (Continued)

The Bank created a credit committee, which establishes general principles for lending to individual borrowers. According to these principles, the minimum requirements for potential customers are listed below:

- Citizenship of the Russian Federation;
- Age from 18 to 70 y.o., but not older than 70 y.o. at the time of loan repayment;
- Availability of a cell-phone;
- Permanent employment;
- Permanent income.

For cash loans, minimum requirements are listed below:

- The requested loan term is from 3 to 36 months;
- Cash loan volumes range between RR 50 thousand and RR 2,000 thousand.

For POS loans minimum requirements are listed below:

- The requested loan amount should exceed RR 3 thousand;
- The requested loan term is from 3 to 36 months;
- The amount of one POS loan does not exceed RR 500 thousand.

For secured loans minimum requirements are listed below:

- The requested loan secured with a car amount should be between RR 100 thousand and RR 3,000 thousand, loan term is from 3 months to 5 years. The requirement for the car is in good condition of driving with an age not more than 15 years, availability of a vehicle registration certificate and vehicle passport;
- The requested loan secured with a real estate amount should be between RR 200 thousand and RR 15,000 thousand, loan term is from 3 months to 15 years. The requirement for the real estate is an apartment in the apartment building within the Russian Federation, which is free from any encumbrances.

For car loans minimum requirements are listed below:

- The requested loan term is from 1 to 5 years;
- Car loan volumes up to RR 3,000 thousand;
- The requirement for the car is with an age not more than 18 years and availability of vehicle passport.

For loans to SME minimum requirements are listed below:

- Working capital loan: loan volumes up to RR 10,000 thousand and loan term to 6 months;
- Credit for individual entrepreneurs for any purpose: loan volumes up to RR 2,000 thousand and loan term to 36 months;
- Credit for individual entrepreneurs secured by real estate: loan volumes up to RR 15 million and loan term to 15 years. The requirement for the real estate is an apartment in the apartment building within the Russian Federation, which is free from any encumbrances;
- Investment credit line secured by real estate: loan volumes up to RR 15 million and loan term to 5 years. The requirement for the real estate is an apartment in the apartment building within the Russian Federation, which is free from any encumbrances;
- For SME with a turnover from RR 120 million per year: loan volumes up to RR 60 million and loan term to 5 years.

29 Financial and Insurance Risk Management (Continued)

A credit decision process includes:

- Validation of the application data. The system checks the validity of the data provided (addresses, telephone numbers, age, if the applicant already uses any other products of the Bank);
- Phone verification of the application information about the potential customer, his/her employment, social and property status, etc. This step may be omitted for POS loans;
- Requesting of the previous credit history of the applicant from the three largest credit bureaus in Russia – Equifax, UCB (United Credit Bureau) and NBCH (National Bureau of Credit Histories);
- Based on all available information, the credit score of the applicant is calculated and a final decision is made about the approval of the credit product;
- The approved loan amount, loan term and tariff plan are calculated depending on the score and declared income.

Management of the Group manages the credit risk on unused limits on credit cards in the following way:

- a) if the credit card loan is overdue for more than 7 days, its account will be blocked till repayment;
- b) if the borrower had lost his/her source of income, then borrower account might be blocked till verification of his/her new employment;
- c) if borrower's loan debt burden in other banks is substantially bigger than at the time of loan origination or the credit quality of the borrower decreases significantly then the borrower's limit for credit might be reduced accordingly.

When a customer experiences serious difficulties with his/her current debt servicing, he/she may be offered loan restructuring. In this case the Bank stops accrual of interest, commissions and fines and the debt amount is restructured according to a fixed instalment payment plan with not more than 36 equal monthly payments. Another way of working with overdue loans is initiation of the state court process. This collection option statistically gives greater recovery than the sale of credit-impaired loans. Defaulted clients that could be subject to the court process are chosen by the Bank's Collection Department considering the following criteria:

- a) the client's account balance was fixed, accrual of interest stopped;
- b) information about the client is considered to be up to date;
- c) the client denied restructuring program;
- d) term of limitation of court actions has not expired;
- e) court process is economically justified.

When loans become unrecoverable or not economically viable to pursue further collection efforts, the Collection Department may decide to sell these loans to a debt collection agency. The Collection Department considers the following criteria for credit-impaired loans qualifying for sale to external debt collection agencies:

- a) loans remain unpaid after all collection procedures were performed (no payment during last 4-6 months);
- b) the debtor cannot be either reached or found for the previous 4 months;
- c) the debtor has no assets and there is no expectation he/she will have any in the future;
- d) the debtor has died and there is no known estate or guarantor;
- e) it is determined that it is not cost effective to continue collection efforts.

29 Financial and Insurance Risk Management (Continued)

Credit risk grading system. For measuring credit risk and grading financial instruments except for loans and advances to customers by the level of credit risk, the Group applies risk grades estimated by external international rating agencies in case these financial instruments have risk grades estimated by external international rating agencies (using Fitch ratings and in case of their absence - Moody's or Standard & Poor's ratings adjusting them to Fitch's categories using a reconciliation table):

Master scale credit risk grade	Corresponding ratings of external international rating agency (Fitch)
Excellent	AAA, AA+ to AA-, A+ to A-
Good	BBB+ to BBB-, BB+
Monitor	BB to B+
Sub-standard	B, B-
Doubtful	CCC+ to CC-
Default	C, D

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

- *Excellent* – high credit quality with lowest or very low expected credit risk;
- *Good* – good credit quality with currently low expected credit risk;
- *Monitor* – adequate credit quality with a moderate credit risk;
- *Sub-standard* – moderate credit quality with a satisfactory credit risk;
- *Doubtful* – facilities that require closer monitoring and remedial management; and
- *Default* – facilities in which a default has occurred.

For measuring credit risk and grading loans and advances to customers, credit related commitments and those financial instruments which do not have risk grades estimated by external international rating agencies, the Group applies risk grades and the corresponding range of probabilities of default (PD):

Master scale credit risk grade	Corresponding interval
Excellent	For credit cards: non-overdue with PD < 5%; for other types of loans: non-overdue for the last 12 months with PD < 5% or with early repayments
Good	all other non-overdue loans
Monitor	1-30 days overdue for all types of loans or without first due date for credit card loans
Sub-standard	31-90 days overdue or restructured loans
NPL	0-90 days overdue 90+ days overdue

The condition of early repayments is satisfied, as described in the table above, if cumulative amount of early repayments exceed 5% of the gross carrying amount at the date of recognition of the loan.

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

- *Excellent* – strong credit quality with minimum expected credit risk;
- *Good* – adequate credit quality with low expected credit risk;
- *Monitor* – adequate credit quality with a moderate credit risk and credit cards loans before the first due date;
- *Sub-standard* – low credit quality with a substantial credit risk, includes restructured loans that are less than 90 days overdue;
- *NPL* – non-performing loans, credit-impaired loans more than 90 days overdue.

29 Financial and Insurance Risk Management (Continued)

The rating models are regularly reviewed by the Credit Risk Department, backtested on actual default data and updated if necessary. Despite the method used, the Group regularly validates the accuracy of ratings estimates and appraises the predictive power of the models.

Expected credit loss (ECL) measurement – definitions and description of estimation techniques. 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). ECL measurement is based on the following components used by the Group:

Default occurs when a financial asset is 90 days past due or less than 90 days overdue but with the final statement issued, i.e. the limit is closed, the balance is fixed, interest and commissions are no longer accrued.

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

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

Loss Given Default (LGD) – an estimate of the loss arising on default as a percentage of the EAD. It is based on the difference between the contractual cash flows due and those that the Group would expect to receive.

Discount Rate – a rate to discount an expected loss to its present value at the reporting date. The discount rate represents the effective interest rate (EIR) for the financial instrument or an approximation thereof.

Lifetime period – the maximum period over which ECL should be measured. For loans with fixed maturity, the lifetime period is equal to 20 months. For revolving facilities, it is based on statistics of the average period between the moment of the loan falling into the Stage 2 until the write-off or attrition. Currently the Group estimates that this period equals to 4 years, though it is subject to periodical reassessment.

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

12-month ECL – the portion of lifetime ECLs that represent the ECLs resulting from default events on a financial instrument that are possible within 12 months after the reporting date that are limited by the remaining contractual life of the financial instrument.

Forward looking information – the information that includes the key macroeconomic variables impacting credit risk and expected credit losses for each portfolio segment. A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information.

Credit Conversion Factor (CCF) – a coefficient that shows that the probability of conversion of an off-balance sheet amount to exposure on the consolidated statement of financial position within a defined period. It can be calculated for a 12-month or lifetime period. Based on the analysis performed, the Group considers that 12-month and lifetime CCFs are the same.

Purchased or originated credit-impaired (POCI) financial assets - financial assets that are credit-impaired upon initial recognition.

29 Financial and Insurance Risk Management (Continued)

Default and credit-impaired assets – assets for which a default event has occurred.

The default definition stated above should be applied to all types of financial assets of the Group.

An instrument is considered to no longer be in default (i.e. to have “cured”) when it no longer meets any of the default criteria.

Significant increase in credit risk (SICR) – the SICR assessment is performed on an individual basis for all financial assets by monitoring the triggers stated below. The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by the Group’s Risk Management Department.

The Group considers a financial instrument to have experienced a SICR when one or more of the following quantitative, qualitative or backstop criteria have been met.

For interbank operations, bonds issued by banks and bonds issued by corporates and sovereigns:

- 30 days past due;
- award of risk grade “Doubtful”;
- decrease of assigned external rating by 2 notches, which corresponds to an approximate increase of PD by 2.5 times.

For credit card loans:

- 30 days past due; or
- threshold defined on an individual basis using existing scoring models: increase of the 12-month PD compared to 12-month PD estimated 18 months ago or as of the date of initial recognition (if it occurred less than 18 months ago) by 3 times or PD reaching 50% and above. 18-month period was determined as the weighted average period of the most recent date where the credit limit was revised by at least 25%, which is considered to be a substantial revision.

For all other loans:

- 30 days past due; or
- if the loans were past due for more than 30 days during the last 6 months or if the loans fell past due during the last 4 months more than once.

If the SICR criteria are no longer met, the instrument will be transferred back to Stage 1.

General principle of techniques applied

For non-POCI financial assets, ECLs are generally measured based on the risk of default over one of two different time periods, depending on whether or not the credit risk of the borrower has increased significantly since initial recognition.

This approach can be summarised in a three-stage model for ECL measurement:

- Stage 1 – a financial instrument that is not credit-impaired on initial recognition and its credit risk has not increased significantly since initial recognition, the loss allowance is based on 12-month ECLs;
- Stage 2 – if since the date, which was assumed to be the date of initial recognition is identified a SICR, the financial instrument is moved to Stage 2 but is not yet deemed to be credit-impaired, the loss allowance is based on lifetime ECLs;
- Stage 3 – if the financial instrument is credit-impaired or restructured, the financial instrument is then moved to Stage 3 and the loss allowance is based on lifetime ECLs.

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.

29 Financial and Insurance Risk Management (Continued)

The Group carries out two separate approaches for ECL measurement:

- for loans and advances to customers: assessment on a portfolio basis: internal ratings are estimated on an individual basis but the same credit risk parameters (e.g. PD, LGD) are applied during the process of ECL calculations for the same credit risk ratings and homogeneous segments of the loan portfolio;
- for all other financial assets except FVTPL: assessment based on external ratings.

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

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.

Examples of shared characteristics include type of customer, product type, credit risk rating, date of initial recognition, overdue level and repayment statistics.

The different segments reflect differences in PD. The appropriateness of groupings is monitored and reviewed on a periodic basis by the Risk Management Department.

In general, ECL is the multiplication of the following credit risk parameters: EAD, PD and LGD (definitions of the parameters are provided above). The general approach used for ECL calculation is stated below.

$$ECL = PD_{t_i} \cdot EAD_{t_i} \sum_{i=0}^{N-1} \frac{LGD_{t_i}}{(1 + EIR)^{t_i}}$$

where:

PD_{t_i} – probability of default in moment t_i (can't be higher than 100%);

EAD_{t_i} - exposure at default in moment t_i ;

LGD_{t_i} - loss given default in moment t_i ;

t_i – number of months in the loan's lifetime;

EIR – effective interest rate;

N – remaining amount of payments.

The ECL is determined by predicting credit risk parameters (EAD, PD and LGD) for each future month during the lifetime period for each exposure or segment. These three components are multiplied together. This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed up. The discount rate used in the ECL calculation is the effective interest rate or an approximation thereof.

The EADs are determined based on the expected payment profile, on an individual basis. For revolving products, the EAD is predicted by taking the current withdrawn balance and adding a "credit conversion factor" that accounts for the expected drawdown of the remaining limit of utilised loans by the time of default. These assumptions vary by product type, current limit utilisation and other borrower-specific behavioural characteristics. For other products EAD is equal to current exposure as there is no credit limit to utilize.

29 Financial and Insurance Risk Management (Continued)

Two types of PDs are used for calculating ECLs: 12-month and lifetime PD:

- 12-month PDs – the estimated probability of a default occurring within the next 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 using borrower-specific behavioural characteristics and adjusted for forward-looking information when appropriate. Based on borrower-specific PDs the exposures are allocated to segments to which average PD for the segment is applied.
- 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 and Stage 3 exposures. An assessment of a lifetime PD is based on the latest available historic default data using product specific lifetime periods defined above. To calculate Lifetime PD, the Group developed lifetime PD curves based on the 12-month PD data.

LGD represents the Group's expectation of the extent of loss on a defaulted exposure. For credit card loans, cash loans and POS loans LGDs are calculated on portfolio basis based on recovery statistics of defaulted loans over the period of 24 or 36 months. For secured loans, car loans and loans to SME LGDs are calculated using current market data in relation to the expected recoveries.

ECL measurement for loan commitments. The ECL measurement for these instruments 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. CCF for undrawn credit limits of credit cards and overdrafts is defined based on statistical analysis of exposures at default.

Principles of assessment based on external ratings – the principles of ECL calculations based on external ratings are the same as for their assessment on a portfolio basis. Credit risk parameters (PD and LGD) are taken from the default and recovery statistics published by international rating agencies (Fitch and in case of their absence - Moody's or Standard & Poor's).

Forward-looking information incorporated in the ECL models. The calculation of ECLs incorporates forward-looking information. The Group has performed historical analysis and identified the key economic variables impacting credit risk and ECLs for each portfolio. The list of variables:

- Russian stock market index MOEX;
- Moscow Prime Offered Rate;
- Debt load of Russian population based on statistics from bureaus of credit history.

The impact of these economic variables on the ECL has been determined by performing statistical regression analysis in order to understand the way how changes in these variables historically impacted default rates. Three different scenarios are used: base, optimistic and pessimistic. The scenarios are weighted accordingly with base scenario having the 71.1% (2019: 90.8%) weight, optimistic scenario having the 0.1% (2019: 1.3%) weight and pessimistic scenario having the 28.8% (2019: 7.9%) weight.

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 on a quarterly basis.

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

Market risk. The Group takes on exposure to market risks. Market risks of the Group arise from open positions in (a) currency and (b) interest rate, both of which are exposed to general and specific market movements. The priority goal of market risk management is to maintain the risks assumed by the Group at a level determined by the Group in accordance with its own strategic objectives. Management sets limits on the value of risk that may be accepted, which is monitored on a daily basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

29 Financial and Insurance Risk Management (Continued)

Currency risk. In respect of currency risk, the management sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily.

The table below summarizes the Group's exposure to foreign currency exchange rate risk at the end of the year:

<i>In millions of RR</i>	31 December 2020				At 31 December 2019			
	Non-derivative monetary financial assets	Non-derivative monetary financial liabilities	Derivatives	Net position	Non-derivative monetary financial assets	Non-derivative monetary financial liabilities	Derivatives	Net position
RR	674,171	(545,395)	(24,276)	104,500	491,635	(390,010)	(12,995)	88,630
USD	116,693	(140,851)	29,207	5,049	46,930	(62,098)	13,422	(1,746)
Euro	35,019	(31,909)	(5)	3,105	18,902	(20,261)	(595)	(1,954)
GBP	1,405	(1,414)	-	(9)	677	(675)	(32)	(30)
Others	1,942	(2,455)	-	(513)	87	(788)	-	(701)
Total	829,230	(722,024)	4,926	112,132	558,231	(473,832)	(200)	84,199

Derivatives presented above are monetary financial assets or monetary financial liabilities but are presented separately in order to show the Group's gross exposure. Amounts disclosed in respect of derivatives represent the fair value, at the end of the reporting period, of the respective currency that the Group agreed to buy (positive amount) or sell (negative amount) before netting of positions and payments with the counterparty. The amounts by currency are presented gross as stated in Note 35.

The net total represents the fair value of the currency derivatives. The above analysis includes only monetary assets and liabilities.

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:

<i>In millions of RR</i>	31 December 2020		At 31 December 2019	
	Impact on profit for the year	Impact on total equity	Impact on profit for the year	Impact on total equity
USD strengthening by 20% (2019: by 20%)	794	794	(277)	(277)
USD weakening by 20% (2019: by 20%)	(794)	(794)	277	277
Euro strengthening by 20% (2019: by 20%)	488	488	(310)	(310)
Euro weakening by 20% (2019: by 20%)	(488)	(488)	310	310
GBP strengthening by 20% (2019: by 20%)	(1)	(1)	(5)	(5)
GBP weakening by 20% (2019: by 20%)	1	1	5	5

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 reduce or create losses in the event that unexpected movements arise. Management monitors on a daily basis and sets limits on the level of mismatch of interest rate repricing that may be undertaken.

29 Financial and Insurance Risk Management (Continued)

The Group is exposed to prepayment risk through providing fixed rate loans, which give the borrower the right to repay the loans early. The Group's current year profit and equity at the end of the current reporting period would not have been significantly impacted by changes in prepayment rates because such loans are carried at amortised cost and the prepayment right is at or close to the amortised cost of the loans and advances to customers (2019: no material impact).

The table below summarizes 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, categorized by the earlier of contractual interest repricing or maturity dates:

<i>In millions of RR</i>	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 3 years	More than 3 years	Total
31 December 2020						
Total financial assets	249,316	149,031	77,988	138,248	219,682	834,265
Total financial liabilities	(379,481)	(165,961)	(75,564)	(90,975)	(10,152)	(722,133)
Net interest sensitivity gap at 31 December 2020	(130,165)	(16,930)	2,424	47,273	209,530	112,132
31 December 2019						
Total financial assets	136,773	153,392	66,962	121,755	80,306	559,188
Total financial liabilities	(200,447)	(155,323)	(62,923)	(44,109)	(12,187)	(474,989)
Net interest sensitivity gap at 31 December 2019	(63,674)	(1,931)	4,039	77,646	68,119	84,199

The Group has no significant risk associated with variable interest rates on loans and advances provided to customers or loans received.

The aim of interest rate risk management is to maintain the risks assumed by the Group within the limits determined by the Group in accordance with its own strategic objectives. The interest rate risk is managed by setting caps and floors in relation to interest rates on financial assets and liabilities depending on their types and maturities and balancing the assets and liabilities which are sensitive to changes in interest rates.

The assessment of the magnitude of interest rate risk is carried out by performing a sensitivity analysis which imply assessment of impact on net interest income of a shift in interest rates by 200 basis points. At 31 December 2020, if interest rates at that date had been 200 basis points lower/higher (2019: 200 basis points), with all other variables held constant, profit for the year would have been RR 2,243 million (2019: RR 1,684 million) lower/higher, equity would have been RR 2,243 million (2019: RR 1,684 million) lower/higher.

29 Financial and Insurance Risk Management (Continued)

The Group monitors interest rates for its financial instruments. The table below summarizes interest rates for the years 2020 and 2019 based on reports reviewed by key management personnel. For securities, the interest rates represent yields to maturity based on market quotations at the reporting date:

<i>In % p.a.</i>	31 December 2020					At 31 December 2019				
	RR	USD	EURO	GPB	Other	RR	USD	EURO	GPB	Other
Assets										
Cash and cash equivalents	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans and advances to customers	33.5	-	1.7	-	-	37.2	-	-	-	-
Due from banks	3.2	-	-	-	-	5.3	1.6	-	-	-
Investments in securities	6.9	2.6	1.3	-	-	7.9	4.3	2.4	-	-
Repurchase receivables	6.9	3.3	-	-	-	6.5	4.3	3.1	-	-
Brokerage receivables	15.5	15.4	13.5	-	-	15.4	14.7	13.7	-	-
Liabilities										
Due to banks	4.4	0.0	-	-	-	6.2	0.0	-	-	-
Customer accounts	3.3	0.5	0.1	0.1	0.0	5.1	1	0.1	0.1	0.0
Debt securities in issue	8.6	-	-	-	-	9.0	3.8	1.2	-	-
Brokerage payables	15.6	15.6	-	-	-	15.8	15.3	-	-	-
Subordinated debt	-	10.0	-	-	-	-	10.0	-	-	-

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

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

<i>In millions of RR</i>	Russia	OECD	Other Non-OECD	Listed	Total
Financial assets					
Cash and cash equivalents	128,536	7,815	-	-	136,351
Mandatory cash balances with the CBRF	5,379	-	-	-	5,379
Due from other banks	1,887	-	-	-	1,887
Loans and advances to customers	374,629	-	1,892	-	376,521
Financial derivatives	5,035	-	-	-	5,035
Investments in securities	231,872	-	6,582	-	238,454
Repurchase receivables	29	-	-	-	29
Brokerage receivables	24,064	-	-	-	24,064
Guarantee deposits with payment systems	672	14,803	-	-	15,475
Other financial assets	30,912	-	158	-	31,070
Total financial assets	803,015	22,618	8,632	-	834,265
Financial liabilities					
Due to banks	4,819	-	-	-	4,819
Customer accounts	626,837	-	-	-	626,837
Debt securities in issue	-	-	-	23,910	23,910
Financial derivatives	109	-	-	-	109
Brokerage payables	9,206	-	-	-	9,206
Subordinated debt	-	-	-	20,755	20,755
Insurance provisions	2,160	-	-	-	2,160
Other financial liabilities	34,291	-	46	-	34,337
Total financial liabilities	677,422	-	46	44,665	722,133
Credit related commitments (Note 31)	204,868	-	-	-	204,868

29 Financial and Insurance Risk Management (Continued)

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

<i>In millions of RR</i>	Russia	OECD	Other Non-OECD	Listed	Total
Financial assets					
Cash and cash equivalents	52,661	2,903	-	-	55,564
Mandatory cash balances with the CBRF	3,448	-	-	-	3,448
Due from other banks	2,084	-	-	-	2,084
Loans and advances to customers	329,175	-	-	-	329,175
Financial derivatives	390	-	-	-	390
Investments in securities	134,765	413	-	-	135,178
Brokerage receivables	2,799	-	-	-	2,799
Guarantee deposits with payment systems	501	8,376	-	-	8,877
Other financial assets	21,673	-	-	-	21,673
Total financial assets	547,496	11,692	-	-	559,188
Financial liabilities					
Due to banks	23	-	-	-	23
Customer accounts	411,504	-	110	-	411,614
Debt securities in issue	2,460	-	-	23,618	26,078
Financial derivatives	590	-	-	-	590
Brokerage payables	1,207	-	-	-	1,207
Subordinated debt	-	-	-	18,487	18,487
Insurance provisions	2,342	-	-	-	2,342
Other financial liabilities	14,589	59	-	-	14,648
Total financial liabilities	432,715	59	110	42,105	474,989
Credit related commitments (Note 31)	168,059	-	-	-	168,059

Assets, liabilities and credit related commitments have been based on the country in which the counterparty is located. Cash on hand has been allocated based on the country in which they are physically held. Balances with Russian counterparties actually outstanding to/from offshore companies of these Russian counterparties, are allocated to the caption "Russia".

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 net assets. The Group did not have any such significant risk concentrations at 31 December 2020 and 2019.

Liquidity risk. Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group is exposed to daily calls on its available cash resources from unused limits on issued credit cards, retail deposits from customers, current accounts and due to banks. The Group does not maintain cash resources to meet all of these needs as experience shows that only a certain level of calls will take place and it can be predicted with a high level of certainty. Liquidity risk is managed by the Financial Committee of the Bank. The Group seeks to maintain a stable funding base primarily consisting of amounts due to institutional investors, corporate and retail customer deposits and debt securities. The Group keeps all available cash in diversified portfolios of liquid instruments such as a correspondent account with CBRF and overnight placements in high-rated commercial banks, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements. The available cash at all times exceeds all accrued financing costs falling due within half a year plus two months of regular operating costs.

29 Financial and Insurance Risk Management (Continued)

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 liquidity analysis takes into account the covenant requirements and ability of the Group to waive any potential breaches within the grace period. The Bank calculates liquidity ratios on a daily basis in accordance with the requirements of the CBRF. The Bank has complied with these ratios throughout 2020 and 2019. The CFO receives information about the liquidity profile of the financial assets and liabilities. This includes daily, weekly, monthly and quarterly updates on the level of credit card transactions and repayments, statistics on credit card issuance and credit card limit utilisation, inflow and outflow of retail deposits, changes in the investment securities portfolio, level of expected outflows such as operating costs and financing activities. The CFO then ensures the availability of an adequate portfolio of short-term liquid assets, made up of an amount on the correspondent account with the CBRF and overnight deposits with banks, to ensure that sufficient liquidity is maintained within the Group as a whole. Regular liquidity stress testing under a variety of scenarios covering both normal and more severe market conditions and credit card portfolio behaviour is reviewed by the CFO.

The table below shows liabilities at 31 December 2020 by their remaining contractual maturity. The amounts of liabilities disclosed in the maturity table are the contractual undiscounted cash flows and gross loan commitments. Such undiscounted cash flows differ from the amount included in the consolidated statement of financial position because the consolidated statement of financial position amount 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 reporting date. Foreign currency payments are translated using the spot exchange rate at the end of the reporting period.

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

	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Total
<i>In millions of RR</i>						
Liabilities						
Due to banks	-	-	-	-	4,819	4,819
Customer accounts	335,710	84,412	80,149	80,306	49,184	629,761
Debt securities in issue	173	316	515	1,930	23,245	26,179
Financial derivatives	51	198	251	501	25,842	26,843
Brokerage payables	9,206	-	-	-	-	9,206
Subordinated debt	168	322	496	998	22,126	24,110
Insurance provisions	345	207	953	358	297	2,160
Other financial liabilities	34,337	-	-	-	-	34,337
Lease liabilities	64	102	166	330	686	1,348
Credit related commitments (Note 31)	204,868	-	-	-	-	204,868
Total potential future payments for financial obligations	584,922	85,557	82,530	84,423	126,199	963,631

29 Financial and Insurance Risk Management (Continued)

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

<i>In millions of RR</i>	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Total
Liabilities						
Due to banks	23	-	-	-	-	23
Customer accounts	189,176	84,108	70,530	60,627	11,605	416,046
Debt securities in issue	168	338	487	2,082	23,795	26,870
Financial derivatives	-	199	203	399	19,833	20,634
Brokerage payables	1,207	-	-	-	-	1,207
Subordinated debt	149	291	440	891	18,541	20,312
Insurance provisions	463	917	438	296	228	2,342
Other financial liabilities	14,648	-	-	-	-	14,648
Lease liabilities	11	109	111	209	1,254	1,694
Credit related commitments (Note 31)	168,059	-	-	-	-	168,059
Total potential future payments for financial obligations	373,904	85,962	72,209	64,504	75,256	671,835

Financial derivatives receivable and payable are disclosed in the Note 35. The tables above present only the gross payables.

Insurance provisions are disclosed in the table above based on their expected maturities.

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.

The Group takes on exposure to liquidity risk, which is the risk of cash surplus in case of assets-liabilities cash-flow profile mismatch. Exposure to liquidity risk arises as a result of the Group's borrowing and operational activities that assume cash payment obligations. The Group uses daily, short-term and long-term reporting, stress-testing and forecasting practices to monitor and prevent potential liquidity problems. The Group is actively increasing the number of counterparties for interbank lending, looks for new wholesale markets, improves and creates additional debit and credit products to have more instruments over cash-flow management. The recent economic situation has resulted in increased liquidity risk.

In response the management of the Group preserves cash safety cushions for possible cash outflows and has planned Group's liquidity position for the next year to ensure it can cover all upcoming payment obligations.

29 Financial and Insurance Risk Management (Continued)

The expected maturity analysis of financial instruments at carrying amounts as monitored by management at 31 December 2020 is presented in the table below.

<i>In millions of RR</i>	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years	Total
Assets							
Cash and cash equivalents	136,351	-	-	-	-	-	136,351
Mandatory cash balances with the CBRF	2,756	546	454	531	1,092	-	5,379
Due from other banks	-	-	-	-	1,887	-	1,887
Loans and advances to customers	52,623	67,843	69,011	72,407	98,002	16,635	376,521
Financial derivatives	82	-	-	-	4,953	-	5,035
Investments in securities	238,454	-	-	-	-	-	238,454
Repurchase receivables	29	-	-	-	-	-	29
Brokerage receivables	24,064	-	-	-	-	-	24,064
Guarantee deposits with payment systems	2,163	2,788	2,836	2,976	4,028	684	15,475
Other financial assets	30,820	44	21	12	173	-	31,070
Total financial assets	487,342	71,221	72,322	75,926	110,135	17,319	834,265
Liabilities							
Due to banks	-	-	-	-	4,819	-	4,819
Customer accounts	321,104	63,601	52,958	61,899	127,275	-	626,837
Debt securities in issue	-	870	944	981	11,281	9,834	23,910
Financial derivatives	76	-	-	-	33	-	109
Brokerage payables	9,206	-	-	-	-	-	9,206
Subordinated debt	-	481	481	961	18,832	-	20,755
Insurance provisions	345	207	953	358	297	-	2,160
Other financial liabilities	34,337	-	-	-	-	-	34,337
Total financial liabilities	365,068	65,159	55,336	64,199	162,537	9,834	722,133
Net liquidity gap at 31 December 2020	122,274	6,062	16,986	11,727	(52,402)	7,485	112,132
Cumulative liquidity gap at 31 December 2020	122,274	128,336	145,322	157,049	104,647	112,132	-

Provision for unearned premiums in the amount of RR 3,907 million is not included in the insurance provisions stated above. Refer to Note 17.

29 Financial and Insurance Risk Management (Continued)

The expected maturity analysis of financial instruments at carrying amounts as monitored by management at 31 December 2019 is presented in the table below.

<i>In millions of RR</i>	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years	Total
Assets							
Cash and cash equivalents	55,564	-	-	-	-	-	55,564
Mandatory cash balances with the CBRF	1,508	510	346	513	571	-	3,448
Due from other banks	-	-	46	-	2,038	-	2,084
Loans and advances to customers	48,391	63,640	63,466	61,884	79,105	12,689	329,175
Financial derivatives	-	-	-	-	390	-	390
Investments in securities	135,178	-	-	-	-	-	135,178
Brokerage receivables	2,799	-	-	-	-	-	2,799
Guarantee deposits with payment systems	1,304	1,717	1,712	1,669	2,133	342	8,877
Other financial assets	21,569	63	20	10	11	-	21,673
Total financial assets	266,313	65,930	65,590	64,076	84,248	13,031	559,188
Liabilities							
Due to banks	23	-	-	-	-	-	23
Customer accounts	180,017	60,879	41,259	61,298	68,161	-	411,614
Debt securities in issue	-	411	599	1,008	12,463	11,597	26,078
Financial derivatives	-	-	-	-	590	-	590
Brokerage payables	1,207	-	-	-	-	-	1,207
Subordinated debt	-	158	-	-	18,329	-	18,487
Insurance provisions	463	917	438	296	228	-	2,342
Other financial liabilities	14,648	-	-	-	-	-	14,648
Total financial liabilities	196,358	62,365	42,296	62,602	99,771	11,597	474,989
Net liquidity gap at 31 December 2019	69,955	3,565	23,294	1,474	(15,523)	1,434	84,199
Cumulative liquidity gap at 31 December 2019	69,955	73,520	96,814	98,288	82,765	84,199	-

Provision for unearned premiums in the amount of RR 1,760 million is not included in the insurance provisions stated above. Refer to Note 17.

As at the 31 December 2020 all the investment in debt securities are classified within demand and less than one month as they are easy repoable in CBR or on the open market securities and can provide immediate liquidity to the Group. All current accounts of individuals are classified within demand and less than one month (2019: the same).

The allocation of deposits of individuals considers the statistics of autoprolongations and top-ups of longer deposits with the funds from shorter deposits after their expiration in case when the customers have more than one active deposit. 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.

29 Financial and Insurance Risk Management (Continued)

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.

Management believes that in spite of a substantial portion of customer accounts being on demand, diversification of these deposits by number and type of depositors, and the past experience of the Group would indicate that these customer accounts provide a long-term and stable source of funding for the Group.

Insurance risk. Insurance risk is the risk associated with insurance contracts, consisting in the possibility of the occurrence of an insurance event and the uncertainty of the amount and time of occurrence of the loss associated with it.

The insurance risk management process covers all stages, from the stage of development of insurance rates to the settlement of losses.

The main steps in the insurance risk management process include:

- Underwriting and regulation of tariff policy;
- Efficiency of the loss settlement process;
- Diversification of the insurance portfolio.

Tariff policy. The process of underwriting and regulation of the tariff policy includes the formation of tariffs for certain areas of activity based on the analysis of results for previous periods, existing market conditions and the Insurance Company's strategy.

The insurance tariff is set on the basis of the analysis of the expected loss ratio based on Group's insurance portfolio and similar products on the market, the commission ratio based on the analysis of product profitability and commission rates for similar products on the market, and the analysis of the average market rate. When developing tariffs, factors such as expected inflation and changes in the legislation of the Russian Federation are also taken into account.

The Insurance Company monitors the correctness of the calculation of the insurance premium under the insurance contract by analyzing, on a regular basis, the deviations of the actual received premiums from the estimated premiums.

Loss settlement process. In accordance with the insurance contract, the policyholder is obliged to notify the insurance company of a loss within a certain period of time. Losses are settled by specialized units, other than selling business units. The insurance claims will be paid only after receiving all the necessary documents confirming the fact of the insured event. Also, if necessary, economic security department and legal department are involved in checking documents for settlement of losses. If at the time of payment of the insurance claims the policyholder had outstanding debt of the insurance premium, the unpaid part is deducted from the amount of compensation.

If there is a third party that caused an insurance loss to the insured client, the Group has a right to pursue third parties responsible for loss for payment of some or all costs related to the claims settlement process of the Group.

Diversification of the insurance portfolio. To reduce insurance risk, the Group also uses the diversification of its insurance portfolio - it insures a large number of small risks, which, in particular, is achieved through the remote provision of insurance services almost throughout the Russian Federation. The company does not operate outside the Russian Federation and is exposed to risks associated with the geographical features of the regions of the Russian Federation.

Sensitivity analysis. The following analyses the possible changes in the key assumptions used in the calculation of insurance liabilities under contracts other than life insurance, provided that the other assumptions are constant. This analysis reflects the impact on gross and net liabilities, profit before tax and equity of the Group.

29 Financial and Insurance Risk Management (Continued)

Effect of changes in the key assumptions as at 31 December 2020:

<i>In millions of RR except for the number of claims</i>	Change in assumptions	Effect on insurance obligations other than life insurance	Effect on the reinsurers' share in insurance obligations other than life insurance	Effect on profit before tax	Effect on equity
The average cost of insurance claims	– 10%	(180)	1	179	143
	+ 10%	180	(1)	(179)	(143)
The average number of claims	– 10%	(180)	1	179	143
	+ 10%	180	(1)	(179)	(143)

Effect of changes in the key assumptions as at 31 December 2019:

<i>In millions of RR except for the number of claims</i>	Change in assumptions	Effect on insurance obligations other than life insurance	Effect on the reinsurers' share in insurance obligations other than life insurance	Effect on profit before tax	Effect on equity
The average cost of insurance claims	– 10%	(193)	1	193	154
	+ 10%	193	(1)	(193)	(154)
The average number of claims	– 10%	(193)	1	(193)	154
	+ 10%	193	(1)	193	(154)

30 Management of Capital

The Group's objectives when managing capital are (i) for the Bank to comply with the capital requirements set by the Central Bank of Russian Federation (CBRF), (ii) for the Insurance Company to comply with the capital requirements set by the legislation of the Russian Federation, (iii) for the Group to comply with the financial covenants set by the terms of securities issued; (iv) to safeguard the Group's ability to continue as a going concern.

The Group considers total capital under management to be equity attributable to shareholders of the Company as shown in the consolidated statement of financial position. The amount of capital that the Group managed as of 31 December 2020 was RR 127,016 million (31 December 2019: RR 96,082 million).

Compliance with capital adequacy ratios set by the CBRF is monitored daily and submitted to the CBRF monthly with reports outlining their calculation reviewed and signed by the Bank's Chief Executive Officer and Chief Accountant. Other objectives of capital management are evaluated annually. The amount of regulatory capital of Tinkoff Bank calculated in accordance with the methodology set by CBRF as at 31 December 2020 was RR 121,350 million, and the equity capital adequacy ratio (N1.0) was 13.07% (31 December 2019: RR 99,731 million and 12.12%). Minimum required statutory equity capital adequacy ratio (N1.0) was 8% as at 31 December 2020 (31 December 2019: 8%).

30 Management of Capital (Continued)

The Group also monitors capital requirements including capital adequacy ratio under the Basel III methodology of the Basel Committee on Banking Supervision: global regulatory framework for more resilient banks and banking systems (hereinafter “Basel III”). The composition of the Group’s capital calculated in accordance with the methodology set by Basel Committee with capital adjustments as set out in Basel III is as follows:

<i>In millions of RR</i>	31 December 2020	31 December 2019
Share capital	230	230
Share premium	26,998	26,998
Treasury shares	(3,238)	(3,164)
Share-based payment reserve	1,548	1,039
Retained earnings	99,540	66,880
Revaluation reserve for investments in debt securities	1,849	3,996
Less intangible assets	(7,082)	(5,435)
Non-controlling interest	89	103
Common Equity Tier 1 (CET1)	119,934	90,647
Additional Tier 1	20,755	18,487
Tier 1 capital	140,689	109,134
Total capital	140,689	109,134
Risk weighted assets (RWA)		
Credit risk	562,918	412,741
Operational risk	199,184	152,881
Market risk	24,707	12,170
Total risk weighted assets (RWA)	786,809	577,792
Common equity Tier 1 capital adequacy ratio (CET1/ Total RWA), %	15.24%	15.69%
Tier 1 capital adequacy ratio (Tier 1 capital / Total RWA), %	17.88%	18.89%
Total capital adequacy ratio (Total capital / Total RWA), %	17.88%	18.89%

The Group and the Bank have complied with all externally imposed capital requirements throughout the years ended 31 December 2020 and 2019.

The Insurance Company has complied with all capital requirements set by the legislation of the Russian Federation throughout the years ended 31 December 2020 and 2019.

31 Contingencies and Commitments

Legal proceedings. From time to time and in the normal course of business, claims against the Group may be received. On the basis of its own estimates and internal professional advice, management is of the opinion that no material unprovided losses will be incurred in respect of claims.

31 Contingencies and Commitments (Continued)

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 noncompliant counterparties. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year when decision about review was made. 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 assessment for controlled transactions (transactions between related parties and certain transactions between unrelated parties), if such transactions are not on an arm's length.

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.

The Group includes companies incorporated outside of Russia. The tax liabilities of the Group are determined on the assumption that these companies are not subject to Russian profits tax, because they do not have a permanent establishment in Russia. The Company is a tax resident of Cyprus only and full beneficial owner of the Bank and Insurance Company. This interpretation of relevant legislation may be challenged but the impact of any such challenge cannot be reliably estimated currently; however, it may be significant to the financial position and/or the overall operations of the Group.

The Controlled Foreign Company (CFC) legislation introduced Russian taxation of profits of foreign companies and non-corporate structures (including trusts) controlled by Russian tax residents (controlling parties). The CFC income is subject to a 20% tax rate if the CFC is controlled by a legal entity and a rate of 13% if it is controlled by an individual. As a result, management reassessed the Group's tax positions and recognised current tax expense as well as deferred taxes that arose from the expected taxable manner of recovery of the relevant Group's operations to which the CFC legislation applies to and to the extent that the Group (rather than its owners) is obliged to settle such taxes.

In third quarter 2020 amendments to Russia-Cyprus double tax treaty were made. The Group is currently assessing the impact of those amendments.

As Russian tax legislation does not provide definitive guidance in certain areas, the Group adopts, from time to time, interpretations of such uncertain areas that reduce the overall tax rate of the Group. While management currently estimates that the tax positions and interpretations that it has taken can probably be sustained, there is a possible risk that outflow of resources will be required should such tax positions and interpretations be challenged by the tax authorities. 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. As at 31 December 2020 and 2019 no material tax risks were identified.

Future lease payments related to leases where leased asset is of low value The future cash outflows to which the Group is exposed and which are not reflected in the lease liabilities amounted to RR 233 million at 31 December 2020 and relate primarily to leases of assets which are of low value (31 December 2019: RR 268 million).

Compliance with covenants. The Group is subject to certain covenants related primarily to its subordinated perpetual debt. Non-compliance with such covenants may result in negative consequences for the Group. Management believes that the Group was in compliance with all such covenants as at 31 December 2020 and 31 December 2019.

Credit related commitments and performance guarantees issued. The primary purpose of these instruments is to ensure that funds are available to a customer as required. Commitments to extend credit represent unused portions of authorizations to extend credit in the form of credit card loans, guarantees. 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. 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.

31 Contingencies and Commitments (Continued)

Performance guarantees are contracts that provide compensation if another party fails to perform a contractual obligation. Such contracts do not transfer credit risk. The risk under performance guarantee contracts is the possibility that the insured event (i.e. the failure to perform the contractual obligation by another party) occurs. The key risks the Group faces are significant fluctuations in the frequency and severity of payments incurred on such contracts relative to expectations. The Group uses a scoring model to predict levels of such payments. Claims must be made before the contract matures and most claims are settled within short term. This allows the Group to achieve a high degree of certainty about the estimated payments and therefore future cash flows.

Outstanding credit related commitments and performance guarantees are as follows:

<i>In millions of RR</i>	31 December 2020	31 December 2019
Unused limits on credit card loans	208,405	168,059
Credit loss allowance	(3,537)	(2,242)
Total credit related commitments, net of credit loss allowance	204,868	165,817
Performance guarantees issued	498	660
Provisions	(4)	(3)
Total performance guarantees issued, net of provisions	494	657

The total outstanding contractual amount of unused limits on contingencies and commitments liability does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded. In accordance with credit card service conditions the Group has a right to refuse the issuance, activation, reissuing or unblocking of a credit card, and is providing a credit card limit at its own discretion and without explaining its reasons.

The following table contains an analysis of credit related commitments by credit quality at 31 December 2020 based on credit risk grades.

	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
<i>In millions of RR</i>				
Credit related commitments				
- Excellent	180,619	-	-	180,619
- Good	14,905	84	-	14,989
- Monitor	12,546	251	-	12,797
Unrecognised gross amount	208,070	335	-	208,405
Credit loss allowance	(3,513)	(24)	-	(3,537)
Unrecognised net amount	204,557	311	-	204,868

The following table contains an analysis of credit related commitments by credit quality at 31 December 2019 based on credit risk grades.

31 Contingencies and Commitments (Continued)

<i>In millions of RR</i>	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
Credit related commitments				
- Excellent	145,154	-	-	145,154
- Good	12,285	84	-	12,369
- Monitor	10,360	176	-	10,536
Unrecognised gross amount	167,799	260	-	168,059
Credit loss allowance	(2,228)	(14)	-	(2,242)
Unrecognised net amount	165,571	246	-	165,817

Also, the Group may decide to increase or decrease a credit card limit using a scoring model, which is based on the client's behaviour model. Therefore, the fair value of the contractual amount of revocable unused limits on contingencies and commitments is close to zero. Credit related commitments are denominated in RR.

The following table contains an analysis of performance guarantees issued by credit quality based on credit risk grades.

<i>In millions of RR</i>	31 December 2020 Stage 1 (12-months ECL)	31 December 2019 Stage 1 (12-months ECL)
Performance guarantees issued		
- Excellent	310	415
- Good	188	245
Unrecognised gross amount	498	660
Provisions	(4)	(3)
Unrecognised net amount	494	657

Mandatory cash balances with the CBRF of RR 5,379 million as at 31 December 2020 (31 December 2019: RR 3,448 million) represent mandatory reserve deposits which are not available to finance the Bank's day to day operations.

32 Offsetting Financial Assets and Financial Liabilities

Financial instruments subject to offsetting, enforceable master netting and similar arrangements are as follows at 31 December 2020:

	Gross amounts before offsetting	Gross amounts set off in the consolidated statement of financial position	Net amount after offsetting in the consolidated statement of financial position	Amounts subject to master netting and similar arrangements not set off in the consolidated statement of financial position		Net amount of exposure
				Financial instruments	Cash collateral	
<i>In millions of RR</i>						
ASSETS						
Reverse repurchase agreements	33,210	-	33,210	34,527	-	(1,317)
Brokerage receivables	24,064	-	24,064	24,113	-	(49)
Financial derivatives	4,920	-	4,920	-	4,795	125
Total assets subject to offsetting, master netting and similar arrangement	62,194	-	62,194	58,640	4,795	(1,241)
LIABILITIES						
Due to banks	4,819	-	4,819	4,949	-	(130)
Brokerage payables	9,206	-	9,206	9,696	-	(490)
Total liabilities subject to offsetting, master netting and similar arrangement	14,025	-	14,025	14,645	-	(620)

Financial instruments subject to offsetting, enforceable master netting and similar arrangements are as follows at 31 December 2019:

	Gross amounts before offsetting	Gross amounts set off in the consolidated statement of financial position	Net amount after offsetting in the consolidated statement of financial position	Amounts subject to master netting and similar arrangements not set off in the consolidated statement of financial position		Net amount of exposure
				Financial instruments	Cash collateral	
<i>In millions of RR</i>						
ASSETS						
Reverse repurchase agreements	18,449	-	18,449	20,130	-	(1,681)
Brokerage receivables	2,799	-	2,799	2,239	-	560
Due from banks	204	-	204	227	-	(23)
Financial derivatives	20	-	20	-	23	(3)
Total assets subject to offsetting, master netting and similar arrangement	21,472	-	21,472	22,596	23	(1,147)
LIABILITIES						
Due to banks	23	-	23	20	-	3
Brokerage payables	1,207	-	1,207	1,282	-	(75)
Financial derivatives	227	-	227	-	204	23
Total liabilities subject to offsetting, master netting and similar arrangement	1,457	-	1,457	1,302	204	(49)

32 Offsetting Financial Assets and Financial Liabilities (Continued)

As at 31 December 2020 the Group has master netting arrangements with counterparty banks, which are enforceable in case of default. The Group also made margin deposits with clearing house counterparty as collateral for its outstanding derivative positions. The counterparty may set off the Group's liabilities with the margin deposit in case of default (2019: same). The disclosure does not apply to loans and advances to customers and related customer deposits.

33 Transfers of Financial Assets

The Group transferred financial assets in transactions that did not qualify for derecognition in the current periods.

The table below shows the amount of operations under sale and repurchase agreements which the Group enters into in the normal course of business:

<i>In millions of RR</i>	Notes	31 December 2020		31 December 2019	
		Carrying amount of the assets	Carrying amount of the associated liabilities	Carrying amount of the assets	Carrying amount of the associated liabilities
Debt securities at FVOCI pledged under repurchase agreements	13	29	24	-	-
Total		29	24	-	-

In the normal course of business, the Group makes borrowings on interbank market using different financial instruments as collateral to support its everyday operations in terms of liquidity.

The Group also enters into reverse sale and repurchase agreements. The summary of such operations is provided in the table below:

<i>In millions of RR</i>	Notes	31 December 2020		31 December 2019	
		Amounts granted under repo agreements	Fair value of securities received as collateral	Amounts granted under repo agreements	Fair value of securities received as collateral
Cash and cash equivalents	5	33,210	34,527	18,449	20,130
Brokerage receivables	10	24,064	24,113	2,799	2,239
Total		57,274	58,640	21,248	22,369

34 Non-Controlling Interest

The following table provides information about each subsidiary that has non-controlling interest:

<i>In millions of RR</i>	Place of business (and country of incorporation if different)	Proportion of non-controlling interest	Proportion of non-controlling interest's voting rights held	Profit or loss attributable to non-controlling interest	Accumulated non-controlling interest in the subsidiary	Dividends paid to non-controlling interest during the year
Year ended 31 December 2020						
LLC "Cloudpayments"	Russia	5%	5%	4	89	18
Year ended 31 December 2019						
LLC "Cloudpayments"	Russia	5%	5%	1	103	-

The summarised financial information of these subsidiaries was as follows:

<i>In millions of RR</i>	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenue	Profit	Total comprehensive income	Cash flows
Year ended 31 December 2020								
LLC "Cloudpayments"	389	277	105	-	1,226	606	606	(13)
Year ended 31 December 2019								
LLC "Cloudpayments"	329	301	136	-	512	91	91	2

35 Financial Derivatives

The table below sets out fair values, at the end of the reporting period, of currencies receivable or payable under foreign exchange forwards and swap contracts entered into by the Group. The table reflects gross positions before the netting of any counterparty positions (and payments) and covers the contracts with settlement dates after the end of the respective reporting period.

<i>In millions of RR</i>	31 December 2020		31 December 2019	
	Contracts with positive fair value	Contracts with negative fair value	Contracts with positive fair value	Contracts with negative fair value
Foreign exchange forwards and swaps: discounted notional amounts, at the end of the reporting period, of				
- USD receivable on settlement (+)	29,311	-	8,768	8,888
- USD payable on settlement (-)	-	(104)	(1,570)	(2,664)
- RR receivable on settlement (+)	75	-	1,896	2,971
- RR payable on settlement (-)	(24,351)	-	(8,388)	(9,474)
- EUR payable on settlement (-)	-	(5)	(301)	(294)
- GBP payable on settlement (-)	-	-	(15)	(17)
Fair value of foreign exchange forwards and swaps	5,035	(109)	390	(590)

36 Fair Value of Financial Instruments

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).

(a) Recurring fair value measurements

Recurring fair value measurements are those that the accounting standards 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:

<i>In millions of RR</i>	31 December 2020				31 December 2019			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
ASSETS AT FAIR VALUE								
Loans and advances to customers	-	-	1,892	1,892	-	-	-	-
Financial derivatives	-	5,035	-	5,035	-	390	-	390
Investments in securities	232,198	6,256	-	238,454	133,239	1,939	-	135,178
Repurchase receivables	29	-	-	29	-	-	-	-
Total assets recurring fair value measurements	232,227	11,291	1,892	245,410	133,239	2,329	-	135,568
LIABILITIES AT FAIR VALUE								
Other financial liabilities	-	-	-	-	161	-	-	161
Financial derivatives	-	109	-	109	-	590	-	590
Total liabilities recurring fair value measurements	-	109	-	109	161	590	-	751

Investments in securities categorised in level 2 are represented by liquid debt securities classified in “Good” credit risk grade.

36 Fair Value of Financial Instruments (Continued)

The description of valuation techniques and the description of the inputs used in the fair value measurement for level 2 and level 3 measurements at 31 December 2020 are as follows:

<i>In millions of RR</i>	Fair value	Valuation technique	Inputs used
ASSETS AT FAIR VALUE			
Investments in securities	6,256	Observable quotes for comparable securities adjusted by multiplier depending on the degree of the market activity	Quotes from the automated fair value system for financial instruments of NSD Price Center* Russian rouble curve. USD Dollar Swaps Curve. EUR Swaps Curve. CDS quotes assessment of counterparty credit risk or reference entities.
Foreign exchange swaps and forwards	5,035	Discounted cash flows adjusted for counterparty credit risk	
Total recurring fair value measurements at level 2	11,291		
Loans and advances to customers	1,892	Revaluation of the convertible loan based on the Incantus Holding Limited's share price as per its most recent sale purchase transactions with shares of Incantus Holding Limited (Note 38)	Share price as per the most recent sale purchase transaction
Total recurring fair value measurements at level 3	1,892		
LIABILITIES AT FAIR VALUE			
Foreign exchange swaps and forwards	109	Discounted cash flows adjusted for counterparty credit risk	Russian rouble curve. USD Dollar Swaps Curve. EUR Swaps Curve. CDS quotes assessment of counterparty credit risk or reference entities.
Total recurring fair value measurements at level 2	109		

36 Fair Value of Financial Instruments (Continued)

The description of valuation techniques and the description of the inputs used in the fair value measurement for level 2 measurements at 31 December 2019 are as follows:

<i>In millions of RR</i>	Fair value	Valuation technique	Inputs used
ASSETS AT FAIR VALUE			
Investments in securities	1,939	Observable quotes for comparable securities adjusted by multiplier depending on the degree of the market activity	Quotes from the automated fair value system for financial instruments of NSD Price Center* Russian rouble curve. USD Dollar Swaps Curve. EUR Swaps Curve. CDS quotes assessment of counterparty credit risk or reference entities.
Foreign exchange swaps and forwards	390	Discounted cash flows adjusted for counterparty credit risk	
Total recurring fair value measurements at level 2	2,329		
LIABILITIES AT FAIR VALUE			
Foreign exchange swaps and forwards	590	Discounted cash flows adjusted for counterparty credit risk	Russian rouble curve. USD Dollar Swaps Curve. EUR Swaps Curve. CDS quotes assessment of counterparty credit risk or reference entities.
Total recurring fair value measurements at level 2	590		

* NSD Valuation Center is a fair value measurement service for bonds and other financial instruments, accredited by the CBRF.

There were no changes in the valuation techniques for level 2 recurring fair value measurements during the year ended 31 December 2020 and 2019. Level 2 derivatives comprise foreign exchange forwards and swaps.

The foreign exchange forwards have been fair valued using forward exchange rates that are quoted in an active market. Foreign exchange swaps are fair valued using forward interest rates extracted from observable yield curves. The effects of discounting are generally insignificant for level 2 derivatives.

Changes of the fair value measurements at Level 3 for the year ended 31 December 2020 are as follows:

<i>In millions of RR</i>	Loans and advances to customers
Fair value at the date of recognition	1,374
Other interest income	8
Net gains from foreign exchange translation	16
Net gains from revaluation of convertible loan	494
Fair value as at 31 December 2020 - Level 3	1,892

As at 31 December 2020, if the share price had been 10% lower/higher, fair value of loans and advances to customers carried at fair value would have been RR 64 million lower/higher.

36 Fair Value of Financial Instruments (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:

<i>In millions of RR</i>	31 December 2020				31 December 2019			
	Level 1	Level 2	Level 3	Carrying value	Level 1	Level 2	Level 3	Carrying value
FINANCIAL ASSETS CARRIED AT AMORTISED COST								
Cash and cash equivalents								
- Cash on hand	21,069	-	-	21,069	11,118	-	-	11,118
- Cash balances with the CBRF (other than mandatory reserve deposits)	-	38,646	-	38,646	-	16,599	-	16,599
- Placements with other banks and non-bank credit organizations with original maturities of less than three months	-	76,636	-	76,636	-	27,847	-	27,847
Mandatory cash balances with the CBRF	-	5,379	-	5,379	-	3,448	-	3,448
Due from other banks	-	1,887	-	1,887	-	2,084	-	2,084
Loans and advances to customers	-	-	374,996	374,629	-	-	329,340	329,175
Guarantee deposits with payment systems	-	-	15,475	15,475	-	-	8,877	8,877
Brokerage receivables	-	24,064	-	24,064	-	2,799	-	2,799
Other financial assets								
Settlement of operations with plastic cards receivable	-	23,882	-	23,882	-	16,384	-	16,384
Other receivables	-	7,188	-	7,188	-	5,289	-	5,289
Total financial assets carried at amortised cost	21,069	177,682	390,471	588,855	11,118	74,450	338,217	423,620

36 Fair Value of Financial Instruments (Continued)

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

<i>In millions of RR</i>	31 December 2020				31 December 2019			
	Level 1	Level 2	Level 3	Carrying value	Level 1	Level 2	Level 3	Carrying value
FINANCIAL LIABILITIES CARRIED AT AMORTISED COST								
Due to banks	-	4,819	-	4,819	-	23	-	23
Brokerage payables	-	9,206	-	9,206	-	1,207	-	1,207
Customer accounts								
Individuals								
-Current/demand accounts	-	323,145	-	323,145	-	199,408	-	199,408
- Brokerage accounts	-	73,970	-	73,970	-	12,253	-	12,253
-Term deposits	-	138,971	-	135,995	-	139,114	-	137,292
SME								
-Current/demand accounts	-	89,199	-	89,199	-	60,174	-	60,174
-Term deposits	-	1,915	-	2,213	-	1,879	-	1,880
Other legal entities								
-Current/demand accounts	-	2,267	-	2,267	-	495	-	495
-Term deposits	-	48	-	48	-	112	-	112
Debt securities in issue								
RR Bonds issued on domestic market	24,824	-	-	23,910	24,442	-	-	23,618
Euro-Commercial Paper	-	-	-	-	-	2,460	-	2,460
Subordinated debt								
Perpetual subordinated bonds	22,174	-	-	20,755	19,604	-	-	18,487
Other financial liabilities								
Settlement of operations with plastic cards	-	23,079	-	23,079	-	6,427	-	6,427
Trade payables	-	6,150	-	6,150	-	4,621	-	4,621
Credit related commitments	-	-	-	3,537	-	-	-	2,242
Other financial liabilities	-	1,571	-	1,571	-	1,358	-	1,358
Total financial liabilities carried at amortised cost	46,998	674,340	-	719,864	44,046	429,531	-	472,057

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by an active quoted market price. Where quoted market prices are not available, the Group used valuation techniques. 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.

As at 31 December 2020 and 2019 the fair value of the debt securities in issue and subordinated debt has been calculated based on quoted prices from the Moscow Exchange MICEX-RTS, St. Petersburg Exchange and Global Exchange Market, where the Group's debt securities are listed and traded.

36 Fair Value of Financial Instruments (Continued)

Weighted average discount rates used in determining fair value as of 31 December 2020 and 2019 are disclosed below:

<i>In % p.a.</i>	31 December 2020	31 December 2019
Assets		
Cash and cash equivalents	0.0	0.0
Due from other banks	3.2	5.2
Loans and advances to customers	33.5	37.2
Investments in securities	5.4	7.1
Repurchase receivables	5.1	4.7
Brokerage receivables	15.4	15.2
Liabilities		
Due to banks	4.4	7.2
Customer accounts	2.2	3.9
Debt securities in issue	6.1	7.5
Brokerage payables	15.6	15.5
Subordinated debt	5.3	6.8

37 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 measured at FVTPL mandatorily, and (ii) assets designated as such upon initial recognition.

The following table provides a reconciliation of classes of financial assets with these measurement categories as of 31 December 2020:

<i>In millions of RR</i>	AC	FVTPL	FVOCI	Total
Cash and cash equivalents				
- Cash on hand	21,069	-	-	21,069
- Cash balances with the CBRF (other than mandatory reserve deposits)	38,646	-	-	38,646
- Placements with other banks and non-bank credit organizations with original maturities of less than three months	76,636	-	-	76,636
Mandatory cash balances with the CBRF	5,379	-	-	5,379
Due from other banks	1,887			1,887
Loans and advances to customers	374,629	1,892	-	376,521
Financial derivatives	-	5,035	-	5,035
Guarantee deposits with payment systems	15,475	-	-	15,475
Investments in securities	-	4,265	234,189	238,454
Repurchase receivables	-	-	29	29
Brokerage receivables	24,064	-	-	24,064
Other financial assets				
- Settlement of operations with plastic cards receivable	23,882	-	-	23,882
- Other receivables	7,188	-	-	7,188
TOTAL FINANCIAL ASSETS	588,855	11,192	234,218	834,265

37 Presentation of Financial Instruments by Measurement Category (Continued)

The following table provides a reconciliation of classes of financial assets with these measurement categories as of 31 December 2019:

<i>In millions of RR</i>	AC	FVTPL	FVOCI	Total
Cash and cash equivalents				
- Cash on hand	11,118	-	-	11,118
- Cash balances with the CBRF (other than mandatory reserve deposits)	16,599	-	-	16,599
- Placements with other banks and non-bank credit organizations with original maturities of less than three months	27,847	-	-	27,847
Mandatory cash balances with the CBRF	3,448	-	-	3,448
Due from other banks	2,084			2,084
Loans and advances to customers	329,175	-	-	329,175
Financial derivatives	-	390	-	390
Guarantee deposits with payment systems	8,877	-	-	8,877
Investments in securities	-	413	134,765	135,178
Brokerage receivables	2,799	-	-	2,799
Other financial assets				
- Settlement of operations with plastic cards receivable	16,384	-	-	16,384
- Other receivables	5,289	-	-	5,289
TOTAL FINANCIAL ASSETS	423,620	803	134,765	559,188

As of 31 December 2020 and 2019 all of the Group's financial liabilities except derivatives were carried at amortised cost.

38 Related Party Transactions

Parties are generally considered to be related if the parties are under common control or one party has the ability to control the other party or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. Other related parties (excluding associates and joint ventures) in the tables below are represented by entities which are under the control of the Group's ultimate controlling party Oleg Tinkov. The outstanding balances with related parties were as follows:

	31 December 2020		31 December 2019	
	Key management personnel	Associates, joint ventures and other related parties	Key management personnel	Associates, joint ventures and other related parties
<i>In millions of RR</i>				
ASSETS				
Gross amounts of loans and advances to customers (contractual interest rate: 1.7-16.5% p.a. (31 December 2019: 11.7-25.7% p.a.))	422	1,892	437	150
Other financial assets	-	158	-	843
TOTAL ASSETS	422	2,050	437	993
LIABILITIES				
Customer accounts (contractual interest rate: 0.8-3.7% p.a. (31 December 2019: 0.5-7.2% p.a.))	1,221	2,086	1,779	227
Debt securities in issue (yield: 1.0-3.6% p.a. (31 December 2019: 1.0-3.6% p.a.))	-	-	-	2,460
Other non-financial liabilities	584	-	521	-
TOTAL LIABILITIES	1,805	2,086	2,300	2,687
EQUITY				
Share-based payment reserve				
- Management long-term incentive program	1,378	-	930	-
TOTAL EQUITY	1,378	-	930	-

At 31 August 2020 the Group acquired 22.15% shareholding in Incantus Holding Limited, which is a group of fintech start-ups launched in 2020 to provide a range of services to retail customers in Europe (excluding CIS). The investment in Incantus Holding Limited was classified as an investment in associates and accounted for using the equity method. Also the Group provided a convertible loan to Incantus Holding Limited in the amount of EUR 15.4 million (RR 1,374 million) at 1.7% p.a. with a maturity date of 31 August 2025. The convertible loan agreement implies that the Group may convert the loan into the borrower's shares at the price of initial acquisition of shares of Incantus Holding Limited by the Group subject to compliance with a number of conversion requirements including a cap in relation to overall shareholding of the Group in Incantus Holding Limited of 24.5%.

As at 31 December 2020 the shareholding of the Group in Incantus Holding Limited is equal to 16.32%, and the carrying value of the convertible loan is equal to RR 1,892 million. The Company has extended rights under the Shareholder Agreement at the board meeting level (Board Reserved matters) and at the shareholder meeting level (Shareholder Reserved matters) in Incantus Holding Limited which provides the Company significant influence over it and allows to treat it as associate.

38 Related Party Transactions (Continued)

The income and expense items with related parties were as follows:

	2020		2019	
	Key management personnel	Associates, joint ventures and other related parties	Key management personnel	Associates, joint ventures and other related parties
<i>In millions of RR</i>				
Interest income calculated using the effective interest rate method	18	32	2	27
Other similar income	-	8	-	-
Interest expense calculated using effective interest rate method	(29)	(33)	(64)	(101)
Net (losses)/gains from foreign exchange translation	-	(40)	-	31
Net gains from financial assets at FVTPL	-	494	-	-
Administrative and other operating expenses	(2,895)	(248)	(1,913)	(173)
Other operating income	-	447	-	49

Key management compensation is presented below:

<i>In millions of RR</i>	2020	2019
<i>Short-term benefits:</i>		
- Salaries	1,086	906
- Short-term bonuses	921	586
<i>Long-term benefits:</i>		
- Management long-term incentive programme	862	421
- Key employees retention plan	26	-
Total	2,895	1,913

Key employees retention plan (KERP). On 14 April 2020 the Group launched a new long term incentive program for more than 250 senior and middle management level employees. The purpose of the program is to retain and motivate key employees with high potential. This is a performance-based cash-settled program linked to the market price of GDRs. The expenses related to those participants who are considered to be key management personnel are disclosed in the table above.

Management long-term incentive program. On 31 March 2016 the Group introduced a MLTIP as both a long-term incentive and a retention tool for the management of the Group. Total number of GDRs attributable to the management is 15,290 thousand as at 31 December 2020 (31 December 2019: 9,940 thousand).

Participants of the program receive the vested parts of their grants provided that they remain employed by the Group throughout the vesting period. Participants are entitled to the dividends, if any. Participants who leave the Group lose their right for the unvested parts of the grants.

The fair value of the awards as at grant dates (31 March 2016, 8 February 2017, 22 February 2018, 15 January 2019, 5 June 2020 and 11 December 2020) is determined on the basis of market quotes of GDRs as at those dates.

Each grant before 2020 is divided into 4 equal awards. Each award vests over 4 years in equal tranches. The delivery dates as of which the GDRs are allowed to be sold by the participants correspond to the vesting dates 31 March, as well as each subsequent 31 March (with the exception of 2019 when the vesting date for all participants was 31 January 2019) until 2022 for participants joining in 2016, until 2023 for participants joining in 2017, until 2024 for participants joining in 2018, until 2025 for participants joining in 2019.

38 Related Party Transactions (Continued)

Each grant provided in 2020 is divided into 5 equal tranches. The delivery dates as of which the GDRs are allowed to be sold by the participants correspond to the vesting dates 31 August, as well as each subsequent 31 August until 2025.

The following table discloses the changes in the numbers of GDRs attributable to the MLTIP:

<i>In thousands</i>	Number of GDRs attributable to the MLTIP
At 31 December 2018	6,178
Granted	91
Vested	(2,419)
Forfeited	(68)
At 31 December 2019	3,782
Granted	5,350
Vested	(1,810)
Forfeited	(46)
At 31 December 2020	7,276

39 Events after the End of the Reporting Period

On 10 March 2021 the Board of directors declared an interim dividend in line with the current dividend policy of USD 0.24 per share/per GDR with a total amount allocated for dividend payment of approximately USD 47.8 million.

On 7 January 2021 all 69,914,043 class B shares (35.08% of the total number of issued shares) held by the Rigi Trust and the Bernina Trust were converted to class A shares and on the same date all issued shares were reclassified and redesignated as ordinary shares. Following the conversion, each share carries a single vote, and the total number of votes capable of being exercised are equal to the total number of issued shares (currently 199,305,492 shares following the class B share conversion). As a result of the conversion, Mr. Oleg Tinkov's voting rights in the Group decreased from 84.38% to 35.08%. As a result his control over the Group was ceased.

40 Significant Accounting Policies

Basis of preparation. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law Cap. 113.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value, and by revaluation of financial instruments categorised at fair value through profit or loss ("FVTPL") and at fair value through other comprehensive income ("FVOCI"). The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. Refer to Note 41. Management prepared these consolidated financial statements on a going concern basis.

40 Significant Accounting Policies (Continued)

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

The acquisition method of accounting is used to account for the acquisition of subsidiaries other than those acquired from parties under common control. 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.

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.

Goodwill is measured by deducting the net assets of the acquiree from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and fair value of an interest in the acquiree held immediately before the acquisition date. Any negative amount ("negative goodwill") is recognised in profit or loss, after management reassesses whether it identified all the assets acquired and all liabilities and contingent liabilities assumed, and reviews appropriateness of their measurement.

The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed, including fair value of assets or liabilities from contingent consideration arrangements, but excludes acquisition related costs such as advisory, legal, valuation and similar professional services. Transaction costs incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt are deducted from its carrying amount and all other transaction costs associated with the acquisition are expensed.

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

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 Group. Non-controlling interest forms a separate component of the Group's equity.

When the Group acquires a dormant company with no business operations holding an asset and this asset is the main reason of acquisition of the company such transaction is treated as an asset acquisition. No goodwill is recognized as a result of such acquisition.

Purchases and sales of non-controlling interests. The Group applies the economic entity model to account for transactions with owners of non-controlling interest. Any difference between the purchase consideration and the carrying amount of non-controlling interest acquired is recorded as a capital transaction directly in equity. The Group recognises the difference between sales consideration and carrying amount of non-controlling interest sold as a capital transaction in the consolidated statement of changes in equity.

40 Significant Accounting Policies (Continued)

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. The carrying amount of associates includes goodwill identified on acquisition less accumulated credit losses, if any. Dividends received from associates reduce the carrying value of the investment in associates. Other post-acquisition changes in Group's share of net assets of an associate 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. Otherwise the Group continue to recognise further losses if it has commitments to fund the associate's operations.

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.

The Group applies the impairment requirements in IFRS 9 to long-term loans and similar long-term interest that in substance form part of the investment in associate before reducing the carrying value of the investment by a share of a loss of the investee that exceeds the amount of the Group's interest in the ordinary shares.

Disposals of subsidiaries, associates or joint ventures. When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity, are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are recycled to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss, where appropriate.

Financial instruments – key measurement terms. Depending on their classification financial instruments are carried at fair value or amortised cost as described below.

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 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 which management considers to be the most representative of fair value for quoted financial assets and liabilities is the last bid price of the business day. 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 (an asset) for a particular risk exposure or paid to transfer a net short position (a liability) for a particular risk exposure in an orderly transaction between market participants at the measurement date.

40 Significant Accounting Policies (Continued)

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.

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 36.

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 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 a financial asset or to the amortised cost of a financial liability.

The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or secured that are integral to the effective interest rate such as origination fees.

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.

40 Significant Accounting Policies (Continued)

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 that are incremental and directly attributable to the acquisition or the issue of the financial asset or financial liability. 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 ECL allowance is recognised for financial assets measured at AC and investments in debt instruments measured at 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.

The Group uses discounted cash flow valuation techniques to determine the fair value of currency swaps, foreign exchange forwards that are not traded in an active market. Differences may arise between the fair value at initial recognition, which is considered to be the transaction price, and the amount determined at initial recognition using a valuation technique. The differences are immediately recognised in profit or loss if the valuation uses only level 1 or level 2 inputs.

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:

- the Group’s business model for managing the related assets portfolio and
- the cash flow characteristics of the asset.

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

- solely to collect the contractual cash flows from the assets (“hold to collect contractual cash flows”); or
- 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”);
- 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.

Based on the analysis performed the Group included the following financial instruments in the business model “hold to collect contractual cash flows” since the Group manages these financial instruments solely to collect contractual cash flows: cash and cash equivalents, mandatory cash balances with the CBRF, due from other banks, loans and advances to customers, guarantee deposits with payment systems, brokerage receivables and other financial assets. The Group included debt securities at FVOCI in the business model “hold to collect contractual cash flows and sell” since the Group manages these financial instruments to collect both the contractual cash flows and the cash flows arising from the sale of assets. The Group included debt securities measured at FVTPL and financial derivatives in the business model “other”.

40 Significant Accounting Policies (Continued)

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 (the SPPI test). 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. See below for “Financial assets – modification”.

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. The Group did not change its business model during the current and comparative period and did not make any reclassifications.

Financial assets – impairment – credit loss allowance for ECL. The Group assesses on a forward-looking basis the ECL for debt instruments (including loans) measured at AC and FVOCI and for the exposure 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:

- 1) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes;
- 2) the time value of money; and
- 3) 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.

Debt instruments measured at AC are presented in the consolidated statement of financial position net of the allowance for ECL.

For loan commitments (where those components can be separated from the loan) and financial guarantees, a separate provision for ECL is recognised as a financial liability in the consolidated statement of financial position. For debt instruments at FVOCI, changes in amortised cost, net of allowance for ECL, are recognised in profit or loss and other changes in carrying value are recognised in OCI as gains less losses on debt instruments at FVOCI.

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

- 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.

40 Significant Accounting Policies (Continued)

- 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. Refer to Note 29 for a description of how the Group defines credit-impaired assets and default.

For financial assets that are purchased or originated credit-impaired (“POCI Assets”), the ECL is always measured at 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.

As an exception, for certain financial instruments, such as credit cards, that may include both a loan and an undrawn commitment component, the Group measures expected credit losses over the period that the Group is exposed to credit risk, that is, until the expected credit losses would be mitigated by credit risk management actions, even if that period extends beyond the maximum contractual period. This is because contractual ability to demand repayment and cancel the undrawn commitment does not limit the exposure to credit losses to such contractual notice period. Refer to Note 3 for critical judgements applied by the Group in determining the period for measuring ECL.

Financial assets – write-off. Uncollectible assets are partly written-off against the related credit loss allowance usually after one year since they become overdue. The amount of uncollectible part of loan is estimated on a loan portfolio basis taking into account defaulted loans recovery statistics. The Group writes-off financial assets that are mostly still subject to enforcement activity, however, there is no reasonable expectation of recovery. If credit-impaired loans are sold to third parties, the Group remeasures the amount of ECL prior to sale taking into consideration the expected sales proceeds so that there are no gains or losses on derecognition upon sale.

Repayments of written-off loans. Recovery of amounts previously written-off as uncollectible is credited directly to the credit loss allowance line in the consolidated statement of profit or loss and other comprehensive income. Cash flows related to repayments of written-off loans are separately presented within recoveries from written-off loan in the consolidated statement of cash flows.

Financial assets – derecognition. 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 assets – modification. 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, significant change in interest rate, change in the currency denomination, new collateral or credit enhancement that significantly affects the credit risk associated with the asset, or a significant extension of a loan when the borrower is not in financial difficulties.

If the modified terms are substantially different, the rights to cash flows from the original asset expire 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 or debt instrument 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.

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.

40 Significant Accounting Policies (Continued)

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. Usually modifications of stage 3 loans do not result in derecognition since they do not change the expected cash flows substantially and represent the way of collection of past due balances.

Financial liabilities – measurement categories. Financial liabilities are classified as subsequently measured at AC, except for financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities).

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

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 loan 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.

Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch up method, with any gain or loss recognised in profit or loss, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners.

Cash and cash equivalents. Cash and cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents include all interbank placements and reverse sale and repurchase agreements with other banks with original maturities of less than three months. Funds restricted for a period of more than three months on origination are excluded from cash and cash equivalents. Cash and cash equivalents are carried at amortised cost as: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

The payments or receipts presented in the consolidated statement of cash flows represent transfers of cash and cash equivalents by the Group, including amounts charged or credited to current accounts of the Group's counterparties held with the Group, such as loan interest income or principal collected by charging the customer's current account or interest payments or disbursement of loans credited to the customer's current account, which represents cash or cash equivalent from the customer's perspective.

Brokerage receivables and brokerage payables. Brokerage receivables represent placements under reverse sale and repurchase agreements made by the Bank with central counterparty to provide customers of the Bank who have brokerage accounts with the Bank with possibility to acquire securities in case those customers have insufficient own funds to acquire those securities. Brokerage payables represent funds attracted under sale and repurchase agreements made by the Bank with central counterparty to provide customers of the Bank who have brokerage accounts with the Bank with the possibility to borrow securities and make a short sale. Brokerage receivables and payables are short-term and accounted at amortised cost.

Mandatory cash balances with the CBRF. Mandatory cash balances with the CBRF are carried at amortised cost 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.

40 Significant Accounting Policies (Continued)

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 amortised cost as: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

Certain bank deposits are subject to the “bail-in” legislation that permits or requires a national resolving authority to impose losses on holders in particular circumstances. Where the bail-in clauses are included in the contractual terms of the instrument and would apply even if legislation subsequently changes, the SPPI test is not met and such instruments are mandatorily measured at FVTPL. The Group did not identify such balances due from other banks. Where such clauses in the contract merely acknowledge the existence of the legislation and do not create any additional rights or obligation for the Group, the SPPI criterion is met and the respective instruments are carried at AC.

Investments in debt securities. Based on the business model and the contractual cash flow characteristics, the Group classifies investments in debt securities as carried at AC, FVOCI or FVTPL.

Debt securities are carried at AC if they are held for collection of contractual cash flows and where those cash flows represent SPPI, and if they are not voluntarily designated at FVTPL in order to significantly reduce an accounting mismatch.

Debt securities are carried at FVOCI if they are held for collection of contractual cash flows and for selling, where those cash flows represent SPPI, and if they are not designated at FVTPL. Interest income from these assets is calculated using the effective interest method and recognised in profit or loss. An impairment allowance estimated using the expected credit loss model is recognised in profit or loss for the year. All other changes in the carrying value are recognised in OCI except for foreign exchange translation gains/(losses) and interest income calculated using the effective interest rate method. When the debt security is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from OCI to profit or loss.

Investments in debt securities are carried at FVTPL if they do not meet the criteria for AC or FVOCI. The Group may also irrevocably designate investments in debt securities at FVTPL on initial recognition if applying this option significantly reduces an accounting mismatch between financial assets and liabilities being recognised or measured on different accounting bases.

Loans and advances to customers. Loans and advances to customers are recorded when the Group advances money to purchase or originate a loan due from a customer.

Based on the business model and the cash flow characteristics, the Group classifies loans and advances to customers into one of the following measurement categories:

- 1) AC: loans that are held for collection of contractual cash flows and those cash flows represent SPPI and loans that are not voluntarily designated at FVTPL;
- 2) FVTPL: loans that do not meet the criteria for AC or FVOCI are measured at FVTPL (mandatory FVTPL).

Impairment allowances of the loans measured at AC are determined based on the forward-looking ECL model. 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.

Credit related commitments. The Group issues commitments to provide loans. Commitments to provide loans are initially recognised at their fair value, which is normally evidenced by the amount of fees received. 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 amount of the loss allowance determined based on the expected credit loss model. For loan commitments (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.

40 Significant Accounting Policies (Continued)

Performance guarantees. Performance guarantees are contracts that provide compensation if another party fails to perform a contractual obligation. Such contracts transfer non-financial performance risk in addition to credit risk. Performance guarantees 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 contract. At the end of each reporting period, the performance guarantee contracts are measured at the higher of (i) the unamortised balance of the amount at initial recognition and (ii) the best estimate of expenditure required to settle the contract at the end of each reporting period, discounted to present value. Where the Group has the contractual right to revert to its customer for recovering amounts paid to settle the performance guarantee contracts, such amounts will be recognised as an asset upon transfer of the loss compensation to the guarantee's beneficiary. These fees are recognised within fee and commission income in profit or loss.

Sale and repurchase agreements and lending of securities. Sale and repurchase agreements ("repo agreements"), which effectively provide a lender's return to the counterparty, are treated as secured financing transactions. Securities sold under such sale and repurchase agreements are not derecognised. The securities are not reclassified in the consolidated statement of financial position unless the transferee has the right by contract or custom to sell or repledge the securities, in which case they are reclassified as repurchase receivables. The corresponding liability is presented within amounts due to other banks or other borrowed funds.

Securities purchased under agreements to resell ("reverse repo agreements"), which effectively provide a lender's return to the Group, are recorded as due from other banks or loans and advances to customers, as appropriate. The difference between the sale and repurchase price, adjusted by interest and dividend income collected by the counterparty, is treated as interest income and accrued over the life of reverse repo agreements using the effective interest method.

Securities lent to counterparties for a fixed fee are retained in the consolidated financial statements in their original category in the consolidated statement of financial position unless the counterparty has the right by contract or custom to sell or repledge the securities, in which case they are reclassified and presented separately.

Securities borrowed for a fixed fee are not recorded in the consolidated financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded in profit or loss for the year within gains less losses arising from trading securities. The obligation to return the securities is recorded at fair value in other borrowed funds.

Based on classification of securities sold under the sale and repurchase agreements, the Group classifies repurchase receivables into one of the following measurement categories: AC, FVOCI, FVTPL.

Guarantee deposits with payment systems. Amounts of guarantee deposits with payment systems are recorded when the Group advances money to payment systems with no intention of trading the resulting unquoted non-derivative receivable. Amounts of guarantee deposits with payment systems are carried at amortised cost.

Tangible fixed assets. Tangible fixed assets are stated at cost less accumulated depreciation and provision for impairment, where required.

Costs of minor repairs and day-to-day maintenance are expensed when incurred. Costs of replacing major parts or components of premises and equipment items are capitalised, and the replaced part is retired.

At the end of each reporting period management assesses whether there is any indication of impairment of tangible fixed assets. 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. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in profit or loss for the year (within other operating income or expenses).

40 Significant Accounting Policies (Continued)

Depreciation. Depreciation of each item of tangible fixed assets is calculated using the straight-line method to allocate its cost to its residual value over its estimated useful life as follows:

	Useful lives in years
Building	99
Equipment	3 to 10
Vehicles	5 to 7
Leasehold improvements	Shorter of their useful economic life and the term of the underlying lease
Others (safes, fireproof cabinets)	20

The residual value of an asset is an estimated amount that the Group would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life. The 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 accumulated amortization. The Group's intangible assets other than insurance license have definite useful life and include capitalised acquired computer software and internally developed 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.

Computer software licenses acquired are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. 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 1 to 10 years.

At each reporting date management assesses whether there is any indication of impairment of intangible assets with an indefinite useful life. 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. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell. Intangible assets including goodwill with indefinite useful life are tested annually for impairment.

Accounting for leases by the Group as a lessee. Leases, where the Group is the lessee, 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. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and 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 receivable under cancellable and non-cancellable operating leases;
- variable lease payments that are based on an index or a rate and that are initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

40 Significant Accounting Policies (Continued)

The lease term includes any non-cancellable and optional extension periods which have been assessed as reasonably certain to be exercised. 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 lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- dismantling and restoration costs.

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 leases are leases with a lease term of 12 months or less, and the lease does not provide for the possibility of repurchase of the asset at the end of the contract. Low value assets are assets with a value of RR 300,000 or less at the date of conclusion of the contract.

Right-of-use assets are included in tangible fixed assets, lease liabilities are included in other non-financial liabilities in the consolidated statement of financial position. Depreciation of right-of-use assets are recognised in administrative and other operating expenses in the consolidated statement of profit or loss and other comprehensive income. Finance cost is recognised within other similar expense line of the consolidated statement of profit or loss and other comprehensive income. Repayment of principal of lease liabilities is disclosed within cash flows from financing activities of the consolidated statement of cash flows.

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

Customer accounts. Customer accounts are non-derivative liabilities to corporate entities and individuals and are carried at amortised cost.

Debt securities in issue. Debt securities are stated at amortised cost. If the Group purchases its own debt securities in issue, they are removed from the consolidated statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in a separate line of consolidated statement of profit or loss and other comprehensive income.

Subordinated debt. Subordinated debt can only be paid in the event of a liquidation after the claims of other higher priority creditors have been met. Subordinated debt is carried at AC.

Financial derivatives. Financial derivatives represented by forwards and foreign currency swaps are carried at their fair value. Derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of financial derivatives are recorded in profit or loss within Net gains/(losses) from derivatives revaluation. The Group does not apply hedge accounting.

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

40 Significant Accounting Policies (Continued)

Deferred income tax is provided using the liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for 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 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. 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 assessed 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 at the end of 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.

Provisions for liabilities and charges. Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. They are accrued when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Levies and charges, such as taxes other than income tax or regulatory fees based on information related to a period before the obligation to pay arises, are recognised as liabilities when the obligating event that gives rise to pay a levy occurs, as identified by the legislation that triggers the obligation to pay the levy. If a levy is paid before the obligating event, it is recognised as a prepayment.

Other liabilities. Other liabilities are accrued when the counterparty has performed its obligations under the contract and are carried at amortised cost.

Share capital. Ordinary shares are 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 and debited against share premium.

Share premium. Share premium is the difference between the fair value of the consideration receivable for the issue of shares and the nominal value of the shares. The share premium account can only be resorted to for limited purposes, which do not include the distribution of dividends, and is otherwise subject to the provisions of the Cyprus Companies Law on reduction of share capital.

Treasury shares. Where the Company or its subsidiaries purchase the Company's equity instruments, the consideration paid, including any directly attributable incremental external costs, net of income taxes, is deducted from equity attributable to the owners of the Company until the equity instruments are reissued, disposed of or cancelled. Where such shares are subsequently disposed of or reissued, any consideration received is included in equity. The value of GDRs transferred out of treasury shares for the purposes of the long-term incentive programme for management of the Group are determined based on the weighted average cost.

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 Note 39. The accounting reports of the Group entities are the basis for profit distribution and other appropriations. The separate financial statements of the Company prepared in accordance with IFRS as adopted by the EU and in accordance with Cyprus Companies Law is the basis of available reserves for distribution.

40 Significant Accounting Policies (Continued)

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's consolidated financial statements in the year in which the dividends are appropriately authorised and are no longer at the discretion of the Company. More specifically, interim dividends are recognised as a liability in the period in which these are authorised by the Board of directors and in the case of final dividends, these are recognised in the period in which these are approved by the Company's shareholders.

Interest income and expense recognition. Interest income and expense calculated using effective interest method are recorded for all debt instruments, other than those at FVTPL, 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 (e.g. interchange fee on credit card loans) received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability.

Commitment fees (e.g. annual fee on credit card loans) received by the Group to originate loans at market interest rates are integral to the effective interest rate 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. 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.

Interest income is calculated by applying the effective interest rate to the 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.

Customer acquisition expense recognition. Customer acquisition expenses are represented by the costs incurred by the Group on services related to attraction of the client, mailing of advertising materials, processing of responses etc. Those costs, which can be directly attributed to the acquisition of a particular client, are included in the effective interest rate of the originated financial instruments; the remaining costs are expensed on the basis of the actual services provided.

Other income and expense recognition. All other income is generally recorded on an accrual basis by reference to completion of the specific performance obligation assessed on the basis of measurement of the Group's progress towards complete satisfaction of that performance obligation.

All other expenses are generally recorded on an accrual basis by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Other similar income. Other similar income represents interest income recorded for debt instruments measured at fair value through profit or loss ("FVTPL") and is recognised on an accrual basis using nominal interest rate.

Other similar expense. Other similar expense represents finance cost related to the discounted lease payments using the incremental borrowing rate.

Fee and commission income and expense. Fee and commission income is recognised over time as the services are rendered, when the customer simultaneously receives and consumes the benefits provided by the Group's performance. Such income includes SMS fee, part of SME services commission, part of brokerage fee and income from MVNO services which represents fixed monthly payments.

40 Significant Accounting Policies (Continued)

Variable fees are recognised only to the extent that management determines that it is highly probable that a significant reversal will not occur.

Other fee and commission income is recognised at a point in time when the Group satisfies its performance obligation, usually upon execution of the underlying transaction. The amount of fee or commission received or receivable represents the transaction price for the services identified as distinct performance obligations. Such income includes acquiring commission, part of SME services commission, brokerage fee and income from MVNO services, which represents payments for each transaction, fee for selling credit protection, interchange fee, cash withdrawal fee, foreign currency exchange transactions fee, fee for money transfers and other.

All fee and commission expenses are generally recorded on an accrual basis by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Customer loyalty program. The group operates loyalty programs where retail clients accumulate points, which entitle them to reimbursement of purchases made with credit and debit cards.

A financial liability is recognised for the amount of fair value of points expected to be redeemed until they are actually redeemed or expire with the corresponding entries to interest income calculated using the effective interest rate method or commission expenses depending on whether the points were accumulated by credit card clients or debit card clients respectively.

Insurance contracts. Insurance contracts are those contracts that transfer significant insurance risk. Insurance risk exists when the Group has uncertainty in respect of at least one of the following matters at inception of the contract: occurrence of insurance event, date of occurrence of the insurance event, and the claim value in respect of the occurred insurance event. Such contracts may also transfer financial risk.

Non-life insurance (short-term insurance). The below items from the consolidated statement of financial position of the Group are accounted within Other financial assets and Other financial liabilities lines, the below items from the consolidated statement of profit or loss and other comprehensive income of these consolidated financial statements are accounted within Income from insurance operations and Insurance claims incurred lines.

- **Premiums written.** Premiums (hereafter – “premiums” or “insurance premiums”) under insurance contracts are recorded as written upon inception of a contract and are earned on a pro-rata basis over the term of the related contract coverage. Reduction of premium written in subsequent periods (under amendments to the signed original contracts, for example) is accounted by debiting of premiums written in current period.
- **Claims.** Claims are charged to the consolidated statement of profit or loss and other comprehensive income as compensation is paid to policyholders (beneficiaries) or third parties.
- **Claims handling expenses.** Claims handling expenses are recognised in profit or loss for the period as incurred and include direct expenses related to negotiations and subsequent claims handling, as well as indirect expenses, including expenses of claims handling department and administrative expenses directly related to activities of this department.
- **Reinsurance.** The Group assumes and cedes reinsurance in the normal course of business. Ceded reinsurance contracts do not relieve the Group from its obligations to the policyholders under insurance contract. Amounts due from reinsurers are measured consistently with the amounts associated with the direct insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance assets arising from outward reinsurance contracts include reinsurers share in paid claims, including claims handling expenses. Liabilities under outward reinsurance operations are obligations of the Group for payment of premiums to reinsurers. Reinsurance assets include premiums ceded to the Group under inward reinsurance contracts. The Group's liabilities under inward reinsurance contracts are obligations to compensate the Group's share in paid claims, including claims handling expenses to reinsurers.

40 Significant Accounting Policies (Continued)

The Group assesses its reinsurance assets for impairment on a regular basis. If there is objective evidence that the reinsurance asset is impaired, the Group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the consolidated statement of profit or loss and other comprehensive income. The Group gathers the evidence that a reinsurance asset is impaired using the same process adopted for financial assets carried at amortised cost. The impairment loss is also calculated following the same method used for the financial assets carried at amortised cost.

- **Subrogation income.** The Group has a right to pursue third parties responsible for loss for payment of some or all costs related to the claims settlement process of the Group (subrogation). Reimbursements are recognised as income only if the Group is confident in receipt of these amounts from these third parties. Under inward reinsurance contracts, amounts of reimbursement due to the Group as a result of settlement of reinsurer's subrogation claims are treated as the Group's income as at the date of acceptance of the invoice received from the reinsurer and including calculation of the Group's share in the subrogation claim.
- **Deferred acquisition costs.** Deferred acquisition costs ("DAC") are calculated (for non-life insurance contracts) separately for each insurance product. Acquisition costs include remuneration to agents for concluding agreements with corporate clients and individuals and brokerage fees for underwriting of assumed reinsurance agreements. They vary with and fully depend on the premium earned under acquired or renewed insurance policies. These acquisition costs are deferred and amortised over the period in which the related written premiums are earned.

They are reviewed by line of business at the time of the policy issue and at the end of each accounting period to ensure they are recoverable based on future estimates. For the insurance contracts with duration of less than one month and with automatic prolongation condition amortisation of one-off acquisition costs occurs over the period determined based on statistical assessment of duration of the insurance contract taking into account all of the expected future prolongations.

Insurance provisions

- **Provision for unearned premiums.** Provision for unearned premiums ("UEPR") represents the proportion of premiums written that relate to the unexpired term of policies in force as at the reporting date, calculated on a time apportionment basis. UEPR is recognised within liabilities on a gross basis.
- **Loss provisions.** Loss provisions represent the accumulation of estimates for ultimate losses and include outstanding claims provision ("OCP") and provision for losses incurred but not yet reported ("IBNR"). Loss provisions are recognised within liabilities on a gross basis. Estimates of claims handling expenses are included in both OCP and IBNR. OCP is provided in respect of claims reported, but not settled as at the reporting date. The estimation is made on the basis of information received by the Group during settlement of the insured event, including information received after the reporting date. IBNR is determined by the Group by line of business using actuarial methods, and includes assumptions based on prior years' claims and claims handling experience. IBNR is calculated for each occurrence period as the difference between the projected maximum amount of future payments resulting from the events that occurred during the period and the amount of future payments resulting from the event already reported but not settled at the reporting date within the same period. The methods of determining such estimates and establishing the resulting provisions are continually reviewed and updated. Resulting adjustments are reflected in the consolidated statement of profit or loss and other comprehensive income as they arise. Loss provisions are estimated on an undiscounted basis due to relatively quick pattern of claims notification and payment.
- **Unexpired risk provision.** Unexpired risk provision ("URP") is recorded when unearned premiums are insufficient to meet claims and expenses, which may be incurred after the end of the financial year. To estimate the unexpired risk provision the Group uses historical experience and forward looking assumptions of ultimate loss ratios (including claims handling expenses) and the level of in-force portfolio maintenance expenses. The expected claims are calculated having regard to events that have occurred prior to the reporting date. For the purposes of final presentation of consolidated financial statements unexpired risk provision is written off against deferred acquisition costs.

40 Significant Accounting Policies (Continued)

- **Liability adequacy testing.** As at each reporting date the adequacy of the insurance reserves is tested. Testing of insurance reserves for non-life insurance is performed to ensure adequacy of contract liabilities. In performing these tests, current estimates of future contractual cash flows, claims handling and administration expenses are used. As a result of liability adequacy testing for non-life insurance, the Group sets up its URP.

Foreign currency translation and operations. The functional currency of the Company and each of the Group's consolidated entities is the Russian Rouble ("RR"), which is the currency of the primary economic environment in which each entity operates. Monetary assets and liabilities are translated into each entity's functional currency at the official exchange rate of the CBRF at the end of the respective reporting period.

Foreign exchange gains and losses resulting 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 profit or loss for the year as Net (losses)/gains from foreign exchange translation.

Foreign exchange gains and losses resulting from the settlement of transactions with foreign currencies are recognised in profit or loss for the year as net gains/(losses) from operations with foreign currencies (except for clients' foreign currency exchange transactions fee, which is recognised in profit or loss as fee and commission income).

Translation at year-end rates does not apply to non-monetary items that are measured at historical cost.

At 31 December 2020 the rate of exchange used for translating foreign currency balances was USD 1 = RR 73.8757 (31 December 2019: USD 1 = RR 61.9057), and the average rate of exchange was USD 1 = RR 72.1464 (2019: USD 1 = RR 64.7362).

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 (a) must not be contingent on a future event and (b) 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.

Earnings per share. Earnings per share are determined by dividing the profit or loss attributable to owners of the Company by the weighted average number of participating shares outstanding during the reporting year, excluding treasury shares. For the purpose of diluted earnings per share calculation the Group considers dilutive effects of shares granted under employee share option plans.

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. Segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker. Segments whose revenue, result or assets are ten percent or more of all the segments are reported separately.

Equity-settled share-based payment. The expense is recognized over the vesting period and is measured at the fair value of the award determined at the grant date, which is amortized over the service (vesting) period. The fair value of the equity award is estimated only once at the grant date and is trued up to the estimated number of instruments that are expected to vest. Dividends declared during the vesting period accrue and are paid to the employee together with the sale proceeds of the vested shares upon a liquidity event. Expected dividends (including those expected during the vesting period) are therefore included in the determination of fair value of the share-based payment.

40 Significant Accounting Policies (Continued)

Cash-settled share-based program. The expense is recognized gradually over the vesting period and is measured at the fair value of the liability at each end of the reporting period. The fair value of the liability reflects all vesting conditions, except for the requirement of the employee to stay in service which is reflected through the amortization schedule. The liability is measured, initially and at the end of each reporting period until settled, at fair value, taking into account the terms and conditions on which the instruments were granted and the extent to which the employees have rendered service to date.

Amendments of the consolidated financial statements after issue. The Board of directors of the Company has the power to amend the consolidated financial statements after issue.

Changes in presentation. In 2020 because of significant growth in the brokerage operations and the related balances and volumes of transactions, the Group made a detailed review of the relevant accounting policies to achieve more relevant and reliable presentation. As a result of such review and because of significantly increased balances the Group reclassified brokerage receivables and brokerage payables from cash and cash equivalents and due to banks, respectively, into separate line items in the Consolidated statement of financial position. Also the Group identified that certain portion of brokerage operations fee and commission income related to margin trading of Group's clients has more characteristics of being interest income rather than fee and commission income. Hence the Group made relevant reclassification from fee and commission income into interest income in the Consolidated statement of profit or loss and other comprehensive income. Similar reclassifications were made in the Consolidated statement of cash flows. Management considers that the above reclassifications will result in a more reliable and relevant presentation of the financial information which is more consistent with the market practice of many other banks.

In September 2020 as a result of a detailed review of the marketing agreements with the payment systems the Group changed its accounting policy in relation to income received under these agreements by reclassifying it from Other operating income to reduce the Payment System fees accounted for in Interest income and Fee and commission expenses. Part of the net payment system fees which relates to the borrowers' transactions is included in the effective interest income of the loans. Another part which relates to the customer's transactions was reclassified to Fee and commission expenses and presented on a net basis within the payment systems. Management considers that this reclassification results in a more reliable and relevant presentation of the substance of these agreements since such income from payment systems primarily represents volume rebates, hence it could be offset against related expenses.

In December 2020 given the increase in the related amounts the Group refined its accounting policy in relation to recoveries received in excess of gross carrying amount of purchased loans and reclassified them from Other operating income line to Credit loss allowance for loans and advances to customers and credit related commitments line of consolidated statement of profit or loss and other comprehensive income.

The effect of changes described above on the consolidated statement of financial position for the year ended 31 December 2019 is as follows:

<i>In millions of RR</i>	As originally presented	Reclassification	As reclassified
Cash and cash equivalents	57,796	(2,232)	55,564
Due to banks	663	(640)	23
Brokerage receivables	-	2,799	2,799
Brokerage payables	-	1,207	1,207

40 Significant Accounting Policies (Continued)

The effect of changes described above on the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019 is as follows:

<i>In millions of RR</i>	As originally presented	Reclassification	As reclassified
Interest income calculated using the effective interest rate method	109,972	1,157	111,129
Credit loss allowance for loans and advances to customers and credit related commitments	(27,244)	693	(26,551)
Fee and commission income	36,042	(184)	35,858
Fee and commission expense	(17,448)	2,325	(15,123)
Other operating income	4,713	(3,991)	722

The effect of changes described above on the consolidated statement of cash flows for the year ended 31 December 2019 is as follows:

<i>In millions of RR</i>	As originally presented	Reclassification	As reclassified
Interest income received calculated using the effective interest rate method	106,975	879	107,854
Fees and commissions received	35,986	(184)	35,802
Fees and commissions paid	(17,492)	1,499	(15,993)
Recoveries from the purchased loans received	-	693	693
Other operating income received	4,024	(2,887)	1,137
Net increase in cash and cash equivalents	23,994	(2,232)	21,762
Net increase in brokerage receivables	-	(2,799)	(2,799)
Net decrease in due to banks	(2,045)	(640)	(2,685)
Net increase in brokerage payables	-	1,207	1,207

41 Adoption of New or Revised Standards and Interpretations

The following amended standards became effective from 1 January 2020, but did not have any material impact on the Group:

- 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 reporting period that starts on or after 1 January 2020).
- Definition of material - Amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020).
- 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).

42 New Accounting Pronouncements

Certain new amendments have been issued that are mandatory for the annual periods beginning on or after 1 January 2021, which the Group has not early adopted:

42 New Accounting Pronouncements (Continued)

IFRS 17 “Insurance Contracts” (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2023)*. IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. As a consequence, it was difficult for investors to compare and contrast the financial performance of otherwise similar insurance companies. IFRS 17 is a single principle-based standard to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The standard requires recognition and measurement of groups of insurance contracts at: (i) a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset) (ii) an amount representing the unearned profit in the group of contracts (the contractual service margin). Insurers will be recognising the profit from a group of insurance contracts over the period they provide insurance coverage, and as they are released from risk. If a group of contracts is or becomes loss-making, an entity will be recognising the loss immediately. The Group is currently assessing the impact of IFRS 17 on the insurance contracts issued by the Insurance Company as well as the impact for credit cards and similar loan products which may include insurance component.

Amendments to IFRS 17 and an amendment to IFRS 4 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023)*. The amendments relate to eight areas of IFRS 17, and they are not intended to change the fundamental principles of the standard. The following amendments to IFRS 17 were made: effective date, expected recovery of insurance acquisition cash flows, contractual service margin attributable to investment services, reinsurance contracts held – recovery of losses and other amendments.

The following other new pronouncements are not expected to have any material impact on the Group when adopted:

- (a) 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)*.
- (b) Classification of liabilities as current or non-current – Amendments to IAS 1 (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2022)*.
- (c) Classification of liabilities as current or non-current, deferral of effective date – Amendments to IAS 1 (issued on 15 July 2020 and effective for annual periods beginning on or after 1 January 2023)*.
- (d) Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022)*.
- (e) Interest rate benchmark (IBOR) reform – phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (issued on 27 August 2020 and effective for annual periods beginning on or after 1 January 2021).
- (f) Covid-19-Related Rent Concessions – Amendments to IFRS 16 (issued on 28 May 2020 and effective for annual periods beginning on or after 1 June 2020).

* Denotes standards, interpretations and amendments which have not yet been endorsed by the European Union.

TCS Group Holding PLC

**International Financial Reporting Standards
Consolidated Financial Statements and
Independent Auditor's Report**

31 December 2019

Board of Directors

Constantinos Economides, Chairman
Alexios Ioannides
Mary Trimithiotou
Jacques Der Megreditchian
Martin Robert Cocker

The above all served throughout 2019 and through to the date of these consolidated financial statements. Philippe Delpal retired from the Board on 16 August 2019.

The Company's Articles of Association include regulations for the retirement by rotation of Directors at each annual general meeting. These regulations will operate in 2020 on the basis of the composition of the Board at the relevant date.

Company Secretary
Caelion Secretarial Limited

25 Spyrou Araouzou
Berengaria 25, 5th floor,
3036, Limassol, Cyprus

Registered office

25 Spyrou Araouzou
Berengaria 25, 5th floor,
3036, Limassol, Cyprus

The Board of Directors presents its report together with the audited consolidated financial statements of TCS Group Holding PLC (the “Company”) and its subsidiaries (collectively the “Group”) for the year ended 31 December 2019.

Principal activities and nature of operations of the Group

1. The Group’s principal activities are all undertaken within the Russian Federation and consist on-line retail banking operations, through its subsidiary JSC “Tinkoff Bank” (the “Bank”), and other operations through its subsidiaries, such as insurance operations through JSC “Tinkoff Insurance” (the “Insurance Company”), mobile services through LLC “Tinkoff Mobile” and asset management through LLC “Tinkoff Capital” (Note 1).
2. The Bank specialises in retail banking for individuals, individual entrepreneurs (“IE”), small and medium enterprises (“SME”) and brokerage services. The Bank which is fully licensed by the Central Bank of Russia, launched its operations in the Summer of 2007 and is a member of the Russian Deposit Insurance System. The Insurance Company specialises in providing non-life insurance coverage such as accident, property, travel, credit protection and auto insurance. The founder and controlling shareholder of the Company is Oleg Tinkov.

Changes in group structure

3. During 2019 the Group acquired an additional 40% shareholding in LLC “CloudPayments”, a developer of online payment solutions in Russia, and increased its stake to 95%.
4. During 2019 the Bank founded an asset management company LLC “Tinkoff Capital” to manage investment mutual funds and non-state pension funds.

Review of developments, position and performance of the Group’s business

5. The Bank operates a flexible business model. Its virtual network enables it to quickly and easily increase business or slow down customer acquisition depending on the availability of funding and market conditions. The Bank’s primary customer acquisition channels are Internet and Mobile, but it also uses Direct Sales Agents and partnerships (co-brands) to acquire new customers. These customer acquisition models, combined with the Bank’s virtual network, afford it a geographic reach across all of Russia’s regions resulting in a highly diversified portfolio.
6. During 2019 the Group completed a secondary public offering (“SPO”) of its “class A” shares in the form of Global Depositary Receipts (GDRs) and raised its capital by USD 300 million. This provided the necessary capital to take advantage of the current profitable growth opportunities whilst maintaining sufficient capital buffers in the future (Note 1 and 20).
7. During 2019 the Company actively continued the development its call-center and software development services in Cyprus.
8. The key offerings of JSC “Tinkoff Insurance” are personal accident insurance, collective insurance against accidents and illnesses, travel insurance, motor vehicle insurance and property insurance, compulsory third party liability insurance (CTP) and voluntary third party liability insurance (VTP) (Note 24). The Insurance Company focuses on online sales.
9. In terms of financial performance the profit of the Group for the year ended 31 December 2019 was RR 36,123 million (2018: RR 27,122 million). This result is driven by two major continuing trends: the ongoing growth of the Group’s consumer finance business and a growing contribution from the non-credit fees-and-commission business lines. Thus the Group continues to demonstrate an active growth of income from acquiring services. Net margin increased by 44.6% to RR 86,769 million (2018: increased by 30.2% to RR 59,992 million) on the back of credit and investment portfolio growth. The growth of the credit portfolio was driven not only by the credit cards loans but also by other types of loans, such as secured, cash and POS loans. The quality of loans continues to improve. The Group aims to diversify its credit portfolio by the extension of collateralised credit products which represents a business line with lower credit risks. The 90 days plus overdue loans ratio (“NPL”) reduced to 9.1% as at 31 December 2019 (2018: 9.4%). The NPL coverage ratio reduced to 156% as at 31 December 2019 (2018: reduced to 164%). The Investment in debt securities portfolio increased by 35% and amounted to RR 135,178 million (2018: increased by 39.7% to RR 100,140 million). This growth has been fuelled by the continued development of the

debit cards and SME business lines. The Group continues to maintain a good quality and diversified securities portfolio. During the year the Bank developed the Tinkoff Investments product by increasing of the customer base and providing of new trading instruments to its clients. The Group's Insurance business continues to develop at a good pace. This year insurance premiums earned increased by 111.4% to RR 14,110 million (2018: increase by 144.0% to RR 6,674 million). The growth was as a result of a continuous development of auto (including CTP and VTP) and travel insurance, as well as the growth of personal accident insurance along with the credit portfolio and providing a wider coverage of insured risks.

Environmental matters

10. As the Group is an online-only financial institution, the management of the Group believe none of the Group's business relationships, products or services are likely to have any significant actual or potential significant environmental impacts and do not believe its operations are exposed to any material environmental risks. Management, in reaching this view, have taken into account the risk of adverse impacts that may stem from the Company's own activities as well as its business relationships including its supply and subcontracting chains. This belief is based on continuous scrutiny of the business. The Group is continuously reviewing its processes to identify opportunities to reduce their environmental impact.

Human resources

11. Empowerment is an important ingredient in the success of our organization. To achieve this, decision making is delegated to the levels deep below the management team, discussion, idea generation and exchange and transparency is actively promoted and encouraged and an open leadership style ensures that information can move freely. The Group utilizes all types of forums to promote continual dialogue – such as email, online chat rooms, flash meetings, as well as formalized meeting structures. The Group offers a clear far-reaching career path for its employees, a unique work environment and a fair and transparent compensation.
12. Clear performance evaluation processes and fair compensation are essential. Compensation is a combination of fixed rate salary and supplemental bonuses and is based on employee performance. Employees are evaluated on a regular basis in order to monitor their achievement against their Key Performance Indicators to provide feedback which can be used for their career development and to determine incentive compensation.
13. Prior to its IPO in 2013, the Group set up share-based management long term incentive plans ('MLTIP') as retention and motivational tools for key and senior managers. In March 2016, the Group announced a consolidated long-term management incentive and retention plan, covering around 50 key, senior and middle managers. In 2017, 2018 and 2019 the Group announced the expansion of the plan. The number of participants increased to over 80. Total target size of the MLTIP pool is 5.4% of the Group's share capital as at 31 December 2018 before the SPO (Note 20). The plan is designed to align more closely managers' interests with those of shareholders to grow the Group's value. The plan is awarded over four years with each such annual award vesting over the subsequent three years. The Group believes that participation in its share capital is an effective motivation and retention tool. The new management incentive and retention plan now embraces more managers, for two main reasons: firstly, internal promotions as some employees were promoted to key managerial positions; and, secondly, as part of its expansion and transformation into a financial marketplace, the Group has hired a significant number of new managers to develop and manage new business lines and to strengthen internal controls, including cyber security.

Non-Financial Information and Diversity Statement

14. The Group's policies and other information that provide an understanding of the development, performance, position and impact of the Group's activities in the areas of environmental, social and employee matters, respect for human rights, anti-corruption and bribery matters can be found in the Group's most recently published Non-Financial Information and Diversity Statement. The Group will publish its Non-Financial Information and Diversity Statement for the year ended 2019, on the Company's website, www.tcsgh.com.cy (and www.tinkoff.ru/eng) no later than 30 June 2020.

Principal risks and uncertainties

15. The Group's business and financial results are impacted by uncertainties and volatilities in the Russian economic environment.
16. The Group is subject to a number of principal risks which might adversely impact its performance. The principal activities of the Group are banking and insurance operations and so it is within this area that the principal risks occur. Management considers that those principal risks are financial risks, operational risks and legal risks. Financial risk comprises market risks (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.
17. The Board has put in place arrangements to identify, evaluate and manage principal risks and uncertainties faced by the Group. The Group has an established risk management program that focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. This is overseen by a dedicated Risk Management function, which works with senior management of the operating companies in Russia as well as the Board of Directors in this area. The primary objectives of the financial risk management function are to establish acceptable risk limits, and then ensure that the exposures remain within these limits. The operational and legal risk management functions are intended to ensure the proper functioning of internal policies and procedures that minimize operational and legal risks. The risk management strategy is established so as to identify, assess, monitor and manage the risks arising from Group's activities. These risks as well as other risks and uncertainties, which affect the Group and how these are managed, are presented in Notes 31 and 33 of the consolidated financial statements.

Contingencies

18. The Group's contingencies are disclosed in Note 33 to the consolidated financial statements.

Future developments

19. The Group's strategic objective is to be a full service, online financial and lifestyle ecosystem with a broad range of financial, insurance and quasi-financial products, serving customers through a high-tech online and mobile platform that offers premium quality service and convenience, while maintaining high growth rates, profitability and effective data-driven risk management.

Results

20. The Group's results for the year are set out on page 2 of the consolidated financial statements. Information on distribution of profits is presented in Note 28.

Any important events for the Group that have occurred after the end of the financial year

21. Important events for the Group that have occurred after the end of the financial year are presented in Note 41.

Share capital

22. In June 2019 the Company's shareholders approved a resolution to increase the authorised share capital to USD 8,401,385.92 by the creation of 18,263,882 new undesignated ordinary shares of nominal value USD 0.04 each. At 31 December 2019 the total number of authorised shares is 210,034,648 shares (31 December 2018: 191,770,766 shares) with a par value of USD 0.04 per share (31 December 2018: USD 0.04 per share).
23. On 2 July 2019 the Group announced the successful completion of the offering of 16,666,667 GDRs representing interests in its "class A" share on London Stock Exchange plc. raising aggregate gross proceeds of USD 300 million (RR 18,916 million) which would ensure the necessary capital to seize the current profitable growth opportunities whilst maintaining ample capital buffers in the future.
24. As at 31 December 2019 the number of issued "class A" shares is 119,291,268 and issued "class B" shares is 80,014,224 (31 December 2018: the number of issued "class A" shares is 96,239,291 and issued "class B" shares is 86,399,534).

Research and development activities

25. During the year ended 31 December 2019 the Group has undertaken research and development activities related to software including greater use of biometrics, voice assistant, social networking, machine learning and intelligence.

Treasury shares

26. At 31 December 2019 the Group held 4,185,166 (2018: 6,604,353) of its own GDRs, equivalent to approximately RR 3,164 million (2018: RR 3,670 million) and which represent 2.1% (2018: 3.6%) of the issued share capital.
27. Treasury shares are GDRs of TCS Group Holding Plc that are held by a special purpose trust which has been specifically created for the long-term incentive programme for the MLTIP (see Note 40 for further information).
28. The Group repurchased no GDRs in 2019 (2018: 2,094,126 GDRs at market price for RR 2,455 million representing 1.1% of the issued share capital).
29. During 2019 the Group transferred 2,419,187 GDRs (2018: 1,804,894 GDRs), representing 1.21% (2018: 1.0%) of the issued share capital, upon vesting under the MLTIP. This resulted in a transfer of RR 506 million (2018: RR 372 million) out of treasury shares to retained earnings.

Board of Directors

30. The members of the Board of Directors as of 31 December 2019 and at the date of this report are presented above. All served throughout the year ended 2019 and through to the date of these consolidated financial statements, except for Philippe Delpal, who retired from 16 August 2019.
31. There were no significant changes in the assignment of responsibilities and remuneration of the Board of Directors.

Branches

32. The Group did not operate through any branches during the year.

Independent auditor

33. The Independent Auditor, PricewaterhouseCoopers Limited, has expressed their willingness to continue in office. A resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

Going concern

34. The Directors have access to all information necessary to exercise their duties. The Directors continue to adopt the going concern basis in preparing the consolidated financial statements based on the fact that, after making enquiries and following a review of the Group's budget for 2020, including cash flows and funding facilities, the Directors consider that the Group has adequate resources to continue in operation for the foreseeable future.

Corporate Governance Statement

GDRs of TCS Group Holding PLC (a Cyprus incorporated company), with each GDR issued under a deposit agreement dated on or about 24th October 2013 with JPMorganChase Bank N.A. as depositary representing one Class A share, are listed on London Stock Exchange. The Company's GDRs are also listed on the Moscow Exchange. No shares of TCS Group Holding PLC are listed on any exchange.

The Company is required to comply with the UK corporate governance regime to the extent it applies to foreign issuers of GDRs listed on London Stock Exchange. The Company has not adopted corporate governance measures of the same standard in all respects as those adopted by UK incorporated companies or companies with a premium listing on the London Stock Exchange.

As the Class A shares themselves are not listed on the Cyprus Stock Exchange (or elsewhere), the Cypriot corporate governance regime, which only relates to companies that are listed on the Cyprus Stock Exchange, does not apply to the Company and accordingly the Company does not monitor its compliance with that regime.

The Company's Home State is Cyprus.

A description of the terms and conditions of the GDRs can be found at 'Terms and Conditions of the Global Depositary Receipts', 'Summary of the Provisions relating to the GDRs whilst still in Master Form' and 'Description of Arrangements to Safeguard the Rights of the Holders of the GDRs' in the Prospectus issued by the Company dated 22 October 2013 and on the website at www.tinkoff.ru/eng.

Copies of the Articles of Association of the Company adopted on 21 October 2013, the terms of reference of the Committees, and other corporate governance related as well as investor relations related materials can also be found on the website www.tinkoff.ru/eng, at the Company's main website www.tcsgh.com.cy, on the Company's page on the London Stock Exchange website (www.londonstockexchange.com/exchange/prices-and-markets/stocks/summary) and at the official site of the Department of Registrar of Companies, Cyprus (<http://www.mcit.gov.cy/>).

Board of Directors

The role of the Board is to provide entrepreneurial leadership to the Group within a framework of prudent and effective controls which enables risk to be assessed and managed. The Board sets the Group's strategic objectives, ensures that the necessary financial and human resources are in place for the Group to meet its objectives and reviews management's performance. The Board also sets the Group's values and standards and ensures that its obligations towards the shareholders and other stakeholders are understood and met.

The Board operates under a formal schedule of matters reserved to the Board for its decision, approved by shareholders in 2013.

The authorities of the members of the Board are specified by the Articles of Association of the Company and by law. The current five strong Board of directors is comprised of three executive directors including the chairman, and two non-executive directors both of whom are independent. Other than the retirement of Mr Philippe Delpal on 16 August 2019, there was no change in the composition of the Board or status of the directors in 2019. The Board of directors currently contains no Directors B.

The longest serving director Mr Constantinos Economides took over the role of Chairman of the Board of directors in June 2015. The names of the people who served on the Board during 2019 are listed at Board of Directors and other officers.

The Group has established two Committees of the Board. Specific responsibilities have been delegated to those committees as described below.

The Board is required to undertake a formal and rigorous review annually of its own performance, that of its committees and of its individual directors. That review was recently carried out, in-house, in relation to 2019, looking at overall performance. All directors completed detailed questionnaires on the Board's, the committees' and individual director's performance. Analysis of the resultant feedback will be discussed at a meeting of the Board of Directors on 10 March 2020 and no changes are expected to be made in the performance of the Board, its committees or individual directors.

The Board has not appointed a senior independent director. There are only two independent directors of whom at least one will retire each year. The role of appraising the Chairman of the Board for FY2019 was performed by the Chairman of the Audit Committee.

Committees of the Board of directors

The Company has established two Committees of the Board of directors: the Audit Committee and the Remuneration Committee. Their terms of reference are summarized below. Both Committees were formed in October 2013. The Board reserves the right to amend their terms of reference and arranges a periodic review of each Committee's role and activities and considers the appropriateness of additional committees.

Committees-current composition

The Audit Committee is chaired by an independent non executive director Mr Martin Cocker, and had, until 16 August 2019, two other members both non executive directors, one of whom was independent. From 16 August 2019 the Audit Committee has comprised of its chairman Mr Martin Cocker and one independent non executive director.

The Remuneration Committee is also chaired by an independent non-executive director, Mr Jacques Der Megreditchian, and had until 16 August 2019 two other members both non executive directors, one of whom was independent. From 16 August 2019 the Remuneration Committee has comprised of its chairman Mr Jacques Der Megreditchian and one independent non-executive director.

The current terms of reference of both Committees are available to the public and can be found on the Group's website. A short summary of both is set out below.

Role of the Audit Committee

The Audit Committee's primary purpose and responsibility is to assist the Board in its oversight responsibilities. In executing this role the Audit Committee monitors the integrity of the financial statements of the Group prepared under International Financial Reporting Standards ("IFRS") and any formal announcements relating to the Group's and the Company's financial performance, reviewing significant financial reporting judgments contained in them, oversees the financial reporting controls and procedures implemented by the Group and monitors and assesses the effectiveness of the Company's internal financial controls, risk management systems, internal audit function, the independence and qualifications of the independent auditor and the effectiveness of the external audit process. The Audit Committee is required to meet at appropriate times in the reporting and audit cycle but in practice meets more often as required.

Under its terms of reference, the Audit Committee is required, at least once each year, to review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and to recommend any changes it considers necessary for Board approval. The Audit Committee met this obligation through members participating in the main Board review described above. After consideration of the review, no changes were proposed to the committee's terms of reference. The Audit Committee operates a structured framework around the extensive work it does on non-financial statement matters holding at least two additional meetings annually, at least one of which would be held at the Bank's head office in Moscow, to consider specific, non-financial statement related areas within its terms of reference. One such meeting was held in 2019 with a further two are planned for 2020.

The Audit Committee has developed a risk matrix which constantly evolves to reflect new risks, the perceived impact of, and the Group's appetite for, any given risk and the measures taken to mitigate those risks. This matrix is run in conjunction with the internal audit function.

A new post of chief information security officer was created in late 2017 and filled, with additional personnel expert in cyber-security recruited, in a very competitive market, through 2018 and 2019 to support the Group's ever-increasing efforts to stay ahead of trends and threats in this sphere. The Group has further broadened its top management team with a new chief investment officer and new chief operating officer appointed in 2020 and now in place.

Role of the Remuneration Committee

The Remuneration Committee is responsible for determining and reviewing among other things the framework of remuneration of the executive directors, senior management and its overall cost and the Group's remuneration policies. The objective is to ensure that the executive management of the Group are provided with appropriate incentives to encourage enhanced performance and are in a fair and responsible manner rewarded for their individual contributions to the success of the Group. The Remuneration Committee's Terms of Reference include reviewing the design and determining targets for any performance related pay schemes and reviewing the design of all share incentive plans for approval by the Board. The Remuneration Committee is required to meet at least twice a year but in practice meets far more often.

The Remuneration Committee continued with its work into 2019 on an ongoing review of the operation of the Group's MLTIP which launched in 2016 and in considering additional awards to both existing and new participants for this and subsequent years. The Remuneration Committee recommended 10 members of management be invited to join MLTIP in Q1 2019, but made no such recommendations in Q1 2020.

The Committee has also been working on plans for an incentive and compensation plan to supplement MLTIP for when, in the period 2022 to 2024, existing awards made to MLTIP joiners in 2016-2017 start to enter into run off.

Under its terms of reference the Remuneration Committee is required at least once each year to review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and to recommend any changes it considers necessary for Board approval. The Remuneration Committee met this obligation through members participating in the main Board review (described above) under which detailed questionnaires were completed by all directors assessing the operation of the Board and both committees as well as individual directors. Although earlier reviews had resulted in certain minor changes to the Remuneration Committee's terms of reference, no further changes were felt required based on the most recent review. The Committee continues to meet as required. In 2019 it convened 5 times.

Appointment, retirement, rotation and removal of directors

The directors of the Company are appointed by the general meeting of shareholders with the sanction of an ordinary resolution. Such an appointment may be made to fill a vacancy or as an additional director. But no director may be appointed unless nominated by the Board of directors or a committee duly authorized by the Board of directors or by a shareholder or shareholders together holding or representing shares which in aggregate constitute or represent at least 5% in number of votes carried or conferred by the shares giving a right to vote at a general meeting.

Notwithstanding that, one or more Directors B (a special category of director) may be appointed only by Class B shareholders, together holding or representing Class B shares which constitute or represent in aggregate over 50% in nominal capital paid up on the Class B shares upon serving notice to the Company. As at 31 December 2019, Class B shares in aggregate represented under 50% of nominal capital.

The Board of directors may at any time appoint any person to the office of director either to fill a vacancy or as an additional director and every such director shall hold office only until the next following annual general meeting and shall not be taken into account in determining the directors who are to retire by rotation.

One third of the directors (or if their number is not a multiple of three, the number nearest to three but not exceeding one-third) shall retire by rotation at every annual general meeting. Directors holding an executive office and Directors B are excluded from retirement by rotation.

Directors including Directors B may be removed from office by the shareholders at a general meeting with the sanction of an ordinary resolution, subject to giving 28 days' notice to that director in accordance with the Articles of Association. Directors B may at any time be removed from office by Class B shareholders together holding or representing Class B shares which constitute or represent over 50% in nominal capital paid up on the Class B Shares upon giving notice to the Company.

The office of director shall be vacated if the director:

- becomes bankrupt or makes any arrangement or composition with his creditors generally; or
- becomes prohibited from being a director by reason of any court order made under Section 180 (disqualification from holding the position of director on the basis of fraudulent or other conduct) of the Cyprus Companies Law; or
- becomes, or may be, of unsound mind; or
- resigns his office by notice in writing to the Company left at the registered office; or
- is absent from meetings of the board for six consecutive months without permission of the Board of directors and his alternative director (if any) does not attend in his place and the Board of directors resolves that his office be vacated.

At any time when Class B Shares cease to exist by virtue of conversion into Class A Shares, each Director B shall thereby become (undesignated) a director and shall remain in office until the next annual general meeting and such director will not be taken into account in determining the directors who are to retire by rotation at such meeting.

Significant direct/indirect holdings

For the significant direct and indirect shareholdings held in the share capital of the Company, please refer to Note 1 of the consolidated financial statements.

Internal control and risk management systems in relation to the financial reporting process

Policies, procedures and controls exist around financial reporting. Management is responsible for executing and assessing the effectiveness of these controls.

Financial reporting process

The Board of Directors is responsible for the preparation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap.113, and for such internal control as the Board of Directors 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, the Board of Directors 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 the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board has delegated to the Audit Committee the responsibility for reviewing the consolidated financial statements to ensure that they are in compliance with the applicable framework and legislation and for recommending these to the Board for approval. The Audit Committee is responsible for overseeing the Group's financial reporting process.

Internal Controls and Risk Management

Management is responsible for setting the principles in relation to risk management. The risk management organisation is divided between Policy Making Bodies and Policy Implementation Bodies. Policy Making Bodies are responsible for establishing risk management policies and procedures, including the establishment of limits. The main Policy Making Bodies are the Board of Directors, the Management Board, the Finance Committee, the Credit Committee and the Business Development Committee.

In addition the Group has implemented an online analytical processing management system based on a common SAS data warehouse that is updated on a daily basis. The set of daily reports includes but is not limited to sales reports, application processing reports, reports on the risk characteristics of the card portfolios, vintage reports, transition matrix (roll rates) reports, reports on the pre-, early and late collections activities, reports on compliance with CBR requirements, capital adequacy and liquidity reports, operational liquidity forecast reports and information on intra-day cash flows.

Diversity policy

The Group is committed to offering equal opportunity to all current and prospective employees, such that no applicant or employee is discriminated in favour of or against on the grounds of sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation in recruitment, training, promotion or any other aspect of employment.

Recruitment, training and promotion are exclusively based on merit. All the Group employees involved in the recruitment and management of staff are responsible for ensuring the policy is fairly applied within their areas of responsibility. The Group applies this approach throughout, at all levels. This includes its administrative, management and supervisory bodies, including the Board of Directors of the Company.

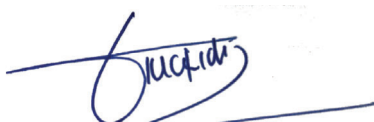
TCS Group Holding PLC
Consolidated Management Report

The composition and diversity information of the Board of Directors of the Group for the year ended and as at 31 December 2019 is set out below:

Name	Age	Male/Female	Educational/professional background
Constantinos Economides	44	Male	ICAEW, MSc in Management Sciences, experience in 'Big Four' professional services firms
Alexios Ioannides	43	Male	ICAEW, ICPAC, BSc in Business Administration, experience in 'Big Four' professional services firms
Mary Trimithiotou	42	Female	ICPAC, FCCA, Licensed insolvency practitioner, experience in 'Big Four' professional services firms
Martin Robert Cocker	60	Male	ICAEW, BSc in Mathematics and Economics, experience in 'Big Four' professional services firms
Philippe Delpal (resigned on 16 August 2019)	46	Male	BSc in IT, Telecoms and Economics, senior executive experience in banking industry
Jacques Der Megreditchian	60	Male	BSc in Business Administration and in Financial Analysis, banking and finance experience

*Further details of the corporate governance regime of the Company can be found on the website:
<https://www.tinkoff.ru/eng/investor-relations/corporate-governance/>.*

By Order of the Board



Constantinos Economides
Chairman of the Board
Limassol
10 March 2020



Independent Auditor's Report

To the Members of TCS Group Holding PLC

Report on the Audit of the Consolidated Financial Statements

Our opinion

In our opinion, the accompanying consolidated financial statements of TCS Group Holding PLC (the “Company”) and its subsidiaries (together the “Group”) give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

What we have audited

We have audited the consolidated financial statements which are presented in pages 1 to 108 and comprise:

- the consolidated statement of financial position as at 31 December 2019;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the consolidated financial statements is International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group throughout the period of our appointment in accordance with the *International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)* together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Cyprus and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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Our audit approach

Overview

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the Board of Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.



- Overall group materiality: Russian Roubles (“RR”) 2 275 million, which represents approximately 5% of profit before tax
- We planned and conducted our audit to cover the two largest business components of the Group being the Banking and Insurance operations for which we performed an audit of their complete financial information.
- For the other components, we performed substantive audit procedures where necessary.

We have identified the following key audit matters:

- Credit loss allowance for loans and advances to customers, using the expected credit loss model in line with the requirements of IFRS 9 “Financial Instruments”;
- Recognition of interest income calculated using the effective interest rate method on loans and advances to customers.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the consolidated financial statements as a whole.



Overall group materiality	RR 2 275 million
How we determined it	Approximately 5% of profit before tax
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by the users of the consolidated financial statements, and it is a generally accepted benchmark. We chose 5%, which in our experience is an acceptable quantitative threshold for this materiality benchmark.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above RR 115 million as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

How we tailored our group audit scope

TCS Group Holding PLC is the parent of a group of companies. The financial information of this Group of companies is included in the consolidated financial statements of TCS Group Holding PLC.

Considering our ultimate responsibility for the opinion on the Group's consolidated financial statements we are responsible for the direction, supervision and performance of the group audit. In this context, we tailored the scope of our audit and determined the nature and extent of the audit procedures for the components of the Group to ensure that we performed sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the significance and/or risk profile of the group entities or activities, the accounting processes and controls, and the industry in which the Group operates.

The Group has two primary business components being Banking (which includes retail business for individuals and small and medium-sized entities business) and Insurance operations, both of which operate primarily in the Russian Federation. The Banking business comprises a number of reporting units being JSC Tinkoff Bank, LLC Microfinance company T-Finans, LLC Phoenix and LLC Tinkoff Capital. The Insurance business comprises solely JSC Tinkoff Insurance. Full scope audit procedures were performed in respect of the Banking and Insurance operations.

Other Group business reporting components, including TCS Group Holding PLC, TCS Finance D.A.C., LLC TCS, Tinkoff Software DC, LLC Tinkoff Mobile, LLC CloudPayments, ANO Tinkoff Education and Tinkoff Long-Term Incentive Plan Employee Benefit Trust, are not considered to be primary business components for audit purposes. Where necessary, additional substantive audit procedures were carried out across these non-primary components at the financial statement item level in order to achieve the desired level of audit evidence. The consolidated financial statements are a consolidation of all of the above business reporting components.

We determined the level of involvement we needed to have in the audit work at the business reporting components to be able to conclude whether sufficient appropriate audit evidence was obtained as a basis for our opinion on the consolidated financial statements as a whole. We worked with other PwC network firms in relation to the activity of the Group in the Russian Federation. Overall, we have obtained sufficient and appropriate audit evidence regarding the consolidated financial information of the Group as a whole to provide a basis for our audit opinion on the consolidated financial statements.

Key audit matters incorporating the most significant risks of material misstatements, including assessed risk of material misstatements due to fraud

Key audit matters are those matters that, in our professional judgement, 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.

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><i>Credit loss allowance for loans and advances to customers, using the expected credit loss model in line with the requirements of IFRS 9 “Financial Instruments”</i></p> <p>This is a complex accounting standard for which models have been developed by the Group to calculate expected credit losses (“ECL”). These calculations involve the application of significant management judgement and estimates.</p> <p>Therefore we applied focus to the “expected credit loss” models used by the Management for the purpose of compliance with IFRS 9. The detailed description of these models is disclosed in Note 3 “Significant Accounting Policies” and Note 31 “Financial and Insurance Risk Management” to the consolidated financial statements.</p> <p>An assessment of the credit loss allowance for loans and advances to customers is performed on a portfolio basis, with the key assumptions being the probability of an account falling into arrears and subsequently defaulting (which is impacted by the definitions of “significant increase in credit risk” and “default”), the estimated recoveries from defaulted loans and the lifetime period for revolving credit facilities. Statistical models are used for the assessment of the probability of default, recovery rate and the lifetime period for revolving credit facilities. In addition, calculation of the expected credit loss allowance incorporates forward-looking information, taking into consideration different macro-economic scenarios and adjusting the probability of default.</p> <p>Note 3 “Significant Accounting Policies”, Note 4 “Critical Accounting Estimates and Judgements in Applying Accounting Policies”, Note 9 “Loans and Advances to Customers” and Note 31 “Financial and Insurance Risk Management” to the consolidated financial statements provide detailed information on the credit loss allowance for loans and advances to customers.</p>	<p>In relation to the ECL models for measuring credit loss allowance, we assessed the appropriateness of the key assumptions used in the methodologies and models of the Group and their compliance with the requirements of IFRS 9.</p> <p>For a sample of loans we recalculated their probabilities of default and compared the results with the models’ outputs. Additionally, we reviewed the Group’s backtesting of probabilities of default estimated on the basis of the models by comparing them to the actual default rates evidenced in the loan portfolios.</p> <p>With regard to the controls relating to the credit loss allowance, we assessed and tested on a sample basis the design and operating effectiveness of the key controls over credit loss data and calculations. These key controls included those over classification of certain loans by loan portfolios, allocation of cash received from customers to respective loans and advances to customers, identification of the overdue loans and the data transfer from source systems to the credit loss allowance models.</p> <p>We determined that we could place reliance upon these key controls for the purposes of our audit.</p> <p>In addition, we performed testing, on a sample basis, of the statistical models used to calculate the credit loss allowance and we also tested, on a sample basis, the completeness of restructured credit-impaired loans. This testing of the models varied by portfolio including testing of the coding used, re-performance of the calculation including calculation of the effect of forward-looking information on credit loss allowance and testing the system generated data used in the models.</p> <p>We tested a sample of post model accounting adjustments where applicable, including considering the basis for the adjustment, the logic applied, the source data used, and the key assumptions adopted.</p>

Key Audit Matter

How our audit addressed the Key Audit Matter

We assessed the disclosures made against the relevant accounting standards for their completeness and accuracy.

Based on the evidence obtained we found the models used to be appropriate and the outputs from the models to be reasonable.

Recognition of interest income calculated using the effective interest rate method on loans and advances to customers

We focused on this area mainly because management's calculation of interest income applying the effective interest rate method uses, in addition to relevant nominal interest rates, a number of different fees and costs. Significant management judgement and estimates are involved in determining expected lives of loans and which fees and costs are included in interest income instead of net commission income. The Group has over ten years of history of lending in different economic conditions and has a significant amount of information from which to assess trends in payment, redemption and product transfers. This detailed information is used to obtain estimates of its customers' behaviour and performance, including the assumptions around expected lives of loans which is then used in the effective interest rate calculation.

Note 3 "Significant Accounting Policies", Note 4 "Critical Accounting Estimates and Judgements in Applying Accounting Policies", Note 21 "Net margin" and Note 31 "Financial and Insurance Risk Management" included in the consolidated financial statements provide detailed information on the interest income calculated using the effective interest rate method and effective interest rates of loans and advances to customers.

Our audit procedures in relation to the effective interest rates of loans originated by the Group included testing on a sample basis of the key controls in relation to the nominal interest income and the fee income and costs incurred which contribute to interest income calculated using the effective interest rate method. These controls included those over calculation and accrual of the nominal interest income and fee income and costs incurred, parts of interest income calculated using the effective interest rate method and the data transfer from the source system to the accounting system.

We determined that we could place reliance upon these key controls for the purposes of our audit.

We analysed the appropriateness and consistency of the methodology and its application across each of the loan portfolios and loans' credit quality stages within these portfolios and assessed the reasonableness of the key assumptions used in the methodology calculations, including the fee income and costs components of the effective interest income rate and expected repayment periods of the loans by considering historic information. We also assessed the mathematical accuracy of the calculations through re-performance of a sample of them.

In addition, we performed substantive analytical procedures to assess the reasonableness of the interest income calculated using the effective interest rate method recognised by the Group.

Our testing did not identify any material errors in management's application of the effective interest rate method for interest income from loans and advances to customers.



Reporting on other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Consolidated Management Report including the Corporate Governance Statement, which we obtained prior to the date of this auditor's report, and the Group's complete Annual Report, which is expected to be made available to us after that date. Other information does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not and 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 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. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Group's complete Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and if not corrected, we will bring the matter to the attention of the members of the Company at the Company's Annual General Meeting and we will take such other action as may be required.

Responsibilities of the Board of Directors and those charged with governance for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors 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, the Board of Directors 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 the Board of Directors 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.



Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgement 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 the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.

Report on Other Legal and Regulatory Requirements

Pursuant to the requirements of Article 10(2) of the EU Regulation 537/2014 we provide the following information in our Independent Auditor's Report, which is required in addition to the requirements of International Standards on Auditing.

Appointment of the Auditor and Period of Engagement

We were first appointed as auditors of the Group in 2008 by the members of the Company for the audit of the consolidated financial statements for the year ended 31 December 2007. Our appointment has been renewed annually, since then, by shareholder resolution. In December 2008 the Company listed Euro denominated bonds on the Swedish Stock Exchange (NASDAQ OMX Stockholm) and accordingly the first financial year after the Company qualified as an EU PIE was the year ended 31 December 2009. Since then, the total period of uninterrupted engagement appointment was 11 years.

Consistency of the Additional Report to the Audit Committee

We confirm that our audit opinion on the consolidated financial statements expressed in this report is consistent with the additional report to the Audit Committee of the Company, which we issued on 10 March 2020 in accordance with Article 11 of the EU Regulation 537/2014.

Provision of Non-audit Services

We declare that no prohibited non-audit services referred to in Article 5 of the EU Regulation 537/2014 and Section 72 of the Auditors Law of 2017 were provided. In addition, there are no non-audit services which were provided by us to the Group and which have not been disclosed in the consolidated financial statements or the consolidated management report.

Other Legal Requirements

Pursuant to the additional requirements of the Auditors Law of 2017, we report the following:

- In our opinion, based on the work undertaken in the course of our audit, the consolidated management report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and the information given is consistent with the consolidated financial statements.
- In light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the consolidated management report. We have nothing to report in this respect.
- In our opinion, based on the work undertaken in the course of our audit, the information included in the corporate governance statement in accordance with the requirements of subparagraphs (iv) and (v) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113, and which is included as a specific section of the consolidated management report, have been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and is consistent with the consolidated financial statements.
- In our opinion, based on the work undertaken in the course of our audit, the corporate governance statement includes all information referred to in subparagraphs (i), (ii), (iii), (vi) and (vii) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113.
- In light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the corporate governance statement in relation to the information disclosed for items (iv) and (v) of subparagraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113. We have nothing to report in this respect.



Other Matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Article 10(1) of the EU Regulation 537/2014 and Section 69 of the Auditors Law of 2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

The engagement partner on the audit resulting in this independent auditor's report is George C. Kazamias.

A handwritten signature in blue ink that reads "George C. Kazamias". The signature is stylized, with a long, sweeping underline that extends to the right.

George C. Kazamias
Certified Public Accountant and Registered Auditor
for and on behalf of

PricewaterhouseCoopers Limited
Certified Public Accountants and Registered Auditors
PwC Central, 43 Demostheni Severi Avenue,
CY-1080 Nicosia, Cyprus


10 March 2020

TCS Group Holding PLC
Consolidated Statement of Financial Position

<i>In millions of RR</i>	Note	31 December 2019	31 December 2018
ASSETS			
Cash and cash equivalents	7	57,796	33,802
Mandatory cash balances with the CBRF		3,448	2,435
Due from other banks	8	2,084	776
Loans and advances to customers	9	329,175	198,489
Financial derivatives	37	390	1,710
Investments in securities	10	135,178	100,140
Repurchase receivables		-	1,182
Guarantee deposits with payment systems	11	8,877	4,603
Current income tax assets		815	1,104
Deferred income tax assets	27	1,517	-
Tangible fixed assets and right-of-use assets	12	10,560	8,369
Intangible assets	12	5,435	4,223
Other financial assets	13	21,673	15,642
Other non-financial assets	13	2,510	3,024
TOTAL ASSETS		579,458	375,499
LIABILITIES			
Due to banks	14	663	2,708
Customer accounts	15	411,614	280,916
Debt securities in issue	16	26,078	9,605
Financial derivatives	37	590	3
Current income tax liabilities		-	51
Deferred income tax liabilities	27	142	1,821
Subordinated debt	17	18,487	20,644
Insurance provisions	18	6,280	2,859
Other financial liabilities	19	14,648	11,201
Other non-financial liabilities	19	4,874	3,441
TOTAL LIABILITIES		483,376	333,249
EQUITY			
Share capital	20	230	188
Share premium	20	26,998	8,623
Treasury shares	20	(3,164)	(3,670)
Share-based payment reserve	20,40	1,039	1,232
Retained earnings		66,880	36,785
Revaluation reserve for investments in debt securities		3,996	(1,144)
Equity attributable to shareholders of the Company		95,979	42,014
Non-controlling interest	36	103	236
TOTAL EQUITY		96,082	42,250
TOTAL LIABILITIES AND EQUITY		579,458	375,499

Approved for issue and signed on behalf of the Board of Directors on 10 March 2020.


Constantinos Economides
Director


Mary Trimithiotou
Director

The notes № 1-41 are an integral part of these Consolidated Financial Statements.

TCS Group Holding PLC
Consolidated Statement of Profit or Loss and Other Comprehensive Income

<i>In millions of RR</i>	Note	2019	2018
Interest income calculated using the effective interest rate method	21	109,972	76,269
Other similar income	21	118	456
Interest expense calculated using the effective interest rate method	21	(21,317)	(15,559)
Other similar expense	21	(134)	-
Expenses on deposit insurance	21	(1,870)	(1,174)
Net margin	21	86,769	59,992
Credit loss allowance for loans and advances to customers and credit related commitments	9,19	(27,244)	(11,607)
Credit loss allowance for debt securities at FVOCI	10	139	(192)
Total credit loss allowance for debt financial instruments		(27,105)	(11,799)
Net margin after credit loss allowance		59,664	48,193
Fee and commission income	22	36,042	27,423
Fee and commission expense	22	(17,448)	(11,770)
Customer acquisition expense	23	(18,177)	(14,222)
Net (losses)/gains from derivatives revaluation		(2,563)	1,784
Net gains/(losses) from foreign exchange translation		2,216	(2,155)
Net (losses)/gains from operations with foreign currencies		(968)	381
Net gains from disposals of debt securities at FVOCI		301	378
Net gains/(losses) from debt instruments at FVTPL		389	(808)
Insurance premiums earned	24	14,110	6,674
Insurance claims incurred	24	(4,891)	(2,126)
Administrative and other operating expenses	25	(27,852)	(21,499)
Other operating income	26	4,713	2,971
Profit before tax		45,536	35,224
Income tax expense	27	(9,413)	(8,102)
Profit for the year		36,123	27,122
Other comprehensive income/(loss)			
<i>Items that may be reclassified to profit or loss</i>			
Debt securities at FVOCI and Repurchase receivables:			
- Net gains/(losses) arising during the period, net of tax		5,381	(2,608)
- Net gains reclassified to profit or loss upon disposal, net of tax		(241)	(303)
Other comprehensive income/(loss) for the year, net of tax		5,140	(2,911)
Total comprehensive income for the year		41,263	24,211
Profit is attributable to:			
- Shareholders of the Company		36,122	27,088
- Non-controlling interest		1	34
Total comprehensive income is attributable to:			
- Shareholders of the Company		41,262	24,177
- Non-controlling interest		1	34
Earnings per share for profit attributable to the Shareholders of the Company, basic (expressed in RR per share)	20	193.62	153.54
Earnings per share for profit attributable to the Shareholders of the Company, diluted (expressed in RR per share)	20	190.05	148.78

The notes № 1-41 are an integral part of these Consolidated Financial Statements.

TCS Group Holding PLC
Consolidated Statement of Changes in Equity

	Note	Attributable to shareholders of the Company						
		Share capital	Share premium	Share-based payment reserve	Revaluation reserve for investments in debt securities	Treasury shares	Retained earnings	Total
								Non-controlling Interest
								Total equity
<i>In millions of RR</i>								
Balance at 31 December 2017		188	8,623	1,286	1,436	(1,587)	31,797	41,743
Effect of initial application of IFRS 9 – ECL remeasurement, net of tax		-	-	-	292	-	(10,108)	(9,816)
Effect of initial application of IFRS 9 – other, net of tax		-	-	-	39	-	(39)	-
Restated balance at 1 January 2018		188	8,623	1,286	1,767	(1,587)	21,650	31,927
Profit for the year		-	-	-	-	-	27,088	27,088
Other comprehensive loss:								
Investments in debt securities at FVOCI and Repurchase receivables		-	-	-	(2,911)	-	-	(2,911)
Total comprehensive income/(loss) for the year		-	-	-	(2,911)	-	27,088	24,177
GDRs buy-back	20	-	-	-	-	(2,455)	-	(2,455)
Share-based payment reserve	20,40	-	-	(54)	-	372	312	630
Dividends declared	28	-	-	-	-	-	(12,265)	(12,265)
Balance at 31 December 2018		188	8,623	1,232	(1,144)	(3,670)	36,785	42,014
Profit for the year		-	-	-	-	-	36,122	36,122
Other comprehensive income:								
Investments in debt securities at FVOCI and Repurchase receivables		-	-	-	5,140	-	-	5,140
Total comprehensive income for the year		-	-	-	5,140	-	36,122	41,262
Shares issued	20	42	18,874	-	-	-	-	18,916
Secondary public offering costs	20	-	(499)	-	-	-	-	(499)
Acquisition of non-controlling interest in subsidiaries	-	-	-	-	-	-	(327)	(327)
Share-based payment reserve	20,40	-	-	(193)	-	506	156	469
Dividends declared	28	-	-	-	-	-	(5,856)	(5,856)
Balance at 31 December 2019		230	26,998	1,039	3,996	(3,164)	66,880	95,979
								103
								96,082

The notes № 1-41 are an integral part of these Consolidated Financial Statements.

TCS Group Holding PLC
Consolidated Statement of Cash Flows

<i>In millions of RR</i>	Note	2019	2018
Cash flows from operating activities			
Interest income received calculated using the effective interest rate method		106,975	73,397
Other similar income received		175	300
Interest expense paid calculated using the effective interest rate method		(21,334)	(14,693)
Recoveries from written-off loans	9	3,420	4,083
Expenses on deposits insurance paid		(1,673)	(1,001)
Fees and commissions received		35,986	27,143
Fees and commissions paid		(17,492)	(11,588)
Customer acquisition expense paid		(19,272)	(15,541)
Cash (paid)/received from operations with foreign currencies		(968)	381
Cash (paid)/received from operations with derivatives		(647)	2,581
Premiums received from insurance operations		16,254	7,044
Claims paid from insurance operations		(4,337)	(2,050)
Other operating income received		4,024	1,597
Administrative and other operating expenses paid		(26,119)	(20,927)
Income tax paid		(13,606)	(5,416)
Cash flows from operating activities before changes in operating assets and liabilities		61,386	45,310
Changes in operating assets and liabilities			
Net increase in CBRF mandatory reserves		(1,013)	(760)
Net (increase)/decrease in due from banks		(1,308)	1
Net increase in loans and advances to customers		(151,771)	(78,453)
Net decrease in debt securities measured at FVTPL		5,879	469
Net increase in guarantee deposits with payment systems		(4,848)	(132)
Net increase in other financial assets		(4,046)	(2,512)
Net decrease/(increase) in other non-financial assets		19	(436)
Net (decrease)/increase in due to banks		(2,045)	2,113
Net increase in customer accounts		135,633	97,263
Net increase in other financial liabilities		1,387	177
Net decrease in non-financial liabilities		(524)	(141)
Net cash from operating activities		38,749	62,899
Cash flows from/(used in) investing activities			
Acquisition of tangible fixed assets		(1,783)	(2,835)
Acquisition of intangible assets		(2,539)	(1,859)
Acquisition of investments in securities, repurchase receivables and other investments		(108,246)	(102,204)
Proceeds from sale and redemption of investments in securities		71,000	74,401
Net cash used in investing activities		(41,568)	(32,497)
Cash flows from/(used in) financing activities			
Proceeds from secondary public offering	20	18,916	-
Secondary public offering costs paid	20	(499)	-
Proceeds from debt securities in issue	29	23,254	3,622
Proceeds of perpetual loan participation notes	29	46	-
Dividends paid	28	(5,601)	(11,946)
Repayment of principal of lease liabilities	29	(1,087)	-
Repayment of debt securities in issue	29	(6,583)	(5,425)
Other financing activities cash flows		(461)	-
Repayment of subordinated loan	29	-	(5,209)
Repayment of perpetual loan participation notes	29	-	(49)
GDR's buy-back	20	-	(2,455)
Net cash from/(used in) financing activities		27,985	(21,462)
Effect of exchange rate changes on cash and cash equivalents		(1,172)	1,012
Net increase in cash and cash equivalents		23,994	9,952
Cash and cash equivalents at the beginning of the year	7	33,802	23,850
Cash and cash equivalents at the end of the year	7	57,796	33,802

The notes № 1-41 are an integral part of these Consolidated Financial Statements.

1 Introduction

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (“IFRS”) for the year ended 31 December 2019 for TCS Group Holding PLC (the “Company”) and its subsidiaries (together referred to as the “Group”), and in accordance with the requirements of the Cyprus Companies Law, Cap.113.

The Company was incorporated, and is domiciled, in Cyprus in accordance with the provisions of the Companies Law, Cap.113.

The Board of Directors of the Company at the date of authorisation of these consolidated financial statements consists of: Constantinos Economides, Alexios Ioannides, Mary Trimithiotou, Jacques Der Megreditchian and Martin Robert Cocker.

The Company Secretary is Caelion Secretarial Limited, 25 Spyrou Araouzou, 25 Berengaria, 5th floor, Limassol 3036, Cyprus.

At 31 December 2019 and 2018 the share capital of the Group is comprised of “class A” shares and “class B” shares. A “class A” share is an ordinary share with a nominal value of USD 0.04 per share and carrying one vote. A “class B” share is an ordinary share with a nominal value of USD 0.04 per share and carrying 10 votes. As at 31 December 2019 the number of issued “class A” shares is 119,291,268 and issued “class B” shares is 80,014,224 (31 December 2018: the number of issued “class A” shares is 96,239,291 and issued “class B” shares is 86,399,534). Refer to Note 20 for the information about main changes in number of “class A” and “class B” shares. On 25 October 2013 the Group completed an initial public offering of its “Class A” ordinary shares in the form of global depository receipts (GDRs) listed on the London Stock Exchange plc. On 2 July 2019 the Group completed a secondary public offering (SPO) of its “class A” shares in the form of GDRs. Refer to Note 20 for the information about SPO. On 28 October 2019 the Group’s GDRs started trading also on the Moscow Exchange.

As at 31 December 2019 and 2018 the entities and the individuals holding either Class A or Class B shares of the Company were:

	Class of shares	31 December 2019	31 December 2018	Country of Incorporation
Guaranty Nominees Limited (JP Morgan Chase Bank NA)	Class A	59.85%	52.70%	United Kingdom
Altoville Holdings Limited	Class B	18.47%	23.65%	Cyprus
Nemorenti Limited	Class B	21.68%	23.65%	Cyprus
Ioanna Georgiou	Class A	0.00%	0.00%	Cyprus
Panagiota Charalambous	Class A	0.00%	0.00%	Cyprus
Maria Vyra	Class A	0.00%	0.00%	Cyprus
Marios Panayides	Class A	0.00%	0.00%	Cyprus
Chloi Panagiotou	Class A	0.00%	0.00%	Cyprus
Leonora Chagianni	Class A	0.00%	0.00%	Cyprus
Total		100.00%	100.00%	

Guaranty Nominees Limited is a company holding class A shares of the Company for which global depository receipts are issued under a deposit agreement made between the Company and JP Morgan Chase Bank NA signed in October 2013.

As at 31 December 2019 and 2018 the beneficial owner of Altoville Holdings Limited and Nemorenti Limited was Russian entrepreneur Mr. Oleg Tinkov. The six individuals listed above each hold one share. The individuals hold them as nominees of Altoville Holdings Limited.

As at 31 December 2019 and 2018 the ultimate controlling party of the Company is Mr. Oleg Tinkov. Mr. Oleg Tinkov controls approximately 87.03% of the aggregated voting rights attaching to the Class A and B shares as at 31 December 2019 (31 December 2018: 89.98%) excluding voting rights attaching to TCS Group Holding PLC GDRs he holds, if any.

The subsidiaries of the Group are set out below. Except where stated the Group owns 100% of shares and has 100% of voting rights of each of these subsidiaries as at 31 December 2019 and 2018.

1 Introduction (Continued)

JSC “Tinkoff Bank” (the “Bank”) provides on-line retail banking services in Russia. The Bank specialises in issuing credit cards and other credit products.

JSC “Tinkoff Insurance” (the “Insurance Company”) provides insurance services such as accident, property, travellers', financial risks and auto insurance.

LLC “Microfinance company “T-Finans” provides micro-finance services.

TCS Finance D.A.C. is a structured entity which issued debt securities including subordinated perpetual bonds for the Group. The Group neither owns shares nor has voting rights in this company. However, this entity was consolidated as it was specifically set up for the purposes of the Group, and the Group has exposure to substantially all risks and rewards through outstanding guarantees of the entity's obligations.

LLC “TCS” provides printing, distribution and other services to the Group.

Goward Group Ltd is an investment holding company which managed part of the Group's assets. Since February 2018 Goward Group Ltd was in liquidation process, and on 16 April 2019 the company was liquidated.

LLC “Phoenix” is a debt collection agency.

LLC “Tinkoff Software DC” and LLC “Fintech DC” provide software development services.

LLC “Tinkoff Mobile” is a mobile virtual network operator set up in 2017 to provide mobile services.

LLC “CloudPayments” is a developer of online payment solutions whose core business is online merchant acquiring in Russia. During 2019 the Group acquired an additional 40% shareholding in LLC “CloudPayments” and increased its stake to 95%.

ANO “Tinkoff Education” is a non-commercial organization set up by the Bank as the sole founder.

LLC “Tinkoff Capital” is an asset management company established in June 2019 to manage investment funds, mutual funds and non-state pension funds.

EBT is a special purpose trust which has been specifically created for the long-term incentive programme for Management of the Group (MLTIP). The Group neither owns shares nor has voting rights in EBT.

Principal activity. The Group's principal business activities are retail banking to private individuals, individual entrepreneurs' (“IE”) and small and medium enterprises' (“SME”) accounts and banking services, brokerage services and insurance operations within the Russian Federation through the Bank and the Insurance Company. The Bank operates under general banking license No. 2673 issued by the Central Bank of the Russian Federation (“CBRF”) on 8 December 2006. The Insurance Company operates under an insurance license issued by the CBRF.

The Bank participates in the state deposit insurance scheme, which was introduced by Federal Law No. 177-FZ “Deposits insurance in banks of the Russian Federation” dated 23 December 2003. The State Deposit Insurance Agency guarantees repayment of insurance compensation up to RR 1.4 million per individual, individual entrepreneur and small enterprise deposits in case of the withdrawal of a license of a bank or a CBRF-imposed moratorium on payments.

Registered address and place of business. The Company's registered address is 25 Spyrou Araouzou, Berengaria 25, 5th floor, Limassol, Cyprus, and place of business is Office 403, Lophitis Business Centre I, Corner of 28th October/Emiliou Chourmouziou Streets, Limassol 3035 Cyprus. The Bank's registered address is 1-st Volokolamsky proezd, 10, building 1, 123060, Moscow, Russian Federation. The Insurance Company's registered address is 2-nd Khutorskaya Street, building 38A, 127287, Moscow, Russian Federation. The Group's principal place of business is the Russian Federation.

Presentation currency. These consolidated financial statements are presented in millions of Russian Rubles (RR).

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 legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations (Note 33).

In recent years, the Russian economy has been negatively impacted by ongoing political tension in the region and international sanctions against certain Russian companies and individuals.

The financial markets continue to be volatile. This operating environment has a significant impact on the Group's operations and financial position. Management regularly takes necessary measures to maximize the stability of the Group's operations. However, the future effects of the current economic situation are difficult to predict and management's current expectations and estimates could differ from actual results.

With respect to Rouble interest rates, CBRF "key rate" amounted to 6.25% per annum as at 31 December 2019 (31 December 2018: 7.75%).

Since the year end the Russian Rouble has declined by nearly 16% to around USD 1 = RR 72.02 as at 11 March 2020 including an approximately 7% decline during the period from 7 March to 11 March 2020 after global oil prices were significantly reduced.

The Group actively monitors the situation in the Russian banking sector and the activity of CBRF in response to current and newly developed requirements, or any sanctions against the participants who breach them. In particular in 2019 CBRF introduced certain macroprudential adjustments (for example borrowers' debt burden limit) to manage macroeconomic risks related to primarily unsecured lending. Management of the Group believes it is highly important to participate in the discussion of legislation development in the banking sphere and supports the intention of the CBRF to make the finance market more transparent and disciplined.

Late in 2019 news first emerged from China about the COVID-19 (Coronavirus). At the end of 2019 a limited number of cases of an unknown virus had been reported to the World Health Organisation. In the first few months of 2020 the virus had spread globally and its negative impact has gained momentum. Management considers this outbreak to be a non-adjusting post balance sheet event. While this is still an evolving situation at the time of issuing these consolidated financial statements, to date there has been no discernible impact on the Group's business, however the future effects cannot be predicted. As the situation is rapidly evolving, we do not consider it is practicable at present to determine a quantitative estimate of the potential impact of this outbreak on the Group. Management will continue to monitor the potential impact and will take steps to mitigate any effects where possible.

For the purpose of measurement 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 31 provides more information of how the Group incorporates forward-looking information in the ECL models.

3 Significant Accounting Policies

Basis of preparation. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law Cap.113.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value, and by revaluation of financial instruments categorised at fair value through profit or loss ("FVTPL") and at fair value through other comprehensive income ("FVOCI"). 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. Management prepared these consolidated financial statements on a going concern basis.

3 Significant Accounting Policies (Continued)

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

The acquisition method of accounting is used to account for the acquisition of subsidiaries other than those acquired from parties under common control. 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.

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.

Goodwill is measured by deducting the net assets of the acquiree from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and fair value of an interest in the acquiree held immediately before the acquisition date. Any negative amount ("negative goodwill") is recognised in profit or loss, after management reassesses whether it identified all the assets acquired and all liabilities and contingent liabilities assumed, and reviews appropriateness of their measurement.

The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed, including fair value of assets or liabilities from contingent consideration arrangements, but excludes acquisition related costs such as advisory, legal, valuation and similar professional services. Transaction costs incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt are deducted from its carrying amount and all other transaction costs associated with the acquisition are expensed.

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

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 Group. Non-controlling interest forms a separate component of the Group's equity.

When the Group acquires a dormant company with no business operations holding an asset and this asset is the main reason of acquisition of the company such transaction is treated as an asset acquisition. No goodwill is recognized as a result of such acquisition.

Purchases and sales of non-controlling interests. The Group applies the economic entity model to account for transactions with owners of non-controlling interest. Any difference between the purchase consideration and the carrying amount of non-controlling interest acquired is recorded as a capital transaction directly in equity. The Group recognises the difference between sales consideration and carrying amount of non-controlling interest sold as a capital transaction in the consolidated statement of changes in equity.

3 Significant Accounting Policies (Continued)

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. The carrying amount of associates includes goodwill identified on acquisition less accumulated credit losses, if any. Dividends received from associates reduce the carrying value of the investment in associates. Other post-acquisition changes in Group's share of net assets of an associate 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. Otherwise the Group continues to recognise further losses if it has commitments to fund the associate's operations.

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.

The Group applies the impairment requirements in IFRS 9 to long-term loans and similar long-term interest that in substance form part of the investment in associate before reducing the carrying value of the investment by a share of a loss of the investee that exceeds the amount of the Group's interest in the ordinary shares.

Disposals of subsidiaries, associates or joint ventures. When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity, are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are recycled to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss, where appropriate.

Financial instruments – key measurement terms. Depending on their classification financial instruments are carried at fair value or amortised cost as described below.

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 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 which management considers to be the most representative of fair value for quoted financial assets and liabilities is the last bid price of the business day. 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 (an asset) for a particular risk exposure or paid to transfer a net short position (a liability) for a particular risk exposure in an orderly transaction between market participants at the measurement date.

3 Significant Accounting Policies (Continued)

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.

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 38.

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 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 a financial asset or to the amortised cost of a financial liability.

The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or secured that are integral to the effective interest rate such as origination fees.

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 that are incremental and directly attributable to the acquisition or the issue of the financial asset or financial liability. 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.

3 Significant Accounting Policies (Continued)

After the initial recognition, an ECL allowance is recognised for financial assets measured at AC and investments in debt instruments measured at 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.

The Group uses discounted cash flow valuation techniques to determine the fair value of currency swaps, foreign exchange forwards that are not traded in an active market. Differences may arise between the fair value at initial recognition, which is considered to be the transaction price, and the amount determined at initial recognition using a valuation technique. The differences are immediately recognised in profit or loss if the valuation uses only level 1 or level 2 inputs.

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:

- the Group’s business model for managing the related assets portfolio and
- the cash flow characteristics of the asset.

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

- solely to collect the contractual cash flows from the assets (“hold to collect contractual cash flows”); or
- 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”);
- 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.

Based on the analysis performed the Group included the following financial instruments in the business model “hold to collect contractual cash flows” since the Group manages these financial instruments solely to collect contractual cash flows: cash and cash equivalents, mandatory cash balances with the CBRF, due from other banks, loans and advances to customers, guarantee deposits with payment systems and other financial assets. The Group included debt securities at FVOCI in the business model “hold to collect contractual cash flows and sell” since the Group manages these financial instruments to collect both the contractual cash flows and the cash flows arising from the sale of assets. The Group included debt securities measured at FVTPL and financial derivatives in the business model “other”.

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 (the SPPI test). 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.

3 Significant Accounting Policies (Continued)

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. See below for “Financial assets – modification”.

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. The Group did not change its business model during the current and comparative period and did not make any reclassifications.

Financial assets – impairment – credit loss allowance for ECL. The Group assesses on a forward-looking basis the ECL for debt instruments (including loans) measured at AC and FVOCI and for the exposure 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:

- 1) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes;
- 2) the time value of money; and
- 3) 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.

Debt instruments measured at AC are presented in the consolidated statement of financial position net of the allowance for ECL.

For loan commitments (where those components can be separated from the loan) and financial guarantees, a separate provision for ECL is recognised as a financial liability in the consolidated statement of financial position. For debt instruments at FVOCI, changes in amortised cost, net of allowance for ECL, are recognised in profit or loss and other changes in carrying value are recognised in OCI as gains less losses on debt instruments at FVOCI.

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

- 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 31 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. Refer to Note 31 for a description of how the Group defines credit-impaired assets and default.

For financial assets that are purchased or originated credit-impaired (“POCI Assets”), the ECL is always measured at a lifetime ECL. Note 31 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.

3 Significant Accounting Policies (Continued)

As an exception, for certain financial instruments, such as credit cards, that may include both a loan and an undrawn commitment component, the Group measures expected credit losses over the period that the Group is exposed to credit risk, that is, until the expected credit losses would be mitigated by credit risk management actions, even if that period extends beyond the maximum contractual period. This is because contractual ability to demand repayment and cancel the undrawn commitment does not limit the exposure to credit losses to such contractual notice period. Refer to Note 4 for critical judgements applied by the Group in determining the period for measuring ECL.

Financial assets – write-off. Uncollectible assets are partly written-off against the related credit loss allowance usually after one year since they become overdue. The amount of uncollectible part of loan is estimated on a loan portfolio basis taking into account defaulted loans recovery statistics. The Group writes-off financial assets that are mostly still subject to enforcement activity, however, there is no reasonable expectation of recovery. If credit-impaired loans are sold to third parties, the Group remeasures the amount of ECL prior to sale taking into consideration the expected sales proceeds so that there are no gains or losses on derecognition upon sale.

Repayments of written-off loans. Recovery of amounts previously written-off as uncollectible is credited directly to the credit loss allowance line in the consolidated statement of profit or loss and other comprehensive income. Cash flows related to repayments of written-off loans are separately presented within recoveries from written-off loan in the consolidated statement of cash flows.

Financial assets – derecognition. 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 assets – modification. 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, significant change in interest rate, change in the currency denomination, new collateral or credit enhancement that significantly affects the credit risk associated with the asset, or a significant extension of a loan when the borrower is not in financial difficulties.

If the modified terms are substantially different, the rights to cash flows from the original asset expire 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 or debt instrument 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.

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. Usually modifications of stage 3 loans do not result in derecognition since they do not change the expected cash flows substantially and represent the way of collection of past due balances. If the terms of the modified asset are not substantially different, the modification does not result in derecognition.

3 Significant Accounting Policies (Continued)

Financial liabilities – measurement categories. Financial liabilities are classified as subsequently measured at AC, except for financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities).

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

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 loan 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.

Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch up method, with any gain or loss recognised in profit or loss, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners.

Cash and cash equivalents. Cash and cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents include all interbank placements and reverse sale and repurchase agreements with other banks with original maturities of less than three months. Funds restricted for a period of more than three months on origination are excluded from cash and cash equivalents. Cash and cash equivalents are carried at amortised cost as: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

The payments or receipts presented in the consolidated statement of cash flows represent transfers of cash and cash equivalents by the Group, including amounts charged or credited to current accounts of the Group's counterparties held with the Group, such as loan interest income or principal collected by charging the customer's current account or interest payments or disbursement of loans credited to the customer's current account, which represents cash or cash equivalent from the customer's perspective.

Mandatory cash balances with the CBRF. Mandatory cash balances with the CBRF are carried at amortised cost 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 amortised cost as: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

Certain bank deposits are subject to the "bail-in" legislation that permits or requires a national resolving authority to impose losses on holders in particular circumstances. Where the bail-in clauses are included in the contractual terms of the instrument and would apply even if legislation subsequently changes, the SPPI test is not met and such instruments are mandatorily measured at FVTPL. The Group did not identify such balances due from other banks. Where such clauses in the contract merely acknowledge the existence of the legislation and do not create any additional rights or obligation for the Group, the SPPI criterion is met and the respective instruments are carried at AC.

3 Significant Accounting Policies (Continued)

Investments in debt securities. Based on the business model and the contractual cash flow characteristics, the Group classifies investments in debt securities as carried at AC, FVOCI or FVTPL.

Debt securities are carried at AC if they are held for collection of contractual cash flows and where those cash flows represent SPPI, and if they are not voluntarily designated at FVTPL in order to significantly reduce an accounting mismatch.

Debt securities are carried at FVOCI if they are held for collection of contractual cash flows and for selling, where those cash flows represent SPPI, and if they are not designated at FVTPL. Interest income from these assets is calculated using the effective interest method and recognised in profit or loss. An impairment allowance estimated using the expected credit loss model is recognised in profit or loss for the year. All other changes in the carrying value are recognised in OCI except for foreign exchange translation gains/(losses) and interest income calculated using the effective interest rate method. When the debt security is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from OCI to profit or loss.

Investments in debt securities are carried at FVTPL if they do not meet the criteria for AC or FVOCI. The Group may also irrevocably designate investments in debt securities at FVTPL on initial recognition if applying this option significantly reduces an accounting mismatch between financial assets and liabilities being recognised or measured on different accounting bases.

Loans and advances to customers. Loans and advances to customers are recorded when the Group advances money to purchase or originate a loan due from a customer.

Based on the business model and the cash flow characteristics, the Group classifies loans and advances to customers into one of the following measurement categories:

- 1) AC: loans that are held for collection of contractual cash flows and those cash flows represent SPPI and loans that are not voluntarily designated at FVTPL;
- 2) FVTPL: loans that do not meet the criteria for AC or FVOCI are measured at FVTPL (mandatory FVTPL).

Impairment allowances of the loans measured at AC are determined based on the forward-looking ECL model. Note 31 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.

Credit related commitments. The Group issues commitments to provide loans. Commitments to provide loans are initially recognised at their fair value, which is normally evidenced by the amount of fees received. 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 amount of the loss allowance determined based on the expected credit loss model. For loan commitments (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.

Sale and repurchase agreements and lending of securities. Sale and repurchase agreements ("repo agreements"), which effectively provide a lender's return to the counterparty, are treated as secured financing transactions. Securities sold under such sale and repurchase agreements are not derecognised. The securities are not reclassified in the consolidated statement of financial position unless the transferee has the right by contract or custom to sell or repledge the securities, in which case they are reclassified as repurchase receivables. The corresponding liability is presented within amounts due to other banks or other borrowed funds.

Securities purchased under agreements to resell ("reverse repo agreements"), which effectively provide a lender's return to the Group, are recorded as due from other banks or loans and advances to customers, as appropriate. The difference between the sale and repurchase price, adjusted by interest and dividend income collected by the counterparty, is treated as interest income and accrued over the life of reverse repo agreements using the effective interest method.

3 Significant Accounting Policies (Continued)

Securities lent to counterparties for a fixed fee are retained in the consolidated financial statements in their original category in the consolidated statement of financial position unless the counterparty has the right by contract or custom to sell or repledge the securities, in which case they are reclassified and presented separately.

Securities borrowed for a fixed fee are not recorded in the consolidated financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded in profit or loss for the year within gains less losses arising from trading securities. The obligation to return the securities is recorded at fair value in other borrowed funds.

Based on classification of securities sold under the sale and repurchase agreements, the Group classifies repurchase receivables into one of the following measurement categories: AC, FVOCI, FVTPL.

Guarantee deposits with payment systems. Amounts of guarantee deposits with payment systems are recorded when the Group advances money to payment systems with no intention of trading the resulting unquoted non-derivative receivable. Amounts of guarantee deposits with payment systems are carried at amortised cost.

Tangible fixed assets. Tangible fixed assets are stated at cost less accumulated depreciation and provision for impairment, where required.

Costs of minor repairs and day-to-day maintenance are expensed when incurred. Costs of replacing major parts or components of premises and equipment items are capitalised, and the replaced part is retired.

At the end of each reporting period management assesses whether there is any indication of impairment of tangible fixed assets. 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. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in profit or loss for the year (within other operating income or expenses).

Depreciation. Depreciation of each item of tangible fixed assets is calculated using the straight-line method to allocate its cost to its residual value over its estimated useful life as follows:

	Useful lives in years
Building	99
Equipment	3 to 10
Vehicles	5
Leasehold improvements	Shorter of their useful economic life and the term of the underlying lease

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

Intangible assets. The Group's intangible assets other than insurance license have definite useful life and include capitalised acquired computer software and internally developed 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.

Computer software licenses acquired are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. 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 1 to 10 years.

3 Significant Accounting Policies (Continued)

At each reporting date management assesses whether there is any indication of impairment of intangible assets with an indefinite useful life. 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. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell. Intangible assets including goodwill with indefinite useful life are tested annually for impairment.

Accounting for leases by the Group as a lessee from 1 January 2019. From 1 January 2019, leases, where the Group is the lessee, 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. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and 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 receivable under cancellable and non-cancellable operating leases;
- variable lease payments that are based on an index or a rate and that are initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease term includes any non-cancellable and optional extension periods which have been assessed as reasonably certain to be exercised. 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 lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- dismantling and restoration costs.

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 leases are leases with a lease term of 12 months or less, and the lease does not provide for the possibility of repurchase of the asset at the end of the contract. Low value assets are assets with a value of RR 300,000 or less at the date of conclusion of the contract.

Right-of-use assets are included in tangible fixed assets, lease liabilities are included in other non-financial liabilities in the consolidated statement of financial position. Depreciation of right-of-use assets are recognised in administrative and other operating expenses in the consolidated statement of profit or loss and other comprehensive income. Finance cost is recognised within other similar expense line of the consolidated statement of profit or loss and other comprehensive income. Repayment of principal of lease liabilities is disclosed within cash flows from financing activities of the consolidated statement of cash flows.

3 Significant Accounting Policies (Continued)

Accounting for operating leases by the Group as a lessee prior to 1 January 2019. Where the Group is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Group, the total lease payments are charged to profit or loss for the year (rental expense within administrative and other operating expenses) on a straight-line basis over the period of the lease.

Leases embedded in other agreements are separated if (a) fulfilment of the arrangement is dependent on the use of a specific asset or assets and (b) the arrangement conveys a right to use the asset. 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 banks are recorded when money or other assets are advanced to the Group by counterparty banks. Non-derivative liability is carried at amortised cost.

Customer accounts. Customer accounts are non-derivative liabilities to corporate entities and individuals and are carried at amortised cost.

Debt securities in issue. Debt securities are stated at amortised cost. If the Group purchases its own debt securities in issue, they are removed from the consolidated statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in a separate line of consolidated statement of profit or loss and other comprehensive income as gains/losses from repurchase of debt securities in issue.

Subordinated debt. Subordinated debt can only be paid in the event of a liquidation after the claims of other higher priority creditors have been met. Subordinated debt is carried at AC.

Financial derivatives. Financial derivatives represented by forwards and foreign currency swaps are carried at their fair value. Derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of financial derivatives are recorded in profit or loss within Net (losses)/gains from derivatives revaluation. The Group does not apply hedge accounting.

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

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 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 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. 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.

3 Significant Accounting Policies (Continued)

Uncertain tax positions. The Group's uncertain tax positions are assessed 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 at the end of 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.

Provisions for liabilities and charges. Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. They are accrued when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Levies and charges, such as taxes other than income tax or regulatory fees based on information related to a period before the obligation to pay arises, are recognised as liabilities when the obligating event that gives rise to pay a levy occurs, as identified by the legislation that triggers the obligation to pay the levy. If a levy is paid before the obligating event, it is recognised as a prepayment.

Other liabilities. Other liabilities are accrued when the counterparty has performed its obligations under the contract and are carried at amortised cost.

Share capital. Ordinary shares are 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 and debited against share premium.

Share premium. Share premium is the difference between the fair value of the consideration receivable for the issue of shares and the nominal value of the shares. The share premium account can only be resorted to for limited purposes, which do not include the distribution of dividends, and is otherwise subject to the provisions of the Cyprus Companies Law on reduction of share capital.

Treasury shares. Where the Company or its subsidiaries purchase the Company's equity instruments, the consideration paid, including any directly attributable incremental external costs, net of income taxes, is deducted from equity attributable to the owners of the Company until the equity instruments are reissued, disposed of or cancelled. Where such shares are subsequently disposed of or reissued, any consideration received is included in equity. The value of GDRs transferred out of treasury shares for the purposes of the long-term incentive programme for management of the Group are determined based on the weighted average cost.

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 Note "Events after the End of the Reporting Period". The accounting reports of the Group entities are the basis for profit distribution and other appropriations. The separate financial statements of the Company prepared in accordance with IFRS as adopted by the EU and in accordance with Cyprus Companies Law is the basis of available reserves for distribution. Dividend distribution to the Company's shareholders is recognised as a liability in the Company's consolidated financial statements in the year in which the dividends are appropriately authorised and are no longer at the discretion of the Company. More specifically, interim dividends are recognised as a liability in the period in which these are authorised by the Board of Directors and in the case of final dividends, these are recognised in the period in which these are approved by the Company's shareholders.

Interest income and expense recognition. Interest income and expense calculated using effective interest method are recorded for all debt instruments, other than those at FVTPL, 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 (e.g. interchange fee on credit card loans) received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability.

3 Significant Accounting Policies (Continued)

Commitment fees (e.g. annual fee on credit card loans) received by the Group to originate loans at market interest rates are integral to the effective interest rate 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. 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.

Interest income is calculated by applying the effective interest rate to the 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.

Customer acquisition expense recognition. Customer acquisition expenses are represented by the costs incurred by the Group on services related to attraction of the credit card borrowers, mailing of advertising materials, processing of responses etc. Those costs, which can be directly attributed to the acquisition of a particular client, are included in the effective interest rate of the originated financial instruments; the remaining costs are expensed on the basis of the actual services provided.

Other income and expense recognition. All other income is generally recorded on an accrual basis by reference to completion of the specific performance obligation assessed on the basis of measurement of the Group's progress towards complete satisfaction of that performance obligation.

All other expenses are generally recorded on an accrual basis by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Other similar income. Other similar income represents interest income recorded for debt instruments measured at fair value through profit or loss ("FVTPL") and is recognised on an accrual basis using nominal interest rate.

Other similar expense. Other similar expense represents finance cost related to the discounted lease payments using the incremental borrowing rate.

Fee and commission income and expense. Fee and commission income is recognised over time as the services are rendered, when the customer simultaneously receives and consumes the benefits provided by the Group's performance. Such income includes SMS fee and part of SME current accounts commission which represents fixed monthly payments. Variable fees are recognised only to the extent that management determines that it is highly probable that a significant reversal will not occur.

Other fee and commission income is recognised at a point in time when the Group satisfies its performance obligation, usually upon execution of the underlying transaction. The amount of fee or commission received or receivable represents the transaction price for the services identified as distinct performance obligations. Such income includes fees for selling credit protection, merchant acquiring commission, part of SME current accounts commission which represents payments for each transaction, interchange fee, cash withdrawal fee, foreign currency exchange transactions fee, card to card commission, mortgage agency fee and other.

All fee and commission expenses are generally recorded on an accrual basis by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Customer loyalty program. The group operates loyalty programs where retail clients accumulate points, which entitle them to reimbursement of purchases made with credit and debit cards.

3 Significant Accounting Policies (Continued)

A financial liability is recognised for the amount of fair value of points expected to be redeemed until they are actually redeemed or expire with the corresponding entries to interest income calculated using the effective interest rate method or commission expenses depending on whether the points were accumulated by credit card clients or debit card clients respectively.

Insurance contracts. Insurance contracts are those contracts that transfer significant insurance risk. Insurance risk exists when the Group has uncertainty in respect of at least one of the following matters at inception of the contract: occurrence of insurance event, date of occurrence of the insurance event, and the claim value in respect of the occurred insurance event. Such contracts may also transfer financial risk.

Non-life insurance (short-term insurance). The below items from the consolidated statement of financial position of the Group are accounted within Other financial assets and Other financial liabilities lines, the below items from the consolidated statement of profit or loss and other comprehensive income of these consolidated financial statements are accounted within Income from insurance operations and Insurance claims incurred lines.

- **Premiums written.** Premiums (hereafter – “premiums” or “insurance premiums”) under insurance contracts are recorded as written upon inception of a contract and are earned on a pro-rata basis over the term of the related contract coverage. Reduction of premium written in subsequent periods (under amendments to the signed original contracts, for example) is accounted by debiting of premiums written in current period.
- **Claims.** Claims are charged to the consolidated statement of profit or loss and other comprehensive income as compensation is paid to policyholders (beneficiaries) or third parties.
- **Claims handling expenses.** Claims handling expenses are recognised in profit or loss for the period as incurred and include direct expenses related to negotiations and subsequent claims handling, as well as indirect expenses, including expenses of claims handling department and administrative expenses directly related to activities of this department.
- **Reinsurance.** The Group assumes and cedes reinsurance in the normal course of business. Ceded reinsurance contracts do not relieve the Group from its obligations to the policyholders under insurance contract. Amounts due from reinsurers are measured consistently with the amounts associated with the direct insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance assets arising from outward reinsurance contracts include reinsurers share in paid claims, including claims handling expenses. Liabilities under outward reinsurance operations are obligations of the Group for payment of premiums to reinsurers. Reinsurance assets include premiums ceded to the Group under inward reinsurance contracts. The Group's liabilities under inward reinsurance contracts are obligations to compensate the Group's share in paid claims, including claims handling expenses to reinsurers. The Group assesses its reinsurance assets for impairment on a regular basis. If there is objective evidence that the reinsurance asset is impaired, the Group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the consolidated statement of profit or loss and other comprehensive income. The Group gathers the evidence that a reinsurance asset is impaired using the same process adopted for financial assets carried at amortised cost. The impairment loss is also calculated following the same method used for the financial assets carried at amortised cost.
- **Subrogation income.** The Group has a right to pursue third parties responsible for loss for payment of some or all costs related to the claims settlement process of the Group (subrogation). Reimbursements are recognised as income only if the Group is confident in receipt of these amounts from these third parties. Under inward reinsurance contracts, amounts of reimbursement due to the Group as a result of settlement of reinsurer's subrogation claims are treated as the Group's income as at the date of acceptance of the invoice received from the reinsurer and including calculation of the Group's share in the subrogation claim.
- **Deferred acquisition costs.** Deferred acquisition costs (“DAC”) are calculated (for non-life insurance contracts) separately for each insurance product. Acquisition costs include remuneration to agents for concluding agreements with corporate clients and individuals and brokerage fees for underwriting of assumed reinsurance agreements. They vary with and fully depend on the premium earned under acquired or renewed insurance policies. These acquisition costs are deferred and amortised over the period in which the related written premiums are earned.

3 Significant Accounting Policies (Continued)

They are reviewed by line of business at the time of the policy issue and at the end of each accounting period to ensure they are recoverable based on future estimates. For the insurance contracts with duration of less than one month and with automatic prolongation condition amortisation of one-off acquisition costs occurs over the period determined based on statistical assessment of duration of the insurance contract taking into account all of the expected future prolongations.

Insurance provisions

- **Provision for unearned premiums.** Provision for unearned premiums ("UEPR") represents the proportion of premiums written that relate to the unexpired term of policies in force as at the reporting date, calculated on a time apportionment basis. UEPR is recognised within liabilities on a gross basis.
- **Loss provisions.** Loss provisions represent the accumulation of estimates for ultimate losses and include outstanding claims provision ("OCP") and provision for losses incurred but not yet reported ("IBNR"). Loss provisions are recognised within liabilities on a gross basis. Estimates of claims handling expenses are included in both OCP and IBNR. OCP is provided in respect of claims reported, but not settled as at the reporting date. The estimation is made on the basis of information received by the Group during settlement of the insured event, including information received after the reporting date. IBNR is determined by the Group by line of business using actuarial methods, and includes assumptions based on prior years' claims and claims handling experience. IBNR is calculated for each occurrence period as the difference between the projected maximum amount of future payments resulting from the events that occurred during the period and the amount of future payments resulting from the event already reported but not settled at the reporting date within the same period. The methods of determining such estimates and establishing the resulting provisions are continually reviewed and updated. Resulting adjustments are reflected in the consolidated statement of profit or loss and other comprehensive income as they arise. Loss provisions are estimated on an undiscounted basis due to relatively quick pattern of claims notification and payment.
- **Unexpired risk provision.** Unexpired risk provision ("URP") is recorded when unearned premiums are insufficient to meet claims and expenses, which may be incurred after the end of the financial year. To estimate the unexpired risk provision the Group uses historical experience and forward looking assumptions of ultimate loss ratios (including claims handling expenses) and the level of in-force portfolio maintenance expenses. The expected claims are calculated having regard to events that have occurred prior to the reporting date. For the purposes of final presentation of consolidated financial statements unexpired risk provision is written off against deferred acquisition costs.
- **Liability adequacy testing.** As at each reporting date the adequacy of the insurance reserves is tested. Testing of insurance reserves for non-life insurance is performed to ensure adequacy of contract liabilities. In performing these tests, current estimates of future contractual cash flows, claims handling and administration expenses are used. As a result of liability adequacy testing for non-life insurance, the Group sets up its URP.

Foreign currency translation and operations. The functional currency of the Company and each of the Group's consolidated entities is the Russian Rouble ("RR"), which is the currency of the primary economic environment in which each entity operates. Monetary assets and liabilities are translated into each entity's functional currency at the official exchange rate of the CBRF at the end of the respective reporting period.

Foreign exchange gains and losses resulting 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 profit or loss for the year as Net gains/(losses) from foreign exchange translation.

Foreign exchange gains and losses resulting from the settlement of transactions with foreign currencies are recognised in profit or loss for the year as net (losses)/gains from operations with foreign currencies (except for clients' foreign currency exchange transactions fee, which is recognised in profit or loss as fee and commission income).

Translation at year-end rates does not apply to non-monetary items that are measured at historical cost.

At 31 December 2019 the rate of exchange used for translating foreign currency balances was USD 1 = RR 61.9057 (31 December 2018: USD 1 = RR 69.4706), and the average rate of exchange was USD 1 = RR 64.7362 (2018: USD 1 = RR 62.7078).

3 Significant Accounting Policies (Continued)

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 (a) must not be contingent on a future event and (b) 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.

Earnings per share. Earnings per share are determined by dividing the profit or loss attributable to owners of the Company by the weighted average number of participating shares outstanding during the reporting year, excluding treasury shares. For the purpose of diluted earnings per share calculation the Group considers dilutive effects of shares granted under employee share option plans.

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. Segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker. Segments whose revenue, result or assets are ten percent or more of all the segments are reported separately.

Equity-settled share-based payment. The expense is recognized over the vesting period and is measured at the fair value of the award determined at the grant date, which is amortized over the service (vesting) period. The fair value of the equity award is estimated only once at the grant date and is trued up to the estimated number of instruments that are expected to vest. Dividends declared during the vesting period accrue and are paid to the employee together with the sale proceeds of the vested shares upon a liquidity event. Expected dividends (including those expected during the vesting period) are therefore included in the determination of fair value of the share-based payment.

Amendments of the consolidated financial statements after issue. The Board of Directors of the Company has the power to amend the consolidated financial statements after issue.

Effective interest rate. During 2019 as a result of further development of its data and IT systems the Group identified the part of customer acquisition expenses which can be directly linked to the particular borrower, and which are incremental in nature, such as partnership call-centre expenses, internet acquisition expenses and related VAT expenses as well as changed the pattern of recognition of certain types of expenses which were included into the effective interest rate, such as partnership expenses (external partner channels of customers' acquisition) and cards issuing expenses. Having obtained sufficient and representative statistical information the management of the Group changed the accounting policy in relation to these expenses and allocated them directly to the originated financial instruments and included them in the effective interest rate. The effect of this change in accounting policy for prior periods was credited to the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019. Prior periods were not amended due to the change not resulting in a material impact for any individual prior period.

Changes in presentation. During 2019 the Group identified the part of customer acquisition expenses, which can be directly linked to the debit product customers and which are incremental in nature, such as partnerships, internet acquisition and cards issuing expenses, and allocated them directly to the originated financial instruments and included them in the interest expenses.

In 2019 the management of the Group refined its approach to the presentation of expenses related to the direct settlement of losses in compulsory third party liability insurance in the consolidated condensed interim statement of profit or loss and other comprehensive income. The management concluded it was appropriate to reclassify these expenses from Administrative and other operating expenses to Insurance claims incurred because these expenses in substance represent part of claims incurred on compulsory third party liability insurance.

3 Significant Accounting Policies (Continued)

In 2019 the management of the Group made a detailed review of the VAT expenses recognised in administrative and other operating expenses and using improved technical reports identified the part of VAT expenses which is related to customer acquisition expenses. The management concluded it was appropriate to reclassify these expenses from Administrative and other operating expenses to Customer acquisition expense because such reclassification makes presentation of VAT expenses more relevant and precise.

In 2019 the management of the Group made a detailed review of the components that make up interest income and identified one type of fee (payment channels fee) which now has more characteristics of being a service fee than being part of the effective interest income of the loans. The management considers that the reclassification of this fee to Fee and commission expense will result in a more reliable and relevant presentation of the financial information and is more consistent with the market practice of many other banks. The reclassification does not result in any change to the amount recognised in respect of these fees in any one period. Prior periods were not amended due to the change not resulting in a material impact for any individual prior period.

In 2019 the management of the Group made a detailed review of the components that make up fee and commission expense and identified partnership expenses (external partner channels of customers' acquisition) which have more characteristics of being customer acquisition expenses than being of fee and commission expenses. The management considers that the reclassification of these expenses to Customer acquisition expenses will result in a more reliable and relevant presentation of the financial information. The reclassification does not result in any change to the amount of income recognised in respect of these expenses in any one period.

In these consolidated financial statements the management of the Group improved the presentation of the results of operations with foreign currencies, derivatives revaluation and foreign exchange translation and disclosed separately in the consolidated statement of profit or loss and other comprehensive income the following line items: Net (losses)/gains from operations with foreign currencies, Net (losses)/gains from derivatives revaluation, Net gains/(losses) from foreign exchange translation.

In these consolidated financial statements the management of the Group improved the presentation of the cash flows from the insurance operations and disclosed separately in the consolidated statement of cash flows the following line items: Premiums received from insurance operations and Claims paid from insurance operations. The management considers that such improved and more detailed disclosure provides users of these consolidated financial statements with more relevant information.

The effect of changes described above on the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018 is as follows:

<i>In millions of RR</i>	As originally presented	Reclassification	As reclassified
Interest income calculated using the effective interest rate method	75,041	1,228	76,269
Interest expense calculated using the effective interest rate method	(15,106)	(453)	(15,559)
Customer acquisition expense	(13,100)	(1,122)	(14,222)
Insurance claims incurred	(1,968)	(158)	(2,126)
Administrative and other operating expenses	(23,023)	1,524	(21,499)
Fee and commission expense	(10,751)	(1,019)	(11,770)
Net (losses)/gains from operations with foreign currencies	10	371	381
Net (losses)/gains from derivatives revaluation	-	1,784	1,784
Net gains/(losses) from foreign exchange translation	-	(2,155)	(2,155)

3 Significant Accounting Policies (Continued)

The effect of changes described above on the consolidated statement of cash flows for the year ended 31 December 2018 is as follows:

<i>In millions of RR</i>	As originally presented	Reclassification	As reclassified
Interest income received calculated using the effective interest rate method	72,169	1,228	73,397
Interest expense paid calculated using the effective interest rate method	(14,240)	(453)	(14,693)
Customer acquisition expense paid	(14,419)	(1,122)	(15,541)
Administrative and other operating expenses paid	(22,451)	1,524	(20,927)
Fees and commissions paid	(10,569)	(1,019)	(11,588)
Cash (paid)/received from operations with foreign currencies	2,962	(2,581)	381
Cash (paid)/received from operations with derivatives	-	2,581	2,581
Premiums received from insurance operations	-	7,044	7,044
Claims paid from insurance operations	-	(2,050)	(2,050)
Cash received from insurance operations	5,152	(5,152)	-

4 Critical Accounting Estimates and Judgements in Applying Accounting Policies

The Group makes estimates and assumptions that affect the amounts recognized in the consolidated financial statements and the carrying amounts of assets and liabilities 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, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognized 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 of significant judgement and involves methodology, models and data inputs. The following components of ECL calculation have a major impact on credit loss allowance: probability of default ("PD") (impacted by definition of default, SICR, forward-looking scenarios and their weights) and loss given default ("LGD"). Refer to Note 31 for explanation of terms. The Group regularly reviews and validates models and inputs to the models to reduce any differences between expected credit loss estimates and actual credit loss experience. Refer to Note 31 for further information on ECL measurement.

If a 100% weight is applied to the optimistic macroeconomic forward-looking scenario the ECL will be RR 2,797 million lower (2018: RR 821 million lower). If a 100% weight is applied to the pessimistic macroeconomic forward-looking scenario the ECL will be RR 3,000 million higher (2018: RR 1,328 million higher).

An increase or decrease in PDs by 1% compared to PDs used in the ECL estimates calculated at 31 December 2019 would result in an increase or decrease in credit loss allowances of RR 2,092 million (2018: RR 1,598 million).

An increase or decrease in LGDs by 1% compared to LGDs used in the ECL estimates calculated at 31 December 2019 would result in an increase or decrease in credit loss allowances of RR 462 million (2018: RR 372 million).

During 2019 as a result of the accumulation of further statistics on the recoveries of the defaulted loans in courts the Group increased the period over which the recoveries are analysed for the purposes of LGD calculation for loans in courts. The Group recorded this change in 2019 as a decrease in the amount of credit loss allowances of RR 47 million.

During 2019 the Group made changes to the methodology of estimation of the PD of new originated credit cards loans and introduced application PD model instead of default rate model. The Group recorded this change in 2019 as a decrease in the amount of credit loss allowances of RR 212 million for credit card loans and of RR 163 million for credit related commitments.

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

During 2019 the Group improved the way how forward-looking information is incorporated in the ECL models by including an additional economic variable. The Group recorded this change in 2019 as a decrease in the amount of credit loss allowances of RR 201 million.

During 2018 as a result of the accumulation of reliable statistics of the recoveries of the defaulted credit card loans, cash loans, POS loans the Group increased the period over which the recoveries are analysed for the purposes of LGD calculation for these loans. The Group recorded these changes in 2018 as a decrease in the amount of credit loss allowances of RR 261 million.

Credit exposure on revolving credit facilities. For credit card loans, the Group's exposure to credit losses extends beyond the maximum contractual period of the facility. For such facilities the Group measures ECLs over the period that the Group is exposed to credit risk and ECLs are not mitigated by credit risk management actions. Application of this approach requires judgement: determining a period for measuring ECLs – the Group considers historical information and experience about: (a) the length of time for related defaults to occur on similar financial instruments following a SICR and (b) the credit risk management actions that the Group expects to take once the credit risk has increased (e.g. the reduction or removal of undrawn limits).

For details of the period over which the Group is exposed to credit risk on revolving facilities and which is used as an approximation of lifetime period for ECL calculation for stage 2 and stage 3 loans and advances to customers, refer to Note 31.

Perpetual subordinated bonds. A perpetual subordinated bond issue in June 2017 was initially recognised in the amount of USD 295.8 million (RR 16.9 billion) represented by the funds received from investors less issuance costs. Subsequent measurement of this instrument is consistent with the accounting policy for debt securities in issue. Interest expense on the instrument is calculated using the effective interest rate method and recognised in profit or loss for the year.

In the event the accrued interest is paid, the payment decreases the balance of the liability. A cancellation of accrued interest for a given period results in its conversion, at the Group's option, into equity and therefore the respective amount of the liability is reclassified to equity. Foreign exchange translation gains and losses on the bond are recognised in profit or loss for the period. Application of this approach requires judgement: the Group has taken into consideration that there are genuine contingent settlement provisions that could arise and as such has classified the perpetual subordinated bond instrument in its entirety as a liability, rather than equity, on the basis of terms of issue which stipulate the possible redemption of the instrument in several cases other than liquidation of the issuer. If the Group had recognized this instrument as equity, then interest expense would only have been recognized when it was paid and treated as a distribution from equity rather than an expense in profit or loss.

The Group also from time to time invests in perpetual subordinated bonds issued by third parties. The Group has taken into consideration that there are genuine contingent settlement provisions that could arise and as such has classified the investments in perpetual subordinated bonds as investments in debt securities on the basis of terms of issue which stipulate the possible redemption of the instrument in several cases other than liquidation of the issuer.

The investments in these instruments are classified as debt investment securities measured at FVTPL since the analysis of the contractual cash flow characteristics resulted in acquired perpetual bonds not passing SPPI test. If the Group had recognized this instrument as equity instrument, then it could have been measured at FVTPL or FVOCI as the Group does not hold it for trading purposes.

Interest income recognition. The effective interest method incorporates significant assumptions around expected loan lives as well as judgements of type of fees and costs that are included in interest income. Refer to Note 3.

Unbundling of loans and insurance products. Certain loans issued by the Group are forgivable upon events such as the borrower's death, or the borrower becoming unemployed because the Insurance Company's products cover repayments of the related loan products issued by the Bank in such cases. The Group is able to measure the loans separately and, as well as being able to take a loan without insurance at the time of issuance, the borrowers can cancel the insurance products at any time, separately from the loan. Accordingly, the Group unbundled the loans from the overall arrangement.

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

The portion of the fee attributable to the insurance component is recognised within Insurance premiums earned line (refer to Note 24). The remaining portion of the fee approximates a fee that would have been earned on market terms for selling third party insurance products and it is recognised as fee for selling credit protection within Fee and commission income line (refer to Note 22).

Tax legislation. Russian and Cypriot tax, currency and customs legislation are subject to varying interpretations. Refer to Note 33.

5 Adoption of New or Revised Standards and Interpretations

Adoption of IFRS 16, Leases (issued on 13 January 2016 and effective for annual periods beginning on or after 1 January 2019). The Group has adopted IFRS 16 with a date of transition of 1 January 2019 and applied the standard using the modified retrospective method, without restatement of comparatives (Note 3). The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing.

Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model.

The Group recognised a right of use asset of RR 1,671 million against a corresponding lease liability on 1 January 2019. Right-of-use assets are mainly represented by leases of office premises. A reconciliation of the operating lease commitments to this liability is as follows:

<i>In millions of RR</i>	1 January 2019
Legally non-cancellable minimum operating lease commitments	829
Additional lease commitments which relate to the enforceable period of lease	1,288
Lease payments under operating lease (based on requirements of IFRS 16)*	2,117
Recognition exemption: the underlying asset is of low value	(216)
Future lease payments under IFRS 16	1,901
Effect of discounting (the weighted average incremental borrowing rate used 7.6%)	(236)
Lease liabilities under IFRS 16	1,665
Amount of prepayments and irrevocable security payments on agreements	6
Right-of-use assets under IFRS 16	1,671

* The amount of lease payments under operating lease as at 1 January 2019 presented above differs from the amount of operating lease commitments disclosed in the Note 36 to the consolidated financial statements of the Group for the year ended 31 December 2018 because the amount of operating lease commitments disclosed in the Note 36 to the consolidated financial statements of the Group for the year ended 31 December 2018 included only legally non-cancellable minimum operating lease commitments (based on termination notice in lease contracts), while the above table includes those lease commitments which relate to the enforceable period of lease based on the requirements of IFRS 16 and the IFRIC Agenda decision about the lease term.

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

The following amended standards became effective from 1 January 2019, but did not have any material impact on the Group:

- IFRIC 23 "Uncertainty over Income Tax Treatments" (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019).
- Prepayment Features with Negative Compensation – Amendments to IFRS 9 (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).
- Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures" (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).
- Annual Improvements to IFRSs 2015-2017 cycle – amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 (issued on 12 December 2017 and effective for annual periods beginning on or after 1 January 2019).
- Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement" (issued on 7 February 2018 and effective for annual periods beginning on or after 1 January 2019).

6 New Accounting Pronouncements

Certain new amendments have been issued that are mandatory for the annual periods beginning on or after 1 January 2020:

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). The amendments were triggered by replacement of benchmark interest rates such as LIBOR and other inter-bank offered rates ('IBORs'). The amendments provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by the IBOR reform.

IFRS 17 "Insurance Contracts" (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021)*. IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. As a consequence, it was difficult for investors to compare and contrast the financial performance of otherwise similar insurance companies. IFRS 17 is a single principle-based standard to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The standard requires recognition and measurement of groups of insurance contracts at: (i) a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset) (ii) an amount representing the unearned profit in the group of contracts (the contractual service margin). Insurers will be recognising the profit from a group of insurance contracts over the period they provide insurance coverage, and as they are released from risk. If a group of contracts is or becomes loss-making, an entity will be recognising the loss immediately. The Group is currently assessing the impact of IFRS 17 on the insurance contracts issued by the Insurance Company as well as the impact for credit cards and similar loan products which may include insurance component.

The following other new pronouncements are not expected to have any material impact on the Group when adopted:

- (a) 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). The revised Conceptual Framework includes a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance - in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.
- (b) Amendments to IFRS 3: Definition of a business (issued on 22 October 2018 and effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020)*.
- (c) Amendments to IAS 1 and IAS 8: Definition of materiality (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020).

6 New Accounting Pronouncements (Continued)

- (d) Amendments to IAS 1: Classification of liabilities as current or non-current (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2022)*.
- (e) Amendments to IFRS 10 and IAS 28: Sale or contribution of assets between an Investor and its associate or joint venture (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB)*.

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

* Denotes standards, interpretations and amendments which have not yet been endorsed by the European Union.

7 Cash and Cash Equivalents

<i>In millions of RR</i>	31 December 2019	31 December 2018
Cash on hand	11,118	5,839
Cash balances with the CBRF (other than mandatory reserve deposits)	16,599	11,158
Placements with other banks with original maturities of less than three months:		
- AA- to AA+ rated	2,302	1,130
- A- to A+ rated	599	761
- BBB- to BBB+ rated	1,430	1,317
- BB- to BB+ rated	503	360
- B- to B+ rated	67	114
- CCC+ rated	2	-
Non-bank credit organizations:		
- BBB- to BBB+ rated	21,096	12,137
- Unrated	4,080	986
Total Cash and Cash Equivalents	57,796	33,802

Cash on hand includes cash balances in ATMs and cash balances in transit. Placements with other banks and organizations with original maturities of less than three months include placements under reverse sale and repurchase agreements in the amount of RR 20,681 million as at 31 December 2019 (31 December 2018: RR 11,147 million). The Group has a right to sell or repledge securities received under reverse sale and repurchase agreements.

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

<i>In millions of RR</i>	Cash balances with the CBRF	Placements with other banks and non-bank credit organizations	Total
Excellent	-	2,901	2,901
Good	16,599	23,031	39,630
Monitor	-	4,145	4,145
Doubtful	-	2	2
Total cash and cash equivalents, excluding cash on hand	16,599	30,079	46,678

7 Cash and Cash Equivalents (Continued)

The table below discloses the credit quality of cash and cash equivalents balances based on credit risk grades at 31 December 2018:

<i>In millions of RR</i>	Cash balances with the CBRF	Placements with other banks and non-bank credit organizations	Total
Excellent	-	1,891	1,891
Good	11,158	13,789	24,947
Monitor	-	1,018	1,018
Sub-standard	-	107	107
Total cash and cash equivalents, excluding cash on hand	11,158	16,805	27,963

The carrying amount of cash and cash equivalents at 31 December 2019 and 2018 also represents the Group's maximum exposure to credit risk on these assets. Refer to Note 31 for the description of the Group's credit risk grading system.

For the purpose of ECL measurement cash and cash equivalents balances are included in Stage 1. The ECL for these balances represents an immaterial amount, therefore the Group did not recognise any credit loss allowance for cash and cash equivalents. Except for reverse sale and repurchase agreements, amounts of cash and cash equivalents are not collateralised. As at 31 December 2019 the fair value of collateral under reverse sale and repurchase agreements was RR 22,369 million (31 December 2018: RR 12,389 million). There is no material impact of collateral on credit loss allowance for cash and cash equivalents. Refer to Note 38 for the disclosure of the fair value of cash and cash equivalents. ECL measurement approach, interest rate, maturity and geographical risk concentration analysis of cash and cash equivalents are disclosed in Note 31.

8 Due from Other Banks

<i>In millions of RR</i>	31 December 2019	31 December 2018
Placements with other banks with original maturities of more than three months		
- <i>BBB- rated</i>	204	210
- <i>BB- to BB+ rated</i>	1,419	128
- <i>B- to B+ rated</i>	461	438
Total due from other banks	2,084	776

The table below discloses the credit quality of due from banks balances based on credit risk grades:

<i>In millions of RR</i>	31 December 2019	31 December 2018
Good	1,577	338
Monitor	507	438
Total due from other banks	2,084	776

The carrying amount of due from other banks at 31 December 2019 and 2018 also represents the Group's maximum exposure to credit risk on these assets. Refer to Note 31 for the description of credit risk grading system used by the Group. For the purpose of ECL measurement due from other banks balances are included in Stage 1.

8 Due from Other Banks (Continued)

The ECL for these balances represents an immaterial amount, therefore the Group did not create any credit loss allowance for due from other banks. Refer to Note 31 for the ECL measurement approach. Refer to Note 38 for the disclosure of the fair value of due from other banks. Interest rate, maturity and geographical risk concentration analysis are disclosed in Note 31.

9 Loans and Advances to Customers

<i>In millions of RR</i>	31 December 2019			31 December 2018		
	Gross carrying amount	Credit loss allowance	Carrying amount	Gross carrying amount	Credit loss allowance	Carrying amount
Credit card loans	244,937	(44,129)	200,808	177,990	(33,296)	144,694
Cash loans	62,265	(8,029)	54,236	35,495	(2,331)	33,164
Secured loans	29,601	(496)	29,105	2,644	(16)	2,628
POS loans	25,940	(1,057)	24,883	15,380	(460)	14,920
Car loans	20,156	(913)	19,243	2,838	(85)	2,753
Loans to IE and SME	1,013	(113)	900	363	(33)	330
Total loans and advances to customers at AC	383,912	(54,737)	329,175	234,710	(36,221)	198,489

Credit cards are issued to customers for cash withdrawals or payment for goods or services, within the range of limits established by the Bank. These limits may be increased or decreased from time-to-time based on management decision. Credit card loans are not collateralized.

Cash loans represent a product for the borrowers who have a positive credit history and who do not have overdue loans in other banks. Cash loans are loans provided to customers via the Bank's debit cards. These loans are available for withdrawal without commission.

POS ("Point of sale") loans represent POS lending through the Bank's programme "POS loans". This programme funds online and offline purchases through internet and offline shops for individual borrowers.

Secured loans represent loans secured with a car or real estate.

Car loans represent loans for the purchase of a vehicle which is used as collateral under the loan.

Loans to IE and SME represent loans provided by the Bank to individual entrepreneurs and small and medium businesses for the purpose of working capital management.

The credit loss allowance for loans and advances to customers recognised in the period is impacted by a variety of factors. The main movements in the tables presented below are described as follows:

- new originated or purchased category represents the gross carrying amounts and the related ECL of purchased loans and loans issued during the reporting period (and withdrawals of limits of new credit card borrowers) as at the end of the reporting period or as at the date of transfer of loan out of stage 1 (whichever date is earlier);
- 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. Transfers present the amount of credit loss allowance charged or recovered at the moment of transfer of a loan among the respective stages;
- changes to ECL measurement model assumptions and estimates represent movements due to changes in PDs, EADs and LGDs models during the period;
- movements other than transfers and new originated or purchased loans category represent all other movements of ECL in particular related to changes in gross carrying amounts (including drawdowns, repayments, and accrued interest), as well as changes in ECL model assumptions including those arising from update of inputs to ECL model in the period;

9 Loans and Advances to Customers (Continued)

- write-offs of allowances are related to assets that were written-off during the period;
- unwinding of discount (for Stage 3) category represents adjustment to credit loss allowance and gross carrying amount for Stage 3 loans to increase it to discounted amount of the expected cash shortfalls to the reporting date using the effective interest rate.

The following tables disclose the changes in the credit loss allowance and gross carrying amount for loans and advances to customers between the beginning and the end of the reporting and comparative periods:

	Credit loss allowance				Gross carrying amount				
	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 ECL for credit impaired)	Purchased/ originated credit impaired	Total
In millions of RR									
Credit card loans									
At 31 December 2018	9,266	4,708	19,322	33,296	145,732	6,654	25,497	107	177,990
Movements with impact on credit loss allowance charge for the year:									
New originated or purchased	5,356	-	-	5,356	63,177	-	-	241	63,418
Transfers:									
- to lifetime (from Stage 1 to Stage 2)	(2,478)	6,097	-	3,619	(11,142)	11,142	-	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(4,644)	(4,111)	21,348	12,593	(21,206)	(5,322)	26,528	-	-
- recovered (from Stage 3 to Stage 2 and from Stage 2 to Stage 1)	233	(756)	(21)	(544)	1,101	(1,077)	(24)	-	-
Changes to ECL measurement model assumptions and estimates	(387)	-	(26)	(413)	-	-	-	-	-
Movements other than transfers and new originated or purchased loans	4,358	915	(4,267)	1,006	20,134	35	(5,771)	(12)	14,386
Total movements with impact on credit loss allowance charge for the year	2,438	2,145	17,034	21,617	52,064	4,778	20,733	229	77,804
Movements without impact on credit loss allowance charge the year									
Unwinding of discount (for Stage 3)	-	-	3,133	3,133	-	-	3,133	-	3,133
Write-offs	-	-	(10,999)	(10,999)	-	-	(10,999)	-	(10,999)
Sales	-	-	(986)	(986)	-	-	(1,059)	-	(1,059)
Modification of original cash flows without derecognition	-	-	(1,932)	(1,932)	-	-	(1,932)	-	(1,932)
At 31 December 2019	11,704	6,853	25,572	44,129	197,796	11,432	35,373	336	244,937

9 Loans and Advances to Customers (Continued)

	Credit loss allowance				Gross carrying amount				
	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	Total	Stage 1 12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	Purchased/ originated credit impaired	Total
<i>In millions of RR</i>									
Credit card loans									
At 1 January 2018	9,064	5,319	21,689	36,072	121,988	6,958	25,598	42	154,586
<i>Movements with impact on credit loss allowance charge for the year</i>									
New originated or purchased	2,884	-	-	2,884	34,791	-	-	94	34,885
Transfers:									
- to lifetime (from Stage 1 to Stage 2)	(1,647)	4,319	-	2,672	(6,465)	6,465	-	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(3,063)	(4,636)	16,804	9,105	(13,933)	(5,569)	19,502	-	-
- recovered (from Stage 3 to Stage 2 and from Stage 2 to Stage 1)	295	(930)	(29)	(664)	1,216	(1,184)	(32)	-	-
Changes to ECL measurement model assumptions and estimates	(19)	(9)	(257)	(285)	-	-	-	-	-
Movements other than transfers and new originated or purchased loans	1,752	645	(3,245)	(848)	8,135	(16)	(3,902)	(29)	4,188
Total movements with impact on credit loss allowance charge for the year	202	(611)	13,273	12,864	23,744	(304)	15,568	65	39,073
<i>Movements without impact on credit loss allowance charge for the year</i>									
Unwinding of discount (for Stage 3)	-	-	3,098	3,098	-	-	3,098	-	3,098
Write-offs	-	-	(16,899)	(16,899)	-	-	(16,899)	-	(16,899)
Sales	-	-	(395)	(395)	-	-	(424)	-	(424)
Modification of original cash flows without derecognition	-	-	(1,444)	(1,444)	-	-	(1,444)	-	(1,444)
At 31 December 2018	9,266	4,708	19,322	33,296	145,732	6,654	25,497	107	177,990

9 Loans and Advances to Customers (Continued)

	Credit loss allowance				Gross carrying amount				
	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Purchased/ originated credit impaired	Total
<i>In millions of RR</i>									
Cash loans									
At 31 December 2018	1,116	545	670	2,331	32,651	1,776	767	301	35,495
<i>Movements with impact on credit loss allowance charge for the year:</i>									
New originated or purchased	2,628	-	-	2,628	44,199	-	-	422	44,621
Transfers:									
- to lifetime (from Stage 1 to Stage 2)	(587)	2,960	-	2,373	(5,663)	5,663	-	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(897)	(528)	3,927	2,502	(3,536)	(699)	4,235	-	-
- recovered (from Stage 3 to Stage 2 and from Stage 2 to Stage 1)	14	(78)	-	(64)	408	(408)	-	-	-
Changes to ECL measurement model assumptions and estimates	(22)	-	(1)	(23)	-	-	-	-	-
Movements other than transfers and new originated or purchased loans	106	(1,017)	193	(718)	(16,134)	(1,298)	676	(87)	(16,843)
Total movements with impact on credit loss allowance charge for the year	1,242	1,337	4,119	6,698	19,274	3,258	4,911	335	27,778
<i>Movements without impact on credit loss allowance charge the year</i>									
Unwinding of discount (for Stage 3)	-	-	138	138	-	-	138	-	138
Write-offs	-	-	(524)	(524)	-	-	(524)	-	(524)
Sales	-	-	(114)	(114)	-	-	(122)	-	(122)
Modification of original cash flows without derecognition	-	-	(500)	(500)	-	-	(500)	-	(500)
At 31 December 2019	2,358	1,882	3,789	8,029	51,925	5,034	4,670	636	62,265

9 Loans and Advances to Customers (Continued)

	Credit loss allowance				Gross carrying amount				
	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	Total	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	Purchased/ originated credit impaired	Total
<i>In millions of RR</i>									
Cash loans									
At 1 January 2018	268	151	156	575	6,478	438	161	177	7,254
<i>Movements with impact on credit loss allowance charge for the year</i>									
New originated or purchased loans	1,255	-	-	1,255	32,010	-	-	144	32,154
Transfers:									
- to lifetime (from Stage 1 to Stage 2)	(162)	968	-	806	(1,953)	1,953	-	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(147)	(129)	673	397	(549)	(156)	705	-	-
- recovered (from Stage 3 to Stage 2 and from Stage 2 to Stage 1)	4	(23)	-	(19)	96	(96)	-	-	-
Changes to ECL measurement model assumptions and estimates	8	3	(2)	9	-	-	-	-	-
Movements other than transfers and new originated or purchased loans	(110)	(425)	157	(378)	(3,431)	(363)	214	(20)	(3,600)
Total movements with impact on credit loss allowance charge for the year	848	394	827	2,069	26,173	1,338	919	124	28,554
<i>Movements without impact on credit loss allowance charge for the year</i>									
Unwinding of discount (for Stage 3)	-	-	43	43	-	-	43	-	43
Write-offs	-	-	(256)	(256)	-	-	(256)	-	(256)
Sales	-	-	(19)	(19)	-	-	(19)	-	(19)
Modification of original cash flows without derecognition	-	-	(81)	(81)	-	-	(81)	-	(81)
At 31 December 2018	1,116	545	670	2,331	32,651	1,776	767	301	35,495

9 Loans and Advances to Customers (Continued)

	Credit loss allowance				Gross carrying amount			
	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
<i>In millions of RR</i>								
Secured Loans								
At 31 December 2018	15	1	-	16	2,641	3	-	2,644
<i>Movements with impact on credit loss allowance charge for the year:</i>								
New originated or purchased	168	-	-	168	27,907	-	-	27,907
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	(23)	499	-	476	(2,141)	2,141	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(6)	-	81	75	(203)	-	203	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	-	-	-	-	1	(1)	-	-
Movements other than transfers and new originated or purchased loans	(4)	(236)	6	(234)	(839)	(106)	-	(945)
Total movements with impact on credit loss allowance charge for the year	135	263	87	485	24,725	2,034	203	26,962
<i>Movements without impact on credit loss allowance charge the year</i>								
Unwinding of discount (for Stage 3)	-	-	3	3	-	-	3	3
Modification of original cash flows	-	-	(8)	(8)	-	-	(8)	(8)
At 31 December 2019	150	264	82	496	27,366	2,037	198	29,601
Secured loans								
At 1 January 2018	-	-	-	-	-	-	-	-
<i>Movements with impact on credit loss allowance charge for the year</i>								
New originated or purchased	15	-	-	15	2,644	-	-	2,644
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	-	1	-	1	(3)	3	-	-
Total movements with impact on credit loss allowance charge for the year	15	1	-	16	2,641	3	-	2,644
At 31 December 2018	15	1	-	16	2,641	3	-	2,644

9 Loans and Advances to Customers (Continued)

	Credit loss allowance				Gross carrying amount				
	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Purchased/ originated credit impaired	Total
In millions of RR									
POS loans									
At 31 December 2018	190	81	189	460	14,560	505	210	105	15,380
Movements with impact on credit loss allowance charge for the year:									
New originated or purchased	357	-	-	357	23,779	-	-	145	23,924
Transfers:									
- to lifetime (from Stage 1 to Stage 2)	(61)	479	-	418	(1,673)	1,673	-	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(71)	(92)	614	451	(518)	(137)	655	-	-
- recovered (from Stage 3 to Stage 2 and from Stage 2 to Stage 1)	1	(7)	-	(6)	112	(112)	-	-	-
Changes to ECL measurement model assumptions and estimates	(15)	(7)	(1)	(23)	-	-	-	-	-
Movements other than transfers and new originated or purchased loans	(103)	(264)	(61)	(428)	(12,229)	(876)	(34)	(52)	(13,191)
Total movements with impact on credit loss allowance charge for the year									
	108	109	552	769	9,471	548	621	93	10,733
Movements without impact on credit loss allowance charge the year									
Unwinding of discount (for Stage 3)	-	-	19	19	-	-	19	-	19
Write-offs	-	-	(131)	(131)	-	-	(131)	-	(131)
Sales	-	-	(23)	(23)	-	-	(24)	-	(24)
Modification of original cash flows without derecognition	-	-	(37)	(37)	-	-	(37)	-	(37)
At 31 December 2019	298	190	569	1,057	24,031	1,053	658	198	25,940

9 Loans and Advances to Customers (Continued)

	Credit loss allowance				Gross carrying amount				
	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	Total	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	Purchased/ originated credit impaired	Total
<i>In millions of RR</i>									
POS loans									
At 1 January 2018	133	46	125	304	4,462	162	129	57	4,810
<i>Movements with impact on credit loss allowance charge for the year</i>									
New originated or purchased	217	-	-	217	14,620	-	-	30	14,650
Transfers:									
- to lifetime (from Stage 1 to Stage 2)	(30)	236	-	206	(710)	710	-	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(31)	(41)	196	124	(151)	(56)	207	-	-
- recovered (from Stage 3 to Stage 2 and from Stage 2 to Stage 1)	1	(4)	-	(3)	28	(28)	-	-	-
Changes to ECL measurement model assumptions and estimates	4	2	-	6	-	-	-	-	-
Movements other than transfers and new originated or purchased loans	(104)	(158)	17	(245)	(3,689)	(283)	23	18	(3,931)
Total movements with impact on credit loss allowance charge for the year	57	35	213	305	10,098	343	230	48	10,719
<i>Movements without impact on credit loss allowance charge for the year</i>									
Unwinding of discount (for Stage 3)	-	-	21	21	-	-	21	-	21
Write-offs	-	-	(151)	(151)	-	-	(151)	-	(151)
Sales	-	-	(11)	(11)	-	-	(11)	-	(11)
Modification of original cash flows without derecognition	-	-	(8)	(8)	-	-	(8)	-	(8)
At 31 December 2018	190	81	189	460	14,560	505	210	105	15,380

9 Loans and Advances to Customers (Continued)

	Credit loss allowance				Gross carrying amount			
	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
<i>In millions of RR</i>								
Car Loans								
At 31 December 2018	56	25	4	85	2,754	78	6	2,838
<i>Movements with impact on credit loss allowance charge for the year:</i>								
New originated or purchased	469	-	-	469	18,238	-	-	18,238
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	(98)	466	-	368	(1,087)	1,087	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(72)	(23)	248	153	(320)	(34)	354	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	1	(4)	-	(3)	24	(24)	-	-
Changes to ECL measurement model assumptions and estimates	(1)	-	-	(1)	-	-	-	-
Movements other than transfers and new originated or purchased loans	13	(179)	(1)	(167)	(884)	(47)	2	(929)
Total movements with impact on credit loss allowance charge for the year	312	260	247	819	15,971	982	356	17,309
<i>Movements without impact on credit loss allowance charge the year</i>								
Unwinding of discount (for Stage 3)	-	-	12	12	-	-	12	12
Modification of original cash flows	-	-	(3)	(3)	-	-	(3)	(3)
At 31 December 2019	368	285	260	913	18,725	1,060	371	20,156

9 Loans and Advances to Customers (Continued)

	Credit loss allowance				Gross carrying amount			
	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	Total	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	Total
<i>In millions of RR</i>								
Car loans								
At 1 January 2018	-	-	-	-	-	-	-	-
<i>Movements with impact on credit loss allowance charge for the year</i>								
New originated or purchased	64	-	-	64	2,839	-	-	2,839
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	(7)	31	-	24	(80)	80	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(1)	-	4	3	(6)	-	6	-
Movements other than transfers and new originated or purchased loans	-	(6)	-	(6)	1	(2)	-	(1)
Total movements with impact on credit loss allowance charge for the year	56	25	4	85	2,754	78	6	2,838
At 31 December 2018	56	25	4	85	2,754	78	6	2,838

9 Loans and Advances to Customers (Continued)

	Credit loss allowance				Gross carrying amount			
	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
<i>In millions of RR</i>								
Loans to IE and SME								
At 31 December 2018	13	10	10	33	332	21	10	363
<i>Movements with impact on credit loss allowance charge for the year:</i>								
New originated or purchased	13	-	-	13	301	-	-	301
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	(4)	26	-	22	(58)	58	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(8)	(7)	44	29	(39)	(8)	47	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	-	-	-	-	1	(1)	-	-
Movements other than transfers and new originated or purchased loans	43	(19)	(13)	11	403	(49)	(10)	344
Total movements with impact on credit loss allowance charge for the year	44	-	31	75	608	-	37	645
<i>Movements without impact on credit loss allowance charge the year</i>								
Unwinding of discount (for Stage 3)	-	-	5	5	-	-	5	5
Modification of original cash flows	-	-	-	-	-	-	-	-
At 31 December 2019	57	10	46	113	940	21	52	1,013
Loans to IE and SME								
At 1 January 2018	-	-	-	-	-	-	-	-
<i>Movements with impact on credit loss allowance charge for the year</i>								
New originated or purchased	8	-	-	8	155	-	-	155
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	(3)	11	-	8	(25)	25	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	-	-	10	10	(10)	-	10	-
Movements other than transfers and new originated or purchased loans	8	(1)	-	7	212	(4)	-	208
Total movements with impact on credit loss allowance charge for the year	13	10	10	33	332	21	10	363
At 31 December 2018	13	10	10	33	332	21	10	363

9 Loans and Advances to Customers (Continued)

The credit loss allowance charge during the year ended 31 December 2019 presented in the tables above differs from the amount presented in the consolidated statement of profit or loss and other comprehensive income for the year due to RR 3,420 million (2018: RR 4,083 million) recovery of amounts previously written-off as uncollectible, and due to RR 201 million (2018: RR 318 million) charge of ECL for credit related commitments.

The amount of the recovery from written-off loans received during the year was credited directly to the credit loss allowance line in the consolidated statement of profit or loss and other comprehensive income.

The contractual amount outstanding of loans and advances to customers which were written off during the reporting period ended 31 December 2019 and are still subject to enforcement activity is equal to RR 10,095 million (reporting period ended 31 December 2018: RR 16,294 million).

The amount of the ECL for credit related commitments is accounted separately from ECL for credit cards loans and is included in other financial liabilities in the consolidated statement of financial position.

During the year ended 31 December 2019 the Group sold credit-impaired loans to third parties (external debt collection agencies) with a gross amount of RR 1,205 million (2018: RR 454 million) and credit loss allowance of RR 1,123 million (2018: RR 425 million). The difference between the carrying amount of these loans and the consideration received was recognised as losses in the amount of RR 73 million within credit loss allowance for loans and advances to customers and credit related commitments for the year ended 31 December 2019 (2018: losses in the amount of RR 7 million).

Presented below is an analysis of issued, activated and utilised cards based on their credit card limits as at the end of the reporting period:

<i>In units</i>	31 December 2019	31 December 2018
Credit card limits		
Up to 20 RR thousand	781,128	651,290
20-40 RR thousand	482,343	443,659
40-60 RR thousand	451,425	423,030
60-80 RR thousand	455,978	427,986
80-100 RR thousand	440,139	361,803
100-120 RR thousand	322,726	285,574
120-140 RR thousand	365,750	341,017
140-200 RR thousand	772,992	402,002
More than 200 RR thousand	180,731	109,482
Total number of cards (in units)	4,253,212	3,445,843

Table above only includes credit cards less than 180 days overdue.

The following table contains an analysis of the credit risk exposure of loans and advances to customers measured at AC and for which an ECL allowance is recognised. The carrying amount of loans and advances to customers below also represents the Group's maximum exposure to credit risk on these loans.

9 Loans and Advances to Customers (Continued)

Loans and advances to customers at 31 December 2019 are disclosed as follows:

<i>In millions of RR</i>	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Purchased/ originated credit impaired	Total
Credit card loans					
- Excellent	87,716	-	-	-	87,716
- Good	102,020	1,582	-	-	103,602
- Monitor	8,060	3,722	-	-	11,782
- Sub-standard	-	6,128	6,661	-	12,789
- NPL	-	-	28,712	336	29,048
Gross carrying amount	197,796	11,432	35,373	336	244,937
Credit loss allowance	(11,704)	(6,853)	(25,572)	-	(44,129)
Carrying amount	186,092	4,579	9,801	336	200,808
Cash loans					
- Excellent	34,258	-	-	-	34,258
- Good	17,321	3,315	-	-	20,636
- Monitor	346	585	-	-	931
- Sub-standard	-	1,134	758	-	1,892
- NPL	-	-	3,912	636	4,548
Gross carrying amount	51,925	5,034	4,670	636	62,265
Credit loss allowance	(2,358)	(1,882)	(3,789)	-	(8,029)
Carrying amount	49,567	3,152	881	636	54,236
Secured Loans					
- Excellent	19,941	-	-	-	19,941
- Good	7,319	1,496	-	-	8,815
- Monitor	106	322	-	-	428
- Sub-standard	-	219	-	-	219
- NPL	-	-	198	-	198
Gross carrying amount	27,366	2,037	198	-	29,601
Credit loss allowance	(150)	(264)	(82)	-	(496)
Carrying amount	27,216	1,773	116	-	29,105

9 Loans and Advances to Customers (Continued)

	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Purchased/ originated credit impaired	Total
<i>In millions of RR</i>					
POS loans					
- Excellent	19,525	-	-	-	19,525
- Good	4,406	763	-	-	5,169
- Monitor	100	117	-	-	217
- Sub-standard	-	173	26	-	199
- NPL	-	-	632	198	830
Gross carrying amount	24,031	1,053	658	198	25,940
Credit loss allowance	(298)	(190)	(569)	-	(1,057)
Carrying amount	23,733	863	89	198	24,883
Car loans					
- Excellent	15,581	-	-	-	15,581
- Good	3,051	702	-	-	3,753
- Monitor	93	157	-	-	250
- Sub-standard	-	201	-	-	201
- NPL	-	-	371	-	371
Gross carrying amount	18,725	1,060	371	-	20,156
Credit loss allowance	(368)	(285)	(260)	-	(913)
Carrying amount	18,357	775	111	-	19,243
Loans to IE and SME					
- Excellent	622	-	-	-	622
- Good	314	6	-	-	320
- Monitor	4	6	-	-	10
- Sub-standard	-	9	-	-	9
- NPL	-	-	52	-	52
Gross carrying amount	940	21	52	-	1,013
Credit loss allowance	(57)	(10)	(46)	-	(113)
Carrying amount	883	11	6	-	900

9 Loans and Advances to Customers (Continued)

Loans and advances to customers at 31 December 2018 are disclosed as follows:

	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Purchased/ originated credit impaired	Total
<i>In millions of RR</i>					
Credit card loans					
- Excellent	74,078	-	-	-	74,078
- Good	64,388	974	-	-	65,362
- Monitor	7,266	2,212	-	-	9,478
- Sub-standard	-	3,468	4,774	-	8,242
- NPL	-	-	20,723	107	20,830
Gross carrying amount	145,732	6,654	25,497	107	177,990
Credit loss allowance	(9,266)	(4,708)	(19,322)	-	(33,296)
Carrying amount	136,466	1,946	6,175	107	144,694
Cash loans					
- Excellent	22,238	-	-	-	22,238
- Good	10,266	1,274	-	-	11,540
- Monitor	147	207	-	-	354
- Sub-standard	-	295	72	-	367
- NPL	-	-	695	301	996
Gross carrying amount	32,651	1,776	767	301	35,495
Credit loss allowance	(1,116)	(545)	(670)	-	(2,331)
Carrying amount	31,535	1,231	97	301	33,164
POS loans					
- Excellent	10,293	-	-	-	10,293
- Good	4,206	385	-	-	4,591
- Monitor	61	60	-	-	121
- Sub-standard	-	60	6	-	66
- NPL	-	-	204	105	309
Gross carrying amount	14,560	505	210	105	15,380
Credit loss allowance	(190)	(81)	(189)	-	(460)
Carrying amount	14,370	424	21	105	14,920

9 Loans and Advances to Customers (Continued)

	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	Purchased/ originated credit impaired	Total
<i>In millions of RR</i>					
Car loans					
- Excellent	1,876	-	-	-	1,876
- Good	866	42	-	-	908
- Monitor	12	16	-	-	28
- Sub-standard	-	20	-	-	20
- NPL	-	-	6	-	6
Gross carrying amount	2,754	78	6	-	2,838
Credit loss allowance	(56)	(25)	(4)	-	(85)
Carrying amount	2,698	53	2	-	2,753
Secured loans					
- Excellent	1,805	-	-	-	1,805
- Good	833	1	-	-	834
- Monitor	3	2	-	-	5
Gross carrying amount	2,641	3	-	-	2,644
Credit loss allowance	(15)	(1)	-	-	(16)
Carrying amount	2,626	2	-	-	2,628
Loans to IE and SME					
- Excellent	224	-	-	-	224
- Good	103	6	-	-	109
- Monitor	5	9	-	-	14
- Sub-standard	-	6	-	-	6
- NPL	-	-	10	-	10
Gross carrying amount	332	21	10	-	363
Credit loss allowance	(13)	(10)	(10)	-	(33)
Carrying amount	319	11	-	-	330

Stage 3 includes restructured loans that are less than 90 days overdue which are not considered as NPL according to the Group's credit risk grading master scale. Refer to Note 31 for the description of credit risk grading system used by the Group.

Loans in courts are included in Stage 3 and are loans to delinquent borrowers, against which the Group has filed claims to courts in order to recover outstanding balances. As at 31 December 2019 the gross carrying amount of the loans in courts was RR 22,228 million (31 December 2018: RR 15,531 million).

9 Loans and Advances to Customers (Continued)

Description of collateral held for loans to individuals carried at amortised cost is as follows at 31 December 2019:

<i>In millions of RR</i>	Secured loans	Car loans	Total
Loans collateralised by:			
- residential real estate	27,437	-	27,437
- cars	1,904	15,256	17,160
Total	29,341	15,256	44,597
Unsecured exposures	260	4,900	5,160
Total gross carrying amount (representing exposure to credit risk for each class of loans at AC)	29,601	20,156	49,757

Description of collateral held for loans to individuals carried at amortised cost is as follows at 31 December 2018:

<i>In millions of RR</i>	Secured loans	Car loans	Total
Loans collateralised by:			
- residential real estate	2,449	-	2,449
- cars	189	2,095	2,284
Total	2,638	2,095	4,733
Unsecured exposures	6	743	749
Total gross carrying amount (representing exposure to credit risk for each class of loans at AC)	2,644	2,838	5,482

The disclosure above represents the lower of the carrying value of the loan or collateral taken; the remaining part is disclosed within the unsecured exposures which arise mainly due to application of a discount in determining the carrying value of collateral.

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 carrying value of the asset ("over-collateralised assets") and (ii) those assets where collateral and other credit enhancements are less than the carrying value of the asset ("under-collateralised assets").

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

<i>In millions of RR</i>	Over-collateralised assets		Under-collateralised assets	
	Gross carrying amount of the assets	Value of collateral	Gross carrying amount of the assets	Value of collateral
Credit impaired assets:				
Secured loans	194	442	4	2
Car loans	25	31	346	208

9 Loans and Advances to Customers (Continued)

The effect of collateral on credit impaired assets at 31 December 2018 is as follows.

<i>In millions of RR</i>	Over-collateralised assets		Under-collateralised assets	
	Gross carrying amount of the assets	Value of collateral	Gross carrying amount of the assets	Value of collateral
Credit impaired assets:				
Secured loans	-	-	-	-
Car loans	-	-	6	4

The values of collateral considered in this disclosure are after a valuation haircut of 20% (2018: 20%) for residential real estate and 30% (2018: 30%) for cars applied to consider liquidity and quality of the pledged assets.

All contractual modifications of loans with the lifetime ECL that did not lead to derecognition did not have gains less losses on modification recognised in profit or loss for the year ended 31 December 2019 (2018: same).

Refer to Note 38 for the disclosure of the fair value of loans and advances to customers. Interest rate, maturity and geographical risk concentration analysis are disclosed in Note 31. Information on related party balances is disclosed in Note 40.

10 Investments in Securities

<i>In millions of RR</i>	31 December 2019	31 December 2018
Debt securities measured at fair value through other comprehensive income	134,765	94,474
Securities measured at fair value through profit or loss	413	5,666
Total investments in securities	135,178	100,140

1) Debt securities measured at fair value through other comprehensive income

The table below discloses investments in debt securities measured at FVOCI by classes:

<i>In millions of RR</i>	31 December 2019	31 December 2018
Corporate bonds	72,032	65,140
Russian government bonds	56,382	23,560
Municipal bonds	6,351	5,774
Total debt securities measured at FVOCI	134,765	94,474
Including credit loss allowance	345	481

10 Investments in Securities (Continued)

1) Debt securities measured at fair value through other comprehensive income (Continued)

The table below contains an analysis of the credit risk exposure of debt securities measured at FVOCI at 31 December 2019, for which an ECL allowance is recognised, based on credit risk grades:

	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	Total
<i>In millions of RR</i>				
Corporate bonds				
- Excellent	411	-	-	411
- Good	61,042	-	-	61,042
- Monitor	8,192	-	-	8,192
Total AC gross carrying amount	69,645	-	-	69,645
Credit loss allowance	(225)	-	-	(225)
Fair value adjustment from AC to FV	2,612	-	-	2,612
Carrying value	72,032	-	-	72,032
Russian government bonds				
- Good	54,471	-	-	54,471
Total AC gross carrying amount	54,471	-	-	54,471
Credit loss allowance	(99)	-	-	(99)
Fair value adjustment from AC to FV	2,010	-	-	2,010
Carrying value	56,382	-	-	56,382
Municipal bonds				
- Good	5,663	-	-	5,663
- Monitor	422	-	-	422
Total AC gross carrying amount	6,085	-	-	6,085
Credit loss allowance	(21)	-	-	(21)
Fair value adjustment from AC to FV	287	-	-	287
Carrying value	6,351	-	-	6,351

10 Investments in Securities (Continued)

1) Debt securities measured at fair value through other comprehensive income (Continued)

The table below contains an analysis of the credit risk exposure of debt securities measured at FVOCI at 31 December 2018, for which an ECL allowance is recognised, based on credit risk grades:

	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	Total
<i>In millions of RR</i>				
Corporate bonds				
- Excellent	896	-	-	896
- Good	53,664	-	-	53,664
- Monitor	10,304	1,413	-	11,717
- Sub-standard	14	-	-	14
- Doubtful	-	194	-	194
Total AC gross carrying amount	64,878	1,607	-	66,485
Credit loss allowance	(255)	(128)	-	(383)
Fair value adjustment from AC to FV	(511)	(451)	-	(962)
Carrying value	64,112	1,028	-	65,140
Russian government bonds				
- Good	24,021	-	-	24,021
Total AC gross carrying amount	24,021	-	-	24,021
Credit loss allowance	(63)	-	-	(63)
Fair value adjustment from AC to FV	(398)	-	-	(398)
Carrying value	23,560	-	-	23,560
Municipal bonds				
- Good	4,325	-	-	4,325
- Monitor	1,508	-	-	1,508
Total AC gross carrying amount	5,833	-	-	5,833
Credit loss allowance	(35)	-	-	(35)
Fair value adjustment from AC to FV	(24)	-	-	(24)
Carrying value	5,774	-	-	5,774

Refer to Note 31 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 debt securities at FVOCI

The debt securities at FVOCI are not collateralised.

10 Investments in Securities (Continued)

1) Debt securities measured at fair value through other comprehensive income (Continued)

The following table explains the changes in the credit loss allowance (including those pledged under repurchase agreements) and gross carrying amount for debt securities at FVOCI for the year ended 31 December 2019:

	Credit loss allowance				Gross carrying amount			
	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	Total	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	Total
<i>In millions of RR</i>								
Corporate bonds								
At 1 January 2019	255	128	-	383	64,951	1,607	-	66,558
<i>Movements with impact on credit loss allowance charge:</i>								
New originated or purchased	89	-	-	89	25,936	-	-	25,936
<i>Transfers:</i>								
- to lifetime (from Stage 1 to Stage 2)	24	(26)	-	(2)	1,318	(1,318)	-	-
Foreign exchange losses	(12)	(6)	-	(18)	(2,702)	(96)	-	(2,798)
Redemption during the year	(12)	-	-	(12)	(3,609)	-	-	(3,609)
Disposal during the year	(91)	(40)	-	(131)	(16,348)	(193)	-	(16,541)
Interest income accrued	12	4	-	16	4,074	43	-	4,117
Interest received	(12)	(4)	-	(16)	(3,975)	(43)	-	(4,018)
Other movements	(28)	(56)	-	(84)	-	-	-	-
Total movements with impact on credit loss allowance charge	(30)	(128)	-	(158)	4,694	(1,607)	-	3,087
At 31 December 2019	225	-	-	225	69,645	-	-	69,645

10 Investments in Securities (Continued)

1) Debt securities measured at fair value through other comprehensive income (Continued)

	Credit loss allowance				Gross carrying amount			
	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	Total	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	Total
<i>In millions of RR</i>								
Russian government bonds								
At 1 January 2019	66	-	-	66	25,190	-	-	25,190
<i>Movements with impact on credit loss allowance charge:</i>								
New originated or purchased	167	-	-	167	81,179	-	-	81,179
Foreign exchange losses	(2)	-	-	(2)	(833)	-	-	(833)
Redemption during the year	(63)	-	-	(63)	(30,858)	-	-	(30,858)
Disposal during the year	(53)	-	-	(53)	(20,414)	-	-	(20,414)
Interest income accrued	4	-	-	4	2,119	-	-	2,119
Interest received	(4)	-	-	(4)	(1,912)	-	-	(1,912)
Other movements	(16)	-	-	(16)	-	-	-	-
Total movements with impact on credit loss allowance charge	33	-	-	33	29,281	-	-	29,281
At 31 December 2019	99	-	-	99	54,471	-	-	54,471
	Credit loss allowance				Gross carrying amount			
	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	Total	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	Total
<i>In millions of RR</i>								
Municipal bonds								
At 1 January 2019	35	-	-	35	5,833	-	-	5,833
<i>Movements with impact on credit loss allowance charge:</i>								
New originated or purchased	3	-	-	3	968	-	-	968
Redemption during the year	(1)	-	-	(1)	(482)	-	-	(482)
Disposal during the year	(4)	-	-	(4)	(216)	-	-	(216)
Interest income accrued	2	-	-	2	469	-	-	469
Interest received	(3)	-	-	(3)	(487)	-	-	(487)
Other movements	(11)	-	-	(11)	-	-	-	-
Total movements with impact on credit loss allowance charge	(14)	-	-	(14)	252	-	-	252
At 31 December 2019	21	-	-	21	6,085	-	-	6,085

10 Investments in Securities (Continued)

1) Debt securities measured at fair value through other comprehensive income (Continued)

The following table explains the changes in the credit loss allowance and gross carrying amount for debt securities at FVOCI for the year ended 31 December 2018:

	Credit loss allowance				Gross carrying amount			
	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
<i>In millions of RR</i>								
Corporate bonds								
At 1 January 2018	216	17	-	233	46,663	270	-	46,933
<i>Movements with impact on credit loss allowance charge:</i>								
New originated or purchased	184	-	-	184	27,235	-	-	27,235
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	(15)	71	-	56	(1,082)	1,082	-	-
Foreign exchange gains	12	17	-	29	3,039	228	-	3,267
Redemption during the year	(6)	-	-	(6)	(1,040)	-	-	(1,040)
Disposal during the year	(41)	-	-	(41)	(9,856)	-	-	(9,856)
Interest income accrued	15	9	-	24	3,893	80	-	3,973
Interest received	(16)	(7)	-	(23)	(3,901)	(53)	-	(3,954)
Other movements	(94)	21	-	(73)	-	-	-	-
Total movements with impact on credit loss allowance charge	39	111	-	150	18,288	1,337	-	19,625
At 31 December 2018	255	128	-	383	64,951	1,607	-	66,558
Russian government bonds								
At 1 January 2018	36	-	-	36	13,686	-	-	13,686
<i>Movements with impact on credit loss allowance charge:</i>								
New originated or purchased	189	-	-	189	73,217	-	-	73,217
Foreign exchange gains	3	-	-	3	1,108	-	-	1,108
Redemption during the year	(128)	-	-	(128)	(49,829)	-	-	(49,829)
Disposal during the year	(33)	-	-	(33)	(12,649)	-	-	(12,649)
Interest income accrued	4	-	-	4	1,398	-	-	1,398
Interest received	(5)	-	-	(5)	(1,741)	-	-	(1,741)
Total movements with impact on credit loss allowance charge	30	-	-	30	11,504	-	-	11,504
At 31 December 2018	66	-	-	66	25,190	-	-	25,190

10 Investments in Securities (Continued)

1) Debt securities measured at fair value through other comprehensive income (Continued)

	Credit loss allowance				Gross carrying amount			
	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
<i>In millions of RR</i>								
Municipal bonds								
At 1 January 2018	23	-	-	23	4,308	-	-	4,308
<i>Movements with impact on credit loss allowance charge:</i>								
New originated or purchased	16	-	-	16	1,752	-	-	1,752
Disposal during the year	(1)	-	-	(1)	(240)	-	-	(240)
Interest income accrued	2	-	-	2	382	-	-	382
Interest received	(2)	-	-	(2)	(369)	-	-	(369)
Other movements	(3)	-	-	(3)	-	-	-	-
Total movements with impact on credit loss allowance charge	12	-	-	12	1,525	-	-	1,525
At 31 December 2018	35	-	-	35	5,833	-	-	5,833

2) Securities measured at fair value through profit or loss

The table below discloses investments in securities measured at FVTPL by classes:

<i>In millions of RR</i>	31 December 2019	31 December 2018
Perpetual corporate bonds	-	5,666
Other securities	413	-
Total securities measured at FVTPL	413	5,666

Other securities are represented by assets of the mutual fund which are controlled by the Group and managed by LLC "Tinkoff Capital".

As at 31 December 2019 securities measured at FVTPL are carried at fair value, which also reflects any credit risk related write-downs and best represents Group's maximum exposure to credit risk. The securities measured at FVTPL are not collateralized (2018: same).

Interest rate, maturity and geographical risk concentration analysis of investment in securities are disclosed in Note 31.

11 Guarantee Deposits with Payment Systems

As at 31 December 2019 and 2018 guarantee deposits were placed in favour of MasterCard with Barclays Bank Plc London (A rated), in favour of Visa with United Overseas Bank Ltd Singapore (AA-rated), and in favour of Russia payment card Mir with Russian National payment card system (NSPK).

As at 31 December 2019 the carrying value of guarantee deposits with payment systems was RR 8,877 million (2018: RR 4,603 million).

11 Guarantee Deposits with Payment Systems (Continued)

The table below discloses the credit quality of guarantee deposits with payment systems balances based on credit risk grades:

<i>In millions of RR</i>	31 December 2019	31 December 2018
- Excellent	8,376	4,435
- Good	501	168
Total guarantee deposits with payment systems	8,877	4,603

The carrying amount of guarantee deposits with payment systems at 31 December 2019 and 2018 also represents the Group's maximum exposure to credit risk on these assets. Refer to Note 31 for the description of credit risk grading system used by the Group. For the purpose of ECL measurement guarantee deposits with payment systems balances are included in Stage 1. Guarantee deposits with payment systems are unsecured financial assets.

The ECL for these balances represents an immaterial amount, therefore the Group did not create any credit loss allowance for guarantee deposits with payment systems. Refer to Note 31 for the ECL measurement approach. Interest rate, maturity and geographical risk concentration analysis are disclosed in Note 31.

12 Tangible Fixed Assets, Intangible Assets, and Right-of-use Assets

<i>In millions of RR</i>	Land	Building	Equip- ment	Leasehold improve- ments	Vehicles	Total tangible fixed assets	Intangible assets
Cost							
At 31 December 2017	396	4,088	2,420	747	41	7,692	4,559
Additions	-	131	2,131	789	1	3,052	2,066
Disposals	-	-	(210)	-	-	(210)	-
At 31 December 2018	396	4,219	4,341	1,536	42	10,534	6,625
Additions	-	-	1,788	86	46	1,920	2,564
Disposals	-	-	(59)	(2)	-	(61)	(72)
At 31 December 2019	396	4,219	6,070	1,620	88	12,393	9,117
Depreciation and amortisation							
At 31 December 2017	-	(48)	(1,042)	(434)	(28)	(1,552)	(1,503)
Charge for the year (Note 25)	-	(42)	(695)	(81)	(5)	(823)	(899)
Disposals	-	-	210	-	-	210	-
At 31 December 2018	-	(90)	(1,527)	(515)	(33)	(2,165)	(2,402)
Charge for the year (Note 25)	-	(43)	(1,076)	(160)	(8)	(1,287)	(1,331)
Disposals	-	-	9	2	-	11	51
At 31 December 2019	-	(133)	(2,594)	(673)	(41)	(3,441)	(3,682)
Net book value							
At 31 December 2018	396	4,129	2,814	1,021	9	8,369	4,223
At 31 December 2019	396	4,086	3,476	947	47	8,952	5,435

12 Tangible Fixed Assets, Intangible Assets, and Right-of-use Assets (Continued)

Intangible assets additions in the amount of RR 1,212 million related to capitalised the software developments by Tinkoff Software DC during the year ended 31 December 2019 (2018: RR 774 million).

Other intangible assets acquired during the year ended 31 December 2019 and 2018 mainly represent accounting software, retail banking software, insurance software, licenses and development of software.

During 2019 the Group acquired no office building space (2018: RR 131 million, VAT included).

Right-of-use assets and lease liabilities. Right-of-use-assets represented above relate to the office premises leased by the Group. Rental contracts are typically for fixed periods from 1 to 5 years.

The group does not have extension or termination options of its lease agreements other than lease agreements of low value items.

The right of use assets by class of underlying items is analysed as follows:

<i>In millions of RR</i>	Office premises
Carrying amount at 1 January 2019	1,671
Additions	1,071
Depreciation charge (Note 25)	(1,134)
Carrying amount at 31 December 2019	1,608

Prior to 1 January 2019 Group's leases of premises and equipment were classified as operating leases. 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.

Expenses relating to leases of low-value assets in the amount of RR 390 million are included in administrative and other operating expenses (Note 25). Total cash outflow for leases during the year ended 31 December 2019 was RR 1,087 million.

13 Other Financial and Non-financial Assets

<i>In millions of RR</i>	31 December 2019	31 December 2018
Other Financial Assets		
Settlement of operations with plastic cards	16,384	12,694
Other	5,289	2,948
Total Other Financial Assets	21,673	15,642
Other Non-Financial Assets		
Prepaid expenses	1,223	2,360
Other	1,287	664
Total Other Non-Financial Assets	2,510	3,024

Settlement of operations with plastic cards represents balances due from payment agents in respect of payments made by borrowers to reimburse credit card loans and to be settled within 3 days. This amount includes prepayment to the payment systems for operations during holiday period.

At 31 December 2019, included in other financial assets are receivables, investments in associates and subrogation rights (2018: same).

13 Other Financial and Non-financial Assets (Continued)

As at 31 December 2019 and 2018 prepaid expenses consist of prepayments for marketing, IT support, security, TV advertising and ATM-service.

The table below discloses the credit quality of other financial assets based on credit risk grades:

<i>In millions of RR</i>	31 December 2019	31 December 2018
- Excellent	9,219	7,430
- Good	12,454	8,212
Total other financial assets	21,673	15,642

Refer to Note 31 for the description of the Group's credit risk grading system.

For the purpose of ECL measurement settlement of operations with plastic cards balances and other receivables are included in Stage 1. The ECL for these balances represents an immaterial amount, therefore the Group did not recognise any credit loss allowance. Refer to Note 31 for the ECL measurement approach. Refer to Note 38 for the disclosure of the fair value of other financial assets. The maturity and geographical risk concentration analysis of amounts of other financial assets is disclosed in Note 31.

14 Due to Banks

<i>In millions of RR</i>	31 December 2019	31 December 2018
Sale and repurchase agreements with other banks	640	1,111
Correspondent accounts and overnight placements of other banks	23	1,597
Total due to banks	663	2,708

Refer to Note 38 for the disclosure of the fair value of amounts due to banks. Interest rate, maturity and geographical risk concentration analysis of due to banks is disclosed in Note 31. Refer to Note 34 and 35 for information on the amounts included in due to banks received under sale and repurchase agreements and fair value of securities pledged.

15 Customer Accounts

<i>In millions of RR</i>	Note	31 December 2019	31 December 2018
Individuals			
- Current/demand accounts		211,661	137,637
- Term deposits		137,292	100,227
IE and SME			
- Current/demand accounts	30	60,174	41,702
- Term deposits	30	1,880	-
Other legal entities			
- Current/demand accounts		495	552
- Term deposits		112	798
Total customer accounts		411,614	280,916

Refer to Note 38 for the disclosure of the fair value of customer accounts. Interest rate, maturity and geographical risk concentration analysis of customer accounts amounts is disclosed in Note 31. Information on related party balances is disclosed in Note 40.

16 Debt Securities in Issue

<i>In millions of RR</i>	Date of maturity	31 December 2019	31 December 2018
RR denominated bonds issued in April 2019	21 March 2029	10,158	-
RR denominated bonds issued in September 2019	12 September 2029	10,157	-
RR denominated bonds issued in April 2017	22 April 2022	2,468	5,067
EUR denominated ECP issued in December 2019	20 November 2020	1,030	-
RR denominated bonds issued in June 2016	24 June 2021	835	784
EUR denominated ECP issued in February 2019	18 February 2020	831	-
USD denominated ECP issued in December 2019	20 November 2020	599	-
EUR denominated ECP issued in December 2018	19 December 2019	-	2,392
USD denominated ECP issued in December 2018	19 December 2019	-	1,266
RR denominated ECP issued in December 2018	19 December 2019	-	96
Total debt securities in issue		26,078	9,605

On 3 April 2019 the Bank issued RR denominated bonds with a nominal value of RR 10,000 million at 9.25% coupon rate maturing on 21 March 2029.

On 25 September 2019 the Bank issued RR denominated bonds with a nominal value of RR 10,000 million at 8.25% coupon rate maturing on 12 September 2029.

On 28 April 2017 the Bank issued RR denominated bonds with a nominal value of RR 5,000 million at 9.65% coupon rate maturing on 22 April 2022.

On 30 June 2016 the Group issued RR denominated bonds with a nominal value of RR 3,000 million at 11.7% coupon rate maturing on 24 June 2021.

On 20 December 2019 the Group issued two tranches of Euro-Commercial Paper (ECP) denominated in USD and EUR maturing on 20 November 2020. USD denominated ECP has a nominal value of USD 10 million with a discount of 3.6%. EUR denominated ECP has a nominal value of EUR 15 million with a discount of 1.0%.

On 19 February 2019 the Group issued Euro-Commercial Paper (ECP) denominated in EUR maturing on 18 February 2020. EUR denominated ECP has a nominal value of EUR 12 million with a discount of 1.25%.

On 20 December 2018 the Group issued three tranches of Euro-Commercial Paper (ECP) denominated in USD, EUR and RR maturing on 19 December 2019. USD denominated ECP has a nominal value of USD 19 million with a discount of 4.25%. EUR denominated ECP has a nominal value of EUR 30.5 million with a discount of 1.25%. RR denominated ECP has a nominal value of RR 105 million with a discount of 9.5%. The Group redeemed all outstanding ECP of this issue at maturity.

All RR denominated bonds issued by the Bank are traded on the Moscow Exchange. Refer to Note 38 for the disclosure of the fair value of debt securities in issue. Interest rate, maturity and geographical risk concentration analysis of debt securities in issue are disclosed in Note 31.

17 Subordinated Debt

As at 31 December 2019 the carrying value of the subordinated debt was RR 18,487 million (31 December 2018: RR 20,644 million).

On 15 June 2017 the Group issued perpetual subordinated loan participation notes with a nominal value of USD 300 million with zero premium. The notes have no stated maturity. The Group has a right to repay the notes at its discretion starting from 15 September 2022 and they are repayable in case of certain events other than liquidation. The notes bear a fixed interest rate of 9.25% p.a. payable quarterly starting from 15 September 2017. Interest payments may be cancelled by the Group at any time.

The claims of lenders against the Group in respect of the principal and interest on these bonds are subordinated to the claims of other creditors in accordance with the legislation of the Russian Federation.

17 Subordinated Debt (Continued)

The perpetual subordinated loan participation notes are traded on the Global Exchange Market. Interest rate, maturity and geographical risk concentration analysis of subordinated debt is disclosed in Note 31. Refer to Note 38 for the disclosure of the fair value of financial instruments.

18 Insurance Provisions

<i>In millions of RR</i>	31 December 2019	31 December 2018
Insurance Provisions		
Provision for unearned premiums	3,938	1,760
Loss provisions	2,342	1,099
Total Insurance Provisions	6,280	2,859

Movements in provision for unearned premiums for the year ended 31 December 2019 and 2018 are as follows:

<i>In millions of RR</i>	2019			2018		
	Gross provision	Reinsurer's share of provision	Provision net of reinsurance	Gross provision	Reinsurer's share of provision	Provision net of reinsurance
Provision for unearned premiums as at 1 January	1,760	(3)	1,757	1,117	(1)	1,116
Change in provision, gross	2,178	-	2,178	643	-	643
Change in reinsurers' share of provision	-	(8)	(8)	-	(2)	(2)
Provision for unearned premiums as at 31 December	3,938	(11)	3,927	1,760	(3)	1,757

Movements in loss provisions for the year ended 31 December 2019 and 2018 are as follows:

<i>In millions of RR</i>	Note	OCP and IBNR	URP	Provision for claims handling expenses	Total loss provisions
Loss provisions as at 1 January 2018		518	83	82	683
Losses incurred in the current reporting period		1,921	-	-	1,921
Changes in OCP and IBNR provisions related to prior periods losses		(61)	-	(28)	(89)
Insurance claims paid	24	(1,413)	-	-	(1,413)
Claims handling expenses accrued		-	-	372	372
Claims handling expenses paid	24	-	-	(301)	(301)
Unexpired risk provision charge		-	(65)	-	(65)
Unexpired risk provision written off		-	(9)	-	(9)
Loss provisions as at 31 December 2018		965	9	125	1,099
Losses incurred in the current reporting period		4,026	-	-	4,026
Changes in OCP and IBNR provisions related to prior periods losses		(138)	-	(39)	(177)
Insurance claims paid	24	(2,923)	-	-	(2,923)
Claims handling expenses accrued		-	-	862	862
Claims handling expenses paid	24	-	-	(733)	(733)
Unexpired risk provision charge		-	253	-	253
Unexpired risk provision written off		-	(65)	-	(65)
Loss provisions as at 31 December 2019		1,930	197	215	2,342

19 Other Financial and Non-financial Liabilities

<i>In millions of RR</i>	31 December 2019	31 December 2018
Other financial liabilities		
Settlement of operations with plastic cards	6,427	4,904
Trade payables	4,621	3,189
Credit related commitments (Note 33)	2,242	2,041
Other	1,358	1,067
Total other financial liabilities	14,648	11,201
Other non-financial liabilities		
Lease liabilities	1,694	-
Taxes payable other than income tax	1,321	1,212
Accrued administrative expenses	1,277	1,438
Other	582	791
Total other non-financial liabilities	4,874	3,441

Settlements of operations with plastic cards include funds that were spent by customers of the Bank by usage of plastic cards but have not yet been compensated to payment systems by the Bank. Accrued administrative expenses are mainly represented by accrued staff costs.

Interest expense on lease liabilities was RR 134 million during 2019 (Note 21).

Movements in the credit loss allowance for credit related commitments were as follows for the year ended 31 December 2019:

<i>In millions of RR</i>	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	Gross committed amount
At 31 December 2018	2,024	17	-	2,041
<i>Movements with impact on provision for credit related commitments charge for the year:</i>				
New originated or purchased	840	-	-	840
Transfers:				
- to lifetime (from Stage 1 to Stage 2)	(23)	9	-	(14)
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(45)	(7)	-	(52)
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	5	(15)	-	(10)
Changes to ECL measurement model assumptions and estimates	(163)	-	-	(163)
Movements other than transfers and new originated or purchased loans	(410)	10	-	(400)
Total charge to profit or loss for the year	204	(3)	-	201
At 31 December 2019	2,228	14	-	2,242

19 Other Financial and Non-financial Liabilities (Continued)

Movements in the credit loss allowance for credit related commitments were as follows for the year ended 31 December 2018:

<i>In millions of RR</i>	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	Total
At 1 January 2018	1,701	22	-	1,723
<i>Movements with impact on credit loss allowance for credit related commitments charge for the year:</i>				
New originated or purchased	893	-	-	893
Transfers:				
- to lifetime (from Stage 1 to Stage 2)	(23)	18	-	(5)
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(53)	(7)	-	(60)
- recovered (from Stage 3 to Stage 2 and from Stage 2 to Stage 1)	5	(16)	-	(11)
Movements other than transfers and new originated or purchased loans	(499)	-	-	(499)
Total movements with impact on credit loss allowance for credit related commitments charge for the year	323	(5)	-	318
At 31 December 2018	2,024	17	-	2,041

The main movements in the table presented above are described as follows:

- new originated or purchased category represents the day one 12-month ECL for the undrawn part of the purchased loans and loans to new borrowers (for this particular product) before the first payment became due;
- transfers between Stage 1, 2 and 3 due to undrawn limits 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. Transfers present the amount of credit loss allowance for loan commitments charged or recovered at the moment of transfer of a loan commitment among the respective stages;
- movements other than transfers and new originated or purchased loans category represents all other movements of ECL for loan commitments in particular related to changes in gross carrying amounts of associated loans, ECL model assumptions and other.

Interest rate, maturity and geographical risk concentration analysis of other financial liabilities is disclosed in Note 31. Refer to Note 38 for disclosure of fair value of other financial liabilities. Refer to Note 33 for analysis of loan commitments by credit risk grades.

20 Share Capital

<i>In millions of RR except for the number of shares</i>	Number of authorised shares	Number of outstanding shares	Ordinary shares	Share premium	Treasury shares	Total
At 1 January 2018	190,479,500	182,638,825	188	8,623	(1,587)	7,224
Increase of authorized shares	1,291,266	-	-	-	(2,455)	(2,455)
GDRs buy-back	-	-	-	-	(2,455)	(2,455)
GDRs and shares transferred under MLTIP	-	-	-	-	372	372
At 31 December 2018	191,770,766	182,638,825	188	8,623	(3,670)	5,141
Shares issued	18,263,882	16,666,667	42	18,874	-	18,916
Secondary public offering costs	-	-	-	(499)	-	(499)
GDRs and shares transferred under MLTIP	-	-	-	-	506	506
At 31 December 2019	210,034,648	199,305,492	230	26,998	(3,164)	24,064

During three months ended 31 March 2019 Altoville Holdings Limited converted 6,385,310 Class B shares into Class A (on a one-to-one basis), which was 3.49% of its share, and then sold them to the market.

On 2 July 2019 the Group completed a SPO on the London Stock Exchange plc. and issued 16,666,667 "Class A" shares of the Company in the form of GDRs at a price of USD 18.00 per GDR, raising aggregate gross proceeds of USD 300 million (RR 18,916 million). All issued ordinary shares are fully paid.

All the incurred SPO costs were primary direct expenses accounted within share premium.

At 31 December 2019 the total number of outstanding shares is 199,305,492 shares (2018: 182,638,825 shares) with a par value of USD 0.04 per share (2018: USD 0.04 per share).

In June 2019 the Company's shareholders approved a resolution to increase authorised share capital to USD 8,401,385.92 by the creation of 18,263,882 new undesignated ordinary shares of nominal value USD 0.04 each. At 31 December 2019 the total number of authorised shares is 210,034,648 shares (2018: 191,770,766 shares) with a par value of USD 0.04 per share (2018: USD 0.04 per share).

As at 31 December 2019 and 2018 treasury shares represent GDRs of the Group repurchased from the market for the purposes permitted by Cyprus law including contribution to MLTIP. Refer to Note 40.

At 31 December 2019 the total number of treasury shares is 4,185,166 (2018: 6,604,353).

During the year ended 31 December 2019 no GDRs were repurchased by the Group (2018: 2,094,126 GDRs at market price for RR 2,455 million).

Basic earnings per share are calculated by dividing the profit or loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year, excluding treasury shares. For the purpose of calculating diluted earnings per share the Group considered the dilutive effect of share options granted under MLTIP.

20 Share Capital (Continued)

Earnings per share are calculated as follows:

<i>In millions of RR except for the number of shares</i>	2019	2018
Profit for the year attributable to ordinary shareholders of the Company	36,122	27,088
Weighted average number of ordinary shares in issue used for basic earnings per ordinary share calculation (thousands)	186,559	176,425
Weighted average number of ordinary shares in issue used for diluted earnings per ordinary share calculation (thousands)	190,070	182,070
Basic earnings per ordinary share (expressed in RR per share)	193.62	153.54
Diluted earnings per ordinary share (expressed in RR per share)	190.05	148.78

Information on dividends is disclosed in Note 28.

Reconciliation of the number of shares used for basic and diluted EPS:

<i>In thousands</i>	Note	2019	2018
Weighted average number of ordinary shares in issue used for basic earnings per ordinary share calculation		186,559	176,425
Number of shares attributable for MLTIP	40	9,940	9,849
Number of shares transferred out of treasury shares upon vesting under the MLTIP to retained earnings or forfeited	40	(6,158)	(3,671)
Number of shares that would have been issued at fair value		(271)	(533)
Weighted average number of ordinary shares in issue used for diluted earnings per ordinary share calculation		190,070	182,070

21 Net Margin

<i>In millions of RR</i>	Note	2019	2018
Interest income calculated using the effective interest rate method			
Loans and advances to customers, including:			
<i>Credit card loans</i>		83,352	64,446
<i>Cash loans</i>		11,878	4,029
<i>POS loans</i>		3,452	1,454
<i>Secured loans</i>		2,285	41
<i>Car loans</i>		1,512	38
<i>Loans to IE and SME</i>		325	68
Debt securities and repurchase receivables at FVOCI		6,705	5,753
Placements with other banks and non-bank credit organizations with original maturities of less than three months		463	440
Total interest income calculated using the effective interest rate method		109,972	76,269
Other similar income			
Debt securities and repurchase receivables at FVTPL		118	456
Total interest income		110,090	76,725
Interest expense calculated using the effective interest rate method			
Customer accounts, including:			
<i>Individuals</i>			
- Current/demand accounts		8,988	5,963
- Term deposits		7,006	5,283
<i>IE and SME</i>	30	1,421	1,212
<i>Other legal entities</i>		40	90
Subordinated debt		1,846	2,089
RR denominated bonds		1,282	706
Due to banks		634	92
Euro-Commercial Paper		100	124
Total interest expense calculated using the effective interest rate method		21,317	15,559
Other similar expense			
Lease liabilities		134	-
Total interest expense		21,451	15,559
Expenses on deposit insurance		1,870	1,174
Net margin		86,769	59,992

22 Fee and Commission Income and Expense

<i>In millions of RR</i>	2019	2018
Fee and commission income		
IE and SME current accounts commission	8,483	6,943
Acquiring commission	6,616	4,162
Fee for selling credit protection	5,550	5,601
Interchange fee	3,473	3,046
SMS fee	3,244	2,256
Foreign currency exchange transactions fee	3,024	1,785
Card to card commission	1,980	1,279
Income from MVNO services	890	186
Brokerage operations	819	210
Cash withdrawal fee	720	885
Marketing services fee	340	108
Placement fee	141	167
Mortgage agency fee	136	419
Other fees receivable	626	376
Total fee and commission income	36,042	27,423

IE and SME current accounts commission represents commission for services to individual entrepreneurs and small to medium businesses. Fee for selling credit protection represents fee which the Bank receives for selling voluntary credit insurance to borrowers of the Group. Acquiring commission represents commission for processing card payments from online and offline points of sale. Income from MVNO services represents income from providing mobile services such as full coverage across Russia and international roaming, offering a number of value-added options such as virtual numbers, music and video streaming services, etc.

<i>In millions of RR</i>	2019	2018
Fee and commission expense		
Payment systems	12,745	8,430
Service fees	2,043	1,429
Payment channels	1,327	1,209
Costs of MVNO services	910	246
Banking and other fees	423	456
Total fee and commission expense	17,448	11,770

Payment systems fees represent fees for MasterCard, Visa and other payment systems' services. Service fees represent fees for statement printing, mailing service, sms services and others. Payment channels represent fees paid to third parties through whom borrowers make loan repayments. Costs of MVNO services represent expenses for the traffic, telecommunications service and roaming.

Refer to Note 3 that describes the types of revenues recognized on a point in time basis and on the over time basis.

23 Customer Acquisition Expense

<i>In millions of RR</i>	2019	2018
Marketing and advertising	8,106	5,672
Staff costs	5,916	5,509
Taxes other than income tax	1,413	1,107
Partnership expenses	979	768
Credit bureaux	697	535
Cards issuing expenses	411	260
Telecommunication expenses	326	285
Other acquisition	329	86
Total customer acquisition expenses	18,177	14,222

Customer acquisition expenses represent expenses paid by the Group on services related to origination of customers which are not directly attributable to the recognised assets and are not incremental. The Group uses a variety of different channels for the acquisition of new customers.

Staff costs represent salary expenses and related costs of employees directly involved in customer acquisition. Included in staff costs are statutory social contributions to the state non-budgetary funds in the amount of RR 1,561 million for the year ended 31 December 2019 (2018: RR 1,341 million).

24 Insurance Premiums Earned and Claims Incurred

<i>In millions of RR</i>	2019	2018
Insurance premiums earned		
Insurance premiums on insurance, co-insurance and reinsurance operations	16,289	7,315
Change in provision for unearned premiums	(2,178)	(643)
Reinsurers' share	(1)	2
Total Insurance premiums earned	14,110	6,674
Insurance claims incurred		
Insurance claims on insurance, co-insurance and reinsurance operations	(2,923)	(1,413)
Changes in loss provisions	(1,243)	(416)
Claims handling expenses	(733)	(301)
Reinsurers' share	8	4
Total Insurance claims incurred	(4,891)	(2,126)

The Insurance company provides following types of insurance:

Personal accident insurance and collective insurance against accidents, illnesses or loss of work provides compensation and financial protection in the event of injuries, disability, death or loss of loss of work of the borrower. It is different from life insurance and medical and health insurance. In accordance with the terms of individual insurance contracts, the policyholder and beneficiary is an individual who has entered into an insurance contract. In accordance with the terms of the collective insurance contract, the insurer is the Bank that has concluded the collective insurance contract with the Insurance Company, the beneficiary is the insured individual.

Motor vehicle insurance and property insurance provides compensation for damage to a client's vehicle or other property.

24 Insurance Premiums Earned and Claims Incurred (Continued)

Compulsory third party liability insurance (CTP) contracts provide the insured with financial protection from the risk of civil liability of vehicle owners, which may occur as a result of harm to life, health or property of others when using vehicles.

Voluntary third party (VTP) risk insurance contracts provide the insured with financial protection in case of insufficiency of insurance payment for compulsory third party liability insurance of motor vehicle owners (CTP) to compensate for harm caused to life, health and / or property.

Travel insurance provides compensation in case of medical or other unforeseen expenses of the client while being away from their place of permanent residence.

Staff and administrative expenses for insurance operations are included in Note 25.

25 Administrative and Other Operating Expenses

<i>In millions of RR</i>	Note	2019	2018
Staff costs		19,204	15,602
Taxes other than income tax		1,473	1,148
Amortization of intangible assets	12	1,331	899
Depreciation of fixed assets	12	1,287	823
Depreciation of right-of-use assets	12	1,134	-
Information services		787	570
Professional services		773	333
Operating lease expense		410	799
Stationery		383	263
Communication services		280	254
Security expenses		167	171
Collection expenses		165	168
Other provisions		60	-
Other administrative expenses		398	469
Total administrative and other operating expenses		27,852	21,499

The total fees charged by the Company's statutory auditor for the statutory audit of the annual consolidated and separate financial statements of the Company for the year ended 31 December 2019 amounted to RR 2.8 million (2018: RR 2.7 million). The total fees charged by the Company's statutory auditor for the year ended 31 December 2019 for other assurance services amounted to RR 3.8 million (2018: RR 4.7 million), for tax advisory services amounted to RR 2.3 million (2018: RR 5.7 million) and for other non-assurance services amounted to RR 2.2 million (2018: nil).

Included in staff costs are statutory social contributions to the non-budget funds and share-based remuneration:

<i>In millions of RR</i>	2019	2018
Statutory social contribution to the non-budget funds	3,398	2,582
Share-based remuneration	469	630

The average number of employees employed by the Group during the reporting year, including those who are working under civil contracts, was 26,780 (2018: 21,577).

26 Other Operating Income

<i>In millions of RR</i>	2019	2018
Income from payment systems under marketing agreement	3,298	2,060
Subrogation fee	218	122
Other	1,197	789
Total other operating income	4,713	2,971

27 Income Taxes

Income tax expense comprises the following:

<i>In millions of RR</i>	2019	2018
Current tax	13,844	4,639
Deferred tax	(4,431)	3,463
Total income tax expense	9,413	8,102

The income tax rate applicable to the majority of the Group's income is 20% (2018: 20%). The operations of the Group are subject to multiple tax jurisdictions. The income tax rate applicable to the Russian subsidiaries of the Company is 20%. The income tax rate applicable to the Company registered in Cyprus is 12.5% (2018: 12.5%).

A reconciliation between the expected and the actual taxation charge is provided below.

<i>In millions of RR</i>	2019	2018
Profit before tax	45,536	35,224
Theoretical tax expense at statutory rate of 20% (2018: 20%)	9,107	7,045
Tax effect of items, which are not deductible or assessable for taxation purposes:		
- Non-deductible expenses	272	311
- Other expenses including dividend tax	38	740
Unrecognised tax losses	226	177
Effects of different tax rates:		
- Income on government securities taxed at different rates	(214)	(165)
- Results of companies of the Group taxed at different statutory rates	(16)	(6)
Income tax expenses for the year	9,413	8,102

Differences between IFRS and taxation regulations in Russia and other countries give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. As all of the Group's temporary differences arise in Russia, the tax effect of the movements in these temporary differences is detailed below and is recorded at the rate of 20% (2018: 20%).

In the context of the Group's current structure and Russian tax legislation, tax losses and current tax assets of different 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 Income Taxes (Continued)

The tax effect of the movements in temporary differences for the year ended 31 December 2019 is detailed below.

	31 December 2018	1 January 2019 (IFRS 16 adoption)	Credited/ (charged) to profit or loss	Charged to OCI	31 December 2019
<i>In millions of RR</i>					
Tax effect of deductible and taxable temporary differences					
Loans and advances to customers	696	-	2,819	-	3,515
Tangible fixed assets	(601)	-	(3)	-	(604)
Right-of-use assets	-	(334)	12	-	(322)
Intangible assets	(285)	-	14	-	(271)
Revaluation of debt investment at FVOCI	(487)	-	702	(1,234)	(1,019)
Revaluation of debt investment at FVTPL	1	-	(1)	-	-
Accrued expenses and other temporary differences	(773)	-	586	-	(187)
Lease liabilities	-	333	6	-	339
Customer accounts	(21)	-	(23)	-	(44)
Debt securities in issue	(40)	-	(22)	-	(62)
Financial derivatives	(324)	-	364	-	40
Insurance provisions	13	-	(23)	-	(10)
Net deferred tax (liabilities)/assets	(1,821)	(1)	4,431	(1,234)	1,375

The tax effect of the movements in temporary differences for the year ended 31 December 2018 is detailed below.

	31 December 2017	(Charged) /credited to profit or loss	Credited directly to equity	Credited to OCI	31 December 2018
<i>In millions of RR</i>					
Tax effect of deductible and taxable temporary differences					
Loans and advances to customers	223	(1,636)	2,109	-	696
Tangible fixed assets	(344)	(257)	-	-	(601)
Intangible assets	(312)	27	-	-	(285)
Revaluation of debt investment at FVOCI	(327)	(827)	-	667	(487)
Revaluation of debt investment at FVTPL	-	1	-	-	1
Accrued expenses and other temporary differences	(199)	(919)	345	-	(773)
Customer accounts	(30)	9	-	-	(21)
Debt securities in issue	(55)	15	-	-	(40)
Financial derivatives	(435)	111	-	-	(324)
Insurance provisions	-	13	-	-	13
Net deferred tax liabilities	(1,479)	(3,463)	2,454	667	(1,821)

28 Dividends

The movements in dividends during the year ended 31 December 2019 and 2018 are as follows:

<i>In millions of RR</i>	2019	2018
Dividends payable at 1 January	760	377
Dividends declared during the year	5,856	12,265
Dividends paid during the year	(5,601)	(11,946)
Dividends paid under MLTIP after vesting date	(524)	(144)
Foreign exchange loss on dividends payable	91	208
Dividends payable at 31 December	582	760
Dividends per share declared during the year (in USD)	0.49	1.07
Dividends per share paid during the year (in USD)	0.49	1.07

Dividends declared in the tables above represent dividends declared by the Board of Directors are reduced by RR 25 million for the year ended 31 December 2019 due to dividends on GDRs acquired by the Company from the market not for the immediate purposes of the existing MLTIP.

On 13 May 2019 the Board of Directors declared an interim dividend of USD 0.17 (RR 11.09) per share/per GDR amounting to USD 31.05 million (RR 2,026 million). Declared dividends were paid in USD on 28 and 30 May 2019.

On 11 March 2019 the Board of Directors declared an interim dividend of USD 0.32 (RR 21.11) per share/per GDR amounting to USD 58.4 million (RR 3,855 million). Declared dividends were paid in USD on 25 and 27 March 2019.

On 27 August 2018 the Board of Directors declared a regular interim dividend of USD 0.24 (RR 16.27) per share/per GDR amounting to USD 43.9 million (RR 2,972 million). Declared dividends were paid in USD on 24, 28 and 29 September 2018.

On 29 May 2018 the Board of Directors declared a regular interim dividend of USD 0.24 (RR 14.95) per share/per GDR amounting to USD 43.8 million (RR 2,730 million). Declared dividends were paid in USD on 21 and 27 June 2018.

On 9 March 2018 the Board of Directors declared a regular interim dividend of USD 0.31 (RR 17.61) per share/per GDR amounting to USD 56.6 million (RR 3,216 million). Declared dividends were paid in USD on 4 and 9 April 2018.

Dividends were declared and paid in USD throughout the years ended 31 December 2019 and 2018. Dividends payable at 31 December 2019 related to treasury shares acquired under MLTIP amounting to RR 582 million are included in other non-financial liabilities (31 December 2018: RR 760 million).

On 11 June 2019 the Group announced suspension of dividend payments for the three months ended 30 June and 30 September 2019 to ensure the Group will have the necessary capital to further support credit portfolio growth.

29 Reconciliation of Liabilities Arising from Financing Activities

The table below sets out an analysis of the Group's debt and the movements in the Group's debt for each of the periods presented. The debt items are those that are reported as financing in the consolidated statement of cash flows.

<i>In millions of RR</i>	Liabilities from financing activities				Total
	Debt securities in issue	Perpetual subordinated bonds	Other subordinated debt	Lease liabilities	
At 1 January 2018	10,819	17,115	4,886	-	32,820
Cash flows	(1,803)	(49)	(5,209)	-	(7,061)
Foreign exchange adjustments	580	3,553	382	-	4,515
Other non-cash movements	9	25	(59)	-	(25)
At 31 December 2018	9,605	20,644	-	-	30,249
Adoption of IFRS 16	-	-	-	1,665	1,665
Cash flows	16,671	46	-	(1,087)	15,630
Foreign exchange adjustments	(432)	(2,267)	-	-	(2,699)
Other non-cash movements	234	64	-	1,116	1,414
At 31 December 2019	26,078	18,487	-	1,694	46,259

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 Group. The functions of CODM are performed by the Management of the Bank and the Management of the Insurance Company.

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

The Group is organised on the basis of 4 main business segments:

Retail banking – representing customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans, car loans, secured loans and brokerage services to individuals.

IE and SME accounts services – representing customer current accounts, savings, deposits services and providing loans to individual entrepreneurs and small to medium businesses.

Insurance operations – representing insurance services provided to individuals, such as personal accident insurance, personal property insurance, travel insurance and vehicle insurance (Note 24).

MVNO services - providing full coverage across Russia and international roaming, offering a number of value-added options such as virtual numbers, music and video streaming services, etc.

Factors that management used to identify the reportable segments

The Group's segments are strategic business units that focus on different services to the customers of the Group. They are managed separately because each business unit requires different marketing strategies and represents different types of businesses.

30 Segment Analysis (Continued)

Measurement of operating segment profit or loss, assets and liabilities

The CODM reviews financial information prepared based on International financial reporting standards adjusted to meet the requirements of internal reporting. The CODM evaluates performance of each segment based on profit before tax.

Information about reportable segment profit or loss, assets and liabilities

Segment reporting of the Group's assets and liabilities as at 31 December 2019 is set out below:

<i>In millions of RR</i>	Retail banking	SME accounts services	Insurance operations	MVNO services	Elimina- tions	Total
Cash and cash equivalents	31,098	25,524	3,851	43	(2,720)	57,796
Mandatory cash balances with the CBRF	3,448	-	-	-	-	3,448
Due from other banks	250	-	1,834	-	-	2,084
Loans and advances to customers	330,905	900	-	-	(2,630)	329,175
Financial derivatives	390	-	-	-	-	390
Investments in securities	90,566	41,950	2,662	-	-	135,178
Guarantee deposits with payment systems	8,877	-	-	-	-	8,877
Current income tax assets	807	-	8	-	-	815
Deferred income tax assets	1,517	-	-	-	-	1,517
Tangible fixed assets and right-of-use assets	10,454	-	-	106	-	10,560
Intangible assets	4,105	823	196	311	-	5,435
Other financial assets	20,429	444	1,768	87	(1,055)	21,673
Other non-financial assets	2,034	-	592	187	(303)	2,510
Total reportable segment assets	504,880	69,641	10,911	734	(6,708)	579,458
Due to banks	663	-	-	2,630	(2,630)	663
Customer accounts	352,280	62,054	-	-	(2,720)	411,614
Debt securities in issue	26,078	-	-	-	-	26,078
Financial derivatives	590	-	-	-	-	590
Deferred income tax liabilities	142	-	-	-	-	142
Subordinated debt	18,487	-	-	-	-	18,487
Insurance provisions	-	-	6,280	-	-	6,280
Other financial liabilities	14,091	-	700	912	(1,055)	14,648
Other non-financial liabilities	5,067	-	52	58	(303)	4,874
Total reportable segment liabilities	417,398	62,054	7,032	3,600	(6,708)	483,376

30 Segment Analysis (Continued)

Segment reporting of the Group's income and expenses for the year ended 31 December 2019 is set out below:

	Retail banking	SME accounts services	Insurance operations	MVNO services	Elimina- tions	Total
<i>In millions of RR</i>						
External revenues:						
Interest income calculated using the effective interest rate method	107,021	2,629	322	-	-	109,972
Other similar income	118	-	-	-	-	118
Fee and commission income						
- IE and SME current accounts commission	-	8,483	-	-	-	8,483
- Fee for selling credit protection	5,550	-	-	-	-	5,550
- Acquiring commission	6,397	219	-	-	-	6,616
- SMS fee	3,244	-	-	-	-	3,244
- Interchange fee	2,674	799	-	-	-	3,473
- Foreign currency exchange transactions fee	2,713	311	-	-	-	3,024
- Card to card commission	1,980	-	-	-	-	1,980
- Cash withdrawal fee	720	-	-	-	-	720
- Income from MVNO services	-	-	-	890	-	890
- Brokerage operations	819	-	-	-	-	819
- Mortgage agency fee	136	-	-	-	-	136
- Marketing services fee	340	-	-	-	-	340
- Placement fee	141	-	-	-	-	141
- Other fees receivable	626	-	-	-	-	626
Timing of fee and commission income recognition:						
- At point in time	22,096	9,726	-	890	-	32,712
- Over time	3,244	86	-	-	-	3,330
Total fee and commission income	25,340	9,812	-	890	-	36,042
Net gains from foreign exchange translation	2,216	-	-	-	-	2,216
Net gains from disposals of debt securities at FVOCI	301	-	-	-	-	301
Net gains from debt instruments at FVTPL	389	-	-	-	-	389
Insurance premiums earned	318	-	13,792	-	-	14,110
Credit loss allowance for debt securities at FVOCI	139	-	-	-	-	139
Other operating income	4,355	69	288	1	-	4,713
Total external revenues	140,197	12,510	14,402	891	-	168,000

30 Segment Analysis (Continued)

	Retail banking	SME accounts services	Insurance operations	MVNO services	Elimina- tions	Total
<i>In millions of RR</i>						
Revenues from other segments:						
Interest income calculated using the effective interest rate method	146	-	83	1	(230)	-
Fee and commission income:						
- <i>Acquiring commission</i>	6	-	-	-	(6)	-
- <i>Income from MVNO services</i>	-	-	-	250	(250)	-
- <i>Other fees receivable</i>	83	-	-	-	(83)	-
Insurance premiums earned	-	-	453	-	(453)	-
Other operating income	62	-	-	-	(62)	-
Total revenues from other segments	297	-	536	251	(1,084)	-
Total revenues	140,494	12,510	14,938	1,142	(1,084)	168,000
Interest expense calculated using the effective interest rate method	(19,979)	(1,421)	-	(147)	230	(21,317)
Other similar expense	(129)	-	-	(5)	-	(134)
Expenses on deposit insurance	(1,659)	(211)	-	-	-	(1,870)
Credit loss allowance for loans and advances to customers and credit related commitments	(27,169)	(75)	-	-	-	(27,244)
Fee and commission expense	(14,755)	(2,022)	(14)	(910)	253	(17,448)
Customer acquisition expense	(15,361)	(1,272)	(1,091)	(986)	533	(18,177)
Net losses from derivatives revaluation	(2,563)	-	-	-	-	(2,563)
Net losses from operations with foreign currencies	(952)	-	(16)	-	-	(968)
Insurance claims incurred	-	-	(4,891)	-	-	(4,891)
Administrative and other operating expenses	(23,124)	(2,774)	(1,185)	(837)	68	(27,852)
Segment result	34,803	4,735	7,741	(1,743)	-	45,536

30 Segment Analysis (Continued)

Segment reporting of the Group's assets and liabilities as at 31 December 2018 is set out below:

	Retail banking	SME accounts services	Insurance operations	MVNO services	Elimina- tions	Total
<i>In millions of RR</i>						
Cash and cash equivalents	19,621	13,110	3,537	15	(2,481)	33,802
Mandatory cash balances with the CBRF	2,435	-	-	-	-	2,435
Due from other banks	-	-	776	-	-	776
Loans and advances to customers	199,513	330	386	-	(1,740)	198,489
Financial derivatives	1,710	-	-	-	-	1,710
Investments in debt securities	68,375	30,394	1,371	-	-	100,140
Repurchase receivables	1,182	-	-	-	-	1,182
Guarantee deposits with payment systems	4,603	-	-	-	-	4,603
Current income tax assets	1,104	-	-	-	-	1,104
Tangible fixed assets	8,280	-	-	89	-	8,369
Intangible assets	3,214	547	264	198	-	4,223
Other financial assets	15,316	173	542	46	(435)	15,642
Other non-financial assets	2,344	-	618	150	(88)	3,024
Total reportable segment assets	327,697	44,554	7,494	498	(4,744)	375,499
Due to banks	2,708	-	-	1,344	(1,344)	2,708
Customer accounts	242,092	41,702	-	-	(2,878)	280,916
Debt securities in issue	9,605	-	-	-	-	9,605
Financial derivatives	3	-	-	-	-	3
Current income tax liabilities	51	-	-	-	-	51
Deferred income tax liabilities	1,821	-	-	-	-	1,821
Subordinated debt	20,644	-	-	-	-	20,644
Insurance provisions	-	-	2,859	-	-	2,859
Other financial liabilities	9,746	-	1,711	213	(469)	11,201
Other non-financial liabilities	3,367	-	63	64	(53)	3,441
Total reportable segment liabilities	290,037	41,702	4,633	1,621	(4,744)	333,249

30 Segment Analysis (Continued)

Segment reporting of the Group's income and expenses for the year ended 31 December 2018 is set out below:

	Retail banking	SME accounts services	Insurance operations	MVNO services	Elimina- tions	Total
<i>In millions of RR</i>						
External revenues:						
Interest income calculated using the effective interest rate method	74,283	1,807	179	-	-	76,269
Other similar income	456	-	-	-	-	456
Fee and commission income:						
- <i>SME current accounts commission</i>	-	6,943	-	-	-	6,943
- <i>Fee for selling credit protection</i>	5,601	-	-	-	-	5,601
- <i>Acquiring commission</i>	4,078	84	-	-	-	4,162
- <i>Interchange fee</i>	2,595	451	-	-	-	3,046
- <i>SMS fee</i>	2,256	-	-	-	-	2,256
- <i>Foreign currency exchange transactions fee</i>	1,576	209	-	-	-	1,785
- <i>Card to card commission</i>	1,279	-	-	-	-	1,279
- <i>Cash withdrawal fee</i>	885	-	-	-	-	885
- <i>Mortgage agency fee</i>	419	-	-	-	-	419
- <i>Brokerage operations</i>	210	-	-	-	-	210
- <i>Income from MVNO services</i>	-	-	-	186	-	186
- <i>Placement fee</i>	167	-	-	-	-	167
- <i>Marketing services fee</i>	108	-	-	-	-	108
- <i>Other fees receivable</i>	376	-	-	-	-	376
Timing of fee and commission income recognition:						
- At point in time	17,294	7,469	-	186	-	24,949
- Over time	2,256	218	-	-	-	2,474
Total fee and commission income	19,550	7,687	-	186	-	27,423
Net gains from derivatives revaluation	1,784	-	-	-	-	1,784
Net gains from operations with foreign currencies	363	-	18	-	-	381
Net gains from disposals of debt securities at FVOCI	378	-	-	-	-	378
Insurance premiums earned	320	-	6,354	-	-	6,674
Other operating income	2,726	39	202	4	-	2,971
Total external revenues	99,860	9,533	6,753	190	-	116,336

30 Segment Analysis (Continued)

	Retail banking	SME accounts services	Insurance operation s	MVNO services	Elimina- tions	Total
<i>In millions of RR</i>						
Revenues from other segments:						
Interest income calculated using the effective interest rate method	50	-	71	-	(121)	-
Fee and commission income						
- <i>Acquiring commission</i>	40	-	-	-	(40)	-
- <i>Income from MVNO services</i>	-	-	-	53	(53)	-
- <i>Other fees receivable</i>	17	-	-	-	(17)	-
Net gains from disposals of debt securities at FVOCI	79	-	-	-	(79)	-
Insurance premiums earned	-	-	311	-	(311)	-
Other operating income	59	-	-	-	(59)	-
Total revenues from other segments	245	-	382	53	(680)	-
Total revenues	100,105	9,533	7,135	243	(680)	116,336
Interest expense calculated using the effective interest rate method	(14,418)	(1,212)	-	(50)	121	(15,559)
Expenses on deposit insurance	(1,090)	(84)	-	-	-	(1,174)
Credit loss allowance for loans and advances to customers and credit related commitments	(11,574)	(33)	-	-	-	(11,607)
Credit loss allowance for debt securities at FVOCI	(192)	-	-	-	-	(192)
Fee and commission expense	(10,453)	(1,125)	-	(246)	54	(11,770)
Customer acquisition expense	(11,189)	(2,374)	(772)	(254)	367	(14,222)
Net losses from foreign exchange translation	(2,153)	-	-	(2)	-	(2,155)
Net losses from debt instruments at FVTPL	(808)	-	-	-	-	(808)
Insurance claims incurred	-	-	(2,126)	-	-	(2,126)
Administrative and other operating expenses	(17,372)	(2,370)	(1,002)	(814)	59	(21,499)
Segment result	30,856	2,335	3,235	(1,123)	(79)	35,224

31 Financial and Insurance Risk Management

The risk management function within the Group is carried out with respect to financial risks, operational risks and legal risks by the management of the Bank and Insurance Company. Financial risk comprises market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The primary function of financial risk management is to establish risk limits and to ensure that any exposure to risk stays within these limits. The operational and legal risk management functions are intended to ensure the proper functioning of internal policies and procedures in order to minimize operational and legal risks.

Credit risk. The Group exposes itself to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to meet an obligation. Exposure to credit risk arises as a result of the Group's lending and other transactions with counterparties giving rise to financial assets. The Group grants retail loans and IE and SME loans to customers across all regions of Russia, therefore its credit risk is broadly diversified.

31 Financial and Insurance Risk Management (Continued)

The management of the Group takes special measures to mitigate growing credit risk such as decreasing of credit limits for unreliable clients, diversifying of modes of work with overdue borrowers, toughening of scoring for the new borrowers etc., giving rise to financial assets and off-balance sheet credit-related commitments.

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 financial guarantees issued, commitments to extend credit, undrawn credit lines, the maximum exposure to credit risk is the amount of the commitment (Note 33).

The Bank created a credit committee, which establishes general principles for lending to individual borrowers. According to these principles, the minimum requirements for potential customers are listed below:

- Citizenship of the Russian Federation;
- Age from 18 to 70 y.o., but not older than 70 y.o. at the time of loan repayment;
- Availability of a cell-phone;
- Permanent employment;
- Permanent income.

For cash loans, minimum requirements are listed below:

- The requested loan term is from 3 to 36 months;
- Cash loan volumes range between RR 50 thousand and RR 2,000 thousand.

For POS loans minimum requirements are listed below:

- The requested loan amount should exceed RR 3 thousand;
- The requested loan term is from 3 to 36 months;
- The amount of one POS loan does not exceed RR 200 thousand.

For secured loans minimum requirements are listed below:

- The requested loan secured with a car amount should be between RR 100 thousand and RR 3,000 thousand, loan term is from 3 months to 5 years. The requirement for the car is in good condition of driving with an age not more than 15 years;
- The requested loan secured with a real estate amount should be between RR 200 thousand and RR 15,000 thousand, loan term is from 3 months to 15 years. The requirement for the real estate is an apartment in the apartment building within the Russian Federation, which is free from any encumbrances.

For car loans minimum requirements are listed below:

- The requested loan term is from 1 to 5 years;
- Car loan volumes up to RR 2,000 thousand;
- The requirement for the car is with an age not more than 18 years.

For loans to SME minimum requirements are listed below:

- Working capital loan: loan volumes up to RR 10,000 thousand and loan term to 6 months;
- Credit for individual entrepreneurs for any purpose: loan volumes up to RR 2,000 thousand and loan term to 36 months;
- Credit for individual entrepreneurs secured by real estate: loan volumes up to RR 15,000 thousand and loan term to 15 years. The requirement for the real estate is an apartment in the apartment building within the Russian Federation, which is free from any encumbrances;

31 Financial and Insurance Risk Management (Continued)

- Investment credit line secured by real estate: loan volumes up to RR 15,000 thousand and loan term to 5 years. The requirement for the real estate is an apartment building within the Russian Federation, which is free from any encumbrances.

A credit decision process includes:

- Validation of the application data. The system checks the validity of the data provided (addresses, telephone numbers, age, if the applicant already uses any other products of the Bank);
- Phone verification of the application information about the potential customer, his/her employment, social and property status, etc. This step may be omitted for POS loans;
- Requesting of the previous credit history of the applicant from the three largest credit bureaus in Russia – Equifax, UCB (United Credit Bureau) and NBCH (National Bureau of Credit Histories).
- Based on all available information, the credit score of the applicant is calculated and a final decision is made about the approval of the credit product;
- The approved loan amount, loan term and tariff plan are calculated depending on the score and declared income.

Management of the Group manages the credit risk on unused limits on credit cards in the following way:

- a) if the credit card loan is overdue for more than 7 days, its account will be blocked till repayment;
- b) if the borrower had lost his/her source of income, then borrower account might be blocked till verification of his/her new employment;
- c) if borrower's loan debt burden in other banks is substantially bigger than at the time of loan origination or the credit quality of the borrower decreases significantly then the borrower's limit for credit might be reduced accordingly.

When a customer experiences serious difficulties with his/her current debt servicing, he/she may be offered loan restructuring. In this case the Bank stops accrual of interest, commissions and fines and the debt amount is restructured according to a fixed instalment payment plan with not more than 36 equal monthly payments. Another way of working with overdue loans is initiation of the state court process. This collection option statistically gives greater recovery than the sale of credit-impaired loans. Defaulted clients that could be subject to the court process are chosen by the Bank's Collection Department considering the following criteria:

- a) the client's account balance was fixed, accrual of interest stopped;
- b) information about the client is considered to be up to date;
- c) the client denied restructuring program;
- d) term of limitation of court actions has not expired;
- e) court process is economically justified.

When loans become unrecoverable or not economically viable to pursue further collection efforts, the Collection Department may decide to sell these loans to a debt collection agency. The Collection Department considers the following criteria for credit-impaired loans qualifying for sale to external debt collection agencies:

- a) loans remain unpaid after all collection procedures were performed (no payment during last 4-6 months);
- b) the debtor cannot be either reached or found for the previous 4 months;
- c) the debtor has no assets and there is no expectation he/she will have any in the future;
- d) the debtor has died and there is no known estate or guarantor;
- e) it is determined that it is not cost effective to continue collection efforts.

31 Financial and Insurance Risk Management (Continued)

Credit risk grading system. For measuring credit risk and grading financial instruments except for loans and advances to customers by the level of credit risk, the Group applies risk grades estimated by external international rating agencies in case these financial instruments have risk grades estimated by external international rating agencies (using Fitch ratings and in case of their absence - Moody's or Standard & Poor's ratings adjusting them to Fitch's categories using a reconciliation table):

Master scale credit risk grade	Corresponding ratings of external international rating agency (Fitch)
Excellent	AAA, AA+ to AA-, A+ to A-
Good	BBB+ to BBB-, BB+
Monitor	BB to B+
Sub-standard	B, B-
Doubtful	CCC+ to CC-
Default	C, D

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

- *Excellent* – high credit quality with lowest or very low expected credit risk;
- *Good* - good credit quality with currently low expected credit risk;
- *Monitor* – adequate credit quality with a moderate credit risk;
- *Sub-standard* – moderate credit quality with a satisfactory credit risk;
- *Doubtful* – facilities that require closer monitoring and remedial management; and
- *Default* – facilities in which a default has occurred.

For measuring credit risk and grading loans and advances to customers, credit related commitments and those financial instruments which do not have risk grades estimated by external international rating agencies, the Group applies risk grades and the corresponding range of probabilities of default (PD):

Master scale credit risk grade	Corresponding interval
Excellent	For credit cards: non-overdue with PD < 5%; for other types of loans: non-overdue for the last 12 months with PD < 5% or with early repayments
Good	all other non-overdue loans
Monitor	1-30 days overdue for all types of loans or without first due date for credit card loans
Sub-standard	31-90 days overdue or restructured loans 0-90 days overdue
NPL	90+ days overdue

The condition of early repayments is satisfied, as described in the table above, if cumulative amount of early repayments exceed 5% of the gross carrying amount at the date of recognition of the loan

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

- *Excellent* – strong credit quality with minimum expected credit risk;
- *Good* – adequate credit quality with low expected credit risk;
- *Monitor* – adequate credit quality with a moderate credit risk and credit cards loans before the first due date;
- *Sub-standard* – low credit quality with a substantial credit risk, includes restructured loans that are less than 90 days overdue;
- *NPL* – non-performing loans, credit-impaired loans more than 90 days overdue.

The rating models are regularly reviewed by the Credit Risk Department, backtested on actual default data and updated if necessary. Despite the method used, the Group regularly validates the accuracy of ratings estimates and appraises the predictive power of the models.

31 Financial and Insurance Risk Management (Continued)

Expected credit loss (ECL) measurement – definitions and description of estimation techniques.

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). *ECL* measurement is based on the following components used by the Group:

Default occurs when a financial asset is 90 days past due or less than 90 days overdue but with the final statement issued, i.e. the limit is closed, the balance is fixed, interest and commissions are no longer accrued.

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

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

Loss Given Default (LGD) – an estimate of the loss arising on default as a percentage of the EAD. It is based on the difference between the contractual cash flows due and those that the Group would expect to receive.

Discount Rate – a rate to discount an expected loss to its present value at the reporting date. The discount rate represents the effective interest rate (EIR) for the financial instrument or an approximation thereof.

Lifetime period – the maximum period over which *ECL* should be measured. For loans with fixed maturity, the lifetime period is equal to 20 months. For revolving facilities, it is based on statistics of the average period between the moment of the loan falling into the Stage 2 until the write-off or attrition. Currently the Group estimates that this period equals to 4 years, though it is subject to periodical reassessment.

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

12-month ECL – the portion of lifetime *ECLs* that represent the *ECLs* resulting from default events on a financial instrument that are possible within 12 months after the reporting date that are limited by the remaining contractual life of the financial instrument.

Forward looking information – the information that includes the key macroeconomic variables impacting credit risk and expected credit losses for each portfolio segment. A pervasive concept in measuring *ECL* in accordance with IFRS 9 is that it should consider forward-looking information.

Credit Conversion Factor (CCF) – a coefficient that shows that the probability of conversion of an off-balance sheet amount to exposure on the consolidated statement of financial position within a defined period. It can be calculated for a 12-month or lifetime period. Based on the analysis performed, the Group considers that 12-month and lifetime *CCFs* are the same.

Purchased or originated credit-impaired (POCI) financial assets - financial assets that are credit-impaired upon initial recognition.

Default and credit-impaired assets – assets for which a default event has occurred.

The default definition stated above should be applied to all types of financial assets of the Group.

An instrument is considered to no longer be in default (i.e. to have “cured”) when it no longer meets any of the default criteria.

Significant increase in credit risk (SICR) - the *SICR* assessment is performed on an individual basis for all financial assets by monitoring the triggers stated below. The criteria used to identify *SICR* are monitored and reviewed periodically for appropriateness by the Group’s Risk Management Department.

The Group considers a financial instrument to have experienced a *SICR* when one or more of the following quantitative, qualitative or backstop criteria have been met.

31 Financial and Insurance Risk Management (Continued)

For interbank operations, bonds issued by banks and bonds issued by corporates and sovereigns:

- 30 days past due;
- award of risk grade “Doubtful”;
- decrease of assigned external rating by 2 notches, which corresponds to an approximate increase of PD by 2.5 times.

For credit card loans:

- 30 days past due; or
- threshold defined on an individual basis using existing scoring models: increase of the 12-month PD compared to 12-month PD estimated 18 months ago or as of the date of initial recognition (if it occurred less than 18 months ago) by 3 times or PD reaching 50% and above. 18-month period was determined as the weighted average period of the most recent date where the credit limit was revised by at least 25%, which is considered to be a substantial revision.

For all other loans:

- 30 days past due; or
- if the loans were past due for more than 30 days during the last 6 months or if the loans fell past due during the last 4 months more than once.

If the SICR criteria are no longer met, the instrument will be transferred back to Stage 1.

General principle of techniques applied

For non-POCI financial assets, ECLs are generally measured based on the risk of default over one of two different time periods, depending on whether or not the credit risk of the borrower has increased significantly since initial recognition.

This approach can be summarised in a three-stage model for ECL measurement:

- Stage 1 – a financial instrument that is not credit-impaired on initial recognition and its credit risk has not increased significantly since initial recognition, the loss allowance is based on 12-month ECLs;
- Stage 2 – if since the date, which was assumed to be the date of initial recognition is identified a SICR, the financial instrument is moved to Stage 2 but is not yet deemed to be credit-impaired, the loss allowance is based on lifetime ECLs;
- Stage 3 – if the financial instrument is credit-impaired or restructured, the financial instrument is then moved to Stage 3 and the loss allowance is based on lifetime ECLs.

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:

- for loans and advances to customers: assessment on a portfolio basis: internal ratings are estimated on an individual basis but the same credit risk parameters (e.g. PD, LGD) are applied during the process of ECL calculations for the same credit risk ratings and homogeneous segments of the loan portfolio;
- for all other financial assets except FVTPL: assessment based on external ratings.

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

31 Financial and Insurance Risk Management (Continued)

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.

Examples of shared characteristics include type of customer, product type, credit risk rating, date of initial recognition, overdue level and repayment statistics.

The different segments reflect differences in PD. The appropriateness of groupings is monitored and reviewed on a periodic basis by the Risk Management Department.

In general, ECL is the multiplication of the following credit risk parameters: EAD, PD and LGD (definitions of the parameters are provided above). The general approach used for ECL calculation is stated below.

$$ECL = PD_{t_i} \cdot EAD_{t_i} \sum_{i=0}^{N-1} \frac{LGD_{t_i}}{(1 + EIR)^{t_i}}$$

where:

PD_{t_i} – probability of default in moment t_i (can't be higher than 100%);

EAD_{t_i} – exposure at default in moment t_i ;

LGD_{t_i} – loss given default in moment t_i ;

t_i – number of months in the loan's lifetime;

EIR – effective interest rate;

N – remaining amount of payments.

The ECL is determined by predicting credit risk parameters (EAD, PD and LGD) for each future month during the lifetime period for each exposure or segment. These three components are multiplied together. This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed up. The discount rate used in the ECL calculation is the effective interest rate or an approximation thereof.

The EADs are determined based on the expected payment profile, on an individual basis. For revolving products, the EAD is predicted by taking the current withdrawn balance and adding a "credit conversion factor" that accounts for the expected drawdown of the remaining limit of utilised loans by the time of default. These assumptions vary by product type, current limit utilisation and other borrower-specific behavioural characteristics. For other products EAD is equal to current exposure as there is no credit limit to utilize.

Two types of PDs are used for calculating ECLs: 12-month and lifetime PD:

- 12-month PDs – the estimated probability of a default occurring within the next 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 using borrower-specific behavioural characteristics and adjusted for forward-looking information when appropriate. Based on borrower-specific PDs the exposures are allocated to segments to which average PD for the segment is applied.
- 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 and Stage 3 exposures. An assessment of a lifetime PD is based on the latest available historic default data using product specific lifetime periods defined above. To calculate Lifetime PD, the Group developed lifetime PD curves based on the 12-month PD data.

31 Financial and Insurance Risk Management (Continued)

LGD represents the Group's expectation of the extent of loss on a defaulted exposure. For credit card loans, cash loans and POS loans LGDs are calculated on portfolio basis based on recovery statistics of defaulted loans over the period of 24 or 36 months. For secured loans, car loans and loans to SME LGDs are calculated using current market data in relation to the expected recoveries.

ECL measurement for loan commitments. The ECL measurement for these instruments 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. CCF for undrawn credit limits of credit cards and overdrafts is defined based on statistical analysis of exposures at default.

Principles of assessment based on external ratings – the principles of ECL calculations based on external ratings are the same as for their assessment on a portfolio basis. Credit risk parameters (PD and LGD) are taken from the default and recovery statistics published by international rating agencies (Fitch and in case of their absence - Moody's or Standard & Poor's).

Forward-looking information incorporated in the ECL models. The calculation of ECLs incorporates forward-looking information. The Group has performed historical analysis and identified the key economic variables impacting credit risk and ECLs for each portfolio. The list of variables:

- Russian stock market index MOEX;
- Moscow Prime Offered Rate;
- Debt load of Russian population based on statistics from bureaus of credit history.

The impact of these economic variables on the ECL has been determined by performing statistical regression analysis in order to understand the way how changes in these variables historically impacted default rates. Three different scenarios are used: base, optimistic and pessimistic. The scenarios are weighted accordingly with base scenario having the 90.8% weight, optimistic scenario having the 1.3% weight and pessimistic scenario having the 7.9% weight.

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 on a quarterly basis.

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

Market risk. The Group takes on exposure to market risks. Market risks of the Group arise from open positions in (a) currency and (b) interest rate, both of which are exposed to general and specific market movements. The priority goal of market risk management is to maintain the risks assumed by the Group at a level determined by the Group in accordance with its own strategic objectives. Management sets limits on the value of risk that may be accepted, which is monitored on a daily basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

Currency risk. In respect of currency risk, the management sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily.

31 Financial and Insurance Risk Management (Continued)

The table below summarizes the Group's exposure to foreign currency exchange rate risk at the end of the year:

<i>In millions of RR</i>	At 31 December 2019				At 31 December 2018			
	Non-derivative monetary financial assets	Non-derivative monetary financial liabilities	Derivatives	Net position	Non-derivative monetary financial assets	Non-derivative monetary financial liabilities	Derivatives	Net position
RR	491,635	(390,010)	(12,995)	88,630	307,617	(264,073)	(5,283)	38,261
USD	46,930	(62,098)	13,422	(1,746)	37,550	(47,539)	7,245	(2,744)
Euro	18,902	(20,261)	(595)	(1,954)	11,318	(13,773)	(233)	(2,688)
GBP	677	(675)	(32)	(30)	571	(586)	(22)	(37)
Others	87	(788)	-	(701)	13	(202)	-	(189)
Total	558,231	(473,832)	(200)	84,199	357,069	(326,173)	1,707	32,603

Derivatives presented above are monetary financial assets or monetary financial liabilities but are presented separately in order to show the Group's gross exposure. Amounts disclosed in respect of derivatives represent the fair value, at the end of the reporting period, of the respective currency that the Group agreed to buy (positive amount) or sell (negative amount) before netting of positions and payments with the counterparty. The amounts by currency are presented gross as stated in Note 37.

The net total represents the fair value of the currency derivatives. The above analysis includes only monetary assets and liabilities.

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:

<i>In millions of RR</i>	At 31 December 2019		At 31 December 2018	
	Impact on profit for the year	Impact on total equity	Impact on profit for the year	Impact on total equity
USD strengthening by 20% (2018: by 20%)	(277)	(277)	(417)	(417)
USD weakening by 20% (2018: by 20%)	277	277	417	417
Euro strengthening by 20% (2018: by 20%)	(310)	(310)	(408)	(408)
Euro weakening by 20% (2018: by 20%)	310	310	408	408
GBP strengthening by 20% (2018: by 20%)	(5)	(5)	(6)	(6)
GBP weakening by 20% (2018: by 20%)	5	5	6	6

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 reduce or create losses in the event that unexpected movements arise. Management monitors on a daily basis and sets limits on the level of mismatch of interest rate repricing that may be undertaken.

The Group is exposed to prepayment risk through providing fixed rate loans, which give the borrower the right to repay the loans early. The Group's current year profit and equity at the end of the current reporting period would not have been significantly impacted by changes in prepayment rates because such loans are carried at amortised cost and the prepayment right is at or close to the amortised cost of the loans and advances to customers (2018: no material impact).

31 Financial and Insurance Risk Management (Continued)

The table below summarizes 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, categorized by the earlier of contractual interest repricing or maturity dates:

<i>In millions of RR</i>	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 3 years	More than 3 years	Total
31 December 2019						
Total financial assets	136,206	153,392	66,962	121,755	80,306	558,621
Total financial liabilities	(199,880)	(155,323)	(62,923)	(44,109)	(12,187)	(474,422)
Net interest sensitivity gap at 31 December 2019	(63,674)	(1,931)	4,039	77,646	68,119	84,199
31 December 2018						
Total financial assets	103,449	124,541	35,930	31,883	62,976	358,779
Total financial liabilities	(200,101)	(56,301)	(40,080)	(3,743)	(25,951)	(326,176)
Net interest sensitivity gap at 31 December 2018	(96,652)	68,240	(4,150)	28,140	37,025	32,603

The Group has no significant risk associated with variable interest rates on loans and advances provided to customers or loans received.

The aim of interest rate risk management is to maintain the risks assumed by the Group within the limits determined by the Group in accordance with its own strategic objectives. The interest rate risk is managed by setting caps and floors in relation to interest rates on financial assets and liabilities depending on their types and maturities and balancing the assets and liabilities which are sensitive to changes in interest rates.

The assessment of the magnitude of interest rate risk is carried out by performing a sensitivity analysis which imply assessment of impact on net interest income of a shift in interest rates by 200 basis points. At 31 December 2019, if interest rates at that date had been 200 basis points lower/higher (2018: 200 basis points), with all other variables held constant, profit for the year would have been RR 1,684 million (2018: RR 652 million) lower/higher, equity would have been RR 1,684 million (2018: RR 652 million) lower/higher.

The Group monitors interest rates for its financial instruments. The table below summarizes interest rates for the years 2019 and 2018 based on reports reviewed by key management personnel. For securities, the interest rates represent yields to maturity based on market quotations at the reporting date:

<i>In % p.a.</i>	2019					2018			
	RR	USD	EURO	GPB	Other	RR	USD	EURO	GPB
Assets									
Cash and cash equivalents	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans and advances to customers	37.2	-	-	-	-	42.7	-	-	-
Due from banks	5.3	1.6	-	-	-	5.9	-	-	-
Investment in securities	7.9	4.3	2.4	-	-	8.5	4.5	3.2	-
Repurchase receivables	-	-	-	-	-	7.4	4.3	-	-
Liabilities									
Due to banks	6.2	0.0	-	-	-	7.0	2.4	-	-
Customer accounts	5.1	1.0	0.1	0.1	0.0	5.2	0.9	0.4	0.3
Debt securities in issue	9.0	3.8	1.2	-	-	9.9	4.4	1.4	-
Subordinated debt	-	10.0	-	-	-	-	10.0	-	-

31 Financial and Insurance Risk Management (Continued)

The sign “-” in the table below means that the Group does not have the respective assets or liabilities in the corresponding currency.

Other price risk. The Group has exposure to equity price risk. Transactions with equity instruments are monitored and authorised by the Group’s Treasury function. At 31 December 2019, if equity prices at that date had been 20% lower (higher) with all other variables held constant, profit for the year would have been RR 83 million lower (higher).

Geographical risk concentrations. The geographical concentration of the Group’s financial assets and liabilities at 31 December 2019 is set out below:

<i>In millions of RR</i>	Russia	OECD	Other Non-OECD	Listed	Total
Financial assets					
Cash and cash equivalents	54,893	2,903	-	-	57,796
Mandatory cash balances with the CBRF	3,448	-	-	-	3,448
Due from other banks	2,084	-	-	-	2,084
Loans and advances to customers	329,175	-	-	-	329,175
Financial derivatives	390	-	-	-	390
Investments in securities	134,765	413	-	-	135,178
Repurchase receivables	-	-	-	-	-
Guarantee deposits with payment systems	501	8,376	-	-	8,877
Other financial assets	8,272	13,401	-	-	21,673
Total financial assets	533,528	25,093	-	-	558,621
Financial liabilities					
Due to banks	663	-	-	-	663
Customer accounts	411,504	-	110	-	411,614
Debt securities in issue	2,460	-	-	23,618	26,078
Financial derivatives	590	-	-	-	590
Subordinated debt	-	-	-	18,487	18,487
Insurance provisions	2,342	-	-	-	2,342
Other financial liabilities	14,589	59	-	-	14,648
Total financial liabilities	432,148	59	110	42,105	474,422
Credit related commitments (Note 33)	168,059	-	-	-	168,059

31 Financial and Insurance Risk Management (Continued)

The geographical concentration of the Group's financial assets and liabilities at 31 December 2018 is set out below:

<i>In millions of RR</i>	Russia	OECD	Other Non-OECD	Listed	Total
Financial assets					
Cash and cash equivalents	31,911	1,891	-	-	33,802
Mandatory cash balances with the CBRF	2,435	-	-	-	2,435
Due from other banks	776	-	-	-	776
Loans and advances to customers	198,489	-	-	-	198,489
Financial derivatives	1,710	-	-	-	1,710
Investment in debt securities	100,126	-	14	-	100,140
Repurchase receivables	1,182	-	-	-	1,182
Guarantee deposits with payment systems	168	4,435	-	-	4,603
Other financial assets	8,212	7,430	-	-	15,642
Total financial assets	345,009	13,756	14	-	358,779
Financial liabilities					
Due to banks	2,708	-	-	-	2,708
Customer accounts	280,118	-	798	-	280,916
Debt securities in issue	3,754	-	-	5,851	9,605
Financial derivatives	3	-	-	-	3
Subordinated debt	-	-	-	20,644	20,644
Insurance provisions	1,099	-	-	-	1,099
Other financial liabilities	11,018	183	-	-	11,201
Total financial liabilities	298,700	183	798	26,495	326,176
Credit related commitments (Note 33)	110,478	-	-	-	110,478

Assets, liabilities and credit related commitments have been based on the country in which the counterparty is located. Cash on hand has been allocated based on the country in which they are physically held. Balances with Russian counterparties actually outstanding to/from offshore companies of these Russian counterparties, are allocated to the caption "Russia".

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 net assets. The Group did not have any such significant risk concentrations at 31 December 2019 and 2018.

Liquidity risk. Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group is exposed to daily calls on its available cash resources from unused limits on issued credit cards, retail deposits from customers, current accounts and due to banks. The Group does not maintain cash resources to meet all of these needs as experience shows that only a certain level of calls will take place and it can be predicted with a high level of certainty. Liquidity risk is managed by the Financial Committee of the Bank. The Group seeks to maintain a stable funding base primarily consisting of amounts due to institutional investors, corporate and retail customer deposits and debt securities. The Group keeps all available cash in diversified portfolios of liquid instruments such as a correspondent account with CBRF and overnight placements in high-rated commercial banks, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements. The available cash at all times exceeds all accrued financing costs falling due within half a year plus two months of regular operating costs.

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 balance sheet liquidity ratios against regulatory requirements.

31 Financial and Insurance Risk Management (Continued)

The liquidity analysis takes into account the covenant requirements and ability of the Group to waive any potential breaches within the grace period. The Bank calculates liquidity ratios on a daily basis in accordance with the requirements of the CBRF. The Bank has complied with these ratios throughout 2019 and 2018. The CFO receives information about the liquidity profile of the financial assets and liabilities. This includes daily, weekly, monthly and quarterly updates on the level of credit card transactions and repayments, statistics on credit card issuance and credit card limit utilisation, inflow and outflow of retail deposits, changes in the investment securities portfolio, level of expected outflows such as operating costs and financing activities. The CFO then ensures the availability of an adequate portfolio of short-term liquid assets, made up of an amount on the correspondent account with the CBRF and overnight deposits with banks, to ensure that sufficient liquidity is maintained within the Group as a whole. Regular liquidity stress testing under a variety of scenarios covering both normal and more severe market conditions and credit card portfolio behaviour is reviewed by the CFO.

The table below shows liabilities at 31 December 2019 by their remaining contractual maturity. The amounts of liabilities disclosed in the maturity table are the contractual undiscounted cash flows and gross loan commitments. Such undiscounted cash flows differ from the amount included in the consolidated statement of financial position because the consolidated statement of financial position amount 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 reporting date. Foreign currency payments are translated using the spot exchange rate at the end of the reporting period.

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

	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Total
<i>In millions of RR</i>						
Liabilities						
Due to banks	663	-	-	-	-	663
Customer accounts	189,176	84,108	70,530	60,627	11,605	416,046
Debt securities in issue	168	338	487	2,082	23,795	26,870
Subordinated debt	149	291	440	891	18,541	20,312
Insurance provisions	463	917	438	296	228	2,342
Other financial liabilities	14,648	-	-	-	-	14,648
Financial derivatives	-	199	203	399	19,833	20,634
Credit related commitments (Note 33)	168,059	-	-	-	-	168,059
Total potential future payments for financial obligations	373,326	85,853	72,098	64,295	74,002	669,574

The maturity analysis of financial liabilities at 31 December 2018 is as follows:

	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Total
<i>In millions of RR</i>						
Liabilities						
Due to banks	2,708	-	-	-	-	2,708
Customer accounts	191,308	24,257	32,600	34,571	1,719	284,455
Debt securities in issue	55	106	162	4,175	5,906	10,404
Subordinated debt	167	320	493	998	20,865	22,843
Insurance provisions	213	422	217	156	91	1,099
Other financial liabilities	11,201	-	-	-	-	11,201
Financial derivatives	-	92	92	185	9,706	10,075
Credit related commitments (Note 33)	110,478	-	-	-	-	110,478
Total potential future payments for financial obligations	316,130	25,197	33,564	40,085	38,287	453,263

31 Financial and Insurance Risk Management (Continued)

Financial derivatives receivable and payable are disclosed in the Note 37. The tables above present only the gross payables.

Insurance provisions are disclosed in the table above based on their expected maturities.

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.

The Group takes on exposure to liquidity risk, which is the risk of cash surplus in case of assets-liabilities cash-flow profile mismatch. Exposure to liquidity risk arises as a result of the Group's borrowing and operational activities that assume cash payment obligations. The Group uses daily, short-term and long-term reporting, stress-testing and forecasting practices to monitor and prevent potential liquidity problems. The Group is actively increasing the number of counterparties for interbank lending, looks for new wholesale markets, improves and creates additional debit and credit products to have more instruments over cash-flow management. The recent economic situation has resulted in increased liquidity risk. In response the management of the Group preserves cash safety cushions for possible cash outflows and has planned Group's liquidity position for the next year to ensure it can cover all upcoming payment obligations.

The expected maturity analysis of financial instruments at carrying amounts as monitored by management at 31 December 2019 is presented in the table below.

	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years	Total
<i>In millions of RR</i>							
Assets							
Cash and cash equivalents	57,796	-	-	-	-	-	57,796
Mandatory cash balances with the CBRF	1,508	510	346	513	571	-	3,448
Due from other banks	-	-	46	-	2,038	-	2,084
Loans and advances to customers	48,391	63,640	63,466	61,884	79,105	12,689	329,175
Financial derivatives	-	-	-	-	390	-	390
Investments in securities	135,178	-	-	-	-	-	135,178
Guarantee deposits with payment systems	1,304	1,717	1,712	1,669	2,133	342	8,877
Other financial assets	21,569	63	20	10	11	-	21,673
Total financial assets	265,746	65,930	65,590	64,076	84,248	13,031	558,621
Liabilities							
Due to banks	663	-	-	-	-	-	663
Customer accounts	180,017	60,879	41,259	61,298	68,161	-	411,614
Debt securities in issue	-	411	599	1,008	12,463	11,597	26,078
Financial derivatives	-	-	-	-	590	-	590
Subordinated debt	-	158	-	-	18,329	-	18,487
Insurance provisions	463	917	438	296	228	-	2,342
Other financial liabilities	14,648	-	-	-	-	-	14,648
Total financial liabilities	195,791	62,365	42,296	62,602	99,771	11,597	474,422
Net liquidity gap at 31 December 2019	69,955	3,565	23,294	1,474	(15,523)	1,434	84,199
Cumulative liquidity gap at 31 December 2019	69,955	73,520	96,814	98,288	82,765	84,199	-

31 Financial and Insurance Risk Management (Continued)

Provision for unearned premiums in the amount of RR 3,938 million is not included in the insurance provisions stated above. Refer to Note 18.

The expected maturity analysis of financial instruments at carrying amounts as monitored by management at 31 December 2018 is presented in the table below.

<i>In millions of RR</i>	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years	Total
Assets							
Cash and cash equivalents	33,802	-	-	-	-	-	33,802
Mandatory cash balances with the CBRF	1,602	66	106	298	363	-	2,435
Due from other banks	13	206	-	431	126	-	776
Loans and advances to customers	33,496	44,272	43,675	40,612	35,292	1,142	198,489
Financial derivatives	-	-	-	-	1,710	-	1,710
Investment in debt securities	100,140	-	-	-	-	-	100,140
Repurchase receivables	1,182	-	-	-	-	-	1,182
Guarantee deposits with payment systems	1,084	1,463	1,138	735	183	-	4,603
Other financial assets	15,542	63	21	11	5	-	15,642
Total financial assets	186,861	46,070	44,940	42,087	37,679	1,142	358,779
Liabilities							
Due to banks	2,708	-	-	-	-	-	2,708
Customer accounts	119,413	42,478	28,554	43,657	46,814	-	280,916
Debt securities in issue	-	-	274	4,027	5,304	-	9,605
Financial derivatives	-	-	-	-	3	-	3
Subordinated debt	-	114	-	-	20,530	-	20,644
Insurance provisions	213	422	217	156	91	-	1,099
Other financial liabilities	11,201	-	-	-	-	-	11,201
Total financial liabilities	133,535	43,014	29,045	47,840	72,742	-	326,176
Net liquidity gap at 31 December 2018	53,326	3,056	15,895	(5,753)	(35,063)	1,142	32,603
Cumulative liquidity gap at 31 December 2018	53,326	56,382	72,277	66,524	31,461	32,603	-

Provision for unearned premiums in the amount of RR 1,760 million is not included in the insurance provisions stated above. Refer to Note 18.

As at the 31 December 2019 all the investment in debt securities are classified within demand and less than one month as they are easy repoable in CBR or on the open market securities and can provide immediate liquidity to the Group. All current accounts of individuals are classified within demand and less than one month (2018: the same).

The allocation of deposits of individuals considers the statistics of autoprolongations and top-ups of longer deposits with the funds from shorter deposits after their expiration in case when the customers have more than one active deposit. 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.

31 Financial and Insurance Risk Management (Continued)

Management believes that in spite of a substantial portion of customer accounts being on demand, diversification of these deposits by number and type of depositors, and the past experience of the Group would indicate that these customer accounts provide a long-term and stable source of funding for the Group.

Insurance risk. Insurance risk is the risk associated with insurance contracts, consisting in the possibility of the occurrence of an insurance event and the uncertainty of the amount and time of occurrence of the loss associated with it.

The insurance risk management process covers all stages, from the stage of development of insurance rates to the settlement of losses.

The main steps in the insurance risk management process include:

- Underwriting and regulation of tariff policy;
- Efficiency of the loss settlement process;
- Diversification of the insurance portfolio.

Tariff policy. The process of underwriting and regulation of the tariff policy includes the formation of tariffs for certain areas of activity based on the analysis of results for previous periods, existing market conditions and the Insurance Company's strategy.

The insurance tariff is set on the basis of the analysis of the expected loss ratio based on Group's insurance portfolio and similar products on the market, the commission ratio based on the analysis of product profitability and commission rates for similar products on the market, and the analysis of the average market rate. When developing tariffs, factors such as expected inflation and changes in the legislation of the Russian Federation are also taken into account.

The Insurance Company monitors the correctness of the calculation of the insurance premium under the insurance contract by analyzing, on a regular basis, the deviations of the actual received premiums from the estimated premiums.

Loss settlement process. In accordance with the insurance contract, the policyholder is obliged to notify the insurance company of a loss within a certain period of time. Losses are settled by specialized units, other than selling business units. The insurance claims will be paid only after receiving all the necessary documents confirming the fact of the insured event. Also, if necessary, economic security department and legal department are involved in checking documents for settlement of losses. If at the time of payment of the insurance claims the policyholder had outstanding debt of the insurance premium, the unpaid part is deducted from the amount of compensation.

If there is a third party that caused an insurance loss to the insured client, the Group has a right to pursue third parties responsible for loss for payment of some or all costs related to the claims settlement process of the Group.

Diversification of the insurance portfolio. To reduce insurance risk, the Group also uses the diversification of its insurance portfolio - it insures a large number of small risks, which, in particular, is achieved through the remote provision of insurance services almost throughout the Russian Federation. The company does not operate outside the Russian Federation and is exposed to risks associated with the geographical features of the regions of the Russian Federation.

Sensitivity analysis. The following analyses the possible changes in the key assumptions used in the calculation of insurance liabilities under contracts other than life insurance, provided that the other assumptions are constant. This analysis reflects the impact on gross and net liabilities, profit before tax and equity of the Group.

31 Financial and Insurance Risk Management (Continued)

Effect of changes in the key assumptions as at 31 December 2019:

<i>In millions of RR except for the number of claims</i>	Change in assumptions	Effect on insurance obligations other than life insurance	Effect on the reinsurers' share in insurance obligations other than life insurance	Effect on profit before tax	Effect on equity
The average cost of insurance claims	– 10% + 10%	(193) 193	- -	193 (193)	154 (154)
The average number of claims	– 10% + 10%	193 (193)	- -	(193) 193	(154) 154

Effect of changes in the key assumptions as at 31 December 2018:

<i>In millions of RR except for the number of claims</i>	Change in assumptions	Effect on insurance obligations other than life insurance	Effect on the reinsurers' share in insurance obligations other than life insurance	Effect on profit before tax	Effect on equity
The average cost of insurance claims	– 10% + 10%	(97) 97	- -	97 (97)	77 (77)
The average number of claims	– 10% + 10%	(97) 97	- -	97 (97)	77 (77)

32 Management of Capital

The Group's objectives when managing capital are (i) for the Bank to comply with the capital requirements set by the Central Bank of Russian Federation (CBRF), (ii) for the Insurance Company to comply with the capital requirements set by the legislation of the Russian Federation, (iii) for the Group to comply with the financial covenants set by the terms of securities issued; (iv) to safeguard the Group's ability to continue as a going concern.

The Group considers total capital under management to be equity attributable to shareholders of the Company as shown in the consolidated statement of financial position. The amount of capital that the Group managed as of 31 December 2019 was RR 95,979 million (31 December 2018: RR 42,014 million).

Compliance with capital adequacy ratios set by the CBRF is monitored daily and submitted to the CBRF monthly with reports outlining their calculation reviewed and signed by the Bank's Chief Executive Officer and Chief Accountant. Other objectives of capital management are evaluated annually. The amount of regulatory capital of Tinkoff Bank calculated in accordance with the methodology set by CBRF as at 31 December 2019 was RR 99,731 million, and the equity capital adequacy ratio (N1.0) was 12.12% (31 December 2018: RR 74,375 million and 13.92%). Minimum required statutory equity capital adequacy ratio (N1.0) was 8% as at 31 December 2019 (31 December 2018: 8%).

32 Management of Capital (Continued)

The Group also monitors capital requirements including capital adequacy ratio under the Basel III methodology of the Basel Committee on Banking Supervision: global regulatory framework for more resilient banks and banking systems (hereinafter “Basel III”). The composition of the Group’s capital calculated in accordance with the methodology set by Basel Committee with capital adjustments as set out in Basel III is as follows:

<i>In millions of RR</i>	31 December 2019	31 December 2018
Share capital	230	188
Share premium	26,998	8,623
Treasury shares	(3,164)	(3,670)
Share-based payment reserve	1,039	1,232
Retained earnings	66,880	36,785
Revaluation reserve for investments in debt securities	3,996	(1,144)
Less intangible assets	(5,435)	(4,223)
Non-controlling interest	103	236
Common Equity Tier 1 (CET1)	90,647	38,027
Additional Tier 1	18,487	20,644
Tier 1 capital	109,134	58,671
Total capital	109,134	58,671
Risk weighted assets (RWA)		
Credit risk	412,741	276,875
Operational risk	152,881	109,818
Market risk	4,603	6,626
Total risk weighted assets (RWA)	570,225	393,319
Common equity Tier 1 capital adequacy ratio (CET1/ Total RWA), %	15.90%	9.67%
Tier 1 capital adequacy ratio (Tier 1 capital / Total RWA), %	19.14%	14.92%
Total capital adequacy ratio (Total capital / Total RWA), %	19.14%	14.92%

The Group and the Bank have complied with all externally imposed capital requirements throughout the years ended 31 December 2019 and 2018.

The Insurance Company has complied with all capital requirements set by the legislation of the Russian Federation throughout the years ended 31 December 2019 and 2018.

33 Contingencies and Commitments

Legal proceedings. From time to time and in the normal course of business, claims against the Group may be received. On the basis of its own estimates and internal professional advice, management is of the opinion that no material unprovided losses will be incurred in respect of claims.

33 Contingencies and Commitments (Continued)

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 non-compliant counterparties. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year when decision about review was made. 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 assessment for controlled transactions (transactions between related parties and certain transactions between unrelated parties), if such transactions are not on an arm's length.

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.

The Group includes companies incorporated outside of Russia. The tax liabilities of the Group are determined on the assumption that these companies are not subject to Russian profits tax, because they do not have a permanent establishment in Russia. The Company is a tax resident of Cyprus only and full beneficial owner of the Bank and Insurance Company. This interpretation of relevant legislation may be challenged but the impact of any such challenge cannot be reliably estimated currently; however, it may be significant to the financial position and/or the overall operations of the Group.

The Controlled Foreign Company (CFC) legislation introduced Russian taxation of profits of foreign companies and non-corporate structures (including trusts) controlled by Russian tax residents (controlling parties). The CFC income is subject to a 20% tax rate if the CFC is controlled by a legal entity and a rate of 13% if it is controlled by an individual. As a result, management reassessed the Group's tax positions and recognised current tax expense as well as deferred taxes that arose from the expected taxable manner of recovery of the relevant Group's operations to which the CFC legislation applies to and to the extent that the Group (rather than its owners) is obliged to settle such taxes.

As Russian tax legislation does not provide definitive guidance in certain areas, the Group adopts, from time to time, interpretations of such uncertain areas that reduce the overall tax rate of the Group. While management currently estimates that the tax positions and interpretations that it has taken can probably be sustained, there is a possible risk that outflow of resources will be required should such tax positions and interpretations be challenged by the tax authorities. 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. As at 31 December 2019 and 31 December 2018 no material tax risks were identified.

Future lease payments related to leases where leased asset is of low value at 31 December 2019.

The future cash outflows to which the Group is exposed and which are not reflected in the lease liabilities amounted to RR 59 million at 31 December 2019 and relate primarily to leases of assets which are of low value.

Maturity analysis of lease liabilities. The expected maturity analysis of lease liabilities at carrying amounts at 31 December 2019 is presented in the table below.

	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	Total
<i>In millions of RR</i>						
Lease liabilities	11	109	111	209	1,254	1,694

Compliance with covenants. The Group is subject to certain covenants related primarily to its subordinated perpetual debt. Non-compliance with such covenants may result in negative consequences for the Group. Management believes that the Group was in compliance with all such covenants as at 31 December 2019 and 31 December 2018.

33 Contingencies and Commitments (Continued)

Credit related commitments and performance guarantees issued. The primary purpose of these instruments is to ensure that funds are available to a customer as required. Commitments to extend credit represent unused portions of authorizations to extend credit in the form of credit card loans, guarantees. 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.

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.

Performance guarantees are contracts that provide compensation if another party fails to perform a contractual obligation. Such contracts do not transfer credit risk. The risk under performance guarantee contracts is the possibility that the insured event (i.e. the failure to perform the contractual obligation by another party) occurs. The key risks the Group faces are significant fluctuations in the frequency and severity of payments incurred on such contracts relative to expectations. The Group uses a scoring model to predict levels of such payments. Claims must be made before the contract matures and most claims are settled within short term. This allows the Group to achieve a high degree of certainty about the estimated payments and therefore future cash flows.

Outstanding credit related commitments and performance guarantees are as follows:

<i>In millions of RR</i>	31 December 2019	31 December 2018
Unused limits on credit card loans	168,059	110,478
Credit loss allowance	(2,242)	(2,041)
Total credit related commitments, net of credit loss allowance	165,817	108,437
Performance guarantees issued	660	44
Provisions	(3)	-
Total performance guarantees issued, net of provisions	657	44

The total outstanding contractual amount of unused limits on contingencies and commitments liability does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded. In accordance with credit card service conditions the Group has a right to refuse the issuance, activation, reissuing or unblocking of a credit card, and is providing a credit card limit at its own discretion and without explaining its reasons.

The following table contains an analysis of credit related commitments by credit quality at 31 December 2019 based on credit risk grades.

<i>In millions of RR</i>	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
Credit related commitments				
- Excellent	145,154	-	-	145,154
- Good	12,285	84	-	12,369
- Monitor	10,360	176	-	10,536
Unrecognised gross amount	167,799	260	-	168,059
Credit loss allowance	(2,228)	(14)	-	(2,242)
Unrecognised net amount	165,571	246	-	165,817

33 Contingencies and Commitments (Continued)

The following table contains an analysis of credit related commitments by credit quality at 31 December 2018 based on credit risk grades.

<i>In millions of RR</i>	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
Credit related commitments				
- Excellent	94,144	-	-	94,144
- Good	7,274	71	-	7,345
- Monitor	8,827	162	-	8,989
Unrecognised gross amount	110,245	233	-	110,478
Credit loss allowance	(2,024)	(17)	-	(2,041)
Unrecognised net amount	108,221	216	-	108,437

Also, the Group may decide to increase or decrease a credit card limit using a scoring model, which is based on the client's behaviour model. Therefore, the fair value of the contractual amount of revocable unused limits on contingencies and commitments is close to zero. Credit related commitments are denominated in RR.

The following table contains an analysis of performance guarantees issued by credit quality based on credit risk grades.

<i>In millions of RR</i>	2019 Stage 1 (12-months ECL)	2018 Stage 1 (12-months ECL)
Performance guarantees issued		
- Excellent	415	44
- Good	245	-
Unrecognised gross amount	660	44
Provisions	(3)	-
Unrecognised net amount	657	44

Mandatory cash balances with the CBRF of RR 3,448 million as at 31 December 2019 (31 December 2018: RR 2,435 million) represent mandatory reserve deposits which are not available to finance the Bank's day to day operations.

34 Offsetting Financial Assets and Financial Liabilities

Financial instruments subject to offsetting, enforceable master netting and similar arrangements are as follows at 31 December 2019:

	Gross amounts before offsetting	Gross amounts set off in the consolidated statement of financial position	Net amount after offsetting in the consolidated statement of financial position	Amounts subject to master netting and similar arrangements not set off in the consolidated statement of financial position		Net amount of expo- sure
				Financial instruments	Cash collateral	
<i>In millions of RR</i>						
Assets						
Reverse repurchase agreements	20,681	-	20,681	22,369	-	(1,688)
Due from banks	204	-	204	227	-	(23)
Financial derivatives	20	-	20	-	23	(3)
Total assets subject to offsetting, master netting and similar arrangement	20,905	-	20,905	22,596	23	(1,714)
LIABILITIES						
Due to banks	663	-	663	20	-	643
Financial derivatives	227	-	227	-	204	23
Total liabilities subject to offsetting, master netting and similar arrangement	890	-	890	20	204	666

Financial instruments subject to offsetting, enforceable master netting and similar arrangements are as follows at 31 December 2018:

	Gross amounts before offsetting	Gross amounts set off in the consolidate d statement of financial position	Net amount after offsetting in the consolidated statement of financial position	Amounts subject to master netting and similar arrangements not set off in the consolidated statement of financial position		Net amount of expo- sure
				Financial instruments	Cash collateral	
<i>In millions of RR</i>						
Assets						
Reverse repurchase agreements	11,147	-	11,147	12,389	-	(1,242)
Repurchase receivables	1,182	-	1,182	-	1,111	71
Financial derivatives	1,706	-	1,706	-	1,598	108
Total assets subject to offsetting, master netting and similar arrangement	14,035	-	14,035	12,389	2,709	(1,063)
LIABILITIES						
Correspondent accounts and overnight placements of other banks	1,598	-	1,598	1,706	-	(108)
Sale and repurchase agreements	1,111	-	1,111	1,182	-	(71)
Total liabilities subject to offsetting, master netting and similar arrangement	2,709	-	2,709	2,888	-	(179)

34 Offsetting Financial Assets and Financial Liabilities (Continued)

As at 31 December 2019 the Group has master netting arrangements with counterparty banks, which are enforceable in case of default. The Group also made margin deposits with clearing house counterparty as collateral for its outstanding derivative positions. The counterparty may set off the Group's liabilities with the margin deposit in case of default (2018: same). The disclosure does not apply to loans and advances to customers and related customer deposits.

35 Transfers of Financial Assets

The Group transferred financial assets in transactions that did not qualify for derecognition in the current periods.

The table below shows the amount of operations under sale and repurchase agreements which the Group enters into in the normal course of business:

<i>In millions of RR</i>	Notes	31 December 2019		31 December 2018	
		Carrying amount of the assets	Carrying amount of the associated liabilities	Carrying amount of the assets	Carrying amount of the associated liabilities
Debt securities at FVOCI pledged under repurchase agreements	14	-	-	1,182	1,111
Securities of clients pledged under repurchase agreements	14	683	640	-	-
Total		683	640	1,182	1,111

In the normal course of business, the Group makes borrowings on interbank market using different financial instruments as collateral to support its everyday operations in terms of liquidity.

The Group also enters into reverse sale and repurchase agreements. The summary of such operations is provided in the table below:

<i>In millions of RR</i>	31 December 2019		31 December 2018	
	Amounts granted under repo agreements	Fair value of securities received as collateral	Amounts granted under repo agreements	Fair value of securities received as collateral
Cash and cash equivalents	20,681	22,369	11,147	12,389
Total	20,681	22,369	11,147	12,389

36 Non-Controlling Interest

The following table provides information about each subsidiary that has non-controlling interest:

<i>In millions of RR</i>	Place of business (and country of incorporation if different)	Proportion of non-controlling interest	Proportion of non-controlling interest's voting rights held	Profit or loss attributable to non-controlling interest	Accumulated non-controlling interest in the subsidiary	Dividends paid to non-controlling interest during the year
Year ended 31 December 2019						
LLC "Cloudpayments"	Russia	5%	5%	1	103	-
Year ended 31 December 2018						
LLC "Cloudpayments"	Russia	45%	45%	34	236	-

36 Non-Controlling Interest (Continued)

The summarised financial information of these subsidiaries was as follows:

	Current assets	Non- current assets	Current liabilities	Non- current liabilities	Revenue	Profit	Total compre- hensive income	Cash flows
<i>In millions of RR</i>								
Year ended								
31 December 2019								
LLC "Cloudpayments"	329	301	136	-	512	91	91	2
Year ended								
31 December 2018								
LLC "Cloudpayments"	180	376	43	-	226	30	30	23

37 Financial Derivatives

The table below sets out fair values, at the end of the reporting period, of currencies receivable or payable under foreign exchange forwards and swap contracts entered into by the Group. The table reflects gross positions before the netting of any counterparty positions (and payments) and covers the contracts with settlement dates after the end of the respective reporting period.

	31 December 2019		31 December 2018	
	Contracts with positive fair value	Contracts with negative fair value	Contracts with positive fair value	Contracts with negative fair value
<i>In millions of RR</i>				
Foreign exchange forwards and swaps: discounted notional amounts, at the end of the reporting period, of				
- USD receivable on settlement (+)	8,768	8,888	9,373	-
- USD payable on settlement (-)	(1,570)	(2,664)	(1,146)	(982)
- RR receivable on settlement (+)	1,896	2,971	1,619	1,360
- RR payable on settlement (-)	(8,388)	(9,474)	(7,666)	(596)
- EUR receivable on settlement (+)	-	-	-	596
- EUR payable on settlement (-)	(301)	(294)	(459)	(370)
- GBP payable on settlement (-)	(15)	(17)	(11)	(11)
Fair value of foreign exchange forwards and swaps	390	(590)	1,710	(3)

Included in financial derivatives held by the Group as at 31 December 2019 are three outstanding swap contracts with total positive fair value of RR 380 million and three outstanding swap contracts with total negative fair value of RR 586 million (2018: three outstanding swap contracts with total positive fair value of RR 1,706 million).

38 Fair Value of Financial Instruments

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).

38 Fair Value of Financial Instruments (Continued)

(a) Recurring fair value measurements

Recurring fair value measurements are those that the accounting standards 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:

<i>In millions of RR</i>	31 December 2019				31 December 2018			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
ASSETS AT FAIR VALUE								
Financial derivatives	-	390	-	390	-	1,710	-	1,710
Investments in securities	133,239	1,939	-	135,178	94,647	5,493	-	100,140
Repurchase receivables	-	-	-	-	1,182	-	-	1,182
Total assets recurring fair value measurements	133,239	2,329	-	135,568	95,829	7,203	-	103,032
LIABILITIES AT FAIR VALUE								
Financial derivatives	-	590	-	590	-	3	-	3
Total liabilities recurring fair value measurements	-	590	-	590	-	3	-	3

Investments in securities categorised in level 2 are represented by liquid debt securities classified in "Good" credit risk grade.

The description of valuation techniques and the description of the inputs used in the fair value measurement for level 2 measurements at 31 December 2019 are as follows:

<i>In millions of RR</i>	Fair value	Valuation technique	Inputs used
ASSETS AT FAIR VALUE			
Investments in securities	1,939	Observable quotes for comparable securities adjusted by multiplier depending on the degree of the market activity	Quotes from the automated fair value system for financial instruments of NSD Price Center* Russian rouble curve. USD Dollar Swaps Curve. EUR Swaps Curve. CDS quotes assessment of counterparty credit risk or reference entities.
Foreign exchange swaps and forwards	390	Discounted cash flows adjusted for counterparty credit risk	
Total recurring fair value measurements at level 2	2,329		
LIABILITIES AT FAIR VALUE			
Foreign exchange swaps and forwards	590	Discounted cash flows adjusted for counterparty credit risk	Russian rouble curve. USD Dollar Swaps Curve. EUR Swaps Curve. CDS quotes assessment of counterparty credit risk or reference entities.
Total recurring fair value measurements at level 2	590		

38 Fair Value of Financial Instruments (Continued)

The description of valuation techniques and the description of the inputs used in the fair value measurement for level 2 measurements at 31 December 2018 are as follows:

<i>In millions of RR</i>	Fair value	Valuation technique	Inputs used
ASSETS AT FAIR VALUE			
Investments in securities	5,493	Observable quotes for comparable securities adjusted by multiplier depending on the degree of the market activity	Quotes from the automated fair value system for financial instruments of NSD Price Center* Russian rouble curve. USD Dollar Swaps Curve. CDS quotes assessment of counterparty credit risk or reference entities.
Foreign exchange swaps and forwards	1,710	Discounted cash flows adjusted for counterparty credit risk	
Total recurring fair value measurements at level 2	7,203		
LIABILITIES AT FAIR VALUE			
Foreign exchange swaps and forwards	3	Discounted cash flows adjusted for counterparty credit risk	Russian rouble curve. USD Dollar Swaps Curve. CDS quotes assessment of counterparty credit risk or reference entities.
Total recurring fair value measurements at level 2	3		

* NSD Valuation Center is a fair value measurement service for bonds and other financial instruments, accredited by the CBRF.

There were no changes in the valuation techniques for level 2 recurring fair value measurements during the year ended 31 December 2019. Level 2 derivatives comprise foreign exchange forwards and swaps.

The foreign exchange forwards have been fair valued using forward exchange rates that are quoted in an active market. Foreign exchange swaps are fair valued using forward interest rates extracted from observable yield curves. The effects of discounting are generally insignificant for level 2 derivatives.

38 Fair Value of Financial Instruments (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:

<i>In millions of RR</i>	31 December 2019				31 December 2018			
	Level 1	Level 2	Level 3	Carrying value	Level 1	Level 2	Level 3	Carrying value
FINANCIAL ASSETS CARRIED AT AMORTISED COST								
Cash and cash equivalents								
- Cash on hand	11,118	-	-	11,118	5,839	-	-	5,839
- Cash balances with the CBRF (other than mandatory reserve deposits)	-	16,599	-	16,599	-	11,158	-	11,158
- Placements with other banks and non-bank credit organizations with original maturities of less than three months	-	30,079	-	30,079	-	16,805	-	16,805
Mandatory cash balances with the CBRF	-	3,448	-	3,448	-	2,435	-	2,435
Due from other banks	-	2,084	-	2,084	-	776	-	776
Loans and advances to customers	-	-	329,340	329,175	-	-	199,041	198,489
Guarantee deposits with payment systems	-	-	8,877	8,877	-	-	4,603	4,603
Other financial assets								
Settlement of operations with plastic cards receivable	-	16,384	-	16,384	-	12,694	-	12,694
Other receivables	-	5,289	-	5,289	-	2,948	-	2,948
Total financial assets carried at amortised cost	11,118	73,883	338,217	423,053	5,839	46,816	203,644	255,747

38 Fair Value of Financial Instruments (Continued)

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

<i>In millions of RR</i>	31 December 2019				31 December 2018			
	Level 1	Level 2	Level 3	Carrying value	Level 1	Level 2	Level 3	Carrying value
FINANCIAL LIABILITIES CARRIED AT AMORTISED COST								
Due to banks	-	663	-	663	-	2,708	-	2,708
Customer accounts								
<i>Individuals</i>								
-Current/demand accounts	-	211,661	-	211,661	-	137,637	-	137,637
-Term deposits	-	139,114	-	137,292	-	102,829	-	100,227
<i>SME</i>								
-Current/demand accounts	-	60,174	-	60,174	-	41,702	-	41,702
-Term deposits	-	1,879	-	1,880	-	-	-	-
<i>Other legal entities</i>								
-Current/demand accounts	-	495	-	495	-	552	-	552
-Term deposits	-	112	-	112	-	847	-	798
Debt securities in issue								
RR Bonds issued on domestic market	24,442	-	-	23,618	5,919	-	-	5,851
Euro-Commercial Paper	-	2,460	-	2,460	-	3,754	-	3,754
Subordinated debt								
Perpetual subordinated bonds	19,604	-	-	18,487	20,505	-	-	20,644
Other financial liabilities								
Settlement of operations with plastic cards	-	6,427	-	6,427	-	4,904	-	4,904
Trade payables	-	4,621	-	4,621	-	3,189	-	3,189
Credit related commitments	-	-	-	2,242	-	-	-	2,041
Other financial liabilities	-	1,358	-	1,358	-	1,067	-	1,067
Total financial liabilities carried at amortised cost	44,046	428,964	-	471,490	26,424	299,189	-	325,074

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by an active quoted market price. Where quoted market prices are not available, the Group used valuation techniques. 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.

As at 31 December 2019 and 31 December 2018 the fair value of the debt securities in issue and subordinated debt has been calculated based on quoted prices from the Moscow Exchange MICEX-RTS and Global Exchange Market, where the Group's debt securities are listed and traded.

38 Fair Value of Financial Instruments (Continued)

Weighted average discount rates used in determining fair value as of 30 December 2019 and 2018 are disclosed below:

<i>In % p.a.</i>	31 December 2019	31 December 2018
Assets		
Cash and cash equivalents	0.0	0.0
Due from other banks	5.2	5.9
Loans and advances to customers	37.2	42.7
Investments in securities	4.9	5.5
Repurchase receivables	-	4.3
Liabilities		
Due to banks	0.2	6.0
Customer accounts	3.9	4.4
Debt securities in issue	7.5	7.6
Subordinated debt	6.8	9.8

39 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 measured at FVTPL mandatorily, and (ii) assets designated as such upon initial recognition.

The following table provides a reconciliation of classes of financial assets with these measurement categories as of 31 December 2019:

<i>In millions of RR</i>	AC	FVTPL	FVOCI	Total
Cash and cash equivalents				
- Cash on hand	11,118	-	-	11,118
- Cash balances with the CBRF (other than mandatory reserve deposits)	16,599	-	-	16,599
- Placements with other banks and non-bank credit organizations with original maturities of less than three months	30,079	-	-	30,079
Mandatory cash balances with the CBRF	3,448	-	-	3,448
Due from other banks	2,084	-	-	2,084
Loans and advances to customers	329,175	-	-	329,175
Financial derivatives	-	390	-	390
Guarantee deposits with payment systems	8,877	-	-	8,877
Investment in securities	-	413	134,765	135,178
Other financial assets				
- Settlement of operations with plastic cards receivable	16,384	-	-	16,384
- Other receivables	5,289	-	-	5,289
TOTAL FINANCIAL ASSETS	423,053	803	134,765	558,621

39 Presentation of Financial Instruments by Measurement Category (Continued)

The following table provides a reconciliation of classes of financial assets with these measurement categories as of 31 December 2018:

<i>In millions of RR</i>	AC	FVTPL (mandatory)	FVOCI	Total
Cash and cash equivalents				
- Cash on hand	5,839	-	-	5,839
- Cash balances with the CBRF (other than mandatory reserve deposits)	11,158	-	-	11,158
- Placements with other banks and non-bank credit organizations with original maturities of less than three months	16,805	-	-	16,805
Mandatory cash balances with the CBRF	2,435	-	-	2,435
Due from other banks	776	-	-	776
Loans and advances to customers	198,489	-	-	198,489
Financial derivatives	-	1,710	-	1,710
Guarantee deposits with payment systems	4,603	-	-	4,603
Investment in debt securities	-	5,666	94,474	100,140
Repurchase receivables	-	-	1,182	1,182
Other financial assets				
- Settlement of operations with plastic cards receivable	12,694	-	-	12,694
- Other receivables	2,948	-	-	2,948
TOTAL FINANCIAL ASSETS	255,747	7,376	95,656	358,779

As of 31 December 2019 and 2018 all of the Group's financial liabilities except derivatives were carried at amortised cost.

40 Related Party Transactions

Parties are generally considered to be related if the parties are under common control or one party has the ability to control the other party or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. The outstanding balances with related parties were as follows:

<i>In millions of RR</i>	31 December 2019		31 December 2018	
	Key management personnel	Other related parties	Key management personnel	Other related parties
ASSETS				
Gross amounts of loans and advances to customers (contractual interest rate: 11.7-25.7% (31 December 2018: 11.7-27.8%))	437	150	9	100
Other financial assets	-	843	-	431
TOTAL ASSETS	437	993	9	531
LIABILITIES				
Customer accounts (contractual interest rate: 0.5-7.2% (31 December 2018: 3.8-4.2% p.a.))	1,779	227	1,349	905
Debt securities in issue (yield: 1.0-3.6% (31 December 2018: 1.3-9.5%))	-	2,460	-	3,754
Other non-financial liabilities	521	-	888	-
TOTAL LIABILITIES	2,300	2,687	2,237	4,659
EQUITY				
Share-based payment reserve				
- Management long-term incentive program	930	-	1,102	-
TOTAL EQUITY	930	-	1,102	-

40 Related Party Transactions (Continued)

Other related parties in the tables above are represented by entities which are under control of the Group's ultimate controlling party Oleg Tinkov.

The income and expense items with related parties were as follows:

<i>In millions of RR</i>	2019		2018	
	Key management personnel	Other related parties	Key management personnel	Other related parties
Interest income calculated using the effective interest rate method	2	27	3	-
Interest expense calculated using effective interest rate method	(64)	(101)	(46)	(165)
Net gains/(losses) from foreign exchange translation	-	31	-	(69)
Other operating income	-	49	-	18
Administrative and other operating expenses	(1,913)	(173)	(2,273)	(89)

Key management compensation is presented below:

<i>In millions of RR</i>	2019	2018
<i>Short-term benefits:</i>		
- Salaries	906	792
- Short-term bonuses	586	917
<i>Long-term benefits:</i>		
- Management long-term incentive programme	421	564
Total	1,913	2,273

Management long-term incentive program. On 31 March 2016 the Group introduced a MLTIP as both a long-term incentive and a retention tool for the management of the Group.

On 15 January 2019 the Group granted GDRs to new participants in MLTIP which resulted the total number of GDRs attributable to the Management of 9,940 thousand as at 31 December 2019 (31 December 2018: 9,849 thousand).

Participants of the program receive the vested parts of their grants provided that they are employed by the Group during the vesting period. Participants are entitled to the dividends, if any. Participants who leave the Group lose their right for the unvested parts of the grants.

The fair value of the awards as at grant dates (31 March 2016, 8 February 2017, 22 February 2018 and 15 January 2019) is determined on the basis of market quotes of GDRs as at those dates.

Each grant is divided into 4 equal awards, each award is vested during 4 years in delivered equal tranches. The delivery dates as of which the GDRs are allowed to be sold by the participants correspond to the vesting dates at 14 April 2016 and each subsequent 31 March (with exception of 2019 when the vesting date for all participants was 31 January 2019) until 2022 for participants joining in 2016, until 2023 for participants joining in 2017, then until 2024 for participants joining in 2018, and until 2025 for participants joining in 2019.

40 Related Party Transactions (Continued)

The following table disclose the changes in the numbers of GDRs attributable to the MLTIP between the beginning of the program and the end of the reporting period:

<i>In thousands</i>	Number of GDRs attributable to the MLTIP
Granted during the year	7,425
Vested during the year	(464)
At 31 December 2016	6,961
Granted during the year	2,270
Vested during the year	(1,326)
Forfeited during the year	(60)
At 31 December 2017	7,845
Granted during the year	154
Vested during the year	(1,805)
Forfeited during the year	(16)
At 31 December 2018	6,178
Granted during the year	91
Vested during the year	(2,419)
Forfeited during the year	(68)
At 31 December 2019	3,782

41 Events after the End of the Reporting Period

In February 2020 the Group announced plans to invest in a new venture project to set up a fintech company providing a range of services to retail customers in Europe (excluding CIS). The startup will offer non-credit financial products. The project is due to launch in 2020, with the Company as its key seed investor. The Company will have a controlling interest in the new venture. The Company's initial commitment is up to Euro 25 million and will be contributed in tranches as the venture develops.

On 10 March 2020 the Board of Directors declared an interim dividend in line with the current dividend policy of USD 0.21 per share/per GDR with a total amount allocated for dividend payment of around USD 41.9 million.

INDEX TO THE FINANCIAL STATEMENTS OF TINKOFF BANK

Consolidated Condensed Interim Financial Information as of and for the six months ended 30 June 2021	F-329
Consolidated Financial Statements as of and for the year ended 31 December 2020	F-387
Consolidated Financial Statements as of and for the year ended 31 December 2019	F-525

Joint-Stock Company “Tinkoff Bank”

**International Financial Reporting Standards
Consolidated Condensed Interim Financial Information
(unaudited)**

30 June 2021

Report on Review of Condensed Consolidated Interim Financial Information

To the Shareholders and Board of Directors of Joint stock Company "Tinkoff Bank":

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Joint stock company "Tinkoff Bank" and its subsidiaries (together – the "Group") as at 30 June 2021 and the related condensed consolidated interim statements of profit or loss and other comprehensive income for the three-month and six-month periods then ended, condensed consolidated interim statements of changes in equity and cash flows for the six-month period then ended, and the related explanatory notes. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of condensed consolidated interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting".

AO PricewaterhouseCoopers Audit

27 August 2021
Moscow, Russian Federation

N.A. Mileshkina, certified auditor (certificate number № 01-000197)
AO PricewaterhouseCoopers Audit



Audited entity: Joint stock Company "Tinkoff Bank"

Record made in the Unified State Register of Legal Entities on
28 November 2002 under State Registration Number 1027739642281

Taxpayer Identification Number 7710140679

2nd Khutorskaya str. 38A, bldg. 26, Moscow, Russia, 127287

Independent auditor: AO PricewaterhouseCoopers Audit

Registered by the Government Agency Moscow Registration Chamber
on 28 February 1992 under No. 008.890

Record made in the Unified State Register of Legal Entities on
22 August 2002 under State Registration Number 1027700148431

Taxpayer Identification Number 7705051102

Member of Self-regulatory organization of auditors Association
«Sodruzhestvo»


Principal Registration Number of the Record in the Register of Auditors
and Audit Organizations – 12006020338

JSC "Tinkoff Bank"
Consolidated Condensed Interim Statement of Financial Position

<i>In millions of RR</i>	Note	30 June 2021 (unaudited)	31 December 2020
ASSETS			
Cash and cash equivalents	5	104 888	134 933
Mandatory cash balances with CBRF		6 642	5 379
Investments in securities	6	217 554	233 241
Repurchase receivables		5 099	29
Loans and advances to customers	7	501 612	372 227
Financial derivatives		5 197	5 028
Guarantee deposits with payment systems		15 187	15 475
Brokerage receivables	8	42 077	24 064
Current income tax asset		2	3 073
Deferred income tax asset		1 576	931
Tangible fixed assets and right-of-use assets		12 532	10 357
Intangible assets		6 921	6 194
Assets held for sale	9	1 214	-
Other financial assets		21 640	30 033
Other non-financial assets		3 443	3 753
TOTAL ASSETS		945 584	844 717
LIABILITIES			
Due to banks	10	9 712	4 819
Customer accounts	11	715 681	634 431
Debt securities in issue		21 698	23 925
Financial derivatives		209	109
Brokerage payables	8	8 644	9 206
Current income tax liabilities		932	-
Subordinated debt		20 412	20 755
Other financial liabilities		31 800	34 588
Other non-financial liabilities		9 466	5 697
TOTAL LIABILITIES		818 554	733 530
EQUITY			
Share capital	12	6 816	6 816
Share-based payment reserve		3 496	1 548
Retained earnings		117 443	97 467
Revaluation reserve for securities measured at FVOCI		(4 689)	2 157
Total equity attributable to the shareholder of the Bank		123 066	107 988
Non-controlling interest		3 964	3 199
TOTAL EQUITY		127 030	111 187
TOTAL LIABILITIES AND EQUITY		945 584	844 717

Approved for issue and signed on 27 August 2021.


S.V. Bliznyuk
Chairman of Management Board


N.V. Izyumova
Chief Accountant

Notes No.1- 25 form an integral part of these consolidated condensed interim financial information.

JSC “Tinkoff Bank”
Consolidated Condensed Interim Statement of Profit or Loss

<i>In millions of RR</i>	Note	Unaudited			
		Six months ended 30 June 2021	Three months ended 30 June 2021	Six months ended 30 June 2020	Three months ended 30 June 2020
Interest income calculated using the effective interest rate method	13	72 984	38 845	63 301	32 128
Other similar income	13	101	50	-	-
Interest expense calculated using the effective interest rate method		(11 839)	(6 255)	(11 209)	(5 588)
Other similar expense	13	(40)	(20)	(68)	(35)
Expenses on deposit insurance programme	13	(1 111)	(568)	(801)	(221)
Net margin	13	60 095	32 052	51 223	26 284
Credit loss allowance for loans and advances to customers and credit related commitments	7	(9 656)	(5 143)	(27 375)	(11 872)
Credit loss allowance (charge)/ recovery for debt securities at FVOCI		(34)	90	(251)	(152)
Credit loss allowance for debt financial instruments		(9 690)	(5 053)	(27 626)	(12 024)
Net margin after credit loss allowance		50 405	26 999	23 597	14 260
Fee and commission income	14	33 953	18 438	18 498	9 162
Fee and commission expense	14	(15 938)	(8 626)	(8 748)	(3 769)
Customer acquisition expense	15	(18 437)	(10 374)	(7 327)	(3 734)
Net (losses)/gains from derivatives revaluation		(220)	(1 082)	2 958	(4 263)
Net gains/(losses) from foreign exchange translation		898	2 065	(4 665)	2 712
Net (losses)/gains from operations with foreign currencies		(622)	(1 000)	941	239
Net gains from disposals of debt securities at FVOCI		539	516	6 262	2 895
Net (losses)/gains from debt securities at FVTPL		(76)	39	-	-
Agency commissions from insurance operations		83	42	105	55
Administrative and other operating expenses	16	(24 283)	(13 161)	(14 371)	(7 528)
Net gains from repurchase of subordinated debt		5	21	150	19
Other operating income		258	73	821	405
Profit before tax		26 565	13 950	18 221	10 453
Income tax expense		(5 536)	(3 082)	(3 636)	(2 103)
PROFIT FOR THE PERIOD		21 029	10 868	14 585	8 350
Profit is attributable to:					
- Shareholder of the Bank		19 529	9 896	13 725	7 936
- Non-controlling interest		1 500	972	860	414

Notes No.1- 25 form an integral part of these consolidated condensed interim financial information.

JSC “Tinkoff Bank”
Consolidated Condensed Interim Statement of Other Comprehensive Income

<i>In millions of RR</i>	<i>Note</i>	Unaudited			
		Six months ended 30 June 2021	Three months ended 30 June 2021	Six months ended 30 June 2020	Three months ended 30 June 2021
Profit for the period		21 029	10 868	14 585	8 350
Other comprehensive (loss)/income					
<i>Items that may be reclassified to profit or loss:</i>					
Debt securities at FVOCI after tax:					
- Net (losses)/gains for the period after tax		(7 139)	(678)	2 995	5 357
- Net gains reclassified to profit or loss after tax		(431)	(413)	(5 010)	(2 316)
<i>Items that will not be reclassified to profit or loss:</i>					
- Net gains/(losses) from investments in debt securities at FVOCI after tax		724	528	181	(13)
Other comprehensive loss for the period after tax		(6 846)	(563)	(1 834)	3 028
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		14 183	10 305	12 751	11 378
Total comprehensive income is attributable to:					
- Shareholder of the Bank		12 683	9 333	11 891	10 964
- Non-controlling interest		1 500	972	860	414

Notes No.1- 25 form an integral part of these consolidated condensed interim financial information.

JSC “Tinkoff Bank”
Consolidated Condensed Interim Statement of Changes in Equity

<i>In millions of RR</i>	Note	Attributable to the shareholder of the Bank					Non-controlling interest	Total equity
		Share capital	Share-based payment reserve	Revaluation reserve for securities at FVOCI	Retained earnings	Total		
Balance at 31 December 2019		6 816	1 039	4 214	72 673	84 742	2 839	87 581
Profit for the period		-	-	-	13 725	13 725	860	14 585
Other comprehensive (loss)/income:								
- Investments in debt securities and repurchase receivables		-	-	(2 015)	-	(2 015)	-	(2 015)
- Investments in equity securities		-	-	181	-	181	-	181
Total comprehensive (loss)/income for the period (unaudited)		-	-	(1 834)	13 725	11 891	860	12 751
Share-based payment reserve Dividends	21 17	-	(388)	-	583	195	- (588)	195 (588)
Balance at 30 June 2020 (unaudited)		6 816	651	2 380	86 981	96 828	3 111	99 939
Balance at 31 December 2020		6 816	1 548	2 157	97 467	107 988	3 199	111 187
Profit for the period		-	-	-	19 529	19 529	1 500	21 029
Other comprehensive (loss)/income:								
- Investments in debt securities and repurchase receivables		-	-	(7 570)	-	(7 570)	-	(7 570)
- Investments in equity securities		-	-	622	-	622	-	622
- Tax recovery		-	-	102	-	102	-	102
Total comprehensive (loss)/income for the period		-	-	(6 846)	19 529	12 683	1 500	14 183
Share-based payment reserve Dividends	21 17	-	1 948	-	447	2 395	- (735)	2 395 (735)
Balance at 30 June 2020 (unaudited)		6 816	3 496	(4 689)	117 443	123 066	3 964	127 030

Notes No.1- 25 form an integral part of these consolidated condensed interim financial information.

JSC “Tinkoff Bank”
Consolidated Condensed Interim Statement of Cash Flows

In millions of RR	Note	Unaudited	
		Six months ended 30 June 2021	Six months ended 30 June 2020
Cash flows from operating activities			
Interest income received calculated using the effective interest rate method		72 255	63 000
Other similar income received		77	-
Interest expense paid calculated using the effective interest rate method		(11 861)	(11 474)
Recoveries from written-off loans	7	2 198	1 789
Expenses on deposit insurance paid		(1 020)	(921)
Fees and commissions received		33 859	20 522
Fees and commissions paid		(15 454)	(9 343)
Customer acquisition expense paid		(17 052)	(6 928)
Gains from operations with foreign currencies received		447	72
Losses from operations with derivatives paid		(244)	(443)
Insurance commissions received		83	105
Recoveries from the purchased loans received	7	1 885	590
Other operating income received		370	2 175
Administrative and other operating expenses paid		(16 881)	(11 317)
Income tax paid		(283)	(2 261)
Cash flows from operating activities before changes in operating assets and liabilities		48 379	45 566
Changes in operating assets and liabilities			
Net increase in CBRF mandatory reserves		(1 263)	(763)
Net decrease in due from banks		-	250
Net increase in loans and advances to customers		(147 558)	(18 965)
Net increase in brokerage receivables		(18 013)	(11 840)
Net decrease/(increase) in investments in debt securities measured at FVTPL		1 791	(440)
Net increase in guarantee deposits with payment systems		(437)	-
Net decrease in other financial assets		9 372	5 221
Net increase in other non-financial assets		(294)	(525)
Net increase in due to banks		5 059	3 613
Net increase in customer accounts		90 774	52 100
Net (decrease)/increase in brokerage payables		(562)	3 925
Net (decrease)/increase in other financial liabilities		(4 310)	65
Net cash (used in)/from operating activities		(17 062)	78 207
Cash flows (used in)/from investing activities			
Acquisition of tangible fixed assets		(2 581)	(818)
Acquisition of intangible assets		(2 109)	(1 350)
Acquisition of debt securities at FVOCI, repurchase receivables and other investments		(25 868)	(295 133)
Proceeds from sale and redemption of debt securities at FVOCI		23 439	221 936
Net cash used in investing activities		(7 119)	(75 365)
Cash flows used in financing activities			
Proceeds of perpetual loan participation notes		484	208
Dividends paid	17	(735)	(588)
Repayment of subordinated debt		(435)	(1 955)
Repayment of principal of lease liabilities		(329)	(344)
Redemption of debt securities in issue		(2 247)	-
Net cash used in financing activities		(3 262)	(2 679)
Effect of exchange rate changes on cash and cash equivalents		(2 602)	1 545
Net (decrease)/increase in cash and cash equivalents		(30 045)	1 708
Cash and cash equivalents at the beginning of the period	5	134 933	53 752
Cash and cash equivalents at the end of the period	5	104 888	55 460

Notes No.1- 25 form an integral part of these consolidated condensed interim financial information.

1 Introduction

This consolidated condensed interim financial information for six months ended 30 June 2021 for JSC “Tinkoff Bank” (the “Bank”), its special purpose vehicle TCS Finance D.A.C., LLC “Phoenix”, LLC “Tinkoff Software DC”, ANO “Tinkoff Education” and LLC “Tinkoff Capital” (together referred to as the “Group”) has been prepared in accordance with International Accounting Standard 34 (IAS 34) “Interim Financial Reporting”.

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.

TCS Group Holding PLC (the “Parent Company”) registered under the laws of Cyprus holds 100% of the Bank's share capital.

At 31 December 2020, the Parent Company's ultimate controlling party was Mr Oleg Tinkov who controlled approximately 84.38% of total voting rights related to class A and B shares. On 7 January 2021, all class B shares of the Parent Company were converted to class A shares and, on the same date, all issued shares were reclassified and redesignated as ordinary shares. At 30 June 2021, the Group has no ultimate controlling party according to the definition of control in IFRS 10. However, the Parent Company's founder Mr Oleg Tinkov retains control over a major shareholding.

The Bank holds 51% of LLC “Phoenix” shares. LLC “Phoenix” is a collection agency.

TCS Finance D.A.C. is a structured entity which issued debt securities, including subordinated perpetual bonds, for the Bank. The Bank neither owns shares nor has voting rights in this company. However, this entity was consolidated as it was specifically set up for the purposes of the Bank, and the Bank has exposure to substantially all risks and rewards through outstanding guarantees of the entity's obligations.

LLC “Tinkoff Software DC” provides software development services.

ANO “Tinkoff Education” is an autonomous non-commercial organisation set up by the Bank as the sole founder.

LLC “Tinkoff Capital” is an asset management company established in June 2019 to manage investment funds, mutual funds and non-state pension funds.

Principal activity. The Bank's principal business activities are retail banking to private individuals, individual entrepreneurs' and small and medium enterprises' (“SME”) accounts and banking services and brokerage services within the Russian Federation. The Bank operates under general banking license No. 2673 issued by the Central Bank of the Russian Federation (“CBRF”) on 8 December 2006. The license was re-issued on 15 April 2013 due to changes in requirements to certain banking operations. The Bank participates in the state deposit insurance scheme, which was introduced by Federal Law No. 177-FZ “Deposits insurance in banks of the Russian Federation” dated 23 December 2003. The State Deposit Insurance Agency guarantees repayment of up to RR 1.4 million per individual, individual entrepreneur and small enterprise deposits in case of the withdrawal of a license of a bank or a CBRF-imposed moratorium on payments.

Registered address and place of business. The Bank's registered address is: 2nd Khutorskaya str. 38A, bldg. 26, Moscow, Russia, 127287

Presentation currency. This consolidated condensed interim financial information is presented in millions of Russian roubles (“RR million”), unless otherwise stated. Operating Environment of the Group

2 Operating Environment of the Group

Russian Federation. The Group operates in the Russian Federation. In March 2020 the World Health Organization (WHO) announced that the spread of the COVID-19 virus across the globe is a pandemic. Significant restrictions on travel and movement of individuals and the closure of non-essential businesses have either been imposed in most countries. This has led to significant declines in GDP in most if not all large economically strong countries. Russia has not been immune to the negative personal and economic hardships arising from this virus and from the response to it trying to limit its spread.

In 2020, the Government of the Russian Federation has implemented various support measures for individuals and corporates impacted by the COVID-19 pandemic including their right in certain circumstances to obtain repayment holidays on their loans for up to 6 months and reduced rates of interest in this period. Also, the Group has itself implemented several measures to support its clients, especially those who face financial difficulties and a significant decrease of current income due to the situation.

2 Operating Environment of the Group (Continued)

2020 has been a ground shaking year across the globe in many industries, but in the Russian credit market the COVID-19 dislocations proved less impactful than during the previous crises of 2008-09 or 2013-2014, in part helped by government support and more disciplined lending practices of the biggest banks. In 2020 the CBR relaxed risk weights for the first time in many years. This coupled with restructuring programmes launched by many banks helped the credit card market to still grow by 1.6% in 2020.

In the second quarter of 2021, the new wave of the COVID-19 pandemic began, however, the Government of the Russian Federation took all the restrictive measures to limit a spread of the virus and the introduction of a lockdown. However, the level of ongoing uncertainty in relation to further negative developments around the COVID-19 pandemic and possible impact on the Group remains high. In order to reflect appropriately the uncertainty associated with the COVID-19 pandemic the Group made a decision to keep the macro-adjustment calculation approach.

According to IFRS 9 “Financial Instruments”, the Group uses forecast information in the expected credit loss models, including forecasts of macroeconomic indicators. For the purpose of calculating credit loss allowances as at 30 June 2021, the Group took into account expectations regarding the following macro-factors and allocated higher weight to the pessimistic macroeconomic scenario:

- Russian stock market index MOEX;
- Moscow Prime Offered Rate;
- Debt load of Russian population based on statistics from bureaux of credit history.

The management of the Group considers that the Group has demonstrated over the years and during the current COVID-crisis its ability to withstand shocks and retains its positive long-term outlook in particular due to the following advantages of the Group’s business model:

- using flexible business structure, the Group swiftly shifted some of its resources from businesses that showed the most conservative growth to businesses with higher growth prospects;
- the Group has a highly liquid, diversified, foreign exchange hedged, and well-capitalized balance sheet;
- the Group’s digital model is exactly what is needed in the current environment and this can be seen in the ongoing increased online payment volumes as well as increased take up of its mobile lifestyle app, current accounts, and brokerage business.

The Group regularly stress tests its business to assess the sustainability of its liquidity and capital positions. These tests demonstrate that Group’s current levels of capital and liquidity are more than sufficient to absorb potential economic and operational shocks related to the new waves of the COVID-19 pandemic.

3 Critical Accounting Estimates, and Judgements in Applying Accounting Policies

The Group makes estimates and assumptions that affect the amounts recognised in the consolidated condensed interim financial information and the carrying amounts of assets and liabilities 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 condensed interim financial information 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 of significant judgement and involves the use of complex models and data inputs.

The following components of ECL calculation have a major impact on credit loss allowance: probability of default (“PD”) (impacted by definition of default), significant increase in credit risk (“SICR”), loss given default (“LGD”) and macroeconomic scenario models. The Group makes estimates and judgements, which are constantly analysed based on statistical data, actual and forecast information, as well as management experience, including expectations regarding future events that are considered reasonable in the current circumstances.

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

In 2020, in order to address rising credit risks, the Group adjusted the main approaches to assessing the level of expected credit losses, and given that the ongoing uncertainty in relation to further impact of COVID-19 pandemic remains, the Group decided to keep this approach during the six and three months ended 30 June 2021:

- the macroeconomic model has become more conservative, based on different scenarios: base, optimistic and pessimistic, with pessimistic scenario is given more weight than in 2019;
- for loans in default the Group has applied increased coefficients of LGD;
- the Group has estimated the volume of loans to individuals which were restructured despite no evidence of any SICR, as of the reporting date and applied higher PDs to such loans for the purposes of estimation of expected credit losses.

The impact of the changed macroeconomic conditions assessed using the approaches described above was approximately RR 4.7 billion of additional credit loss allowance as at 30 June 2021 (31 December 2020: RR 5.6 billion).

An increase or decrease in PDs by 0.5% compared to PDs used in the ECL estimates calculated at 30 June 2021 would result in an increase or decrease in credit loss allowances of RR 1.8 billion (31 December 2020: by 2%; RR 5.0 billion).

An increase or decrease in LGDs by 1% compared to LGDs used in the ECL estimates calculated at 30 June 2021 would result in an increase or decrease in credit loss allowances of RR 0.8 billion (31 December 2020: by 2%; RR 1.5 billion).

4 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 a person or a group of persons who allocates resources and assesses the performance of the Group. The functions of CODM are performed by the management of the Bank.

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

Since the business of the Group is expanding certain operating segments became significant enough to be considered as separate reportable segments. This triggered changes in the number and composition of segments to be presented. Disclosures for comparative periods were amended accordingly. The Group is organised on the basis of five main business segments:

Consumer finance and related party transactions – representing retail loans (credit cards, cash loans, POS loans, car loans, secured loans), deposits and savings, also lifestyle (booking cinema, theatre, concert tickets, etc.) and travel services to individuals, and related party transactions.

Retail debit cards – representing customer current accounts services to individuals with the loyalty programmes, co-branded offers, and also lifestyle and travel services to individuals. Assets of the segment are represented by placements of the funds attracted in investments in securities, treasury transactions, other financial and non-financial assets.

InvestTech – representing online brokerage platform for investing in a range of securities including Russian and international securities (ETFs, stocks, bonds, etc.).

Acquiring and payments – providing merchants and businesses with the ability to process payments online using internet and offline acquiring services, through direct-to-merchant agreements and, aggregators.

SME services – representing customer current accounts, savings, deposits services and loans to individual entrepreneurs and small to medium businesses. Assets of the segment are represented by placements of the funds attracted in investments in securities, treasury transactions, other financial and non-financial assets.

The Group's principal activities are mainly undertaken within the Russian Federation. Given the retail nature of the segments' business, the Group does not have any significant revenue stream from any single customer.

4 Segment Analysis (Continued)**(b) Factors that management used to identify the reportable segments**

The Group's segments are strategic business units that focus on different services to the customers of the Group. Their performance is analysed separately by the CODM and they are managed separately because each business unit requires different marketing strategies and represents different types of businesses.

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

The CODM reviews financial information prepared based on International Financial Reporting Standards not adjusted to meet the requirements of internal reporting. The CODM evaluates performance of each segment based on profit before tax.

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

Segment reporting of the Group's assets and liabilities as at 30 June 2021 is set out below:

	Unaudited					
	Consumer Finance and Related Party Transactions	Retail Debit Cards	InvestTech	Acquiring and Payments	SME Services	Total
<i>In millions of RR</i>						
Reportable segment assets	542 732	265 330	69 998	14 931	52 593	945 584
Reportable segment liabilities	226 563	394 631	103 941	697	92 722	818 554

Segment reporting of the Group's assets and liabilities as at 30 June 2020 is set out below:

	Consumer Finance and Related Party Transactions	Retail Debit Cards	InvestTech	Acquiring and Payments	SME Services	Total
<i>In millions of RR</i>						
Reportable segment assets	454 535	245 838	73 712	15 115	55 517	844 717
Reportable segment liabilities	212 561	345 585	83 428	544	91 412	733 530

All jointly used assets, such as fixed assets, right-of-use assets and intangible assets were allocated to the segments on the basis of detailed analysis of usage of those assets by segments.

JSC “Tinkoff Bank”
Notes to the Consolidated Condensed Interim Financial Information – 30 June 2021

4 Segment Analysis (Continued)

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

Segment reporting of the Group's income and expenses for the six months ended 30 June 2021 is set out below:

<i>In millions of RR</i>	Unaudited					Total
	Consumer Finance and Related Party Transactions	Retail Debit Cards	InvestTech	Acquiring and Payments	SME Services	
External revenues:						
Interest income	62 050	5 622	3 789	-	1 624	73 085
Fee and commission income						
- Fee and commission income on cards' and current accounts' services	1 520	8 110	247	-	5 813	15 690
- Fee for selling credit protection	2 501	-	-	-	-	2 501
- Acquiring commission	-	39	-	8 842	-	8 881
- Brokerage commission	-	-	5 057	-	-	5 057
- Other fees receivable	282	1 542	-	-	-	1 824
Timing of fee and commission income recognition:						
- At point in time	3 127	8 502	4 952	8 842	3 804	29 227
- Over time	1 176	1 189	352	-	2 009	4 726
Total fee and commission income	4 303	9 691	5 304	8 842	5 813	33 953
Agency commissions from insurance operations	83	-	-	-	-	83
Other operating income	258	-	-	-	-	258
Total external revenues	66 694	15 313	9 093	8 842	7 437	107 379
Revenues from other segments						
Interest income	-	1 762	-	-	868	(2 630)
Total revenues from other segments	-	1 762	-	-	868	(2 630)
TOTAL REVENUES	66 694	17 075	9 093	8 842	8 305	107 379
Interest expense	(8 135)	(6 665)	(159)	-	(661)	(12 990)
Credit loss allowance	(9 833)	(71)	-	-	214	(9 690)
Fee and commission expense	(1 347)	(6 664)	(1 343)	(6 137)	(447)	(15 938)
Administrative and other operating expenses	(12 991)	(5 441)	(1 959)	(995)	(2 897)	(24 283)
Other gains	60	358	-	-	106	524
Segment result before acquisition expenses	34 448	(1 408)	5 632	1 710	4 620	45 002
Customer acquisition expense	(8 695)	(4 050)	(4 100)	(130)	(1 462)	(18 437)
SEGMENT RESULT	25 753	(5 458)	1 532	1 580	3 158	26 565

JSC “Tinkoff Bank”
Notes to the Consolidated Condensed Interim Financial Information – 30 June 2021

4 Segment Analysis (Continued)

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

Segment reporting of the Group's income and expenses for the three months ended 30 June 2021 is set out below:

<i>In millions of RR</i>	Unaudited					Total
	Consumer Finance and Related Party Transactions	Retail Debit Cards	InvestTech	Acquiring and Payments	SME Services	
External revenues:						
Interest income	33 050	2 882	2 038	-	925	38 895
Fee and commission income						
- Fee and commission income on cards' and current accounts' services	790	4 422	113	-	3 161	8 486
- Fee for selling credit protection	1 320	-	-	-	-	1 320
- Acquiring commission	-	20	-	5 153	-	5 173
- Brokerage commission	-	-	2 384	-	-	2 384
- Other fees receivable	133	942	-	-	-	1 075
Timing of fee and commission income recognition:						
- At point in time	1 642	4 753	2 317	5 153	2 129	15 994
- Over time	601	631	180	-	1 032	2 444
Total fee and commission income	2 243	5 384	2 497	5 153	3 161	18 438
Agency commissions from insurance operations	42	-	-	-	-	42
Other operating income	73	-	-	-	-	73
Total external revenues	35 408	8 266	4 535	5 153	4 086	57 448
Revenues from other segments						
Interest income	-	996	-	-	447	(1 443)
Total revenues from other segments	-	996	-	-	447	(1 443)
TOTAL REVENUES	35 408	9 262	4 535	5 153	4 533	57 48
Interest expense	(3 897)	(3 886)	(159)	-	(344)	(6 843)
Credit loss allowance	(5 429)	67	-	-	309	(5 053)
Fee and commission expense	(572)	(3 556)	(688)	(3 572)	(238)	(8 626)
Administrative and other operating expenses	(6 984)	(3 034)	(990)	(551)	(1 602)	(13 161)
Other gains	4	435	-	-	120	559
Segment result before acquisition expenses	18 530	(712)	2 698	1 030	2 778	24 324
Customer acquisition expense	(5 151)	(2 352)	(2 037)	(81)	(753)	(10 374)
SEGMENT RESULT	13 379	(3 064)	661	949	2 025	13 950

JSC “Tinkoff Bank”
Notes to the Consolidated Condensed Interim Financial Information – 30 June 2021

4 Segment Analysis (Continued)

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

Segment reporting of the Group's income and expenses for the six months ended 30 June 2020 is set out below:

	Unaudited					
	Consumer Finance and Related Party Transactions	Retail Debit Cards	InvestTech	Acquiring and Payments	SME Services	Eliminations
<i>In millions of RR</i>						Total
External revenues:						
Interest income	57 468	4 036	702	-	1 095	63 301
Fee and commission income						
- Fee and commission income on cards' and current accounts' services	1 455	4 349	99	-	3 899	9 802
- Fee for selling credit protection	2 358	-	-	-	-	2 358
- Acquiring commission	-	-	-	4 125	-	4 125
- Brokerage commission	-	-	1 613	-	-	1 613
- Other fees receivable	213	387	-	-	-	600
Timing of fee and commission income recognition:						
- At point in time	2 918	3 957	1 596	4 125	2 080	14 676
- Over time	1 108	779	116	-	1 819	3 822
Total fee and commission income	4 026	4 736	1 712	4 125	3 899	18 498
Agency commissions from insurance operations	105	-	-	-	-	105
Other operating income	821	-	-	-	-	821
Total external revenues	62 420	8 772	2 414	4 125	4 994	82 725
Revenues from other segments						
Interest income	-	1 448	-	-	641	(2 089)
Total revenues from other segments	-	1 448	-	-	641	(2 089)
TOTAL REVENUES	62 420	10 220	2 414	4 125	5 635	82 725
Interest expense	(8 921)	(4 640)	-	-	(606)	(12 078)
Credit loss allowance	(27 033)	(243)	-	-	(350)	(27 626)
Fee and commission expense	(1 143)	(3 861)	(539)	(2 857)	(348)	(8 748)
Administrative and other operating expenses	(8 007)	(2 928)	(774)	(551)	(2 111)	(14 371)
Other gains / (losses), net	(603)	5 148	-	-	1 101	5 646
SEGMENT RESULT	16 713	3 696	1 101	717	3 321	25 548
Customer acquisition expense	(4 544)	(1 312)	(873)	(43)	(555)	(7 327)
SEGMENT RESULT	12 169	2 384	228	674	2 766	18 221

JSC “Tinkoff Bank”
Notes to the Consolidated Condensed Interim Financial Information – 30 June 2021

4 Segment Analysis (Continued)

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

Segment reporting of the Group's income and expenses for the three months ended 30 June 2020 is set out below:

	Unaudited					Total
	Consumer Finance and Related Party Transactions	Retail Debit Cards	InvestTech	Acquiring and Payments	SME Services	
<i>In millions of RR</i>						
External revenues:						
Interest income	28 920	2 270	451	-	487	32 128
Fee and commission income						
- Fee and commission income on cards' and current accounts' services	670	2 027	63	-	1 869	4 629
- Fee for selling credit protection	1 156	-	-	-	-	1 156
- Acquiring commission	-	-	-	2 009	-	2 009
- Brokerage commission	-	-	1 062	-	-	1 062
- Other fees receivable	121	185	-	-	-	306
Timing of fee and commission income recognition:						
- At point in time	1 399	1 811	1 057	2 009	970	7 246
- Over time	548	401	68	-	899	1 916
Total fee and commission income	1 947	2 212	1 125	2 009	1 869	9 162
Agency commissions from insurance operations	55	-	-	-	-	55
Other operating income	405	-	-	-	-	405
Total external revenues	31 327	4 482	1 576	2 009	2 356	41 750
Revenues from other segments						
Interest income	-	755	-	-	305	(1 060)
Total revenues from other segments	-	755	-	-	305	(1 060)
TOTAL REVENUES	31 327	5 237	1 576	2 009	2 661	41 750
Interest expense	(4 380)	(2 297)	-	-	(227)	(5 844)
Credit loss allowance	(11 628)	(134)	-	-	(262)	(12 024)
Fee and commission expense	(547)	(1 328)	(362)	(1 381)	(151)	(3 769)
Administrative and other operating expenses	(4 222)	(1 580)	(435)	(295)	(996)	(7 528)
Other gains / (losses), net	(1 284)	2 453	-	-	433	1 602
SEGMENT RESULT	9 266	2 351	779	333	1 458	14 187
Customer acquisition expense	(2 136)	(688)	(649)	25	(286)	(3 734)
SEGMENT RESULT	7 130	1 663	130	358	1 172	10 453

4 Segment Analysis (Continued)**(d) Information about reportable segment assets and liabilities, profit or loss (continued)**

Retail debit cards segment is the most important channel for acquisition of new clients to the Group's ecosystem. During the six months ended 30 June 2021 new customer acquisition reached historically high level.

Fee and commission income on cards' and current accounts' services include SME services commission, SMS fee, interchange fee, foreign currency exchange transactions fee, fee for money transfers, cash withdrawal fee and replenishment fee.

Interest income and interest expense from other segments for six and three months ended 30 June 2021 amounted to RR 2 630 million and RR 1 443 million, respectively (RR 2 089 million for six months ended 30 June 2020 and RR 1 060 million for three months ended 30 June 2020). Interest income and expense from other segments were calculated using the transfer pricing curve.

5 Cash and Cash Equivalents

<i>In millions of RR</i>	30 June 2021 (unaudited)	31 December 2020
Cash on hand	25 520	21 069
Mandatory cash balances with CBRF	20 148	38 646
Placements with other banks and non-bank credit organizations with original maturities of less than three months	59 220	75 218
Total cash and cash equivalents	104 888	134 933

Cash on hand includes cash balances in ATMs and cash balances in transit. Placements with other banks with original maturities of less than three months include placements under reverse sale and repurchase (reverse repo) agreements in the amount of RR 3 727 million as at 30 June 2021 (31 December 2020: RR 33 210 million). The Group has a right to sell or repledge securities acquired under reverse repo agreements.

The carrying amount of cash and cash equivalents at 30 June 2021 and 31 December 2020 also represents the Group's maximum exposure to credit risk on these assets.

For the purpose of ECL measurement, cash and cash equivalent balances are included in Stage 1 for excellent, good and monitor credit quality and in Stage 2 for sub-standard credit quality. The ECL for these balances represents an immaterial amount therefore, the Group does not recognise any credit loss allowance for cash and cash equivalents. Except for reverse repo agreements, amounts of cash and cash equivalents are not collateralised. As at 30 June 2021, the fair value of collateral under reverse repo agreements was RR 4 141 million (31 December 2020: RR 34 527 million). There is no material impact of collateral on credit loss allowance for cash and cash equivalents. Refer to Note 20 for the disclosure of the fair value of cash and cash equivalents.

6 Investments in Securities and Repurchase Receivables

<i>In millions of RR</i>	30 June 2021 (unaudited)	31 December 2020
Securities measured at FVOCI	215 229	228 384
Securities measured at FVTPL	2 325	4 265
Total debt securities	217 554	232 649
Securities at FVOCI sold under repo agreements	5 099	29
Total securities and repurchase receivables	222 653	232 678
Investments in ordinary shares of JSC Tinkoff Insurance	-	592
Total investments in equity securities	-	592
Total securities and repurchase receivables	222 653	233 270

6 Investments in Securities and Repurchase Receivables (Continued)

Repurchase receivables represent securities sold under sale and repurchase agreements which the counterparty has the right, by contract or custom, to sell or repledge. As at 30 June 2021 the sale and repurchase agreements are short-term and mature in July 2021.

Refer to Note 10 for the related liabilities. Refer to Note 20 for the disclosure of the fair value of investments in securities and repurchase receivables. Securities at FVOCI reclassified to repurchase receivables continue to be carried at fair value in accordance with accounting policies for this category of assets.

1) Securities measured at FVOCI

The table below discloses investments in debt securities measured at FVOCI by classes:

<i>In millions of RR</i>	30 June 2021 (unaudited)	31 December 2020
Russian government bonds	124 516	122 670
Corporate bonds	79 822	92 163
Municipal bonds	8 633	8 952
Foreign government bonds	2 258	4 599
Total debt securities at FVOCI	215 229	228 384
Including credit loss allowance	727	693

2) Securities measured at FVTPL

The table below discloses investments in debt securities at FVTPL by classes:

<i>In millions of RR</i>	30 June 2021 (unaudited)	31 December 2020
Investments in securities		
Perpetual corporate bonds	2 325	4 265
Repurchase receivables		
Perpetual corporate bonds	27	-
Debt securities at FVTPL	2 352	4 265

Investments in securities measured at FVTPL are carried at fair value, which also reflects any credit risk related write-downs and best represents the Group's maximum exposure to credit risk. The securities measured at FVTPL are not collateralised.

3) Investments in equity securities

The table below discloses investments in equity securities measured at FVOCI:

<i>In millions of RR</i>	30 June 2021 (unaudited)	31 December 2020
Investments in ordinary shares of JSC "Tinkoff Insurance"	-	592
Total investments in equity securities	-	592

At June 30, 2021, investments in ordinary shares of JSC "Tinkoff Insurance" were transferred to the Assets held for sale category. Refer to Note 9.

At 30 June 2021, equity securities measured at FVOCI are not publicly traded (2020: same). For these investments, fair value is estimated by reference to the investee's net asset value. Refer to Note 20.

7 Loans and Advances to Customers

<i>In millions of RR</i>	30 June 2021 (unaudited)			31 December 2020		
	Gross carrying amount	Credit loss allowance	Carrying amount	Gross carrying amount	Credit loss allowance	Carrying amount
Loans to individuals						
Credit card loans	302 977	(52 475)	250 502	267 586	(54 242)	213 344
Cash loans	112 812	(12 885)	99 927	68 131	(11 055)	57 076
Other loans	138 874	(6 233)	132 641	94 132	(4 752)	89 380
Secured loans	55 421	(1 482)	53 939	40 232	(1 099)	39 133
Car loans	56 177	(3 407)	52 770	33 991	(2 144)	31 847
POS loans	21 458	(838)	20 620	17 010	(760)	16 250
SME loans	5 818	(506)	5 312	2 899	(749)	2 150
Corporate loans	20 817	(2 275)	18 542	14 253	(1 826)	12 427
Total loans and advances to customers at AC	575 480	(73 868)	501 612	444 102	(71 875)	372 227

Credit cards are issued to customers for cash withdrawals or payment for goods or services, within the range of limits established by the Group. These limits may be increased or decreased from time-to-time based on management decision. Credit card loans are not collateralised.

Cash loans represent a product for the borrowers who have a positive credit history and who do not have overdue loans in other banks. Cash loans are loans provided to customers via the Bank's debit cards. These loans are available for withdrawal without commission.

Secured loans represent loans secured with a car or real estate.

Car loans represent loans for the purchase of a vehicle which is used as collateral for the loan.

POS ("Point of sale") loans represent loans to fund online and offline purchases through certain internet and offline shops for individual borrowers.

SME loans represent loans provided by the Bank to individual entrepreneurs and small and medium businesses for the purpose of working capital management.

Corporate loans are loans issued to other subsidiaries of the Parent Company.

Corporate loans are presented below:

<i>In millions of RR</i>	Maturity date	Interest rate	30 June 2021 (unaudited)	31 December 2020
Credit facilities to other related parties	From 17 December 2019 to 23 March 2026	4%-15%	20 817	14 253
Gross carrying amount			20 817	14 253
Credit loss allowance			(2 275)	(1 826)
Carrying amount			18 542	12 427

Corporate loans are not collateralised and not overdue.

7 Loans and Advances to Customers (Continued)

The credit loss allowance for loans and advances to customers recognised in the period is impacted by a variety of factors. The main movements in the tables presented below are described as follows:

- new originated or purchased category represents the gross carrying amounts and the related ECL of purchased loans and loans issued during the reporting period (and withdrawals of limits of new credit card borrowers) as at the end of the reporting period or as at the date of transfer of loan out of Stage 1 (whichever date is earlier);
- 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. Transfers present the amount of credit loss allowance charged or recovered at the moment of transfer of a loan among the respective stages;
- changes to ECL measurement model assumptions and estimates represent movements due to changes in PDs, EADs and LGDs models during the period;
- movements other than transfers and new originated or purchased loans category represent all other movements of ECL, in particular related to changes in gross carrying amounts (including drawdowns, repayments, and accrued interest), as well as changes in assumptions for ECL model, including those resulting from updates of inputs to the model in the period;
- write-offs of allowances are related to assets that were written off during the period.
- unwinding of discount (for Stage 3) category represents adjustment to credit loss allowance and gross carrying amount for Stage 3 loans to increase it to discounted amount of the expected cash shortfalls to the reporting date using the effective interest rate;
- modification of original cash flows without derecognition represents adjustment to credit loss allowance and gross carrying amount of Stage 3 loans caused by the modification of terms of those loans which is not substantial.

The following tables disclose the changes in the credit loss allowance and gross carrying amount for loans and advances to customers between the beginning and the end of the reporting period:

JSC “Tinkoff Bank”
Notes to the Consolidated Condensed Interim Financial Information – 30 June 2021

7 Loans and Advances to Customers (Continued)

	Unaudited						
	Credit loss allowance			Gross carrying amount			
	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)	Total	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)
<i>In millions of RR</i>							Purchased or originated credit impaired (POCI)
Credit card loans							
At 31 December 2020	16 441	7 560	30 241	54 242	210 074	11 758	45 573
<i>Movements with impact on credit loss allowance charge for six months ended 30 June 2021:</i>							
New originated or purchased	2 388	-	-	2 388	37 493	-	-
Transfers:							
- to lifetime (from Stage 1 to Stage 2)	(2 115)	5 898	-	3 783	(10 448)	10 448	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(1 433)	(6 151)	12 206	4 622	(7 002)	(8 404)	15 406
- recovered (from Stage 3 to Stage 2 and from Stage 2 to Stage 1)	488	(1 304)	(24)	(840)	2 033	(2 002)	(31)
Movements other than transfers and new originated or purchased loans	(787)	1 517	(2 358)	(1 628)	11 176	(122)	(3 006)
Total movements with impact on credit loss allowance charge for six months ended 30 June 2021	(1 459)	(40)	9 824	8 325	33 252	(80)	12 369
							14 455
<i>Movements without impact on credit loss allowance charge for six months ended 30 June 2021:</i>							
Unwinding of discount (for Stage 3)	-	-	2 549	2 549	-	-	2 549
Write-offs	-	-	(10 064)	(10 064)	-	-	(10 064)
Sales	-	-	(1 258)	(1 258)	-	-	(1 330)
Modification of original cash flows without derecognition	-	-	(1 319)	(1 319)	-	-	(1 319)
At 30 June 2021	14 982	7 520	29 973	52 475	243 326	11 678	47 778
							195 302 977

JSC “Tinkoff Bank”
Notes to the Consolidated Condensed Interim Financial Information – 30 June 2021

7 Loans and Advances to Customers (Continued)

	Unaudited								
	Credit loss allowance			Gross carrying amount			Total		
In millions of RR	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)	Total	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL)		Stage 3 (lifetime ECL)	POCI
Credit card loans									
At 31 March 2021	15 207	7 430	31 029	53 666	224 992	11 569	47 539	176	284 276
Movements with impact on credit loss allowance charge for three months ended 30 June 2021:									
New originated or purchased	810	-	-	810	17 317	-	-	2	17 319
Transfers:									
- to lifetime (from Stage 1 to Stage 2)	(1 943)	5 352	-	3 409	(9 469)	9 469	-	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(183)	(5 200)	6 108	725	(725)	(6 961)	7 686	-	-
- recovered (from Stage 3 to Stage 2 and from Stage 2 to Stage 1)	580	(1 560)	(36)	(1 016)	2 519	(2 473)	(46)	-	-
Movements other than transfers and new originated or purchased loans	511	1 498	(1 382)	627	8 692	74	(1 597)	17	7 186
Total movements with impact on credit loss allowance charge for three months ended 30 June 2021	(225)	90	4 690	4 555	18 334	109	6 043	19	24 505
Movements without impact on credit loss allowance charge for three months ended 30 June 2021:									
Unwinding of discount (for Stage 3)	-	-	1 202	1 202	-	-	1 202	-	1 202
Write-offs	-	-	(5 172)	(5 172)	-	-	(5 172)	-	(5 172)
Sales	-	-	(1 080)	(1 080)	-	-	(1 138)	-	(1 138)
Modification of original cash flows without derecognition	-	-	(696)	(696)	-	-	(696)	-	(696)
At 30 June 2021	14 982	7 520	29 973	52 475	243 326	11 678	47 778	195	302 977

JSC “Tinkoff Bank”
Notes to the Consolidated Condensed Interim Financial Information – 30 June 2021

7 Loans and Advances to Customers (Continued)

	Unaudited								
	Credit loss allowance			Gross carrying amount					
In millions of RR	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)	Total	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)	POCI	Total
Credit card loans									
At 31 December 2019	11 704	6 853	25 572	44 129	197 796	11 432	35 373	336	244 937
Movements with impact on credit loss allowance charge for six months ended 30 June 2020:									
New originated or purchased	1 592	-	-	1 592	18 008	-	-	138	18 146
Transfers:									
- to lifetime (from Stage 1 to Stage 2)	(4 471)	9 083 (6 295)	-	4 612 6 653	(18 999) (10 089)	18 999 (8 906)	- 18 995	- -	- -
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(1 856)		14 804						
- recovered (from Stage 3 to Stage 2 and from Stage 2 to Stage 1)	345	(779)	(27)	(461)	1 487	(1 454)	(33)	-	-
Changes to ECL measurement model assumptions	2 984	286	1 275	4 545	-	-	-	-	-
Movements other than transfers and new originated or purchased loans	4 412	2 683	(1 968)	5 127	2 612	807	(2 322)	(113)	984
Total movements with impact on credit loss allowance charge for six months ended 30 June 2020	3 006	4 978	14 084	22 068	(6 981)	9 446	16 640	25	19 130
Movements without impact on credit loss allowance charge for six months ended 30 June 2020:									
Unwinding of discount (for Stage 3)	-	-	3 134 (6 384)	3 134 (6 384)	-	-	3 134 (6 384)	-	3 134 (6 384)
Write-offs	-	-			-	-		-	
Sales	-	-	(785)	(785)	-	-	(878)	-	(878)
Modification of original cash flows without derecognition	-	-	(6 138)	(6 138)	-	-	(6 138)	-	(6 138)
At 30 June 2020	14 710	11 831	29 483	56 024	190 815	20 878	41 747	361	253 801

JSC “Tinkoff Bank”
Notes to the Consolidated Condensed Interim Financial Information – 30 June 2021

7 Loans and Advances to Customers (Continued)

	Unaudited								
	Credit loss allowance			Gross carrying amount					
	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)	Total	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)	POCI	Total
<i>In millions of RR</i>									
Credit card loans									
At 31 March 2020	15 430	8 156	26 553	50 139	201 584	13 828	37 584	311	253 307
<i>Movements with impact on credit loss allowance charge for three months ended 30 June 2020:</i>									
New originated or purchased	347	-	-	347	5 176	-	-	138	5 314
Transfers:									
- to lifetime (from Stage 1 to Stage 2)	(4 348)	8 258 (6 656)	-	3 910 1 152	(17 260) (1 125)	17 260 (9 189)	-	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)			8 093	1 152			10 314	-	-
- recovered (from Stage 3 to Stage 2 and from Stage 2 to Stage 1)	550	(955)	(23)	(428)	2 132	(2 102)	(30)	-	-
Changes to ECL measurement model assumptions	(416)	8	1 076	668	-	-	-	-	-
Movements other than transfers and new originated or purchased loans	3 432	3 020	(1 225)	5 227	308	1 081	(1 078)	(88)	223
Total movements with impact on credit loss allowance charge for three months ended 30 June 2020	(720)	3 675	7 921	10 876	(10 769)	7 050	9 206	50	5 537
<i>Movements without impact on credit loss allowance charge for three months ended 30 June 2020:</i>									
Unwinding of discount (for Stage 3)	-	-	1 703	1 703	-	-	1 703	-	1 703
Write-offs	-	-	(3 479)	(3 479)	-	-	(3 479)	-	(3 479)
Sales	-	-	(330)	(330)	-	-	(382)	-	(382)
Modification of original cash flows without derecognition	-	-	(2 885)	(2 885)	-	-	(2 885)	-	(2 885)
At 30 June 2020	14 710	11 831	29 483	56 024	190 815	20 878	41 747	361	253 801

JSC “Tinkoff Bank”
Notes to the Consolidated Condensed Interim Financial Information – 30 June 2021

7 Loans and Advances to Customers (Continued)

	Unaudited								
	Credit loss allowance				Gross carrying amount				
	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)	Total	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)	POCI	Total
In millions of RR									
Cash loans									
At 31 December 2020	4 120	2 041	4 894	11 055	56 187	4 767	6 747	430	68 131
Movements with impact on credit loss allowance charge for six months ended 30 June 2021:									
New originated or purchased	3 587	-	-	3 587	69 404	-	-	6	69 410
Transfers:									
- to lifetime (from Stage 1 to Stage 2)	(703)	3 082	-	2 379	(5 189)	5 189	-	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(470)	(1 290)	2 413	653	(1 116)	(1 536)	2 652	-	-
- recovered (from Stage 3 to Stage 2 and from Stage 2 to Stage 1)	60	(257)	(7)	(204)	921	(914)	(7)	-	-
Movements other than transfers and new originated or purchased loans	(1 295)	(1 151)	(429)	(2 875)	(21 257)	(1 482)	(309)	52	(22 996)
Total movements with impact on credit loss allowance charge for six months ended 30 June 2021	1 179	384	1 977	3 540	42 763	1 257	2 336	58	46 414
Movements without impact on credit loss allowance charge for six months ended 30 June 2021:									
Unwinding of discount (for Stage 3)	-	-	288	288	-	-	288	-	288
Write-offs	-	-	(1 669)	(1 669)	-	-	(1 669)	-	(1 669)
Sales	-	-	(308)	(308)	-	-	(331)	-	(331)
Modification of original cash flows without derecognition	-	-	(21)	(21)	-	-	(21)	-	(21)
At 30 June 2021	5 299	2 425	5 161	12 885	98 950	6 024	7 350	488	112 812

JSC “Tinkoff Bank”
Notes to the Consolidated Condensed Interim Financial Information – 30 June 2021

7 Loans and Advances to Customers (Continued)

	Unaudited						
	Credit loss allowance			Gross carrying amount			
	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)	Total	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)
<i>In millions of RR</i>							POCI Total
Cash loans							
At 31 March 2021	4 699	1 945	5 204	11 848	74 309	4 753	7 219
<i>Movements with impact on credit loss allowance charge for three months ended 30 June 2021:</i>							365
New originated or purchased	2 109	-	-	2 109	43 369	-	-
Transfers:							
- to lifetime (from Stage 1 to Stage 2)	(564)	2 313	-	1 749	(3 899)	3 899	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(137)	(856)	1 184	191	(287)	(1 013)	-
- recovered (from Stage 3 to Stage 2 and from Stage 2 to Stage 1)	48	(211)	(16)	(179)	812	(794)	(18)
Movements other than transfers and new originated or purchased loans	(856)	(766)	(259)	(1 881)	(15 354)	(821)	(181)
Total movements with impact on credit loss allowance charge for three months ended 30 June 2021	600	480	909	1 989	24 641	1 271	1 101
<i>Movements without impact on credit loss allowance charge for three months ended 30 June 2021:</i>							123
Unwinding of discount (for Stage 3)	-	-	137	137	-	-	137
Write-offs	-	-	(851)	(851)	-	-	(851)
Sales	-	-	(238)	(238)	-	-	(256)
Modification of original cash flows without derecognition	-	-	-	-	-	-	-
At 30 June 2021	5 299	2 425	5 161	12 885	98 950	6 024	7 350
							488
							112 812

JSC “Tinkoff Bank”
Notes to the Consolidated Condensed Interim Financial Information – 30 June 2021

7 Loans and Advances to Customers (Continued)

	Unaudited						
	Credit loss allowance			Gross carrying amount			
<i>In millions of RR</i>	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)	Total	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)
							POCI
							Total
Cash loans							
At 31 December 2019	2 357	1 882	3 789	8 028	51 925	5 034	4 669
							636
							62 264
<i>Movements with impact on credit loss allowance charge for six months ended 30 June 2020:</i>							
New originated or purchased	968	-	-	968	15 814	-	-
							4
Transfers:							
- to lifetime (from Stage 1 to Stage 2)	(910)	3 373	-	2 463	(5 508)	5 508	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(527)	(1 512)	3 135	1 096	(1 578)	(1 905)	3 483
- recovered (from Stage 3 to Stage 2 and from Stage 2 to Stage 1)	61	(253)	(3)	(195)	1 053	(1 049)	(4)
							-
Changes to ECL measurement model assumptions	832	115	141	1 088	-	-	-
Movements other than transfers and new originated or purchased loans	533	(775)	(469)	(711)	(15 217)	(996)	(78)
							(33)
							(16 324)
Total movements with impact on credit loss allowance charge for six months ended 30 June 2021	957	948	2 804	4 709	(5 436)	1 558	3 401
							(29)
							(506)
<i>Movements without impact on credit loss allowance charge for six months ended 30 June 2020:</i>							
Unwinding of discount (for Stage 3)	-	-	216	216	-	-	216
Write-offs	-	-	(974)	(974)	-	-	(974)
Sales	-	-	(229)	(229)	-	-	(246)
Modification of original cash flows without derecognition	-	-	(1 403)	(1 403)	-	-	(1 403)
At 30 June 2020	3 314	2 830	4 203	10 347	46 489	6 592	5 663
							607
							59 351

JSC “Tinkoff Bank”
Notes to the Consolidated Condensed Interim Financial Information – 30 June 2021

7 Loans and Advances to Customers (Continued)

	Credit loss allowance				Unaudited			
	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)	Total	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)	Total
In millions of RR								
Cash loans								
At 31 March 2020	3 637	2 304	4 174	10 115	53 340	5 347	5 373	684
Movements with impact on credit loss allowance charge for three months ended 30 June 2020:								
New originated or purchased	230	-	-	230	4 308	-	-	4
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	(815)	2 651	-	1 836	(4 154)	4 154	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(162)	(1 223)	1 650	265	(345)	(1 495)	1 840	-
- recovered (from Stage 3 to Stage 2 and from Stage 2 to Stage 1)	68	(253)	(5)	(190)	969	(963)	(6)	-
Changes to ECL measurement model assumptions	28	16	109	153	-	-	-	-
Movements other than transfers and new originated or purchased loans	328	(665)	(203)	(540)	(7 629)	(451)	(14)	(81)
Total movements with impact on credit loss allowance charge for three months ended 30 June 2020	(323)	526	1 551	1 754	(6 851)	1 245	1 820	(77)
Movements without impact on credit loss allowance charge for three months ended 30 June 2020:								
Unwinding of discount (for Stage 3)	-	-	114	114	-	-	114	-
Write-offs	-	-	(596)	(596)	-	-	(596)	-
Sales	-	-	(111)	(111)	-	-	(119)	-
Modification of original cash flows without derecognition	-	-	(929)	(929)	-	-	(929)	-
At 30 June 2020	3 314	2 830	4 203	10 347	46 489	6 592	5 663	607
								59 351

JSC “Tinkoff Bank”
Notes to the Consolidated Condensed Interim Financial Information – 30 June 2021

7 Loans and Advances to Customers (Continued)

	Unaudited						
	Credit loss allowance			Gross carrying amount			
	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)	Total	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)
<i>In millions of RR</i>							POCI
							Total
Other loans							
At 31 December 2020	1 496	1 426	1 830	4 752	83 929	6 938	2 931
<i>Movements with impact on credit loss allowance charge for six months ended 30 June 2021:</i>							
New originated or purchased	1 342	-	-	1 342	71 841	-	-
Transfers:							
- to lifetime (from Stage 1 to Stage 2)	(298)	2 651	-	2 353	(7 399)	7 399	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(129)	(523)	1 076	424	(698)	(949)	1 647
- recovered (from Stage 3 to Stage 2 and from Stage 2 to Stage 1)	21	(166)	(5)	(150)	1 660	(1 653)	(7)
Movements other than transfers and new originated or purchased loans	(377)	(1 570)	(45)	(1 992)	(24 550)	(1 953)	(167)
Total movements with impact on credit loss allowance charge for six months ended 30 June 2021	559	392	1 026	1 977	40 854	2 844	1 473
							68
							45 239
<i>Movements without impact on credit loss allowance charge for six months ended 30 June 2021:</i>							
Unwinding of discount (for Stage 3)	-	-	151	151	-	-	151
Write-offs	-	-	(452)	(452)	-	-	(452)
Sales	-	-	(24)	(24)	-	-	(25)
Modification of original cash flows without derecognition	-	-	(171)	(171)	-	-	(171)
At 30 June 2021	2 055	1 818	2 360	6 233	124 783	9 782	3 907
							402
							138 874

JSC “Tinkoff Bank”
Notes to the Consolidated Condensed Interim Financial Information – 30 June 2021

7 Loans and Advances to Customers (Continued)

	Unaudited								
	Credit loss allowance				Gross carrying amount				
	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)	Total	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)	POCI	Total
In millions of RR									
Other loans									
At 31 March 2021	1 752	1 679	2 153	5 584	98 111	7 971	3 378	334	109 794
Movements with impact on credit loss allowance charge for three months ended 30 June 2021:									
New originated or purchased	755	-	-	755	46 206	-	-	15	46 221
Transfers:									
- to lifetime (from Stage 1 to Stage 2)	(222)	1 872	-	1 650	(5 190)	5 190	-	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(34)	(439)	584	111	(145)	(732)	877	-	-
- recovered (from Stage 3 to Stage 2 and from Stage 2 to Stage 1)	19	(138)	(14)	(133)	1 474	(1 457)	(17)	-	-
Movements other than transfers and new originated or purchased loans	(215)	(1 156)	(97)	(1 468)	(15 673)	(1 190)	(65)	53	(16 875)
Total movements with impact on credit loss allowance charge for three months ended 30 June 2021	303	139	473	915	26 672	1 811	795	68	29 346
Movements without impact on credit loss allowance charge for three months ended 30 June 2021:									
Unwinding of discount (for Stage 3)	-	-	81	81	-	-	81	-	81
Write-offs	-	-	(245)	(245)	-	-	(245)	-	(245)
Sales	-	-	(16)	(16)	-	-	(16)	-	(16)
Modification of original cash flows without derecognition	-	-	(86)	(86)	-	-	(86)	-	(86)
At 30 June 2021	2 055	1 818	2 360	6 233	124 783	9 782	3 907	402	138 874

JSC “Tinkoff Bank”
Notes to the Consolidated Condensed Interim Financial Information – 30 June 2021

7 Loans and Advances to Customers (Continued)

	Unaudited								
	Credit loss allowance			Gross carrying amount					
	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)	Total	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)	POCI	Total
In millions of RR									
Other loans									
At 31 December 2019	755	660	725	2 140	64 733	3 858	1 043	198	69 832
Movements with impact on credit loss allowance charge for six months ended 30 June 2020:									
New originated or purchased	300	-	-	300	24 389	-	-	17	24 406
Transfers:									
- to lifetime (from Stage 1 to Stage 2)	(231)	1 887	-	1 656	(5 919)	5 919	-	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(113)	(434)	957	410	(677)	(739)	1 416	-	-
- recovered (from Stage 3 to Stage 2 and from Stage 2 to Stage 1)	13	(84)	(5)	(76)	896	(887)	(9)	-	-
Changes to ECL measurement model assumptions	-	-	-	-	-	-	-	-	-
Movements other than transfers and new originated or purchased loans	243	23	28	294	-	-	-	-	-
	248	(842)	(104)	(698)	(19 500)	(1 284)	13	(5)	(20 776)
Total movements with impact on credit loss allowance charge for six months ended 30 June 2020	460	550	876	1 886	(811)	3 009	1 420	12	3 630
Movements without impact on credit loss allowance charge for six months ended 30 June 2020:									
Unwinding of discount (for Stage 3)	-	-	63	63	-	-	63	-	63
Write-offs	-	-	(121)	(121)	-	-	(121)	-	(121)
Sales	-	-	(27)	(27)	-	-	(29)	-	(29)
Modification of original cash flows without derecognition	-	-	(285)	(285)	-	-	(285)	-	(285)
At 30 June 2020	1 215	1 210	1 231	3 656	63 922	6 867	2 091	210	73 090

JSC “Tinkoff Bank”
Notes to the Consolidated Condensed Interim Financial Information – 30 June 2021

7 Loans and Advances to Customers (Continued)

	Unaudited								
	Credit loss allowance			Gross carrying amount					
	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)	Total	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)	POCI	Total
In millions of RR									
Other loans									
At 31 March 2020	1 151	1 039	1 064	3 254	66 747	5 104	1 572	235	73 658
Movements with impact on credit loss allowance charge for three months ended 30 June 2020:									
New originated or purchased	117	-	-	117	10 664	-	-	17	10 681
Transfers:									
- to lifetime (from Stage 1 to Stage 2)	(189)	1 369 (396)	-	1 180	(4 041) (151)	4 041 (654)	-	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(35)		541	110			805	-	-
- recovered (from Stage 3 to Stage 2 and from Stage 2 to Stage 1)	16	(96)	(2)	(82)	958	(953)	(5)	-	-
Changes to ECL measurement model assumptions	(49)	(57)	12	(94)	-	-	-	-	-
Movements other than transfers and new originated or purchased loans	204	(649)	(59)	(504)	(10 255)	(671)	44	(42)	(10 924)
Total movements with impact on credit loss allowance charge for three months ended 30 June 2020	64	171	492	727	(2 825)	1 763	844	(25)	(243)
Movements without impact on credit loss allowance charge for three months ended 30 June 2020:									
Unwinding of discount (for Stage 3)	-	-	43	43	-	-	43	-	43
Write-offs	-	-	(79)	(79)	-	-	(79)	-	(79)
Sales	-	-	(10)	(10)	-	-	(10)	-	(10)
Modification of original cash flows without derecognition	-	-	(279)	(279)	-	-	(279)	-	(279)
At 30 June 2020	1 215	1 210	1 231	3 656	63 922	6 867	2 091	210	73 090

JSC “Tinkoff Bank”
Notes to the Consolidated Condensed Interim Financial Information – 30 June 2021

7 Loans and Advances to Customers (Continued)

	Unaudited							
	Credit loss allowance			Gross carrying amount				
<i>In millions of RR</i>	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)	Total	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)	Total
Corporate loans								
At 31 December 2020	-	1 826	-	1 826	-	14 253	-	14 253
<i>Movements with impact on credit loss allowance charge for six months ended 30 June 2021:</i>								
New originated or purchased	661	-	-	661	3 933	-	-	3 933
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	(306)	306	-	-	(932)	932	-	-
- recovered (from Stage 3 to Stage 2 and from Stage 2 to Stage 1)	-	-	-	-	13 324	(13 324)	-	-
Movements other than transfers and new originated or purchased loans	-	(212)	-	(212)	252	2 379	-	2 631
Total movements with impact on credit loss allowance charge for six months ended 30 June 2021	355	94	-	449	16 577	(10 013)	-	6 564
At 30 June 2021	355	1 920	-	2 275	16 577	4 240	-	20 817

During six months ended 30 June 2021, the Group's management reassessed the risks on loans issued to the Parent Company's subsidiaries as low. Therefore RR 13,324 million of such loans was reclassified from Stage 2 to Stage 1.

JSC “Tinkoff Bank”
Notes to the Consolidated Condensed Interim Financial Information – 30 June 2021

7 Loans and Advances to Customers (Continued)

	Unaudited					
	Credit loss allowance			Gross carrying amount		
	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)	Total	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL)
<i>In millions of RR</i>					Stage 3 (lifetime ECL)	Total
Corporate loans						
At 31 March 2021	-	1 865	-	1 865	13 324	3 256
<i>Movements with impact on credit loss allowance charge for three months ended 30 June 2021:</i>						
New originated or purchased	639	-	-	639	3 463	-
Transfers:						
- to lifetime (from Stage 1 to Stage 2)	(284)	284	-	-	(462)	462
Movements other than transfers and new originated or purchased loans	-	(229)	-	(229)	252	522
						774
Total movements with impact on credit loss allowance charge for three months ended 30 June 2021	355	55	-	410	3 253	984
						4 237
At 30 June 2021	355	1 920	-	2 275	16 577	4 240
						20 817

JSC “Tinkoff Bank”
Notes to the Consolidated Condensed Interim Financial Information – 30 June 2021

7 Loans and Advances to Customers (Continued)

In millions of RR	Unaudited							
	Credit loss allowance			Gross carrying amount				
	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)	Total	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)	Total
Corporate loans								
At 31 December 2019	-	1 472	-	1 472	-	7 037	-	7 037
Movements with impact on credit loss allowance charge for six months ended 30 June 2020:								
Movements other than transfers and new originated or purchased loans	-	151	-	151	-	1 280	-	1 280
Total movements with impact on credit loss allowance charge for six months ended 30 June 2020	-	151	-	151	-	1 280	-	1 280
At 30 June 2020	-	1 623	-	1 623	-	8 317	-	8 317
At 31 March 2020	-	1 629	-	1 629	-	8 076	-	8 076
Movements with impact on credit loss allowance charge for three months ended 30 June 2020:								
Movements other than transfers and new originated or purchased loans	-	(6)	-	(6)	-	241	-	241
Total movements with impact on credit loss allowance charge for three months ended 30 June 2021	-	(6)	-	(6)	-	241	-	241
At 30 June 2020	-	1 623	-	1 623	-	8 317	-	8 317

The credit loss allowance charge for the six months ended 30 June 2021 presented in the tables above differs from the amount presented within profit or loss due to RR 2 198 million (three months ended 30 June 2021: RR 1 324 million) recovery of amounts previously written-off as uncollectible, due to RR 1 885 million (three months ended 30 June 2021: RR 1 173 million) recovery from the purchased loans in excess of their acquisition price, and due to RR 552 million recovery of ECL for credit related commitments (three months ended 30 June 2021: RR 229 million recovery of ECL for credit related commitments).

7 Loans and Advances to Customers (Continued)

The credit loss allowance charge for six months ended 30 June 2020 presented in the tables above differs from the amount presented within profit or loss due to RR 1 789 million recovery of amounts previously written-off as uncollectible (three months ended 30 June 2020: RR 1 024 million), and due to RR 940 million charge of ECL for credit related commitments, including RR 499 million of charge due to changes to ECL measurement model assumptions and estimates (three months ended 30 June 2020: due to RR 81 million release of ECL for credit related commitments).

The amount of the recovery received from written-off loans and purchased loans during the period was credited directly to credit loss allowance for loans and advances to customers. The amount of the credit loss allowance for undrawn limits is accounted separately from credit loss allowance for credit card loans and is included in other financial liabilities in the consolidated condensed interim statement of financial position.

Uncollectible assets are partly written-off against the related credit loss allowance usually after one year since they become overdue. The amount of uncollectible part of loan is estimated on a loan portfolio basis taking into account defaulted loans recovery statistics. The Group writes-off financial assets that are mostly still subject to enforcement activity, however, there is no reasonable expectation of recovery.

The outstanding contractual amount of loans and advances to customers which were written off during six and three months ended 30 June 2021 and are still subject to enforcement activity are equal to RR 9 308 million and RR 4 548 million, respectively (RR 6 419 million during six months ended 30 June 2020 and RR 3 521 million during three months ended 30 June 2020). Any analysis on credit loss allowance should be performed with write-off policy taken into consideration.

The amount of the ECL for credit related commitments is accounted for separately from ECL for credit card loans and is included in other financial liabilities in the consolidated condensed interim statement of financial position.

During the six months ended 30 June 2021, the Group sold RR 1 686 million (three months ended 30 June 2021: RR 1 410 million) of credit-impaired loans to third parties (external debt collection agencies) without recourse, including credit loss allowance of RR 1 590 million (three months ended 30 June 2021: RR 1 334 million). The difference between the carrying amount of these loans and the consideration received was recognised as losses in the amount of RR 70 million in the consolidated condensed interim statement of profit or loss within credit loss allowance for loans and advances to customers and credit related commitments for the six months ended 30 June 2021 (three months ended 30 June 2021: losses in the amount of RR 69 million).

During six and three months ended 30 June 2020, the Group sold RR 1 153 million and RR 511 million of credit-impaired loans, respectively, to third parties (external debt collection agencies) without recourse, including credit loss allowance of RR 1 041 million and 451 million, respectively. The difference between the carrying amount of these loans and the consideration received was recognised as losses in the amount of RR 93 million in the consolidated condensed interim statement of profit or loss within credit loss allowance for loans and advances to customers and credit related commitments for the six months ended 30 June 2020 (three months ended 30 June 2020: losses in the amount of RR 52 million).

Presented below is an analysis of issued, activated and utilised cards based on their credit card limits as at the end of the reporting period:

<i>In units</i>	30 June 2021 (unaudited)	31 December 2020
Credit card limits		
Up to RR 20 thousand	1 243 781	1 046 228
RR 20-40 thousand	643 908	538 746
RR 40-60 thousand	552 824	497 940
RR 60-80 thousand	560 072	495 431
RR 80-100 thousand	538 047	479 786
RR 100-120 thousand	384 777	331 606
RR 120-140 thousand	431 990	378 547
RR 140-200 thousand	959 182	870 503
More than RR 200 thousand	254 834	225 417
Total number of cards (in units)	5 569 415	4 864 204

The table above only includes credit cards less than 180 days overdue.

7 Loans and Advances to Customers (Continued)

The following table contains an analysis of the credit risk exposure of loans and advances to customers measured at AC, for which an ECL allowance is recognised. The carrying amount of loans and advances to customers below also represents the Group's maximum exposure to credit risk on these loans.

Loans and advances to customers at 30 June 2021 are disclosed as follows:

	Unaudited				
	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)	POCI	Total
<i>In millions of RR</i>				.	.
Credit card loans					
- Excellent	107 582	-	-	-	107 582
- Good	124 648	1 193	-	-	125 841
- Monitor	11 096	3 977	-	-	15 073
- Sub-standard	-	6 508	9 274	-	15 782
- NPL	-	-	38 504	195	38 699
Gross carrying amount	243 326	11 678	47 778	195	302 977
Credit loss allowance	(14 982)	(7 520)	(29 973)	-	(52 475)
Carrying amount	228 344	4 158	17 805	195	250 502
Cash loans					
- Excellent	64 525	-	-	-	64 525
- Good	33 904	3 983	-	-	37 887
- Monitor	521	868	-	-	1 389
- Sub-standard	-	1 173	1 026	-	2 199
- NPL	-	-	6 324	488	6 812
Gross carrying amount	98 950	6 024	7 350	488	112 812
Credit loss allowance	(5 299)	(2 425)	(5 161)	-	(12 885)
Carrying amount	93 651	3 599	2 189	488	99 927
Secured loans					
- Excellent	33 535	-	-	-	33 535
- Good	15 116	4 075	-	-	19 191
- Monitor	222	811	-	-	1 033
- Sub-standard	-	419	-	-	419
- NPL	-	-	1 243	-	1 243
Gross carrying amount	48 873	5 305	1 243	-	55 421
Credit loss allowance	(376)	(621)	(485)	-	(1 482)
Carrying amount	48 497	4 684	758	-	53 939

7 Loans and Advances to Customers (Continued)

	Unaudited				
	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)	POCI	Total
<i>In millions of RR</i>				.	.
Car loans					
- Excellent	34 083	-	-	-	34 083
- Good	16 836	2 062	-	-	18 898
- Monitor	298	554	-	-	852
- Sub-standard	-	533	-	-	533
- NPL	-	-	1 811	-	1 811
Gross carrying amount	51 217	3 149	1 811	-	56 177
Credit loss allowance	(1 162)	(935)	(1 310)	-	(3 407)
Carrying amount	50 055	2 214	501	-	52 770
POS loans					
- Excellent	15 669	-	-	-	15 669
- Good	3 847	553	-	-	4 400
- Monitor	113	106	-	-	219
- Sub-standard	-	105	25	-	130
- NPL	-	-	638	402	1 040
Gross carrying amount	19 629	764	663	402	21 458
Credit loss allowance	(308)	(129)	(401)	-	(838)
Carrying amount	19 321	635	262	402	20 620
SME loans					
- Excellent	3 155	-	-	-	3 155
- Good	1 857	400	-	-	2 257
- Monitor	52	98	-	-	150
- Sub-standard	-	66	-	-	66
- NPL	-	-	190	-	190
Gross carrying amount	5 064	564	190	-	5 818
Credit loss allowance	(209)	(133)	(164)	-	(506)
Carrying amount	4 855	431	26	-	5 312

7 Loans and Advances to Customers (Continued)

Loans and advances to customers at 31 December 2020 are disclosed as follows:

<i>In millions of RR</i>	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)	POCI	Total
				.	.
Credit card loans					
- Excellent	68 398	-	-	-	68 398
- Good	131 957	1 891	-	-	133 848
- Monitor	9 719	3 757	-	-	13 476
- Sub-standard	-	6 110	9 326	-	15 436
- NPL	-	-	36 247	181	36 428
Gross carrying amount	210 074	11 758	45 573	181	267 586
Credit loss allowance	(16 441)	(7 560)	(30 241)	-	(54 242)
Carrying amount	193 633	4 198	15 332	181	213 344
Cash loans					
- Excellent	33 877	-	-	-	33 877
- Good	22 053	3 189	-	-	25 242
- Monitor	257	546	-	-	803
- Sub-standard	-	1 032	988	-	2 020
- NPL	-	-	5 759	430	6 189
Gross carrying amount	56 187	4 767	6 747	430	68 131
Credit loss allowance	(4 120)	(2 041)	(4 894)	-	(11 055)
Carrying amount	52 067	2 726	1 853	430	57 076
Secured loans					
- Excellent	21 201	-	-	-	21 201
- Good	13 937	3 307	-	-	17 244
- Monitor	105	442	-	-	547
- Sub-standard	-	366	-	-	366
- NPL	-	-	874	-	874
Gross carrying amount	35 243	4 115	874	-	40 232
Credit loss allowance	(256)	(482)	(361)	-	(1 099)
Carrying amount	34 987	3 633	513	-	39 133

7 Loans and Advances to Customers (Continued)

	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)	POCI	Total
<i>In millions of RR</i>				.	.
Car loans					
- Excellent	21 444	-	-	-	21 444
- Good	9 136	1 427	-	-	10 563
- Monitor	136	263	-	-	399
- Sub-standard	-	322	-	-	322
- NPL	-	-	1 263	-	1 263
Gross carrying amount	30 716	2 012	1 263	-	33 991
Credit loss allowance	(664)	(558)	(922)	-	(2 144)
Carrying amount	30 052	1 454	341	-	31 847
POS loans					
- Excellent	12 828	-	-	-	12 828
- Good	2 654	375	-	-	3 029
- Monitor	48	51	-	-	99
- Sub-standard	-	62	28	-	90
- NPL	-	-	630	334	964
Gross carrying amount	15 530	488	658	334	17 010
Credit loss allowance	(241)	(95)	(424)	-	(760)
Carrying amount	15 289	393	234	334	16 250
SME loans					
- Excellent	1 673	-	-	-	1 673
- Good	760	295	-	-	1 055
- Monitor	7	12	-	-	19
- Sub-standard	-	16	-	-	16
- NPL	-	-	136	-	136
Gross carrying amount	2 440	323	136	-	2 899
Credit loss allowance	(335)	(291)	(123)	-	(749)
Carrying amount	2 105	32	13	-	2 150

7 Loans and Advances to Customers (Continued)

Corporate loans at 30 June 2021 are disclosed as follows:

<i>In millions of RR</i>	Unaudited			Total
	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)	
Corporate loans				
- Good	16 577	-	-	16 577
- Monitor	-	852	-	852
- Sub-standard	-	3 388	-	3 388
Gross carrying amount	16 577	4 240	-	20 817
Credit loss allowance	(355)	(1 920)	-	(2 275)
Carrying amount	16 222	2 320	-	18 542

Corporate loans at 31 December 2020 are disclosed as follows:

<i>In millions of RR</i>	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)	Total
Corporate loans				
- Good	-	11 069	-	11 069
- Monitor	-	139	-	139
- Sub-standard	-	3 045	-	3 045
Gross carrying amount	-	14 253	-	14 253
Credit loss allowance	-	(1 826)	-	(1 826)
Carrying amount	-	12 427	-	12 427

Stage 3 includes restructured loans that are less than 90 days overdue which are not considered as NPL according to the Group's credit risk grading master scale.

Loans in courts are included in Stage 3 and are loans to delinquent borrowers, against which the Group has filed claims to courts in order to recover outstanding balances. As at 30 June 2021, the gross carrying amount of the loans in courts was RR 34 798 million (31 December 2020: RR 31 058 million).

8 Brokerage Receivables and Brokerage Payables

<i>In millions of RR</i>	30 June 2021 (unaudited)	31 December 2020
Amounts receivable from clearing organisations	42 077	24 064
Total brokerage receivables	42 077	24 064
Amounts payable to clearing organisations	8 644	9 206
Total brokerage payables	8 644	9 206

8 Brokerage Receivables and Brokerage Payables (Continued)

Brokerage receivables represent placements under reverse sale and repurchase (reverse repo) agreements made by the Bank with the central counterparty to provide customers who have brokerage accounts with the Bank with the possibility to acquire securities in case those customers have insufficient own funds to acquire those securities. These balances are fully collateralised by highly liquid securities and have minimal credit risk. As at 30 June 2021, the fair value of collateral of brokerage receivables was RR 39 363 million (31 December 2020: RR 24 113 million). For the purpose of ECL measurement brokerage receivables 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 brokerage receivables.

Brokerage payables represent funds attracted under sale and repurchase ('direct' repo) agreements made by the Bank with central counterparty to provide customers, who have brokerage accounts with the Bank, with the possibility to borrow securities and make a short sale. As at 30 June 2021 the fair value of collateral of brokerage payables was RR 9 317 million (31 December 2020: RR 9 696 million). These balances are fully collateralised by highly liquid securities and have minimal credit risk.

Fair values of brokerage receivables and payables are disclosed in Note 20.

9 Assets held for sale

Assets held for sale are presented in the table below:

<i>In millions of RR</i>	30 June 2021 (unaudited)	31 December 2020
Investments in equity securities	1 214	-
Total investments in equity securities	1 214	-

At 30 June 2021 the Group transferred RR 1 214 million of its investments in ordinary shares of JSC "Tinkoff Insurance" into Assets held for sale category.

10 Due to Banks

<i>In millions of RR</i>	30 June 2021 (unaudited)	31 December 2020
Correspondent accounts and placements of other banks	4 856	4 795
Sale and repurchase agreements with other banks	4 856	24
Total due to banks	9 712	4 819

Refer to Note 6 for information on the amounts included in due to banks received under sale and repurchase agreements and fair value of securities pledged. Refer to Note 20 for the disclosure of the fair value of amounts due to banks.

11 Customer Accounts

<i>In millions of RR</i>	30 June 2021 (unaudited)	31 December 2020
Individuals		
- Current/demand accounts	375 171	323 145
- Brokerage accounts	94 967	73 970
- Term deposits	139 815	135 995
SME		
- Current/demand accounts	90 243	89 199
- Term deposits	2 479	2 213
Other legal entities		
- Current/demand accounts	12 065	3 976
- Deposits and current accounts of the Parent Company	764	5 772
- Term deposits	177	161
Total customer accounts	715 681	634 431

Refer to Note 20 for the disclosure of the fair value of customer accounts. Information on related party balances is disclosed in Note 21.

12 Share Capital

<i>In millions of RR except for the number of shares</i>	Number of authorised shares, including issued shares	Ordinary shares	Total
At 31 December 2019	2 147 200 000	6 816	6 816
At 31 December 2020	2 147 200 000	6 816	6 816
At 30 June 2021 (unaudited)	2 147 200 000	6 816	6 816

The nominal registered amount of the Group's issued share capital, prior to restatement of capital contributions made before the end of the hyperinflation period in Russia, to the purchasing power of the Russian rouble at 31 December 2002, is RR 1 472 million. On 26 March 2014 the Bank issued 530 million shares with a nominal value of RR 10 per share. The shares were placed through a private offering with the Bank's shareholder – TCS Group Holding PLC. As a result of the additional issue of shares, the share capital increased by RR 5 300 million.

At 30 June 2021 and 31 December 2020, all issued ordinary shares were fully paid. All ordinary shares have a nominal value of RR 10 per share (2020: RR 10 per share). Each share carries one vote.

13 Net Margin

<i>In millions of RR</i>	Unaudited			
	Six months ended 30 June 2021	Three months ended 30 June 2021	Six months ended 30 June 2020	Three months ended 30 June 2020
Interest income calculated using the effective interest rate method				
Loans and advances to customers:				
<i>Credit card loans</i>	46 799	24 612	46 486	23 488
<i>Cash loans</i>	7 542	4 308	6 104	3 004
<i>Secured loans</i>	3 274	1 760	2 281	1 190
<i>Car loans</i>	2 979	1 715	1 494	757
<i>POS loans</i>	920	393	980	439
<i>SME loans</i>	792	493	256	113
<i>Corporate loans</i>	582	324	323	174
Investments in debt securities at FVOCI and repurchase receivables	6 129	3 142	4 467	2 390
Brokerage operations	3 759	2 014	594	397
Placements with other banks and non-bank credit organisations with original maturities of less than three months	208	84	316	176
Total interest income calculated using the effective interest rate method	72 984	38 845	63 301	32 128
Other similar income				
Investments in debt securities at FVTPL and repurchase receivables	101	50	-	-
Total interest income	73 085	38 895	63 301	32 128
Interest expense calculated using the effective interest rate method				
Customer accounts:				
<i>Individuals</i>				
- Current/demand accounts	6 284	3 408	4 789	2 475
- Term deposits	2 520	1 261	3 636	1 789
<i>SME</i>	531	278	519	203
<i>Other legal entities</i>	86	58	48	25
Subordinated debt	981	487	948	466
RR denominated bonds	973	469	1 008	500
Due to banks	392	281	221	127
Parent Company's deposits	72	13	40	3
Total interest expense calculated using the effective interest rate method	11 839	6 255	11 209	5 588
Other similar expense				
Lease liabilities	40	20	68	35
Total interest expense	11 879	6 275	11 277	5 623
Expenses on deposit insurance programme	1 111	568	801	221
Net margin	60 095	32 052	51 223	26 284

14 Fee and Commission Income and Expense

<i>In millions of RR</i>	Unaudited			
	Six months ended 30 June 2021	Three months ended 30 June 2021	Six months ended 30 June 2020	Three months ended 30 June 2020
Fee and commission income				
Acquiring commission	8 881	5 173	4 125	2 009
Brokerage fee	5 057	2 384	1 613	1 062
SME services commission	4 501	2 424	3 264	1 587
Interchange fee	2 880	1 563	1 116	524
Foreign currency exchange transactions fee	2 867	1 559	1 904	731
Fee for money transfers	2 503	1 377	1 249	665
Fee for selling credit protection	2 501	1 320	2 358	1 156
SMS fee	2 365	1 232	1 887	949
Subscription fee	650	396	-	-
Cash withdrawal fee	477	271	320	147
Marketing services fee	183	124	196	92
Replenishment fee	97	60	62	26
Other fees receivable	991	555	404	214
Total fee and commission income	33 953	18 438	18 498	9 162

Acquiring commission represents commission for processing card payments from online and offline points of sale. Brokerage fee includes trading fee and brokerage account service fee. SME services commission represents commission for services to individual entrepreneurs and small to medium businesses. Fee for selling credit protection represents fee which the Bank receives for selling voluntary credit insurance to borrowers of the Group.

The Group has refined the presentation of the Group's revenue structure by reclassifying the sum of merchant acquiring fee from SME services commission to acquiring commission. The comparative information was amended accordingly:

<i>In millions of RR</i>	Unaudited		
	As originally presented	Reclassification	As reclassified
Six months ended 30 June 2020			
Acquiring commission	3 021	1 104	4 125
SME services commission	4 368	(1 104)	3 264
Three months ended 30 June 2020			
Acquiring commission	1 476	533	2 009
SME services commission	2 120	(533)	1 587

<i>In millions of RR</i>	Unaudited			
	Six months ended 30 June 2021	Three months ended 30 June 2021	Six months ended 30 June 2020	Three months ended 30 June 2020
Fee and commission expense				
Payment systems	11 810	6 584	5 968	2 327
Banking and other fees	1 821	878	924	560
Service fees	1 634	807	1 199	578
Payment channels	673	357	657	304
Total fee and commission expense	15 938	8 626	8 748	3 769

Payment systems fees represent fees for MasterCard, Visa and other payment systems' services.

Service fees represent fees for statement printing, mailing service and SMS services.

Payment channels represent fees paid to third parties through whom borrowers make loan repayments.

15 Customer Acquisition Expense

<i>In millions of RR</i>	Unaudited			
	Six months ended 30 June 2021	Three months ended 30 June 2021	Six months ended 30 June 2020	Three months ended 30 June 2020
Marketing and advertising	11 304	6 644	3 221	1 573
Staff costs	4 564	2 372	2 842	1 491
Cards issuing expenses	1 019	552	290	153
Credit bureaux	640	319	522	275
Partnership expenses	603	349	185	112
Telecommunication expenses	204	127	131	63
Other acquisition	103	11	136	67
Total customer acquisition expenses	18 437	10 374	7 327	3 734

Customer acquisition expenses represent expenses paid by the Group on services related to origination of customers which are not directly attributable to the recognised assets and are not incremental. The Group uses a variety of different channels for the acquisition of new customers.

Staff costs represent salary expenses and related costs of employees involved in customer acquisition. Included in staff costs are statutory social contributions to the state non-budgetary funds in the amount of RR 1 289 million for the six months and RR 673 million for the three months ended 30 June 2021 (RR 746 million for the six months and RR 366 million for the three months ended 30 June 2020).

16 Administrative and Other Operating Expenses

<i>In millions of RR</i>	Unaudited			
	Six months ended 30 June 2021	Three months ended 30 June 2021	Six months ended 30 June 2020	Three months ended 30 June 2020
Staff costs	18 929	10 221	10 444	5 446
Amortisation of intangible assets	1 285	693	782	420
Depreciation of fixed assets	954	503	757	392
IT and software support	908	492	476	294
Short-term and low-value leases	452	223	367	196
Professional services	392	310	135	48
Depreciation of right-of-use assets	284	148	318	167
Office maintenance and office supplies	264	106	189	93
Communication services	222	109	172	95
Collection expenses	215	113	214	128
Other reserves	104	71	252	152
Security expenses	91	49	100	18
Other administrative expenses	183	123	165	79
Total administrative and other operating expenses	24 283	13 161	14 371	7 528

Included in staff costs are statutory social contributions to the non-budget funds and share-based remuneration:

<i>In millions of RR</i>	Unaudited			
	Six months ended 30 June 2021	Three months ended 30 June 2021	Six months ended 30 June 2020	Three months ended 30 June 2020
Statutory social contribution to the non-budget funds	3 233	1 734	2 034	1 064
Total	3 233	1 734	2 034	1 064
Share-based remuneration:				
- Management long-term incentive programme	2 395	1 224	195	109
- Key employees retention plan	355	236	110	110
Total	2 750	1 460	305	219

17 Dividends

On 30 April 2021, the Board of Directors declared dividends payable in Russian roubles for a total of RR 735 million. Dividends declared were fully paid in Russian roubles on 20 May 2021.

On 30 April 2020, the Board of Directors declared dividends payable in Russian roubles for a total of RR 588 million. Dividends declared were fully paid in Russian roubles on 19 May 2020.

On 17 August 2020, the Board of Directors declared dividends payable in Russian roubles for a total of RR 686 million. Dividends declared were fully paid in Russian roubles on 18 August 2020.

On 17 November 2020, the Board of Directors declared dividends payable in Russian roubles for a total of RR 3,000 million. Dividends declared were fully paid in Russian roubles on 27 November 2020.

On 25 November 2020, the Board of Directors declared dividends payable in Russian roubles for a total of RR 147 million. Dividends declared were fully paid in Russian roubles on 26 November 2020.

On 18 December 2020, the Board of Directors declared dividends payable in Russian roubles for a total of RR 4,998 million. Dividends declared were fully paid in Russian roubles on 29 December 2020.

18 Management of Capital

The Group's objectives when managing capital are (a) for the Bank to comply with the capital requirements set by the Central Bank of Russian Federation (CBRF), (b) for the Group to comply with the financial covenants set by the terms of USD and RR-denominated securities issued; (c) to safeguard the Group's ability to continue as a going concern.

The Group considers total capital under management to be equity attributable to shareholders of the Bank as shown in the consolidated condensed interim statement of financial position. The amount of capital that the Group managed as at 30 June 2021 was RR 127 030 million (31 December 2020: RR 111 187 million).

Compliance with capital adequacy ratios set by the CBRF is monitored daily and submitted to the CBRF monthly with reports outlining their calculation reviewed and signed by the Bank's management. Other objectives of capital management are evaluated annually. The amount of regulatory capital of the Bank calculated in accordance with the methodology set by CBRF as at 30 June 2021 was RR 131 299 million, and the equity capital adequacy ratio (N1.0) was 12.21% (31 December 2020: RR 121 350 million and 13.07%). Minimum required statutory equity capital adequacy ratio (N1.0) was 8% as at 30 June 2021 (31 December 2020: 8%).

The Group and the Bank have complied with all externally imposed capital requirements throughout the six months ended 30 June 2021 and the year ended 31 December 2020.

19 Contingencies and Commitments

Legal proceedings. From time to time and in the normal course of business, claims against the Group may be received. On the basis of its own estimates and internal professional advice, the Group's management is of the opinion that no material losses will be incurred in respect of the claims, and accordingly no provision has been made in this consolidated condensed interim financial information.

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 noncompliant counterparties.

Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year when the decision about review was made. 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.

19 Contingencies and Commitments (Continued)

This legislation provides for the possibility of additional tax assessment for controlled transactions (transactions between related parties and certain transactions between unrelated parties), if such transactions are not on an arm's length. Tax liabilities arising from transactions between companies 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.

The Group includes companies incorporated outside of Russia. The tax liabilities of the Group are determined on the assumption that these companies are not subject to Russian profits tax, because they do not have a permanent establishment in Russia. The Parent Company is a tax resident of Cyprus and the beneficial owner of the Bank. This interpretation of relevant legislation may be challenged but the impact of any such challenge cannot be reliably estimated currently; however, it may be significant to the financial position and/or the overall operations of the Group. The Controlled Foreign Company (CFC) legislation introduced Russian taxation of profits of foreign companies and non-corporate structures (including trusts) controlled by Russian tax residents (controlling parties). The CFC income is subject to a 20% tax rate if the CFC is controlled by a legal entity and a rate of 13% if it is controlled by an individual. As a result, management reassessed the Group's tax positions and recognised current tax expense as well as deferred taxes that arose from the expected taxable manner of recovery of the relevant Group's operations to which the CFC legislation applies and to the extent that the Group (rather than its owners) is obliged to settle such taxes.

As Russian tax legislation does not provide definitive guidance in certain areas, the Group adopts, from time to time, interpretations of such uncertain areas that reduce the overall tax rate of the Group. While management currently estimates that the tax positions and interpretations that it has taken can probably be sustained, there is a possible risk that outflow of resources will be required should such tax positions and interpretations be challenged by the tax authorities. 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. As at 30 June 2021, no material tax risks were identified (2020: none).

Compliance with covenants. The Group is subject to certain covenants related primarily to its issued debt securities and perpetual subordinated debt. Non-compliance with such covenants may result in negative consequences for the Group. Management believes that the Group was in compliance with all such covenants as at 30 June 2021 (2020: same).

Future lease payments related to leases where leased asset is of low value or short term. The future cash outflows to which the Group is exposed and which are not reflected in the lease liabilities amounted to RR 334 million at 30 June 2021 and relate primarily to leases of assets which are of low value or short term (31 December 2020: RR 233 million).

Credit related commitments and performance guarantees. The primary purpose of these instruments is to ensure that funds are available to a customer as required. Commitments to extend credit represent unused portions of authorisations to extend credit in the form of credit card loans and guarantees. 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.

Performance guarantees are contracts that provide compensation if another party fails to perform a contractual obligation. Such contracts do not transfer credit risk. The risk under performance guarantee contracts is the possibility that the insured event (i.e. the failure to perform the contractual obligation by another party) occurs. The key risks the Group faces are significant fluctuations in the frequency and severity of payments incurred on such contracts relative to expectations. The Group uses a scoring model to predict levels of such payments. Claims must be made before the contract matures and most claims are settled within short term. This allows the Group to achieve a high degree of certainty about the estimated payments and therefore future cash flows.

19 Contingencies and Commitments (Continued)

Outstanding credit related commitments are as follows:

<i>In millions of RR</i>	30 June 2021 (unaudited)	31 December 2020
Unused limits on credit card loans	238 363	208 405
Unused limits on SME loans	10 411	7 291
Unused limits on corporate loans	887	555
Credit loss allowance	(3 010)	(3 562)
Total unused credit limits net of credit loss allowance	246 651	212 689
Performance guarantees	453	659
Provision for performance guarantees	(9)	(4)
Total performance guarantees net of provision	444	655

The total outstanding contractual amount of unused limits does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded, therefore, their fair value is close to zero. In accordance with credit card service conditions, the Group has a right to refuse the issuance, activation, reissuing or unblocking of a credit card, and is providing a credit card limit at its own discretion and without explaining its reasons.

The following table contains an analysis of credit related commitments by credit quality at 30 June 2021 based on credit risk grades.

<i>In millions of RR</i>	Unaudited			Total
	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)	
Credit related commitments				
- Excellent	223 802	-	-	223 802
- Good	12 625	67	-	12 692
- Monitor	12 278	302	-	12 580
- Sub-standard	-	587	-	587
Unrecognised gross amount	248 705	956	-	249 661
Credit loss allowance	(2 945)	(65)	-	(3 010)
Unrecognised net amount	245 760	891	-	246 651

The following table contains an analysis of credit related commitments by credit quality at 31 December 2020 based on credit risk grades.

<i>In millions of RR</i>	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)	Total
Credit related commitments				
- Excellent	180 619	-	-	180 619
- Good	14 905	234	-	15 139
- Monitor	12 546	334	-	12 880
- Sub-standard	-	322	-	322
Unrecognised gross amount	208 070	890	-	208 960
Credit loss allowance	(3 513)	(49)	-	(3 562)
Unrecognised net amount	204 557	841	-	205 398

19 Contingencies and Commitments (Continued)

Also, the Group may decide to increase or decrease a credit card limit using a scoring model, which is based on the client's behaviour model. Credit related commitments are denominated in Russian roubles. Therefore, the fair value of the contractual amount of revocable unused limits on contingencies and commitments is close to zero.

The following table contains an analysis of performance guarantees issued by credit quality based on credit risk grades.

<i>In millions of RR</i>	30 June 2021 (unaudited)	31 December 2020
	Stage 1 (12-month ECL)	Stage 1 (12-month ECL)
Performance guarantees		
- Excellent	96	414
- Good	67	245
- Monitor	145	-
- Sub-standard	145	-
Unrecognised gross amount	453	659
Reserves	(9)	(4)
Unrecognised net amount	444	655

Mandatory cash balances with the CBRF of RR 6 642 million (31 December 2020: RR 5 379 million) represent mandatory reserve deposits which are not available to finance the Bank's day to day operations.

20 Fair Value of Financial Instruments

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 observable market data (that is, unobservable inputs).

(a) Recurring fair value measurements

Recurring fair value measurements are those that the accounting standards require or permit in the consolidated condensed interim 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:

<i>In millions of RR</i>	30 June 2021 (unaudited)				31 December 2020			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets at fair value								
Investments in debt securities	206 537	11 017	-	217 554	226 393	6 256	-	232 649
Repurchase receivables	5 099	-	-	5 099	29	-	-	29
Financial derivatives	-	5 197	-	5 197	-	5 028	-	5 028
Assets held for sale	-	-	1 214	1 214	-	-	-	-
Investments in equity securities	-	-	-	-	-	-	592	592
Total assets recurring fair value measurements	211 636	16 214	9 516	229 064	226 422	11 284	592	238 298
Liabilities at fair value								
Financial derivatives	-	209	-	209	-	109	-	109
Total liabilities recurring fair value measurements	-	209	-	209	-	109	-	109

20 Fair Value of Financial Instruments (Continued)**(a) Recurring fair value measurements (continued)**

Investments in debt securities categorised in level 2 are represented by liquid debt securities classified in "Good" credit risk grade.

The description of valuation techniques and the description of the inputs used in the fair value measurement for level 2 measurements at 30 June 2021 are as follows:

<i>In millions of RR</i>	Unaudited		
	Fair value	Valuation technique	Inputs used
Assets at fair value			
Investments in debt securities	11 017	Observable quotes for comparable securities adjusted by multiplier depending on the degree of the market activity	Quotes from the automated fair value system for financial instruments of NSD Valuation Centre* Russian rouble curve.
Foreign exchange swaps and forwards	5 197	Discounted cash flows adjusted for embedded options and counterparty credit risk	USD and EUR swaps curve. CDS quotes assessment of counterparty credit risk.
Total recurring fair value measurements at level 2	16 214		
Liabilities at fair value			
Foreign exchange swaps and forwards	209	Discounted cash flows adjusted for embedded options and counterparty credit risk	Russian rouble curve. USD and EUR swaps curve. CDS quotes assessment of counterparty credit risk.
Total recurring fair value measurements at level 2 (unaudited)	209		

The description of valuation techniques and the description of the inputs used in the fair value measurement for level 2 measurements at 31 December 2020 are as follows:

<i>In millions of RR</i>	Fair value	Valuation technique	Inputs used
Assets at fair value			
Investments in debt securities	6 256	Observable quotes for comparable securities adjusted by multiplier depending on the degree of the market activity	Quotes from the automated fair value system for financial instruments of NSD Valuation Centre* Russian rouble curve.
Foreign exchange swaps and forwards	5 028	Discounted cash flows adjusted for embedded options and counterparty credit risk	USD and EUR swaps curve. CDS quotes assessment of counterparty credit risk.
Total recurring fair value measurements at level 2	11 284		
Liabilities at fair value			
Foreign exchange swaps and forwards	109	Discounted cash flows adjusted for embedded options and counterparty credit risk	Russian rouble curve. USD and EUR swaps curve. CDS quotes assessment of counterparty credit risk.
Total recurring fair value measurements at level 2 (unaudited)	109		

* NSD Valuation Centre is a fair value measurement service for bonds and other financial instruments, accredited by the CBRF.

20 Fair Value of Financial Instruments (Continued)**(a) Recurring fair value measurements (continued)**

There were no changes in valuation techniques for level 2 recurring fair value measurements during the six months ended 30 June 2021. Level 2 derivatives comprise foreign exchange forwards and swaps.

The foreign exchange forwards have been fair valued using forward exchange rates that are quoted in an active market. Foreign exchange swaps are fair valued using forward interest rates extracted from observable yield curves. The effects of discounting are generally insignificant for level 2 derivatives.

The description of valuation techniques and the description of the inputs used in the fair value measurement for level 3 measurements at 30 June 2021 are as follows:

<i>In millions of RR</i>	Fair value	Unaudited Valuation technique	Inputs used
Assets at fair value			
Assets held for sale	1 214	Net assets value of the Insurance Company attributable to the Bank	Insurance Company's financial statements
Total recurring fair value measurements at level 3 (unaudited)	1 214		

The description of valuation techniques and the description of the inputs used in the fair value measurement for level 3 measurements at 31 December 2020 are as follows:

<i>In millions of RR</i>	Fair value	Valuation technique	Inputs used
Assets at fair value			
Investments in the Insurance Company's equity securities	592	Net assets value of the Insurance Company attributable to the Bank	Insurance Company's financial statements
Total recurring fair value measurements at Level 3	592		

Below is the analysis of changes in level 3 fair value hierarchy for six months ended 30 June 2021 and 2020:

<i>In millions of RR</i>	Investments in equity securities
Fair value at 31 December 2019	385
Revaluation of investment	226
Fair value at 30 June 2020 - level 3 (unaudited)	611
Fair value at 31 December 2020	592
Revaluation of investment	622
Fair value at 30 June 2021 - level 3 (unaudited)	1 214

During six months ended 30 June 2021 there were no changes in the valuation techniques for level 3 recurring fair value measurements (31 December 2020: no change).

20 Fair Value of Financial Instruments (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:

<i>In millions of RR</i>	30 June 2021 (unaudited)				31 December 2020			
	Level 1	Level 2	Level 3	Carrying value	Level 1	Level 2	Level 3	Carrying value
Financial assets carried at AC								
Cash and cash equivalents								
- Cash on hand	25 520	-	-	25 520	21 069	-	-	21 069
- Cash balances with the CBRF (other than mandatory reserve deposits)	-	20 148	-	20 148	-	38 646	-	38 646
- Placements with other banks and non-bank credit organisations with original maturities of less than three months	-	59 220	-	59 220	-	75 218	-	75 218
Mandatory cash balances with CBRF	-	6 642	-	6 642	-	5 379	-	5 379
Loans and advances to customers	-	-	501 978	501 612	-	-	372 392	372 227
Guarantee deposits with payment systems	-	-	15 187	15 187	-	-	15 475	15 475
Brokerage receivables	-	42 077	-	42 077	-	24 064	-	24 064
Other financial assets								
- Settlement of operations with plastic cards receivable	-	15 309	-	15 309	-	23 882	-	23 882
- Other receivables	-	6 331	-	6 331	-	6 151	-	6 151
Total financial assets carried at AC	25 520	149 727	517 165	692 046	21 069	173 340	387 867	582 111

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

<i>In millions of RR</i>	30 June 2021 (unaudited)				31 December 2020			
	Level 1	Level 2	Level 3	Carrying value	Level 1	Level 2	Level 3	Carrying value
Financial liabilities carried at AC								
Due to banks	-	9 712	-	9 712	-	4 819	-	4 819
Brokerage payables	-	8 644	-	8 644	-	9 206	-	9 206
Customer accounts								
Individuals								
- Current/demand accounts	-	375 171	-	375 171	-	323 145	-	323 145
- Brokerage accounts	-	94 967	-	94 967	-	73 970	-	73 970
- Term deposits	-	143 019	-	139 815	-	138 971	-	135 995
SME								
- Current/demand accounts	-	90 243	-	90 243	-	89 199	-	89 199
- Term deposits	-	2 485	-	2 479	-	1 915	-	2 213
Other legal entities								
- Current/settlement accounts	-	12 065	-	12 065	-	3 976	-	3 976
- Term deposits	-	177	-	177	-	161	-	161
- Deposits and current accounts of the Parent Company	-	764	-	764	-	5 772	-	5 772
Debt securities in issue								
RR bonds issued on domestic market	22 029	-	-	21 698	24 824	-	-	23 925
Subordinated debt								
Perpetual subordinated bonds	21 605	-	-	20 412	22 174	-	-	20 755
Other financial liabilities								
Settlement of operations with plastic cards	-	19 104	-	19 104	-	23 084	-	23 084
Trade payables	-	8 759	-	8 759	-	6 636	-	6 636
Credit related commitments	-	-	-	3 040	-	-	-	3 562
Other	-	896	-	897	-	1 306	-	1 306
Total financial liabilities carried at amortised cost	43 634	766 006	-	807 947	46 998	682 160	-	727 724

20 Fair Value of Financial Instruments (Continued)**(b) Assets and liabilities not measured at fair value but for which fair value is disclosed (continued)**

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. Where quoted market prices were not available, the Group used valuation techniques. 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 discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

As at 30 June 2021 and 31 December 2020, fair value of credit related commitments is estimated to be approximately equal to zero since they are at market rates. The fair value of the debt securities in issue and subordinated debt has been calculated based on quoted prices from the Moscow Exchange MICEX-RTS and Global Exchange Market, where the Bank's debt securities are listed and traded.

Weighted average discount rates depend on the instrument's currency and are allocated as follows:

<i>In % p.a.</i>	30 June 2021 (unaudited)	31 December 2020
Assets		
Cash and cash equivalents	0.0	0.0
Investments in debt securities	5.3	5.5
Repurchase receivables	6.4	5.1
Loans and advances to customers	29.0	33.0
Brokerage receivables	14.9	15.4
Liabilities		
Due to banks	4.7	4.4
Customer accounts	2.0	2.0
Debt securities in issue	7.7	6.1
Brokerage payables	15.0	15.6
Subordinated debt	4.6	5.3

21 Related Party Transactions

Parties are generally considered to be related if the parties are under common control, or one party has the ability to control the other party or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. Other related parties (excluding associates and joint ventures) in the tables below are represented by entities which are under the control of Oleg Tinkov. The outstanding balances with related parties were as follows:

<i>In millions of RR</i>	30 June 2021 (unaudited)			31 December 2020		
	Parent Company	Key management personnel	Other related parties	Parent Company	Key management personnel	Other related parties
Assets						
Investments in equity securities	-	-	-	-	-	592
Gross amounts of loans and advances to customers (contractual interest rate: 4.0% - 15.0% p.a. (31 December 2020: 5.5% - 21.7% p.a.))	-	357	20 817	-	422	14 253
Assets held for sale	-	-	1 214	-	-	-
Other financial assets	-	-	65	-	-	77
Other non-financial assets	-	-	1	-	-	4
Total assets	-	357	22 097	-	422	14 926

21 Related Party Transactions (Continued)

<i>In millions of RR</i>	30 June 2021 (unaudited)			31 December 2020		
	Parent Company	Key management personnel	Other related parties	Parent Company	Key management personnel	Other related parties
Liabilities						
Customer accounts (contractual interest rate: 0.3-5.7% p.a. (31 December 2020: 0.01-4.5% p.a.))	764	1 171	12 426	5 772	1 221	4 035
Other financial liabilities	-	-	1 470	-	-	1 124
Other non-financial liabilities	-	579	-	-	-	-
Total liabilities	764	1 750	13 896	5 772	1 221	5 159
Equity						
Long-term benefits:						
- Management long-term incentive programme	-	3 113	-	-	1 378	-
Total equity	-	3 113	-	-	1 378	-

Outstanding credit related commitments are as follows:

<i>In millions of RR</i>	30 June 2021 (unaudited)			31 December 2020		
	Parent Company	Key management personnel	Other related parties	Parent Company	Key management personnel	Other related parties
Unused credit limits	-	-	887	-	-	555
Performance guarantees	-	-	290	-	-	403

The income and expense items with related parties were as follows:

<i>In millions of RR</i>	Unaudited											
	Six months ended 30 June 2021			Three months ended 30 June 2021			Six months ended 30 June 2020			Three months ended 30 June 2020		
	Parent Company	Key management personnel	Other related parties	Parent Company	Key management personnel	Other related parties	Parent Company	Key management personnel	Other related parties	Parent Company	Key management personnel	Other related parties
Interest income calculated using the effective interest rate method	-	11	730	-	5	458	-	12	327	-	11	178
Interest expense on assets calculated using the effective interest rate method	(72)	(22)	(74)	(13)	(13)	(50)	(40)	(22)	(34)	(3)	(11)	(15)
Credit loss allowance for loans and advances to customers	-	-	(449)	-	-	(389)	-	-	(258)	-	-	(12)
Fee and commission income	-	-	151	-	-	107	-	-	66	-	-	42
Fee and commission expense	-	-	(25)	-	-	(14)	-	-	(16)	-	-	(9)
Customer acquisition expense	-	-	(202)	-	-	(160)	-	-	(141)	-	-	(112)
Agency commissions from insurance operations	-	-	83	-	-	42	-	-	105	-	-	55
Foreign exchange translation net (losses)/ gains	(131)	-	179	3	-	691	(626)	-	(29)	163	-	-
Net gains/ (losses) from operations with foreign currencies	47	-	-	3	-	-	21	-	-	2	-	-
Administrative and other operating expenses	-	(3 089)	-	-	(1 191)	-	-	(885)	-	-	(435)	-
Other operating income	-	-	32	-	-	15	32	-	360	32	-	313

21 Related Party Transactions (Continued)

Key management compensation is presented below:

<i>In millions of RR</i>	Unaudited			
	Six months ended 30 June 2021	Three months ended 30 June 2021	Six months ended 30 June 2020	Three months ended 30 June 2020
Short-term benefits:				
- Salaries	574	286	449	221
- Short-term bonuses	525	260	293	147
Long-term benefits:				
- Management long-term incentive programme	1 965	628	135	59
- Key employees retention plan	25	17	8	8
Total	3 089	1 191	885	435

Key employees retention plan (KERP). On 14 April 2020 the Group launched a new long-term incentive programme for more than 250 senior and middle management level employees. The purpose of the programme is to retain and motivate key employees with high potential. This is a performance-based cash-settled programme linked to the market price of GDRs. On 15 April 2021 the Group provided a new grant within KERP for over 400 employees at senior and middle management level. The expenses related to those participants who are considered to be key management personnel are disclosed in the table above.

Management long-term incentive programme (MLTIP). On 31 March 2016, the Parent Company introduced MLTIP as a long-term incentive tool for the management of the Group. Total number of GDRs attributable to the management under this programme is 15 440 thousand as at 30 June 2021 (31 December 2020: 15 290 thousand).

Participants of the programme receive the vested parts of their grants provided that they remain employed by the Group throughout the vesting period. Participants are entitled to the dividends, if any. Participants who leave the Group lose their right for the unvested parts of the grants.

The fair value of the awards as at grant dates is determined on the basis of market quotes of GDRs as at those dates.

Each grant before 2020 is divided into 4 equal awards. Each award vests over 4 years in equal tranches. The delivery dates as of which the GDRs are allowed to be sold by the participants correspond to the vesting dates 31 March, as well as each subsequent 31 March (with the exception of 2019 when the vesting date for all participants was 31 January 2019) until 2022 for participants joining in 2016, until 2023 for participants joining in 2017, until 2024 for participants joining in 2018, until 2025 for participants joining in 2019.

Each grant provided in 2020 and 2021 is divided into 5 equal tranches. The delivery dates as of which the GDRs are allowed to be sold by the participants correspond to the vesting dates 31 August, as well as each subsequent 31 August until 2025 for participants joining in 2020, and until 2026 for participants joining in 2021.

The following table discloses the changes in the numbers of GDRs attributable to the MLTIP between the programme commencement date and the end of the reporting period:

<i>In thousands</i>	Number of GDRs attributable to MLTIP
31 December 2019	3 782
Granted	5 350
Vested	(1 810)
Forfeited	(46)
31 December 2020	7 276
Granted	150
Vested	(1 226)
Forfeited	(6)
30 June 2021 (unaudited)	6 194

22 Events after the End of the Reporting Period

On 5-6 July 2021, the Group completed securitisation of mortgage loans placed by TB-1 mortgage agent. This placement includes class A and B bonds secured by the mortgage loan portfolio. Class A bonds for a total of RR 5.6 billion were placed with private and institutional investors at a coupon of 7.9%. Class B bonds were repurchased by the Bank.

23 Significant Accounting Policies

Basis of preparation. This consolidated condensed interim financial information has been prepared in accordance with IAS 34 “Interim Financial Reporting” and should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2020, which have been prepared in accordance with International Financial Reporting Standards (IFRS).

Except as described below, the same accounting policies and methods of computation were followed in the preparation of this consolidated condensed interim financial information as compared with the annual consolidated financial statements for the year ended 31 December 2020.

Management has prepared this consolidated condensed interim financial information on a going concern basis.

Cash-settled share-based compensation. The expense is recognised gradually over the vesting period and is measured at the fair value of the liability at each end of the reporting period. The fair value of the liability reflects all vesting conditions, except for the requirement for the employee to stay in service which is reflected through the amortisation schedule.

The liability is measured, initially and at the end of each reporting period until settled, at fair value, taking into account the terms and conditions on which the instruments were granted and the extent to which the employees have rendered service to date.

Interim period tax measurement. Interim period income tax expense is accrued using the effective tax rate that would be applicable to expected total annual earnings, that is, the estimated weighted average annual effective income tax rate applied to the pre-tax income for the interim period.

Seasonality. Management does not consider that the Group’s business exhibits material differences due to seasonality.

Foreign currency translation

At 30 June 2021 the rate of exchange used for translating foreign currency balances was USD 1 = RR 72.3723 (31 December 2020: USD 1 = RR 73.8757), and the average rate of exchange was USD 1 = RR 74.2781 for the six months ended 30 June 2021 and USD 1 = RR 74.2155 for the three months ended 30 June 2021 (six months ended 30 June 2020: USD 1 = RR 69.3714, three months ended 30 June 2020: USD 1 = 72.3611).

Changes in presentation. In 2020, because of significant growth in the brokerage operations and the related balances and volumes of transactions, the Group made a detailed review of the relevant accounting policies to achieve more relevant and reliable presentation. As a result, the Group reclassified brokerage receivables and brokerage payables from cash and cash equivalents and due to banks, respectively, into separate line items in the consolidated condensed interim statement of financial position. Also, the Group identified that certain portion of brokerage fee and commission income related to margin trading of the Group’s clients has more characteristics of being interest income rather than fee and commission income. Hence the Group made relevant reclassification from fee and commission income into interest income in the consolidated condensed interim statement of profit or loss. Similar reclassifications were made in the consolidated condensed interim statement of cash flows.

Management considers that the above reclassifications will result in a more reliable and relevant presentation of the financial information which is more consistent with the market practice of many other banks.

23 Significant Accounting Policies (Continued)

In September 2020 as a result of a detailed review of the marketing agreements with the payment systems the Group changed its accounting policy in relation to income received under these agreements by reclassifying it from Other operating income to reduce the Payment System fees accounted for in Interest income and Fee and commission expenses in the consolidated condensed interim statement of profit or loss. Part of the net payment system fees which relates to the borrowers' transactions is included in the effective interest income on the loans. Another part which relates to the customers' transactions was reclassified to Fee and commission expenses and presented on a net basis within the payment systems. Management considers that this reclassification results in a more reliable and relevant presentation of the substance of these agreements since such income from payment systems primarily represents volume rebates, hence it could be offset against related expenses.

In December 2020, given the increase in the related amounts the Group refined its accounting policy in relation to recoveries received in excess of gross carrying amount of purchased loans and reclassified them from Other operating income line to Credit loss allowance for loans and advances to customers and credit related commitments line of the consolidated condensed interim statement of profit or loss.

In March 2021, the Group refined its presentation of non-recoverable VAT expenses by including them into the expense items which triggered such VAT expenses. The management considers that such refined presentation results in more relevant presentation of substance of those non-recoverable VAT expenses. As a result, the comparative information was amended accordingly in the notes to the following line items in the consolidated condensed interim statement of profit or loss: Fee and commission income, Fee and commission expense, Customer acquisition expense and Administrative and other operating expenses (refer to Notes 14, 15 and 16).

The effect of changes described above on the consolidated condensed interim statement of profit or loss for the six and three months ended 30 June 2020 is as follows:

<i>In millions of Russian Roubles</i>	Unaudited		
	As originally presented	Reclassification	As reclassified
Six months ended 30 June 2020			
Interest income calculated using the effective interest rate method	62 324	977	63 301
Credit loss allowance for loans and advances to customers and credit related commitments	(27 965)	590	(27 375)
Fee and commission income	19 092	(594)	18 498
Fee and commission expense	(9 718)	970	(8 748)
Administrative and other operating expenses	(14 650)	279	(14 371)
Other operating income	3 043	(2 222)	821
Three months ended 30 June 2020			
Interest income calculated using the effective interest rate method	31 348	780	32 128
Credit loss allowance for loans and advances to customers and credit related commitments	(12 246)	374	(11 872)
Fee and commission income	9 559	(397)	9 162
Fee and commission expense	(4 875)	1 106	(3 769)
Administrative and other operating expenses	(7 671)	143	(7 528)
Other operating income	2 411	(2 006)	405

The effect of changes described above on the consolidated condensed interim statement of cash flows for the six months ended 30 June 2020 is as follows:

<i>In millions of RR</i>	Unaudited		
	As originally presented	Reclassification	As reclassified
Interest income received calculated using the effective interest rate method	62 023	977	63 000
Fees and commissions received	19 867	655	20 522
Recoveries from the purchased loans received	-	590	590
Other operating income received	4 397	(2 222)	2 175
Net increase in brokerage receivables	-	(11 840)	(11 840)
Net increase in due to banks	7 193	(3 580)	3 613
Net increase in brokerage payables	-	3 925	3 925
Cash and cash equivalents at the beginning of the period	55 984	(2 232)	53 752
Cash and cash equivalents at the end of the period	69 187	(13 727)	55 460

24 Adoption of New or Revised Standards and Interpretations

The following amended standards became effective from 1 January 2020, but did not have any material impact on the Group:

- Interest rate benchmark (IBOR) 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).
- Covid-19-Related Rent Concessions – Amendments to IFRS 16 (issued on 28 May 2020 and effective for annual periods beginning on or after 1 June 2020).

25 New Accounting Pronouncements

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2021, which the Group has not early adopted.

IFRS 17 “Insurance Contracts” (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2023). IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. As a consequence, it was difficult for investors to compare and contrast the financial performance of otherwise similar insurance companies. IFRS 17 is a single principle-based standard to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The standard requires recognition and measurement of groups of insurance contracts at: (i) a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset) (ii) an amount representing the unearned profit in the group of contracts (the contractual service margin). Insurers will be recognising the profit from a group of insurance contracts over the period they provide insurance coverage, and as they are released from risk. If a group of contracts is or becomes loss-making, an entity will be recognising the loss immediately. The Group is currently assessing the impact of IFRS 17 on its consolidated condensed interim financial information.

Amendments to IFRS 17 and an amendment to IFRS 4 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023). The amendments relate to eight areas of IFRS 17, and they are not intended to change the fundamental principles of the standard. The following amendments to IFRS 17 were made: effective date, expected recovery of insurance acquisition cash flows, contractual service margin attributable to investment services, reinsurance contracts held – recovery of losses and other amendments.

Amendments to IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates” (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023).

Amendments to IAS 1 “Presentation of Financial Statements” and IFRS Practice Statement 2: Disclosure of Accounting Policies (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023).

Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12 (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023). The amendments to IAS 12 specify how to account for deferred tax on transactions such as leases and decommissioning obligations.

The following other new pronouncements are not expected to have any material impact on the Group when adopted:

- IFRS 14 “Regulatory deferral accounts” (issued on 30 January 2014 and effective for annual periods beginning on or after 1 January 2016)*.
- Classification of liabilities as current or non-current – Amendments to IAS 1 (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2022)*.
- Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022)*.
- Classification of liabilities as current or non-current, deferral of effective date – Amendments to IAS 1 (issued on 15 July 2020 and effective for annual periods beginning on or after 1 January 2023).
- Covid-19-Related Rent Concessions – Amendments to IFRS 16 (issued on 28 May 2020 and effective for annual periods beginning on or after 1 June 2020).

JSC «Tinkoff Bank»

**International Financial Reporting Standards
Consolidated Financial Statements and
Independent Auditor's Report
31 December 2020**

Independent Auditor's Report

To the Shareholder and the Board of Directors of JSC "Tinkoff Bank"

Report on the Audit of the Consolidated Financial Statements

Our opinion

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

Scope of Audit

We have audited the consolidated financial statements of the Group, including:

- the consolidated statement of financial position as at 31 December 2020;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- notes to the consolidated financial statements, including significant accounting policies and other explanatory information.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibility under those standards are further described in Auditor's responsibilities for the Audit of Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including the International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and ethical requirements of the Auditor's Professional Ethics Code and Auditor's Independence Rules that are relevant to our audit of the consolidated financial statements in the Russian Federation. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our Audit Approach

Overview



- Materiality at the level of the Group's consolidated financial statements in general makes 2,104 million Russian rubles (RR million) that is 5% of the profit before tax.
- We audited one material business component of the Group.
- For non-material business components, we carried out substantive audit procedures where necessary.
- The audit scope covers more than 95% of the Group's revenue and 95% of the absolute value of the Group's profit before tax.
- Credit loss allowance for loans and advances to customers, calculated using the expected credit loss model in line with the requirements of IFRS 9 Financial Instruments.
- Recognition of interest income calculated using the effective interest rate method on loans and advances to customers.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including, among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the consolidated financial statements as a whole.

Materiality at the Level of the Group's Consolidated Financial Statements in General	RR 2,104 million.
How We Determined it	Approximately 5% of profit before tax.
Rationale for the Benchmark Applied to Determine Materiality	We decided to use profit before tax as the benchmark for determining materiality, because we believe that this benchmark is considered most frequently by users to measure the Group's performance and it is a generally accepted benchmark. We set materiality at approximately 5%, which falls within the range of acceptable quantitative materiality thresholds applicable to profit-oriented businesses in this sector.

We agreed with the Audit Committee that we would inform them of misstatements identified in the course of our audit that are more than RR 105 million and of misstatements below that amount which we believe should be reported due to their qualitative characteristics.

Key Audit Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for 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.

Key Audit Matter	How our audit addressed the key audit matter
Credit loss allowance for loans and advances to customers, calculated using the expected credit loss model in line with the requirements of IFRS 9 Financial Instruments.	<p>IFRS 9 is a complex accounting standard for which models have been developed by the Group as a basis to calculate expected credit losses. These calculations involve the application of significant management judgement and estimates.</p> <p>Therefore, we made focus on the expected credit loss models used by the management for the purpose of compliance with IFRS 9. These models are described in more detail in Note 37 "Significant Accounting Policies" and Note 27</p> <p>In relation to the ECL models for measuring credit loss allowance, we assessed the appropriateness of the key assumptions used in the methodologies and models of the Group (including refinements to those made to address changes in the economic environment associated with the COVID-19 pandemic) and their compliance with the requirements of IFRS 9.</p> <p>For a sample of loans, we recalculated their probabilities of default and compared the results with the models' outputs. Additionally, we reviewed the Group's back-testing of probabilities of default estimated on the basis of the models by comparing them to the actual default rates evidenced in the loan portfolios.</p>

Key Audit Matter	How our audit addressed the key audit matter
<p data-bbox="282 323 816 380">“Financial Risk Management” to the consolidated financial statements.</p> <p data-bbox="282 396 816 911">An assessment of the credit loss allowance for loans and advances to customers is performed on a portfolio basis, with the key assumptions being the probability of a balance account falling into arrears and subsequently defaulting (which is impacted by the definitions of significant increase in credit risk and default), the estimated recoveries from defaulted loans, and the remaining lifetime period for revolving credit lines issued. In addition, calculation of the expected credit loss allowance incorporates forward-looking information, that is impacted by different scenarios and adjusts the probability of default. During 2020, the Group refined the methodologies used for calculation of the allowance to address changes in the economic environment associated with the COVID-19 pandemic.</p> <p data-bbox="282 928 816 1157">Note 37 “Significant Accounting Policies”, Note 3 “Critical Accounting Estimates and Judgements in Applying Accounting Policies”, Note 6 “Loans and Advances to Customers” and Note 27 “Financial Risk Management” to the consolidated financial statements provide detailed information on the credit loss allowance for loans and advances to customers.</p>	<p data-bbox="816 323 1409 638">With regard to the controls relating to the credit loss allowance calculation process, we assessed and tested on a sample basis the design and operating effectiveness of the key controls over credit loss allowance data and calculations. These key controls included those over classification of certain loans by loan portfolios, allocation of cash received from customers to respective loans and advances to customers, identification of overdue loans, and initial data transfer from operating systems to the credit loss allowance models.</p> <p data-bbox="816 655 1409 795">In addition, we performed testing, on a sample basis, of the statistical models used to calculate the credit loss allowance and we also tested, on a sample basis, the completeness of restructured credit-impaired loans.</p> <p data-bbox="816 812 1409 1010">This testing approach varied based on portfolio including testing of the coding used in the credit loss allowance models, re-performance of the calculation including re-calculation of the effect of forward-looking information on credit loss allowance, and testing the system generated data used in the models.</p> <p data-bbox="816 1026 1409 1283">We tested a sample of post model accounting adjustments where applicable, including considering the basis for the adjustment, the logic applied, the data and key assumptions used to calculate the adjustment and consistency of their application with prior periods. We verified the reasonableness of management assumptions in the context of the economic environment that is affected by the COVID-19 pandemic.</p> <p data-bbox="816 1299 1409 1440">We assessed the disclosures of credit loss allowance made in the consolidated financial statements against their compliance with the applicable accounting standards and their completeness and accuracy.</p>

Key Audit Matter	How our audit addressed the key audit matter
<p data-bbox="277 321 812 407">Recognition of Interest Income Calculated Using the Effective Interest Rate Method on Loans and Advances to Customers</p> <p data-bbox="277 422 812 737">We focused on this area because calculation of interest income by the effective interest rate method uses, in addition to relevant nominal interest rates, a number of different fee and commission income types received and other costs incurred. Significant management judgements and estimates are involved in determining the expected maturity of loans and advances to customers, and which income and costs are included in interest income and which are included in net fee and commission income.</p> <p data-bbox="277 751 812 898">The Group has a significant amount of information from which to assess trends in payments, repayments of credit products for its history of lending in different economic conditions and cycles.</p> <p data-bbox="277 913 812 1060">This detailed information is used to obtain estimates of its customers' behaviour, including the assumptions around expected maturity of loans, which are then used in the effective interest rate calculation.</p> <p data-bbox="277 1075 812 1354">Note 37 "Significant Accounting Policies", Note 3 "Critical Accounting Estimates and Judgments in Applying Accounting Policies", Note 19 "Net margin" and Note 27 "Financial Risk Management" included in the consolidated financial statements provide detailed information on the interest income calculated using the effective interest rate method and effective interest rates of loans and advances to customers.</p>	<p data-bbox="812 422 1399 827">Our audit procedures in relation to the effective interest rates of loans and advances to customers originated by the Group included testing, on a sample basis, of the operating effectiveness of key controls in relation to the nominal interest income, as well as the fee and commission income and other costs incurred which contribute to interest income calculated using the effective interest rate method. These controls included those over calculation and accrual of the nominal interest income and fee and commission income and other costs that are part of interest income calculated using the effective interest rate method and controls over the data transfer from the operating systems to the accounting system.</p> <p data-bbox="812 842 1399 1184">We analysed the appropriateness and consistency of the methodology and its application across each of the loan portfolios and loan impairment stages within these portfolios and assessed the reasonableness of the key assumptions and estimates used in the calculations, including the fee and commission income and other cost components of the effective interest income rate and expected repayment periods of the loans by considering historic information. We also assessed the mathematical accuracy of the calculations through their random re-performance.</p> <p data-bbox="812 1199 1399 1318">In addition, we performed substantive analytical procedures to assess the reasonableness of the interest income calculated using the effective interest rate method recognised by the Group.</p>

How We Tailored Our Group Audit Scope

JSC «Tinkoff Bank» is the parent company of the group of companies. The financial information of this group of companies is included in the consolidated financial statements of JSC «Tinkoff Bank».

We tailored the scope of our audit to ensure that we perform sufficient work to express our opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, accounting processes and controls used by the Group, and the industry in which the Group operates.

The Group has one primary business component, being banking that the Group carries out in the Russian Federation. This component includes two reporting units that are JSC «Tinkoff Bank» and LLC «Phoenix». Full scope audit procedures were performed in respect of that primary business component.

Other reporting units, such as TCS Finance D.A.C., LLC «Tinkoff Software DC», ANO «Tinkoff Education» and LLC «Tinkoff Capital», are not considered to be primary business components for audit purposes. Where necessary, additional substantive audit procedures were carried out across these non-primary business components at the financial statement item level in order to achieve the desired level of audit evidence. The consolidated financial statements are a consolidation of all of the above reporting units.

The audit scope covers more than 95% of the Group's revenue and 95% of the absolute value of the Group's profit before tax. The Group's revenue consists of interest income calculated using the effective interest method, other similar income, fee and commission income, insurance premiums earned and other income from operating activities.

Other Information

Management is responsible for the other information. The other information comprises the annual report and the quarterly Issuer's Report for the 1st quarter of 2021 (but does not include the consolidated financial statements and our auditor's report thereon), which are expected to be made available to us after the date of this auditor's report.

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

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

When we read the other information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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 statement 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 ability of the Group 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 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.

Auditor's Responsibilities for the Audit of Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA 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 judgement 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 ability of the Group to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, 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 auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Report on examination in accordance with Article No.42 of Federal Law of 2 December 1990 No.395-1 "On Banks and Banking Activity"

Management of the Bank is responsible for compliance of the Group with the statutory ratios set by the Bank of Russia and for compliance of internal control and organisation of risk management systems of the Group with the Bank of Russia's requirements for such systems.

In accordance with Article No.42 of Federal Law of 2 December 1990 No.395-1 "On Banks and Banking Activity" we have examined the following during the audit of the consolidated financial statements of the Group for the year ended 31 December 2020:

- compliance of the Group as at 1 January 2021 with the statutory ratios set by the Bank of Russia; and
- compliance of internal control and organisation of risk management systems of the Group with the requirements set by the Bank of Russia for such systems.

Our examination was limited to procedures selected based on our judgement such as inquiries, analysis and examination of documents, comparison of requirements, procedures and methodologies adopted by the Bank with the Bank of Russia's requirements, as well as recalculation, comparison and reconciliation of figures and other information.

We have identified the following based on our examination:

- 1) as related to compliance of the Group with the statutory ratios set by the Bank of Russia: As at 1 January 2021 the Group statutory ratios were within the limits set by the Bank of Russia. We draw your attention to the fact that we have not performed any procedures related to the underlying accounting data of the Group other than the procedures we considered necessary to express our opinion on whether or not the consolidated financial statements of the Group 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 IFRS.
- 2) as related to compliance of internal control and organisation of risk management systems of the Group with the Bank of Russia's requirements for such systems:
 - a) in accordance with the requirements and recommendations of the Bank of Russia, as at 01 January 2021, the Bank's departments managing the Group significant risks were not subordinated and accountable to the departments taking the relevant risks;
 - b) internal documents of the Bank effective as at 1 January 2021 which set out the methodologies to identify and manage significant credit, operational, market and liquidity risks of the Group, and the methodologies to carry out stress testing are duly approved by appropriate management bodies of the Bank in accordance with the Bank of Russia's requirements and recommendations;
 - c) as at 1 January 2021 the Bank had in place a reporting system for significant credit, operational, market and liquidity risks, and for equity (capital) of the Group;
 - d) the frequency and consistency of reports prepared by risk management subdivisions of the Bank and its internal audit function during 2020 as related to management of credit, operational, market and liquidity risks of the Group complied with internal documents of the Bank; those reports included observations made by risk management subdivisions of the Bank and its internal audit function as related to the assessment of the effectiveness of the respective methodologies of the Bank as well as recommendations on their improvement;

- e) as at 01 January 2021, the authority of the Bank's Board of Directors and its executive bodies included control over compliance by the Group with the risk and equity (capital) adequacy limits set by internal documents of the Bank. To exercise control over the effectiveness of the risk management procedures applied in the Group and their consistent application in 2020, the Bank's Board of Directors and its executive bodies regularly discussed the reports prepared by risk management subdivisions of the Bank and its internal audit function and considered proposed measures to eliminate weaknesses.

We have performed the above procedures related to internal control and organisation of risk management systems of the Group solely to examine compliance of internal control and organisation of risk management systems of the Group with the Bank of Russia's requirements for such systems.

The certified auditor responsible for the audit resulting in this independent auditor's report is Alexey Lovchikov.

/Signature/

07 April 2021
Moscow, Russian Federation

/Signature/

[Seal: Joint-Stock Company * OGRN (Primary State Registration Number) 1027700148431 * MOSCOW
* PricewaterhouseCoopers Audit * pws]

A. A. Lovchikov, Manager of the assignment (Qualification Certificate No. 01-001308),
PricewaterhouseCoopers Audit Joint-Stock Company

Audited entity: JSC "Tinkoff Bank"

Registered by the Central Bank of the Russian Federation Number 2673

Record made in the Unified State Register of Legal Entities on
28 November 2002 under State Registration Number 1027739642281

Taxpayer identification number: 7710140679

127287, Russian Federation, Moscow, 2-nd Khutorskaya Street, 38A,
building 26

Independent Auditor:

PricewaterhouseCoopers Audit Joint-Stock Company

Registered by the Government Agency Moscow Registration Chamber on
28 February 1992 under number 008.890

Record made in the Unified State Register of Legal Entities on
22 August 2002 under State Registration Number 1027700148431

Taxpayer Identification Number: 7705051102

Member of Self-Regulatory organization of auditors Association
"Sodruzhestvo"

Principal Registration Number of the Record in the Register of Auditors and
Audit Organizations - 12006020338

JSC «Tinkoff Bank»
Consolidated Statement of Financial Position

<i>(In millions of RR)</i>	Note	31 December 2020	31 December 2019
ASSETS			
Cash and cash equivalents	5	134,933	53,752
Mandatory cash balances with the CBRF		5,379	3,448
Due from other banks		-	250
Loans and advances to customers	6	372,227	328,301
Financial derivatives	32	5,028	390
Investments in securities	7	232,649	132,355
Repurchase receivables	7	29	-
Investment in equity securities	8	592	385
Guarantee deposits with payment systems	9	15,475	8,877
Brokerage receivables	10	24,064	2,799
Current income tax assets		3,073	723
Deferred income tax assets	24	931	1,606
Tangible fixed assets and right-of-use assets	11	10,357	10,424
Intangible assets	11	6,194	4,532
Other financial assets	12	30,033	20,254
Other non-financial assets	12	3,753	2,071
TOTAL ASSETS		844,717	570,167
LIABILITIES			
Due to banks	13	4,819	23
Customer accounts	14	634,431	420,081
Debt securities in issue	15	23,925	23,618
Financial derivatives	32	109	590
Brokerage payables	10	9,206	1,207
Deferred tax liability	24	-	9
Subordinated debt	16	20,755	18,487
Other financial liabilities	17	34,588	14,515
Other non-financial liabilities	17	5,697	4,056
TOTAL LIABILITIES		733,530	482,586
EQUITY			
Share capital	18	6,816	6,816
Share-based payment reserve	35	1,548	1,039
Retained earnings		97,467	72,673
Revaluation reserve for investments in debt securities		2,157	4,214
Equity attributable to the shareholder of the Bank		107,988	84,742
Non-controlling interest		3,199	2,839
TOTAL EQUITY		111,187	87,581
TOTAL LIABILITIES AND EQUITY		844,717	570,167

Approved for issue and signed on 07 April 2021.

/Signature/
S.V. Bliznyuk
Chairman of the
Management Board
[Official seal: JSC «Tinkoff Bank» * Moscow]

/Signature/
N. V. Izyumova
Chief Accountant

JSC «Tinkoff Bank»
Consolidated Statement of Profit or Loss

<i>(In millions of RR)</i>	Note	2020	2019
Interest income calculated using the effective interest rate method	19	125,498	110,132
Other similar income	19	64	90
Interest expense calculated using the effective interest rate method	19	(21,672)	(21,511)
Other similar expense	19	(133)	(129)
Expenses on deposit insurance	19	(1,745)	(1,870)
Net margin	19	102,012	86,712
Credit loss allowance for loans and advances to customers and credit related commitments	6	(38,867)	(27,150)
Credit loss allowance (charge)/reversal for debt securities at FVOCI	7	(356)	143
Total credit loss allowance for debt financial instruments		(39,223)	(27,007)
Net margin after credit loss allowance		62,789	59,705
Fee and commission income	20	44,966	34,542
Fee and commission expense	20	(20,369)	(14,098)
Customer acquisition expense	21	(21,116)	(16,535)
Net gains/(losses) from derivatives revaluation		4,166	(1,885)
Net (losses)/gains from foreign exchange translation		(7,210)	1,758
Net gains/(losses) from operations with foreign currencies		1,641	(1,079)
Net gains from disposals of debt securities at FVOCI		7,223	301
Net gains from financial assets at FVTPL		82	359
Insurance premiums earned		269	317
Administrative and other operating expenses	22	(32,112)	(25,562)
Net gains from repurchase of subordinated debt		168	-
Other operating income	23	1,591	847
Profit before tax		42,088	38,670
Income tax expense	24	(8,098)	(7,677)
PROFIT FOR THE YEAR		33,990	30,993
Profit is attributable to:			
- Shareholder of the Bank		32,209	29,690
- Non-controlling interest		1,781	1,303

JSC «Tinkoff Bank»
Consolidated Statement of Other Comprehensive Income

<i>(In millions of RR)</i>	2020	2019
Profit for the year	33,990	30,993
Other comprehensive income/(loss)		
<i>Items that may be reclassified to profit or loss</i>		
Debt securities at FVOCI net of tax:		
- Net gains arising during the year, net of tax	3,514	5,322
- Net gains reclassified to profit or loss upon disposal, net of tax	(5,778)	(241)
<i>Items that will not be reclassified to profit or loss</i>		
- Net gains of investments in equity securities at FVOCI, net of tax	207	105
Other comprehensive (loss)/income for the year, net of tax	(2,057)	5,186
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	31,933	36,179
Total comprehensive income is attributable to:		
- Shareholder of the Bank	30,152	34,876
- Non-controlling interest	1,781	1,303

JSC «Tinkoff Bank»
Consolidated Statement of Changes in Equity

	Note	Attributable to the Bank's shareholder					Non-controlling interest	Total equity
		Share capital	Share-based payment reserve	Revaluation reserve for investments in debt securities	Retained earnings	Total		
(In millions of RUB)								
Balance at 01 January 2019		6,816	1,232	(972)	55,018	62,094	1,520	63,614
Profit for the year		-	-	-	29,690	29,690	1,303	30,993
Other comprehensive income:								
- Investments in debt securities at FVOCI and Repurchase receivables		-	-	5,081	-	5,081	-	5,081
- Investments in equity securities		-	-	105	-	105	-	105
Total comprehensive income for the year		-	-	5,186	29,690	34,876	1,303	36,179
Share-based payment reserve	35	-	(193)	-	662	469	-	469
Dividends	25	-	-	-	(12,697)	(12,697)	-	(12,697)
Acquisition of non-controlling interest in subsidiaries		-	-	-	-	-	16	16
Balance at 31 December 2019		6,816	1,039	4,214	72,673	84,742	2,839	87,581
Profit for the year		-	-	-	32,209	32,209	1,781	33,990
Other comprehensive (loss)/income:								
- Investments in debt securities at FVOCI and Repurchase receivables		-	-	(2,264)	-	(2,264)	-	(2,264)
- Investments in equity securities		-	-	207	-	207	-	207
Total comprehensive (loss)/income for the year		-	-	(2,057)	32,209	30,152	1,781	31,933
Share-based payment reserve	35	-	509	-	583	1,092	-	1,092
Dividends	25	-	-	-	(7,998)	(7,998)	(1,421)	(9,419)
Balance at 31 December 2020		6,816	1,548	2,157	97,467	107,988	3,199	111,187

JSC «Tinkoff Bank»
Consolidated Statement of Cash Flows

<i>(In millions of RR)</i>	Note	2020	2019
Cash flows from operating activities			
Interest income received calculated using the effective interest rate method		126,940	106,633
Other similar income received		11	155
Interest expense paid calculated using the effective interest rate method		(22,371)	(21,527)
Recoveries from written-off loans	6	4,063	3,415
Expenses on deposits insurance paid		(1,792)	(1,673)
Fees and commissions received		44,509	34,486
Fees and commissions paid		(21,027)	(14,969)
Customer acquisition expense paid		(20,032)	(18,341)
Gains/(losses) from operations with foreign currencies received/(paid)		876	(1,079)
Losses from operations with derivatives paid		(934)	(647)
Insurance premiums received		251	303
Recoveries from the purchased loans received		1,750	693
Other operating income received		802	936
Administrative and other operating expenses paid		(27,028)	(23,853)
Income tax paid		(9,083)	(10,891)
Cash flows from operating activities before changes in operating assets and liabilities		76,935	53,641
Changes in operating assets and liabilities			
Net increase in CBRF mandatory reserves		(1,931)	(1,013)
Net decrease/(increase) in due from banks		250	(250)
Net increase in loans and advances to customers		(81,939)	(131,510)
Net increase in brokerage receivables		(21,265)	(2,799)
Net (increase)/decrease in debt securities measured at FVTPL		(4,152)	5,470
Net increase in guarantee deposits with payment systems		(4,325)	(4,848)
Net increase in other financial assets		(9,708)	(3,643)
Net (increase)/decrease in other non-financial assets		(1,038)	19
Net increase/(decrease) in due to banks		4,796	(2,685)
Net increase in customer accounts		202,589	144,806
Net increase in brokerage payables		7,999	1,207
Net increase in other financial liabilities		16,512	1,387
Net cash from operating activities		184,723	59,782
Cash flows (used in)/from investing activities			
Acquisition of tangible fixed assets		(2,044)	(1,773)
Acquisition of intangible assets		(3,465)	(2,327)
Acquisition of investments in securities, repurchase receivables and other investments		(369,906)	(87,275)
Proceeds from sale and redemption of investments in securities		281,480	50,587
Net cash used in investing activities		(93,935)	(40,788)
Cash used in financial activities			
Proceeds from subordinated debt	26	710	46
Proceeds from debt securities in issue	26	331	20,727
Dividends paid	25	(9,419)	(12,697)
Repayment of subordinated debt	26	(1,937)	-
Repayment of principal of lease liabilities	26	(725)	(884)
Repayment of debt securities in issue	26	-	(3,165)
Other financing activities cash flows		-	16
Net cash (used in)/from financing activities		(11,040)	4,043
Effect of exchange rate changes on cash and cash equivalents		1,433	(1,172)
Net increase in cash and cash equivalents		81,181	21,865
Cash and cash equivalents at the beginning of the year	5	53,752	31,887
Cash and cash equivalents at the end of the year	5	134,933	53,752

1 Introduction

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2020 for JSC «Tinkoff Bank» (the Bank), its dedicated financial institution TCS Finance D.A.C., LLC «Phoenix», LLC «Tinkoff Software DC», ANO «Tinkoff Education», and LLC «Tinkoff Capital» (together - the Group).

The Bank is registered and has its legal address in the territory of the Russian Federation. The Bank is a joint stock company whose shareholders' liability is limited by the number of shares held by them and was established in accordance with the requirements of the Russian legislation.

100% of the Bank's share capital is held by TCS Group Holding PLC (the Parent Company) incorporated under the laws of Cyprus.

On 07 January 2021, all class B shares of the Parent Company were converted to class A shares and, on the same date, all issued shares were reclassified and re-designated as ordinary shares. As a result of that conversion, Mr. Oleg Tinkoff's voting rights in the Group decreased from 84.38% to 35.08%, his control over the Group was ceased, and the Parent Company became the controlling shareholder.

The Bank holds 51% of the shares in LLC «Phoenix». LLC «Phoenix» is a debt collection agency.

TCS Finance D.A.C. is a structured entity which issued debt securities including subordinated perpetual bonds for the Group. The Group neither owns shares nor has voting rights in this company. However, this entity was consolidated as it was specifically set up for the purposes of the Group, and the Group has exposure to substantially all risks and rewards through outstanding guarantees of the entity's obligations.

LLC «Tinkoff Software DC» provides software development services.

ANO «Tinkoff Education» is a non-commercial organization set up by the Bank as the sole founder.

LLC «Tinkoff Capital» is an asset management company established in June 2019 to manage investment funds, mutual funds and non-state pension funds.

During 2019, the Bank acquired a 40% interest in LLC «CloudPayments». LLC «CloudPayments» is a developer of online payment solutions whose core business is online merchant acquiring in Russia. The Group classified this investment as an investment in an associate. In January 2020, the Group lost control over LLC «CloudPayments» as a result of sale of a 40% interest therein. The financial result from the sale was recognized in other income from operating activities.

Principal Activity. . The Bank's principal business activities are retail banking to private individuals, individual entrepreneurs' ("IE") and small and medium enterprises' ("SME") accounts and acquiring, brokerage services, within the Russian Federation. The Bank operates under General Banking License No. 2673 issued by the Central Bank of the Russian Federation (the CBRF) on 08 December 2006. That license was reissued on 15 April 2013 due to changes in requirements for certain banking operations. The Bank participates in the state deposit insurance scheme, which was introduced by Federal Law On Insurance of Bank Deposits in the Russian Federation No. 177-FZ dated 23 December 2003. The State Deposit Insurance Agency guarantees repayment of up to RR 1.4 million per individual, individual entrepreneur and small enterprise deposits in case of the withdrawal of a license of a bank or a CBRF-imposed moratorium on payments.

Registered Address and Place of Business. The bank is registered at: bldg. 26, 38A, 2-ya Khutorskaya Street, Moscow, 127287, Russia.

Presentation Currency. These consolidated financial statements are presented in millions of Russian rubles (RR million).

2 Operating Environment of the Group

Russian Federation. The Group's activities are undertaken in the territory of the Russian Federation. There was a number of material changes in the operating and economic environment during 2020, which had an impact on the Group's activities, including the following events:

- in March 2020 the World Health Organization (WHO) announced that the spread of the COVID-19 virus across the globe is a pandemic. Significant restrictions on travel and movement of individuals and the closure of non-essential businesses have either been imposed in most countries or have happened as a result of the pandemic. This has led to significant declines in GDP in most if not all large economically strong countries. Russia has not been immune to the negative personal and economic hardships arising from this virus and from the response to it trying to limit its spread.
- oil prices have decreased significantly due to the significant reduction in oil consumption in the current economic climate but demonstrated stable growth during the second quarter of 2020 and the rest of the year. This in turn has led to significant volatility and depreciation of the Russian Rouble exchange rate against the US dollar and the Euro.
- further, the capital markets (equities and bonds) have seen a substantial volatility in prices in many sectors.

As of the reporting date and subsequently some of the restrictions imposed by government authorities in the Russian Federation due to the COVID-19 pandemic have been lifted and the Group observes that business activity in the Russian Federation is recovering. However, the level of ongoing uncertainty in relation to further negative developments around the COVID-19 pandemic and possible impact on the Group remains high. Hence it is practically impossible to make a comprehensive quantitative assessment with a high degree of certainty of the impact of these changes to the economic environment on the Group's financial position, and in particular in considering credit loss allowances on the loan portfolio which requires to consider the probability of default of most borrowers in the next 12 months and for others over the life of their loan. Some other factors impacting on this are set out below.

The Government of the Russian Federation has implemented various support measures for individuals and corporates impacted by the COVID-19 pandemic including their right in certain circumstances to obtain repayment holidays on their loans for up to 6 months and reduced rates of interest in this period.

The Group has itself implemented several measures to support its clients, especially those who face financial difficulties and a significant decrease of current income due to the situation, including the below:

- proposing internally developed loan restructuring programs as an alternative to the State announced programs which will result in either deferral or decrease in the minimal payments of outstanding loan balance for one or more months;
- broadened cashback offers for debit cards more tailored to customer individual needs and spending behaviour;
- provided several educational resources on its mobile app and website for borrowers to learn how to deal with potential unemployment or income decline, and how to request and obtain the most suitable debt restructuring programme;
- supported its small and medium-sized entities client base during the pandemic by lowering acquiring and account fees, offering payment holidays, helping IE and SME to move online and launching 0% loans to pay salaries in partnership with the Russian Bank for SME support.

According to IFRS 9 "Financial Instruments", the Group uses forecast information in the expected credit loss models, including forecasts of macroeconomic indicators. For the purpose of calculating credit loss allowances as at 31 December 2020, the Group took into account expectations regarding the following macro-factors and allocated higher weight to the pessimistic macroeconomic scenario:

2 Operating Environment of the Group (Continued)

- Russian stock market index MOEX;
- Moscow Prime Offered Rate;
- Debt load of Russian population based on statistics from bureaus of credit history.

In order to reflect appropriately the uncertainty associated with the COVID-19 pandemic the Group has made the following changes to their ECL model:

- the macro-adjustment calculation approach was refined to reflect the most recent impact of economic developments;
- an adjustment to the loss given default was made to address lower expected recoveries during the upcoming quarters;
- higher probabilities of default were applied to the loans which have been restructured.

More detailed information about the changes and their impact on the results of the Group's operations for the year ended 31 December 2020 is disclosed in Note 3.

The management of the Group considers that the Group has demonstrated over the years and during the current COVID-crisis its ability to withstand shocks and retains its positive long-term outlook in particular due to the following advantages of the Group's business model:

- using flexible business structure, the Group swiftly shifted some of its resources from businesses that were needed to run more conservatively to businesses with higher growth prospects;
- the Group has a highly liquid, diversified, foreign exchange hedged, and well-capitalized consolidated statement of financial position;
- the Group's digital model is exactly what is needed in the current environment and this can be seen in the ongoing increased online payment volumes as well as increased take up of its mobile lifestyle app, current accounts, and brokerage business;

The Group regularly stress tests its business to assess the sustainability of its liquidity and capital positions. These tests demonstrate that Group's current levels of capital and liquidity are more than sufficient to absorb potential economic and operational shocks related to a second wave of the COVID-19 pandemic.

3 Critical Accounting Estimates and Judgements in Applying Accounting Policies

The Group makes estimates and assumptions that affect the amounts recognized in the consolidated financial statements and the carrying amounts of assets and liabilities 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, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognized 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 of significant judgement and involves methodology, models, and data inputs.

3 Critical Accounting Estimates and Judgements in Applying Accounting Policies (Continued)

The following components of ECL calculation have a major impact on credit loss allowance: probability of default ("PD") (impacted by definition of default, SICR, forward-looking scenarios and their weights) and loss given default ("LGD"). The Group makes estimates and judgments, which are constantly analyzed based on statistical data, actual and forecast information, as well as management experience, including expectations regarding future events that are considered reasonable in the current circumstances. Refer to Note 27 for information on ECL measurement.

In order to address rising credit risks, the Group adjusted the main approaches to assessing the level of expected credit losses that have the most significant effect on the amounts recognised in the consolidated financial statements:

- the macroeconomic model has become more conservative, based on different scenarios: base, optimistic and pessimistic, and higher weight is assigned to the pessimistic scenario;
- for loans in default the Group has applied increased coefficients of LGD;
- the Group has estimated the volume of loans to individuals which were restructured despite no evidence of any SICR, as of the reporting date and applied higher PDs to such loans for the purposes of estimation of expected credit losses;

The impact of the changed macroeconomic conditions assessed using the approaches described above was approximately RR 5.6 billion of additional credit loss allowance charge in the first half of 2020 and was the main driver of increased cost of risk. This additional credit loss allowance was charged at the end of the first quarter of 2020 in the early days of the pandemic. Despite most problems arising from such loans have rolled into the general ECL model, and also most loans that were restructured in early 2020 as a result of the government of the Russian Federation and the bank's response to the pandemic have subsequently been repaid and/or normalised, but given the unpredictability of current economic environment and uncertainty regarding its development the Group made a decision to keep the macro-adjustment at this level at 31 December 2020.

In the second quarter of 2020 for the purposes of LGD estimation the Group has refined the approach to calculation of the rate used for discounting expected cash flows from defaulted loans. The refined approach is that the Group uses more disaggregated and specific discount rates for each credit product in the overall loan portfolio of the Group rather than one generic rate, which makes the estimate more precise. The impact of introducing this change comprised RR 0.9 billion of additional credit loss allowance charge.

In the fourth quarter of 2020 having accumulated additional information the Group has refined its behavioural PD model used for PD estimation for credit card loans. Also the Group has refined PD models for secured loans and car loans using the most recent statistical data. The impact of introducing these changes comprised RR 0.2 billion of credit loss allowance recovery.

In 2020, the Group has refined its approach to calculation of the impact of modification of original cash flows without derecognition on stage 3 loans credit loss allowance and gross carrying amount (refer to Note 6). In particular, the Group refined the approach to estimation of timing of receipt of expected cash flows and related discounting effect. This refinement has not affected either amounts recognised in the consolidated statement of profit or loss or the amounts recognised in consolidated statement of financial position.

An increase or decrease in PDs by 2% compared to PDs used in the ECL estimates calculated at 31 December 2020 would result in an increase or decrease in credit loss allowances of RR 5,0 billion (2019: by 1% RR 2.1 billion).

3 Critical Accounting Estimates and Judgements in Applying Accounting Policies (Continued)

An increase or decrease in LGDs by 2% compared to LGDs used in the ECL estimates calculated at 31 December 2020 would result in an increase or decrease in credit loss allowances of RR 1,5 billion (2019: by 1% RR 0.5 billion).

Credit Exposure on Revolving Credit Facilities. For credit card loans, the Group's exposure to credit losses extends beyond the maximum contractual period of the facility. For such facilities the Group measures ECLs over the period that the Group is exposed to credit risk and ECLs are not mitigated by credit risk management actions. Application of this approach requires judgement: determining a period for measuring ECLs – the Group considers historical information and experience about: (a) the length of time for related defaults to occur on similar financial instruments following a SICR and (b) the credit risk management actions that the Group expects to take once the credit risk has increased (e.g. the reduction or removal of undrawn limits).

For details of the period over which the Group is exposed to credit risk on revolving facilities and which is used as an approximation of lifetime period for ECL calculation for stage 2 and stage 3 loans and advances to customers, refer to Note 27.

Perpetual Subordinated Bonds. A perpetual subordinated bond issue in June 2017 was initially recognised in the amount of USD 295.8 million (RR 16.9 billion) represented by the funds received from investors less issuance costs. Subsequent measurement of the carrying amount of this instrument is consistent with the accounting policy for debt securities in issue. Interest expense on the instrument is calculated using the effective interest rate method and recognised in profit or loss for the year.

In the event the accrued interest is paid, the payment decreases the balance of the liability. A cancellation of accrued interest for a given period results in its conversion, at the Group's option, into equity and therefore the respective amount of the liability is reclassified to equity. Foreign exchange translation gains and losses on the bond are recognised in profit or loss for the period. The Group has taken into consideration that there are contingent settlement provisions that could genuinely arise and as such has classified the perpetual subordinated bond instrument in its entirety as a liability rather than equity. Application of this approach requires judgement: if the Group had recognized this instrument as equity, then interest expense would only have been recognized when it was paid and treated as a distribution from equity rather than an expense in profit or loss.

The Group from time to time invests in perpetual subordinated bonds issued by third parties. Due to the fact that there are contractual provisions under which the instrument is settled in cases not limited to the liquidation of the issuer, the Group has classified perpetual subordinated bonds as debt instruments, but not as equity instruments.

The investments in these instruments are classified as debt investment securities measured at FVTPL since the analysis of the contractual cash flow characteristics resulted in acquired perpetual bonds not passing SPPI test. If the Group had recognized this instrument as equity instrument, then it could have been measured at FVTPL or FVOCI as the Group does not hold it for trading purposes.

Interest Income Recognition. The effective interest method incorporates significant assumptions around expected loan lives as well as judgements of type of fees and costs that are included in interest income within the effective interest method. Refer to Note 37.

Fair Value of Financial Derivatives. Information about the fair value of financial instruments measured on the basis of assumptions using observable market prices is disclosed in Note 33.

Tax Legislation. Russian tax, currency and customs legislation are subject to varying interpretations. Refer to Note 29.

4 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 Group. The functions of CODM are performed by the Management of the Bank.

(a) Description of Products and Services from which each Reportable Segment Derives its Revenue

Since the business of the Group is expanding certain operating segments became significant enough to be considered as separate reportable segments. This triggered changes in the number and composition of segments to be presented. Disclosures for comparative periods were amended accordingly. The Group is organised on the basis of five main business segments:

Consumer finance and related party transactions represent retail loans (credit cards, cash loans, consumer loans, car loans, secured loans), deposits and savings, also lifestyle (booking cinema, theatre, concert tickets, etc.) and travel services to individuals, and related party transactions.

Retail debit cards - representing customer current accounts services to individuals with the loyalty programmes, co-branded offers, and also lifestyles and travel services to individuals. Assets of the segment are represented by placements of the funds attracted in investments in securities, treasury transactions, other financial and non-financial assets.

IE and SME services – representing customer current accounts, savings, deposits services and loans to individual entrepreneurs and small to medium businesses. Assets of the segment are represented by placements of the funds attracted into investments in securities, treasury transactions, other financial and non-financial assets.

Acquiring and payments provide merchants and businesses with the ability to process payments online using Internet and offline acquiring services, through direct-to-merchant agreements and aggregators.

InvestTech - representing online brokerage platform for investing in a range of securities including Russian and international securities (ETFs, stocks, bonds, etc.).

The Group's principal activities are mainly undertaken within the Russian Federation.

Given the retail nature of business of the segments, the Group does not have any significant revenue stream from any single customer.

(b) Factors that the Management Used to Identify the Reportable Segments

The Group's segments are strategic business units that focus on different services to the customers of the Group. Their performance is analysed separately by the CODM and they are managed separately because each business unit requires different marketing strategies and represents different types of businesses.

(c) Measurement of Operating Segment Profit or Loss, Assets and Liabilities

The CODM reviews financial information prepared based on International financial reporting standards adjusted to meet the requirements of internal reporting. The CODM evaluates performance of each segment based on profit before tax.

4 Segment Analysis (Continued)

(d) Information about Reportable Segment Profit or Loss, Assets and Liabilities

Segment reporting of the Group's assets and liabilities as at 31 December 2020 is set out below:

<i>(In millions of R\$)</i>	Consumer finance and related party transactions	Retail Debit Cards	IE and SME Services	Acquiring and Payments	Invest-Tech	Total
Reportable segment assets	454,535	245,838	55,517	15,115	73,712	844,717
Reportable segment liabilities	212,561	345,585	91,412	544	83,428	733,530

Segment reporting of the Group's assets and liabilities as at 31 December 2019 is set out below:

<i>(In millions of R\$)</i>	Consumer finance and related party transactions	Retail Debit Cards	IE and SME Services	Acquiring and Payments	Invest-Tech	Total
Reportable segment assets	384,716	135,764	36,566	8,455	4,666	570,167
Reportable segment liabilities	200,559	205,840	62,054	508	13,625	482,586

All jointly used assets, such as fixed assets, rights of use assets and intangible assets were allocated on the basis of detailed analysis of usage of those assets by segments.

The total amounts for assets and liabilities lines of the reportable segments are fully the same as the respective items of the consolidated statement of financial position, as the same accounting policies are applied for the purposes of segment analysis as for the specified statements, and there are no intersegment balances as at 31 December 2020 and 2019.

4 Segment Analysis (Continued)

(d) Information about Reportable Segment Profit or Loss, Assets and Liabilities (Continued)

Segment reporting of the Group's income and expenses for the year ended 31 December 2020 is set out in the table below:

<i>(In millions of R\$)</i>	Consumer finance and related party transactions	Retail Debit Cards	IE and SME Services	Acquiring and Payments	Invest- Tech	Elimina- tions	Total
External revenues:	111,327	9,073	2,358	-	2,804	-	125,562
Interest income calculated using the effective interest rate method							
Fee and commission income							
- Fee and commission income on cards' and current accounts' services	2,738	11,154	9,147	-	261	-	23,300
- Fee for selling credit protection	4,572	-	-	-	-	-	4,572
- Acquiring commission	-	-	-	10,078	-	-	10,078
- Brokerage operations	-	-	-	-	4,998	-	4,998
- Other fees receivable	1,036	982	-	-	-	-	2,018
Timing of fee and commission income recognition:							
- At point in time	6,141	10,396	5,346	10,078	4,927	-	36,888
- Over time	2,205	1,740	3,801	-	332	-	8,078
Total fee and commission income	8,346	12,136	9,147	10,078	5,259	-	44,966
Insurance premiums earned	269	-	-	-	-	-	269
Other operating income	1,591	-	-	-	-	-	1,591
Total external revenues	121,533	21,209	11,505	10,078	8,063	-	172,388
Revenues from other segments:							
Interest income	-	2,737	1,244	-	-	(3,981)	-
Total revenues from other segments	-	2,737	1,244	-	-	(3,981)	-
TOTAL REVENUES	121,533	23,946	12,749	10,078	8,063	(3,981)	172,388
Interest expense	(16,994)	(9,322)	(1,215)	-	-	3,981	(23,550)
Credit loss allowance charge	(38,125)	(372)	(726)	-	-	-	(39,223)
Fee and commission expense	(1,841)	(9,266)	(803)	(6,968)	(1,491)	-	(20,369)
Customer acquisition expense	(12,439)	(4,042)	(1,385)	(139)	(3,111)	-	(21,116)
Administrative and other operating expenses	(18,849)	(5,698)	(4,322)	(1,216)	(2,027)	-	(32,112)
Other (losses)/income	(1,210)	5,935	1,345	-	-	-	6,070
SEGMENT RESULT	32,075	1,181	5,643	1,755	1,434	-	42,088

4 Segment Analysis (Continued)

(d) Information about Reportable Segment Profit or Loss, Assets and Liabilities (Continued)

Segment reporting of the Group's income and expenses for the year ended 31 December 2019 is set out in the table below:

<i>(In millions of R\$)</i>	Consumer finance and related party transactions	Retail Debit Cards	IE and SME Services	Acquiring and Payments	Invest- Tech	Elimina- tions	Total
External revenues:							
Interest income	102,382	5,673	1,883	-	284	-	110,222
Fee and commission income							
- Fee and commission income on cards' and current accounts' services	2,680	8,759	7,867	-	33	-	19,339
- Fee for selling credit protection	5,458	-	-	-	-	-	5,458
- Acquiring commission	-	-	-	7,917	-	-	7,917
- Brokerage operations	-	-	-	-	635	-	635
- Other fees receivable	601	592	-	-	-	-	1,193
Timing of fee and commission income recognition:							
- At point in time	6,724	8,122	4,791	7,917	530	-	28,084
- Over time	2,015	1,229	3,076	-	138	-	6,458
Total fee and commission income	8,739	9,351	7,867	7,917	668	-	34,542
Insurance premiums earned	317	-	-	-	-	-	317
Other operating income	778	-	69	-	-	-	847
Total external revenues	112,216	15,024	9,819	7,917	952	-	145,928
Revenues from other segments:							
Interest income	-	3,739	1,327	-	-	(5,066)	-
Total revenues from other segments	-	3,739	1,327	-	-	(5,066)	-
TOTAL REVENUES	112,216	18,763	11,146	7,917	952	(5,066)	145,928
Interest expense	(18,383)	(8,561)	(1,632)	-	-	5,066	(23,510)
Credit loss allowance charge	(27,024)	61	(44)	-	-	-	(27,007)
Fee and commission expense	(2,442)	(4,682)	(729)	(6,079)	(166)	-	(14,098)
Customer acquisition expense	(11,410)	(2,024)	(2,150)	(110)	(841)	-	(16,535)
Administrative and other operating expenses	(16,237)	(4,615)	(3,408)	(587)	(715)	-	(25,562)
Other (losses)/income	(1,236)	581	109	-	-	-	(546)
SEGMENT RESULT	35,484	(477)	3,292	1,141	(770)	-	38,670

4 Segment Analysis (Continued)

Fee and commission income on cards' and current accounts' services include IE and SME services commission, SMS fee, interchange fee, foreign currency exchange transactions fee, fee for money transfers, cash withdrawal fee and replenishment fee.

Interest income and interest expense from other segments amounted to RR 3,981 million for the year ended 31 December 2020 (2019: RR 5,066 million) and are calculated using the transfer pricing curve.

5 Cash and Cash Equivalents

<i>(In millions of RR)</i>	31 December 2020	31 December 2019
Cash on hand	21,069	11,118
Cash balances with the CBRF (other than mandatory reserve deposits)	38,646	16,599
Placements with other banks with original maturities of less than three months:		
- AA- to AA+ rated	6,404	2,302
- A- to A+ rated	619	46
- BBB- to BBB+ rated	1,268	563
- BB- to BB+ rated	17	113
- B- to B+ rated	427	67
Non-bank credit organizations	-	-
- BBB- to BBB+ rated	53,764	20,088
- unrated	12,719	2,856
Total cash and cash equivalents	134,933	53,752

Cash on hand includes cash balances in ATMs and cash balances in transit. Placements with other banks and organizations with original maturities of less than three months include placements under reverse sale and repurchase agreements in the amount of RR 33,210 million as at 31 December 2020 (31 December 2019: RR 18,449 million). The Group has a right to sell or repledge securities received under reverse sale and repurchase agreements.

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

	Cash balances with the CBRF	Placements with other banks and non-bank credit organizations	Total
<i>(In millions of RR)</i>			
Excellent	-	7,027	7,027
Good	38,646	55,045	93,691
Monitor	-	12,956	12,956
Sub-standard	-	190	190
Total cash and cash equivalents, excluding cash on hand	38,646	75,218	113,864

5 Cash and Cash Equivalents (Continued)

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

	Cash balances with the CBRF	Placements with other banks and non-bank credit organizations	Total
<i>(In millions of RR)</i>			
Excellent	-	2,348	2,348
Good	16,599	20,766	37,365
Monitor	-	2,921	2,921
Total cash and cash equivalents, excluding cash on hand	16,599	26,035	42,634

The carrying amount of cash and cash equivalents as at 31 December 2020 and 2019 also represents the Group's maximum exposure to credit risk on these assets. Refer to Note 27 for the description of the Group's credit risk grading system.

For the purpose of ECL measurement, cash and cash equivalents balances are included in Stage 1. The ECL for these balances represents an immaterial amount, therefore the Group did not recognise any credit loss allowance for cash and cash equivalents. Except for reverse sale and repurchase agreements, amounts of cash and cash equivalents are not collateralised. As at 31 December 2020, the fair value of collateral under reverse sale and repurchase agreements was RR 34,527 million (31 December 2019: RR 20,130 million). There is no material impact of collateral on credit loss allowance for cash and cash equivalents. Refer to Note 33 for the disclosure of the fair value of cash and cash equivalents. Interest rate, maturity, and geographical risk concentration analysis of cash and cash equivalents is disclosed in Note 27.

6 Loans and advances to customers

	31 December 2020			31 December 2019		
	Gross carrying amount	Credit loss allowance	Carrying amount	Gross carrying amount	Credit loss allowance	Carrying amount
<i>(In millions of RR)</i>						
Loans to individuals:						
Credit card loans	267,586	(54,242)	213,344	244,937	(44,129)	200,808
Cash loans	68,131	(11,055)	57,076	62,264	(8,028)	54,236
Secured loans	40,232	(1,099)	39,133	29,601	(496)	29,105
Car loans	33,991	(2,144)	31,847	20,156	(913)	19,243
POS loans	17,010	(760)	16,250	19,062	(618)	18,444
Loans to IE and SME	2,899	(749)	2,150	1,013	(113)	900
Corporate loans	14,253	(1,826)	12,427	7,037	(1,472)	5,565
Total loans and advances to customers at AC	444,102	(71,875)	372,227	384,070	(55,769)	328,301

Credit cards are issued to customers for cash withdrawals or payment for goods or services, within the range of limits established by the Group. These limits may be increased or decreased from time-to-time based on management decision. Credit card loans are not collateralized.

6 Loans and Advances to Customers (Continued)

Cash loans represent a product for the borrowers who have a positive credit history and who do not have overdue loans in other banks. Cash loans are loans provided to customers via the Bank's debit cards. These loans are available for withdrawal without commission.

Secured loans represent loans secured with a car or real estate.

POS ("Point of sale") loans represent loans to fund online and offline purchases through internet and offline shops for individual borrowers.

Car loans represent loans for the purchase of a vehicle which is used as collateral under the loan.

Loans to IE and SME represent loans provided by the Bank to individual entrepreneurs and small and medium businesses for the purpose of working capital management.

Corporate loans are loans issued to other subsidiaries of the Parent Company.

The corporate loans are shown below:

<i>(In millions of RR)</i>	Maturity date	Interest rate	31 December 2020	31 December 2019
Credit lines issued to other related parties	From 05 May 2021 to 18 December 2025.	5.5%-8.8%	14,253	7,037
Gross carrying amount			14,253	7,037
Credit loss allowance			(1,826)	(1,472)
Carrying amount			12,427	5,565

Corporate loans are not collateralised and not overdue.

The credit loss allowance for loans and advances to customers recognised in the period is impacted by a variety of factors. The main movements in the tables presented below are described as follows:

- The New Originated or Purchased category represents the gross carrying amounts and the related ECL of purchased loans and loans issued during the reporting period (and withdrawals of limits of new credit card borrowers) as at the end of the reporting period or as at the date of transfer of loan out of Stage 1 (whichever date is earlier);
- Transfer 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. Transfers present the amount of credit loss allowance charged or recovered at the moment of transfer of a loan among the respective stages;
- Changes to ECL measurement model assumptions and estimates represent movements due to changes in PDs, EADs and LGDs models during the period;

6 Loans and Advances to Customers (Continued)

- Movements other than transfers to other stages and new originated or purchased loans represent all other movements of credit loss allowance, in particular, related to changes in gross carrying amounts (including drawdowns, repayments, and accrued interest), as well as changes in assumptions of the credit loss allowance model, including those resulting from updates of inputs to the model in the period;
- Write-offs of allowances are related to assets that were written-off during the period;
- Unwinding of discount (for Stage 3) category represents adjustment to credit loss allowance and gross carrying amount for Stage 3 loans to increase it to discounted amount of the expected cash shortfalls to the reporting date using the effective interest rate;
- Modification of original cash flows without derecognition represents adjustment to credit loss allowance and gross carrying amount of Stage 3 loans caused by the modification of terms of those loans which is not substantial.

The following tables disclose the changes in the credit loss allowance and gross carrying amount for loans and advances to customers between the beginning and the end of the reporting period.

6 Loans and Advances to Customers (Continued)

(In millions of RR)

Credit card loans

At 31 December 2019	11,704	6,853	25,572	44,129	197,796	11,432	35,373	336	244,937
<i>Movements with impact on credit loss allowance charge for the year:</i>									
New originated or purchased	4,037	-	-	4,037	49,264	-	-	130	49,394
Transfers:									
- to lifetime (from Stage 1 to Stage 2)	(2,520)	6,396	-	3,876	(11,557)	11,557	-	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(5,642)	(6,697)	29,371	17,032	(27,133)	(9,677)	36,810	-	-
- recovered (from Stage 3 to Stage 2 and from Stage 2 to Stage 1)	328	(784)	(23)	(479)	1,416	(1,388)	(28)	-	-
Changes to ECL measurement model assumptions and estimates	2,960	633	1,936	5,529	-	-	-	-	-
Movements other than transfers and new originated or purchased loans	5,574	1,159	(4,307)	2,426	288	(166)	(4,089)	(285)	(4,252)

Total movements with impact on credit loss allowance charge for the year

Movements without impact on credit loss allowance charge for the year

Unwinding of discount (for Stage 3)	-	5,713	5,713	-	5,713
Write-offs	-	(14,071)	(14,071)	-	(14,071)
Sales	-	(2,134)	(2,134)	-	(2,319)
Modification of original cash flows without derecognition	-	(11,816)	(11,816)	-	(11,816)

At 31 December 2020	16,441	7,560	30,241	54,242	210,074	11,758	45,573	181	267,586
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6 Loans and Advances to Customers (Continued)

	Credit loss allowance			Gross carrying amount					Total
	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Purchased/ originated credit impaired		
(In millions of R)									
Cash loans									
At 31 December 2019									
<i>Movements with impact on credit loss allowance charge for the year:</i>									
New originated or purchased	2,357	1,882	3,789	8,028	51,925	5,034	4,669	636	
	2,533	-	-	2,533	40,075	-	-	259	
Transfers:									
- to lifetime (from Stage 1 to Stage 2)	(686)	3,078	-	2,392	(5,116)	5,116	-	-	
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(1,393)	(1,809)	5,911	2,709	(4,273)	(2,353)	6,626	-	
- recovered (from Stage 3 to Stage 2 and from Stage 2 to Stage 1)	60	(258)	(21)	(200)	982	(979)	(3)	-	
Changes to ECL measurement model assumptions and estimates	701	126	291	1,118	-	-	-	-	
Movements other than transfers and new originated or purchased loans	548	(978)	(876)	(1,306)	(27,406)	(2,051)	(297)	(465)	
Total movements with impact on credit loss allowance charge for the year	1,763	159	5,324	7,246	4,262	(267)	6,326	(206)	
<i>Movements without impact on credit loss allowance charge for the year</i>									
Unwinding of discount (for Stage 3)	-	-	519	519	-	-	519	-	
Write-offs	-	-	(2,363)	(2,363)	-	-	(2,363)	-	
Sales	-	-	(397)	(397)	-	-	(426)	-	
Modification of original cash flows without derecognition	-	-	(1,978)	(1,978)	-	-	(1,978)	-	
At 31 December 2020	4,120	2,041	4,894	11,055	56,187	4,767	6,747	430	

6 Loans and Advances to Customers (Continued)

	Credit loss allowance			Gross carrying amount					
	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Purchased/ originated credit impaired	Total
<i>(In millions of RRR)</i>									
Cash loans									
At 31 December 2018	1,114	544	657	2,315	32,646	1,773	752	301	35,472
<i>Movements with impact on credit loss allowance charge for the year:</i>									
New originated or purchased	2,628	-	-	2,628	44,199	-	-	422	44,621
Transfers:									
- to lifetime (from Stage 1 to Stage 2)	(587)	2,960	-	2,373	(5,663)	5,663	-	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(897)	(528)	3,927	2,502	(3,536)	(699)	4,235	-	-
- recovered (from Stage 3 to Stage 2 and from Stage 2 to Stage 1)	14	(78)	-	(64)	408	(408)	-	-	-
Changes to ECL measurement model assumptions and estimates	(22)	-	(1)	(23)	-	-	-	-	-
Movements other than transfers and new originated or purchased loans	107	(1,016)	203	(706)	(16,129)	(1,295)	689	(87)	(16,822)
Total movements with impact on credit loss allowance charge for the year	1,243	1,338	4,129	6,710	19,279	3,261	4,924	335	27,799
<i>Movements without impact on credit loss allowance charge for the year</i>									
Unwinding of discount (for Stage 3)	-	-	139	139	-	-	139	-	139
Write-offs	-	-	(523)	(523)	-	-	(524)	-	(524)
Sales	-	-	(113)	(113)	-	-	(122)	-	(122)
Modification of original cash flows without derecognition	-	-	(500)	(500)	-	-	(500)	-	(500)
At 31 December 2019	2,357	1,882	3,789	8,028	51,925	5,034	4,669	636	62,264

6 Loans and Advances to Customers (Continued)

	Credit loss allowance			Total	Gross carrying amount			Total
	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)		Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	
<i>(In millions of RR)</i>								
Secured loans								
At 31 December 2019	150	264	82	496	27,366	2,037	198	29,601
<i>Movements with impact on credit loss allowance charge for the year:</i>								
New originated or purchased	141	-	-	141	21,517	-	-	21,517
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	(40)	954	-	914	(4,120)	4,120	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(15)	(135)	371	221	(524)	(355)	879	-
- recovered (from Stage 3 to Stage 2 and from Stage 2 to Stage 1)	3	(41)	(3)	(41)	516	(509)	(7)	-
Changes to ECL measurement model assumptions and estimates	67	3	9	79	-	-	-	-
Movements other than transfers and new originated or purchased loans	(50)	(563)	(21)	(634)	(9,512)	(1,178)	(119)	(10,809)
Total movements with impact on credit loss allowance charge for the year	106	218	356	680	7,877	2,078	753	10,708
<i>Movements without impact on credit loss allowance charge for the year</i>								
Unwinding of discount (for Stage 3)	-	-	46	46	-	-	46	46
Write-offs	-	-	(16)	(16)	-	-	(16)	(16)
Modification of original cash flows without derecognition	-	-	(107)	(107)	-	-	(107)	(107)
At 31 December 2020	256	482	361	1,099	35,243	4,115	874	40,232

6 Loans and Advances to Customers (Continued)

	Credit loss allowance			Total	Gross carrying amount			Total
	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)		Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	
(In millions of RR)								
Secured loans								
At 31 December 2018	15	1	-	16	2,641	3	-	2,644
Movements with impact on credit loss allowance charge for the year:								
New originated or purchased	168	-	-	168	27,907	-	-	27,907
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	(23)	499	-	476	(2,141)	2,141	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(6)	-	81	75	(203)	-	203	-
- recovered (from Stage 3 to Stage 2 and from Stage 2 to Stage 1)	-	-	-	-	1	(1)	-	-
Movements other than transfers and new originated or purchased loans	(4)	(236)	6	(234)	(839)	(106)	-	(945)
Total movements with impact on credit loss allowance charge for the year	135	263	87	485	24,725	2,034	203	26,962
Movements without impact on credit loss allowance charge for the year								
Unwinding of discount (for Stage 3)	-	-	3	3	-	-	3	3
Modification of original cash flows without derecognition	-	-	(8)	(8)	-	-	(8)	(8)
At 31 December 2019	150	264	82	496	27,366	2,037	198	29,601

6 Loans and Advances to Customers (Continued)

(In millions of R\$)

Car loans

At 31 December 2019

Movements with impact on credit loss allowance charge for the year:

New originated or purchased

Transfers:

- to lifetime (from Stage 1 to Stage 2)

- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)

- recovered (from Stage 3 to Stage 2 and from Stage 2 to Stage 1)

Changes to ECL measurement model assumptions and estimates

Movements other than transfers and new originated or purchased loans

Total movements with impact on credit loss allowance charge for the year

Movements without impact on credit loss allowance charge for the year

Unwinding of discount (for Stage 3)

Write-offs

Modification of original cash flows without derecognition

At 31 December 2020

	Credit loss allowance			Total	Gross carrying amount			Total
	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)		Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	
<i>(In millions of RR)</i>								
Car loans								
At 31 December 2019	368	285	260	913	18,725	1,060	371	20,156
<i>Movements with impact on credit loss allowance charge for the year:</i>								
New originated or purchased	485	-	-	485	21,598	-	-	21,598
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	(141)	844	-	703	(1,926)	1,926	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(184)	(232)	770	354	(739)	(352)	1,091	-
- recovered (from Stage 3 to Stage 2 and from Stage 2 to Stage 1)	10	(50)	-	(40)	308	(307)	(1)	-
Changes to ECL measurement model assumptions and estimates	105	13	32	150	-	-	-	-
Movements other than transfers and new originated or purchased loans	21	(302)	38	(243)	(7,250)	(315)	(20)	(7,585)
Total movements with impact on credit loss allowance charge for the year	296	273	840	1,409	11,991	952	1,070	14,013
<i>Movements without impact on credit loss allowance charge for the year</i>								
Unwinding of discount (for Stage 3)	-	-	81	81	-	-	81	81
Write-offs	-	-	(63)	(63)	-	-	(63)	(63)
Modification of original cash flows without derecognition	-	-	(196)	(196)	-	-	(196)	(196)
At 31 December 2020	664	558	922	2,144	30,716	2,012	1,263	33,991

6 Loans and Advances to Customers (Continued)

(In millions of RR)

Car loans

At 31 December 2018

Movements with impact on credit loss allowance charge for the year:

New originated or purchased

Transfers:

- to lifetime (from Stage 1 to Stage 2)

- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)

- recovered (from Stage 3 to Stage 2 and from Stage 2 to Stage 1)

Changes to ECL measurement model assumptions and estimates

Movements other than transfers and new originated or purchased loans

Total movements with impact on credit loss allowance charge for the year

Movements without impact on credit loss allowance charge for the year

Unwinding of discount (for Stage 3)

Modification of original cash flows without derecognition

At 31 December 2019

	Credit loss allowance			Total	Gross carrying amount			Total
	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)		Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	
(In millions of RRP)								
Car loans								
At 31 December 2018	56	25	4	85	2,754	78	6	2,838
<i>Movements with impact on credit loss allowance charge for the year:</i>								
New originated or purchased	469	-	-	469	18,238	-	-	18,238
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	(98)	466	-	368	(1,087)	1,087	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(72)	(23)	248	153	(320)	(34)	354	-
- recovered (from Stage 3 to Stage 2 and from Stage 2 to Stage 1)	1	(4)	-	(3)	24	(24)	-	-
Changes to ECL measurement model assumptions and estimates	(1)	-	-	(1)	-	-	-	-
Movements other than transfers and new originated or purchased loans	13	(179)	(1)	(167)	(884)	(47)	2	(929)
Total movements with impact on credit loss allowance charge for the year	312	260	247	819	15,971	982	356	17,309
<i>Movements without impact on credit loss allowance charge for the year</i>								
Unwinding of discount (for Stage 3)	-	-	12	12	-	-	12	12
Modification of original cash flows without derecognition	-	-	(3)	(3)	-	-	(3)	(3)
At 31 December 2019	368	285	260	913	18,725	1,060	371	20,156

6 Loans and Advances to Customers (Continued)

	Credit loss allowance			Gross carrying amount					
	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Purchased/ originated credit impaired	Total
(In millions of RRR)									
POS loans									
At 31 December 2019	180	101	337	618	17,702	740	422	198	19,062
Movements with impact on credit loss allowance charge for the year:									
New originated or purchased	220	-	-	220	15,240	-	-	273	15,513
Transfers:									
- to lifetime (from Stage 1 to Stage 2)	(33)	319		286	(988)	988	-	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(55)	(145)	586	386	(408)	(224)	632	-	-
- recovered (from Stage 3 to Stage 2 and from Stage 2 to Stage 1)	2	(9)	-	(7)	152	(152)	-	-	-
Changes to ECL measurement model assumptions and estimates	43	4	16	63	-	-	-	-	-
Movements other than transfers and new originated or purchased loans	(116)	(175)	(45)	(336)	(16,168)	(864)	77	(137)	(17,092)
Total movements with impact on credit loss allowance charge for the year	61	(6)	557	612	(2,172)	(252)	709	136	(1,579)
Movements without impact on credit loss allowance charge for the year									
Unwinding of discount (for Stage 3)	-	-	37	37	-	-	37	-	37
Write-offs	-	-	(279)	(279)	-	-	(279)	-	(279)
Sales	-	-	(50)	(50)	-	-	(53)	-	(53)
Modification of original cash flows without derecognition	-	-	(178)	(178)	-	-	(178)	-	(178)
At 31 December 2020	241	95	424	760	15,530	488	658	334	17,010

6 Loans and Advances to Customers (Continued)

	Credit loss allowance			Gross carrying amount					
	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Purchased/ originated credit impaired	Total
<i>(In millions of R)</i>									
POS loans									
At 31 December 2018	49	38	173	260	11,363	310	186	105	11,964
<i>Movements with impact on credit loss allowance charge for the year:</i>									
New originated or purchased	213	-	-	213	17,647	-	-	145	17,792
Transfers:									
- to lifetime (from Stage 1 to Stage 2)	(33)	318	-	285	(1,200)	1,200	-	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(36)	(41)	355	278	(315)	(64)	379	-	-
- recovered (from Stage 3 to Stage 2 and from Stage 2 to Stage 1)	1	(4)	-	(3)	75	(75)	-	-	-
Changes to ECL measurement model assumptions and estimates	(14)	(7)	(1)	(22)	-	-	-	-	-
Movements other than transfers and new originated or purchased loans	-	(203)	(1)	(204)	(9,868)	(631)	28	(52)	(10,523)
Total movements with impact on credit loss allowance charge for the year	131	63	353	547	6,339	430	407	93	7,269
<i>Movements without impact on credit loss allowance charge for the year</i>									
Unwinding of discount (for Stage 3)	-	-	11	11	-	-	11	-	11
Write-offs	-	-	(150)	(150)	-	-	(131)	-	(131)
Sales	-	-	(13)	(13)	-	-	(14)	-	(14)
Modification of original cash flows without derecognition	-	-	(37)	(37)	-	-	(37)	-	(37)
At 31 December 2019	180	101	337	618	17,702	740	422	198	19,062

6 Loans and Advances to Customers (Continued)

(In millions of R\$)

Loans to IE and SME

At 31 December 2019

Movements with impact on credit loss allowance charge for the year:

New originated or purchased

Transfers:

- to lifetime (from Stage 1 to Stage 2)

- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)

Changes to ECL measurement model assumptions and estimates

Movements other than transfers and new originated or purchased loans

	Credit loss allowance			Total	Gross carrying amount			Total
	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)		Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	
(In millions of RR)								
Loans to IE and SME								
At 31 December 2019	57	10	46	113	940	21	52	1,013
<i>Movements with impact on credit loss allowance charge for the year:</i>								
New originated or purchased	28	-	-	28	676	-	-	676
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	(143)	314	-	171	(375)	375	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(16)	(13)	77	48	(69)	(17)	86	-
Changes to ECL measurement model assumptions and estimates	10	-	3	13	-	-	-	-
Movements other than transfers and new originated or purchased loans	399	(20)	-	379	1,268	(56)	1	1,213
Total movements with impact on credit loss allowance charge for the year	278	281	80	639	1,500	302	87	1,889
<i>Movements without impact on credit loss allowance charge for the year</i>								
Unwinding of discount (for Stage 3)	-	-	11	11	-	-	11	11
Write-offs	-	-	(14)	(14)	-	-	(14)	(14)
At 31 December 2020	335	291	123	749	2,440	323	136	2,899

6 Loans and Advances to Customers (Continued)

	Credit loss allowance			Gross carrying amount				
	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
<i>(In millions of RR)</i>								
Loans to IE and SME								
At 31 December 2018	13	10	10	33	332	21	10	363
<i>Movements with impact on credit loss allowance charge for the year:</i>								
New originated or purchased	13	-	-	13	301	-	-	301
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	(4)	26	-	22	(58)	58	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(8)	(7)	44	29	(39)	(8)	47	-
- recovered (from Stage 3 to Stage 2 and from Stage 2 to Stage 1)	-	-	-	-	1	(1)	-	-
Movements other than transfers and new originated or purchased loans	43	(19)	(13)	11	403	(49)	(10)	344
Total movements with impact on credit loss allowance charge for the year	44	-	31	75	608	-	37	645
<i>Movements without impact on credit loss allowance charge for the year</i>								
Unwinding of discount (for Stage 3)	-	-	5	5	-	-	5	5
Modification of original cash flows without derecognition	-	-	-	-	-	-	-	-
At 31 December 2019	57	10	46	113	940	21	52	1,013

6 Loans and Advances to Customers (Continued)

	Credit loss allowance			Total	Gross carrying amount		
	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)		Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)
<i>(In millions of RR)</i>							Total
Corporate loans							
At 31 December 2019	-	1,472	-	1,472	-	7,037	-
<i>Movements with impact on credit loss allowance charge for the year:</i>							
New originated or purchased	18	-	-	18	4,330	-	-
Transfers:							
- to lifetime (from Stage 1 to Stage 2)	(18)	18	-	-	(4,330)	4,330	-
Movements other than transfers and new originated or purchased loans	-	336	-	336	-	2,886	-
Total movements with impact on credit loss allowance charge for the year	-	354	-	354	-	7,216	-
At 31 December 2020	-	1,826	-	1,826	-	14,253	-

6 Loans and Advances to Customers (Continued)

	Credit loss allowance			Gross carrying amount				
	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
<i>(In millions of RR)</i>								
Corporate loans								
At 31 December 2018	-	668	-	668	22,035	3,473	-	25,508
Movements other than transfers and new originated or purchased loans	-	804	-	804	(22,035)	3,564	-	(18,471)
Total movements with impact on credit loss allowance charge for the year	-	804	-	804	(22,035)	3,564	-	(18,471)
At 31 December 2019	-	1,472	-	1,472	-	7,037	-	7,037

6 Loans and Advances to Customers (Continued)

The credit loss allowance charge during the year ended 31 December 2020 presented in the tables above differs from the amount presented in the consolidated statement of profit or loss and other comprehensive income for the year due to RR 4,063 million (2019: RR 3,415 million) recovery of amounts previously written-off as uncollectible, due to RR 1,751 million (2019: RR 693 million) recovery from the purchased loans in excess of their gross carrying amount, and due to RR 1,320 million (2019: RR 201 million) charge of ECL for credit related commitments, including RR 638 million of charge due to changes to ECL measurement model assumptions and estimates

The amounts of the recovery received from written-off loans and purchased loans were recorded directly to decrease the credit loss allowance on loans and advances to customers line.

The amount of the credit loss allowance on unused limits is accounted separately from the credit loss allowance for credit cards loans and is included in other financial liabilities in the consolidated statement of financial position.

The contractual amount outstanding of loans and advances to customers which were written off during the reporting period ended 31 December 2020 and are still subject to enforcement activity is equal to RR 13,960 million as at 31 December 2020. (2019: RR 10,093 million).

The amount of the ECL for credit related commitments is accounted separately from ECL for credit cards loans and is included in other financial liabilities in the consolidated statement of financial position.

In 2020, the Group sold credit-impaired loans to third parties (external debt collection agencies) with a gross amount of RR 2,798 million (2019: RR 1,195 million) and credit loss allowance of RR 2,581 million (2019: RR 1,112 million). The difference between the carrying amount of these loans and the consideration received was recognised as losses in the amount of RR 175 million in the consolidated statement of profit or loss within credit loss allowance for loans and advances to customers and credit related commitments (2019: losses in the amount of RR 72 million).

Presented below is an analysis of issued, activated, and utilised cards based on their credit card limits as at the end of the reporting period:

<i>(In units)</i>	31 December 2020	31 December 2019
Credit card limits		
Up to RR 20 thousand	1,046,228	781,128
RR 20–40 thousand	538,746	482,343
RR 40–60 thousand	497,940	451,425
RR 60–80 thousand	495,431	455,978
RR 80–100 thousand	479,786	440,139
RR 100–120 thousand	331,606	322,726
RR 120–140 thousand	378,547	365,750
RR 140–200 thousand	870,503	772,992
More than RR 200 thousand	225,417	180,731
Total number of cards (in units)	4,864,204	4,253,212

Table above only includes credit cards less than 180 days overdue.

The following table contains an analysis of the credit risk exposure of loans and advances to customers measured at AC and for which an ECL allowance is recognised. The carrying amount of loans and advances to customers in the table below also represents the Group's maximum exposure to credit risk on these loans.

6 Loans and Advances to Customers (Continued)

Credit quality of loans to customers as at 31 December 2020 is disclosed in the tables below:

	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Purchased/ originated credit impaired	Total
<i>(In millions of RR)</i>					
Credit card loans					
- Excellent	68,398	-	-	-	68,398
- Good	131,957	1,891	-	-	133,848
- Monitor	9,719	3,757	-	-	13,476
- Sub-standard	-	6,110	9,326	-	15,436
- NPL	-	-	36,247	181	36,428
Gross carrying amount	210,074	11,758	45,573	181	267,586
Credit loss allowance	(16,441)	(7,560)	(30,241)	-	(54,242)
Carrying amount	193,633	4,198	15,332	181	213,344
Cash loans					
- Excellent	33,877	-	-	-	33,877
- Good	22,053	3,189	-	-	25,242
- Monitor	257	546	-	-	803
- Sub-standard	-	1,032	988	-	2,020
- NPL	-	-	5,759	430	6,189
Gross carrying amount	56,187	4,767	6,747	430	68,131
Credit loss allowance	(4,120)	(2,041)	(4,894)	-	(11,055)
Carrying amount	52,067	2,726	1,853	430	57,076
Secured loans					
- Excellent	21,201	-	-	-	21,201
- Good	13,937	3,307	-	-	17,244
- Monitor	105	442	-	-	547
- Sub-standard	-	366	-	-	366
- NPL	-	-	874	-	874
Gross carrying amount	35,243	4,115	874	-	40,232
Credit loss allowance	(256)	(482)	(361)	-	(1,099)
Carrying amount	34,987	3,633	513	-	39,133

6 Loans and Advances to Customers (Continued)

	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Purchased/ originated credit impaired	Total
<i>(In millions of RR)</i>					
Car loans					
- Excellent	21,444	-	-	-	21,444
- Good	9,136	1,427	-	-	10,563
- Monitor	136	263	-	-	399
- Sub-standard	-	322	-	-	322
- NPL	-	-	1,263	-	1,263
Gross carrying amount	30,716	2,012	1,263	-	33,991
Credit loss allowance	(664)	(558)	(922)	-	(2,144)
Carrying amount	30,052	1,454	341	-	31,847
POS loans					
- Excellent	12,828	-	-	-	12,828
- Good	2,654	375	-	-	3,029
- Monitor	48	51	-	-	99
- Sub-standard	-	62	28	-	90
- NPL	-	-	630	334	964
Gross carrying amount	15,530	488	658	334	17,010
Credit loss allowance	(241)	(95)	(424)	-	(760)
Carrying amount	15,289	393	234	334	16,250
Loans to IE and SME					
- Excellent	1,673	-	-	-	1,673
- Good	760	295	-	-	1,055
- Monitor	7	12	-	-	19
- Sub-standard	-	16	-	-	16
- NPL	-	-	136	-	136
Gross carrying amount	2,440	323	136	-	2,899
Credit loss allowance	(335)	(291)	(123)	-	(749)
Carrying amount	2,105	32	13	-	2,150

6 Loans and Advances to Customers (Continued)

Credit quality of loans to customers as at 31 December 2019 is disclosed in the table below:

	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Purchased/ originated credit impaired	Total
<i>(In millions of RR)</i>					
Credit card loans					
- Excellent	87,716	-	-	-	87,716
- Good	102,020	1,582	-	-	103,602
- Monitor	8,060	3,722	-	-	11,782
- Sub-standard	-	6,128	6,661	-	12,789
- NPL	-	-	28,712	336	29,048
Gross carrying amount	197,796	11,432	35,373	336	244,937
Credit loss allowance	(11,704)	(6,853)	(25,572)	-	(44,129)
Carrying amount	186,092	4,579	9,801	336	200,808
Cash loans					
- Excellent	34,258	-	-	-	34,258
- Good	17,321	3,315	-	-	20,636
- Monitor	346	585	-	-	931
- Sub-standard	-	1,134	758	-	1,892
- NPL	-	-	3,911	636	4,547
Gross carrying amount	51,925	5,034	4,669	636	62,264
Credit loss allowance	(2,357)	(1,882)	(3,789)	-	(8,028)
Carrying amount	49,568	3,152	880	636	54,236
Secured loans					
- Excellent	19,941	-	-	-	19,941
- Good	7,319	1,496	-	-	8,815
- Monitor	106	322	-	-	428
- Sub-standard	-	219	-	-	219
- NPL	-	-	198	-	198
Gross carrying amount	27,366	2,037	198	-	29,601
Credit loss allowance	(150)	(264)	(82)	-	(496)
Carrying amount	27,216	1,773	116	-	29,105

6 Loans and Advances to Customers (Continued)

	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Purchased/ originated credit impaired	Total
<i>(In millions of RR)</i>					
Car loans					
- Excellent	15,581	-	-	-	15,581
- Good	3,051	702	-	-	3,753
- Monitor	93	157	-	-	250
- Sub-standard	-	201	-	-	201
- NPL	-	-	371	-	371
Gross carrying amount	18,725	1,060	371	-	20,156
Credit loss allowance	(368)	(285)	(260)	-	(913)
Carrying amount	18,357	775	111	-	19,243
POS loans					
- Excellent	14,745	-	-	-	14,745
- Good	2,896	558	-	-	3,454
- Monitor	61	77	-	-	138
- Sub-standard	-	105	26	-	131
- NPL	-	-	396	198	594
Gross carrying amount	17,702	740	422	198	19,062
Credit loss allowance	(180)	(101)	(337)	-	(618)
Carrying amount	17,522	639	85	198	18,444
Loans to IE and SME					
- Excellent	622	-	-	-	622
- Good	314	6	-	-	320
- Monitor	4	6	-	-	10
- Sub-standard	-	9	-	-	9
- NPL	-	-	52	-	52
Gross carrying amount	940	21	52	-	1,013
Credit loss allowance	(57)	(10)	(46)	-	(113)
Carrying amount	883	11	6	-	900

6 Loans and Advances to Customers (Continued)

Credit quality of corporate loans as at 31 December 2020 is disclosed in the table below:

<i>(In millions of RR)</i>	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Purchased/ originated credit impaired
Corporate loans				
- Good	-	11,069	-	11,069
- Monitor	-	139	-	139
- Sub-standard	-	3,045	-	3,045
Gross carrying amount	-	14,253	-	14,253
Credit loss allowance	-	(1,826)	-	(1,826)
Carrying amount	-	12,427	-	12,427

Credit quality of corporate loans as at 31 December 2019 is disclosed in the table below:

<i>(In millions of RR)</i>	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Purchased/ originated credit impaired
Corporate loans				
- Sub-standard	-	7,037	-	7,037
Gross carrying amount	-	7,037	-	7,037
Credit loss allowance	-	(1,472)	-	(1,472)
Carrying amount	-	5,565	-	5,565

Stage 3 includes restructured loans that are less than 90 days overdue which are not considered as NPL according to the Group's credit risk grading master scale.

Refer to Note 27 for the description of credit risk grading system used by the Group.

Loans in courts are included in Stage 3 and are loans to delinquent borrowers, against which the Group has filed claims to courts in order to recover outstanding balances. As at 31 December 2020 the gross carrying amount of the loans in courts was RR 31,058 million (31 December 2019: RR 22,218 million).

6 Loans and Advances to Customers (Continued)

Description of collateral held for loans to individuals carried at amortised cost is as follows as at 31 December 2020:

<i>(In millions of RR)</i>	Secured loans	Car loans	Total
Loans collateralised by:			
- residential real estate	37,896	-	37,896
- cars	2,084	24,713	26,797
Total	39,980	24,713	64,693
Unsecured exposures	252	9,278	9,530
Total gross carrying amount (representing exposure to credit risk for each class of loans at AC)	40,232	33,991	74,223

Description of collateral held for loans to individuals carried at amortised cost is as follows as at 31 December 2019:

<i>(In millions of RR)</i>	Secured loans	Car loans	Total
Loans collateralised by:			
- residential real estate	27,437	-	27,437
- cars	1,904	15,256	17,160
Total	29,341	15,256	44,597
Unsecured exposures	260	4,900	5,160
Total gross carrying amount (representing exposure to credit risk for each class of loans at AC)	29,601	20,156	49,757

The disclosure above represents the lower of the carrying value of the loan or collateral taken; the remaining part is disclosed within the unsecured exposures which arise mainly due to application of a discount in determining the carrying value of collateral.

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 (a) those assets where collateral and other credit enhancements are equal to or exceed carrying value of the asset ("over-collateralised assets") and (b) those assets where collateral and other credit enhancements are less than the carrying value of the asset ("under-collateralised assets").

6 Loans and Advances to Customers (Continued)

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

	Over-collateralised assets		Under-collateralised assets	
	Gross carrying amount of the assets	Value of collateral	Gross carrying amount of the assets	Value of collateral
<i>(In millions of RR)</i>				
Credit impaired assets:				
Secured loans	855	2,136	19	10
Car loans	200	296	1,063	715

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

	Over-collateralised assets		Under-collateralised assets	
	Gross carrying amount of the assets	Value of collateral	Gross carrying amount of the assets	Value of collateral
<i>(In millions of RR)</i>				
Credit impaired assets:				
Secured loans	194	442	4	2
Car loans	25	31	346	208

The values of collateral considered in this disclosure are after a valuation haircut of 20% (2019: 20%) for secured loans and 30% (2019: 30%) for car loans applied to consider liquidity level and quality of the pledged assets.

All contractual modifications of loans with the lifetime ECL that did not lead to derecognition did not have an impact on gains less losses on modification recognised in profit or loss for the year ended 31 December 2020 (2019: same).

Refer to Note 33 for the disclosure of the fair value of loans and advances to customers. Information on related party balances is disclosed in Note 35.

7 Investments in Debt Securities and Repurchase Receivables

<i>(In millions of RR)</i>	31 December 2020	31 December 2019
Debt securities measured at fair value through other comprehensive income	228,384	132,355
Debt securities measured at fair value through profit or loss	4,265	-
Total investments in debt securities	232,649	132,355
Repurchase receivables at fair value through other comprehensive income	29	-
Total investments in debt securities and repurchase receivables	232,678	132,355

The table below discloses investments in debt securities measured at FVOCI by classes:

<i>(In millions of RR)</i>	31 December 2020	31 December 2019
Russian government bonds	122,670	56,382
Corporate bonds	92,163	69,622
Municipal bonds	8,952	6,351
Foreign government bonds	4,599	-
Total investments in debt securities measured at FVOCI	228,384	132,355
Including credit loss allowance	693	337

The tables below contain an analysis of the credit risk exposure of investments in debt securities measured at FVOCI for which an ECL allowance is recognised, based on credit risk grades. Refer to Note 27 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 debt securities at FVOCI.

7 Investments in Debt Securities (Continued)

Analysis of the credit risk exposure of debt securities measured at FVOCI as at 31 December 2020:

	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
<i>(In millions of RR)</i>				
Russian government bonds				
Good	124,053	-	-	124,053
Total AC gross carrying amount	124,053	-	-	124,053
Credit loss allowance	(253)	-	-	(253)
Fair value adjustment from AC to FV	(1,130)	-	-	(1,130)
Carrying amount	122,670	-	-	122,670
Corporate bonds				
Excellent	560	-	-	560
Good	81,723	-	-	81,723
Monitor	6,726	620	-	7,346
Total AC gross carrying amount	89,009	620	-	89,629
Credit loss allowance	(323)	(14)	-	(337)
Fair value adjustment from AC to FV	2,836	35	-	2,871
Carrying amount	91,522	641	-	92,163
Municipal bonds				
Good	7,727	-	-	7,727
Monitor	1,037	-	-	1,037
Total AC gross carrying amount	8,764	-	-	8,764
Credit loss allowance	(37)	-	-	(37)
Fair value adjustment from AC to FV	225	-	-	225
Carrying amount	8,952	-	-	8,952

7 Investments in Debt Securities (Continued)

	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
<i>(In millions of RR)</i>				
Foreign government bonds				
Good	908	-	-	908
Monitor	3,119	-	-	3,119
Sub-standard	494	-	-	494
Total AC gross carrying amount	4,521	-	-	4,521
Credit loss allowance	(66)	-	-	(66)
Fair value adjustment from AC to FV	144			144
Carrying amount	4,599	-	-	4,599

Analysis of the credit risk exposure of debt securities measured at FVOCI as at 31 December 2019:

	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
<i>(In millions of RR)</i>				
Russian government bonds				
Good	54,471	-	-	54,471
Total AC gross carrying amount	54,471	-	-	54,471
Credit loss allowance	(99)	-	-	(99)
Fair value adjustment from AC to FV	2,010	-	-	2,010
Carrying amount	56,382	-	-	56,382

7 Investments in Debt Securities (Continued)

Analysis of the credit risk exposure of debt securities measured at FVOCI as at 31 December 2019 (continued):

	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
<i>(In millions of RR)</i>				
Corporate bonds				
Excellent	324	-	-	324
Good	59,250	-	-	59,250
Monitor	7,684	-	-	7,684
Total AC gross carrying amount	67,258	-	-	67,258
Credit loss allowance	(217)	-	-	(217)
Fair value adjustment from AC to FV	2,581			2,581
Carrying amount	69,622	-	-	69,622
Municipal bonds				
Good	5,663	-	-	5,663
Monitor	422	-	-	422
Total AC gross carrying amount	6,085	-	-	6,085
Credit loss allowance	(21)	-	-	(21)
Fair value adjustment from AC to FV	287	-	-	287
Carrying amount	6,351	-	-	6,351

7 Investments in Debt Securities (Continued)

The tables below represent changes in the credit loss allowance and gross amortised cost for debt securities at FVOCI:

	Credit loss allowance				Gross carrying amount			
	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
<i>(In millions of RR)</i>								
Russian government bonds								
As at 31 December 2019	99	-	-	99	54,471	-	-	54,471
<i>Movements with impact on credit loss allowance charge for the year:</i>								
New originated or purchased	520	-	-	520	288,575	-	-	288,575
Foreign exchange losses	1	-	-	1	767	-	-	767
Redemption during the year	(160)	-	-	(160)	(89,000)	-	-	(89,000)
Disposal during the year	(233)	-	-	(233)	(129,351)	-	-	(129,351)
Interest income accrued	9	-	-	9	5,305	-	-	5,305
Interest received	(12)	-	-	(12)	(6,714)	-	-	(6,714)
Other movements	29	-	-	29	-	-	-	-
Total movements with impact on credit loss allowance charge for the year	154	-	-	154	69,582	-	-	69,582
As at 31 December 2020	253	-	-	253	124,053	-	-	124,053

7 Investments in Debt Securities (Continued)

	Credit loss allowance				Gross carrying amount			
	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
<i>(In millions of RR)</i>								
Russian government bonds								
At 31 December 2018	66	-	-	66	25,190	-	-	25,190
<i>Movements with impact on credit loss allowance charge for the year:</i>								
New originated or purchased	167	-	-	167	81,179	-	-	81,179
Exchange differences	(2)	-	-	(2)	(833)	-	-	(833)
Repayment	(63)	-	-	(63)	(30,858)	-	-	(30,858)
Sales	(53)	-	-	(53)	(20,414)	-	-	(20,414)
Accrued interest	4	-	-	4	2,119	-	-	2,119
Interest received	(4)	-	-	(4)	(1,912)	-	-	(1,912)
Other changes	(16)	-	-	(16)	-	-	-	-
Total movements with impact on credit loss allowance charge for the year	33	-	-	33	29,281	-	-	29,281
At 31 December 2019	99	-	-	99	54,471	-	-	54,471

7 Investments in Debt Securities (Continued)

	Credit loss allowance				Gross carrying amount			
	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
(In millions of RR)								
Corporate bonds								
At 31 December 2019	217	-	-	217	67,258	-	-	67,258
Movements with impact on credit loss allowance charge for the year:								
New originated or purchased	190	-	-	190	66,748	-	-	66,748
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	(3)	3	-	-	(620)	620	-	-
Foreign exchange losses	15	-	-	15	5,061	-	-	5,061
Redemption during the year	(13)	-	-	(13)	(4,171)	-	-	(4,171)
Disposal during the year	(116)	-	-	(116)	(44,769)	-	-	(44,769)
Interest income accrued	13	-	-	13	4,326	45	-	4,371
Interest received	(15)	(1)	-	(16)	(4,824)	(45)	-	(4,869)
Other movements	35	12	-	47	-	-	-	-
Total movements with impact on credit loss allowance charge for the year	106	14	-	120	21,751	620	-	22,371
At 31 December 2020	323	14	-	337	89,009	620	-	89,629

7 Investments in Debt Securities (Continued)

	Credit loss allowance				Gross carrying amount			
	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
<i>(In millions of RR)</i>								
Corporate bonds								
At 31 December 2018	251	128	-	379	63,539	1,607	-	65,146
<i>Movements with impact on credit loss allowance charge for the year:</i>								
New originated or purchased	84	-	-	84	24,945	-	-	24,945
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	24	(26)	-	(2)	1,318	(1,318)	-	-
Foreign exchange losses	(12)	(6)	-	(18)	(2,699)	(99)	-	(2,798)
Redemption during the year	(12)	-	-	(12)	(3,609)	-	-	(3,609)
Disposal during the year	(90)	(40)	-	(130)	(16,338)	(190)	-	(16,528)
Interest income accrued	12	4	-	16	3,925	43	-	3,968
Interest received	(12)	(4)	-	(16)	(3,823)	(43)	-	(3,866)
Other movements	(28)	(56)	-	(84)	-	-	-	-
Total movements with impact on credit loss allowance charge for the year	(34)	(128)	-	(162)	3,719	(1,607)	-	2,112
At 31 December 2019	217	-	-	217	67,258	-	-	67,258

7 Investments in Debt Securities (Continued)

	Credit loss allowance				Gross carrying amount			
	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
(In millions of RR)								
Municipal bonds								
At 31 December 2019	21	-	-	21	6,085	-	-	6,085
Movements with impact on credit loss allowance charge for the year:								
New originated or purchased	18	-	-	18	6,934	-	-	6,934
Redemption during the year	0	-	-	0	(91)	-	-	(91)
Disposal during the year	(19)	-	-	(19)	(4,140)	-	-	(4,140)
Interest income accrued	2	-	-	2	439	-	-	439
Interest received	(2)	-	-	(2)	(463)	-	-	(463)
Other movements	17	-	-	17	-	-	-	-
Total movements with impact on credit loss allowance charge for the year								
	16	-	-	16	2,679	-	-	2,679
At 31 December 2020								
	37	-	-	37	8,764	-	-	8,764

7 Investments in Debt Securities (Continued)

	Credit loss allowance				Gross carrying amount			
	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
(In millions of RR)								
Municipal bonds								
At 31 December 2018	35	-	-	35	5,833	-	-	5,833
Movements with impact on credit loss allowance charge for the year:								
New originated or purchased	3	-	-	3	968	-	-	968
Redemption during the year	(1)	-	-	(1)	(482)	-	-	(482)
Disposal during the year	(4)	-	-	(4)	(216)	-	-	(216)
Interest income accrued	2	-	-	2	469	-	-	469
Interest received	(3)	-	-	(3)	(487)	-	-	(487)
Other movements	(11)	-	-	(11)	-	-	-	-
Total movements with impact on credit loss allowance charge for the year								
	(14)	-	-	(14)	252	-	-	252
At 31 December 2019	21	-	-	21	6,085	-	-	6,085

7 Investments in Debt Securities (Continued)

	Credit loss allowance				Gross carrying amount			
	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
<i>(In millions of RR)</i>								
Foreign government bonds								
At 31 December 2019	-	-	-	-	-	-	-	-
<i>Movements with impact on credit loss allowance charge for the year:</i>								
New originated or purchased	68	-	-	68	7,516	-	-	7,516
Foreign exchange gains	1	-	-	1	246	-	-	246
Disposal during the year	(11)	-	-	(11)	(3,224)	-	-	(3,224)
Interest income accrued	1	-	-	1	61	-	-	61
Interest received	(1)	-	-	(1)	(78)	-	-	(78)
Other movements	8	-	-	8	-	-	-	-
Total movements with impact on credit loss allowance charge for the year	66	-	-	66	4,521	-	-	4,521
At 31 December 2020	66	-	-	66	4,521	-	-	4,521

Interest rate, maturity, and geographical risk concentration analysis of investments in debt securities are disclosed in Note 27.

8 Investment in equity securities

The table below discloses investments in equity securities at FVOCI:

<i>(In millions of RR)</i>	31 December 2020	31 December 2019
Investments in ordinary shares of Tinkoff Insurance JSC	592	385
Total investments in equity securities	592	385

Equity securities at fair value through other comprehensive income are not freely traded as at 31 December 2020 (2019: same). For these investments, the fair value is determined based on the net asset value of investees. Refer to Note 33.

9 Guarantee deposits with payment systems

As at 31 December 2020 and 2019, a guarantee deposit was placed in favour of the MasterCard payment system with Barclays Bank Plc London (A rated). As at 31 December 2020 and 2019, a guarantee deposit was placed in favour of the Visa payment system with United Overseas Bank Ltd. Singapore (AA-rated), and a guarantee deposit was placed in favour of the Mir payment system with National Payment Card System (NSPK).

The table below discloses the credit quality of guarantee deposits with payment systems balances based on credit risk grades:

<i>(In millions of RR)</i>	31 December 2020	31 December 2019
Excellent	14,803	8,376
Good	672	501
Total guarantee deposits with payment systems	15,475	8,877

The carrying amount of guarantee deposits with payment systems at 31 December 2020 and 2019 also represents the Group's maximum exposure to credit risk on these assets. Refer to Note 27 for the description of credit risk grading system used by the Group.

Guarantee deposits with payment systems represent funds reserved by the Group to secure its obligations.

For the purpose of ECL measurement guarantee deposits with payment systems balances are included in Stage 1. Guarantee deposits with payment systems are unsecured financial assets. The ECL for these balances represents an immaterial amount, therefore the Group did not create any credit loss allowance for guarantee deposits with payment systems. Refer to Note 27 for the ECL measurement approach.

10 Brokerage Receivables and Brokerage Payables

<i>(In millions of RR)</i>	31 December 2020	31 December 2019
Amounts receivable from clearing organizations	24,064	2,799
Total brokerage receivables	24,064	2,799
Amounts payable to clearing organizations	9,206	1,207
Total brokerage payables	9,206	1,207

Brokerage receivables represent placements under reverse sale and repurchase agreements made by the Bank with central counterparty to provide customers who have brokerage accounts with the Bank with the possibility to acquire securities in case those customers have insufficient own funds to acquire those securities. These balances are fully collateralized by highly liquid securities and have minimal credit risk. As at 31 December 2020, the fair value of collateral of brokerage receivables was RR 24,113 million (31 December 2019: RR 2,239 million). For the purpose of ECL measurement brokerage receivables are included in Stage 1. The ECL for these balances represents an immaterial amount, therefore the Group did not recognise any credit loss allowance for brokerage receivables.

10 Brokerage Receivables and Brokerage Payables (Continued)

Brokerage payables represent funds attracted under sale and repurchase agreements made by the Bank with central counterparty to provide customers who have brokerage accounts with the Bank with the possibility to borrow securities and make short sales. As at 31 December 2020, the fair value of collateral of brokerage payables was RR 9,696 million (31 December 2019: RR 1,282 million).

The ECL measurement approach, interest rate, maturity, and geographical risk concentration analysis are disclosed in Note 27. Refer to Note 30 for the disclosure of the offsetting assets and liabilities. Refer to Note 33 for the disclosure of the fair value of brokerage receivables and brokerage payables.

11 Tangible Fixed Assets, Intangible Assets, and Right-of-Use Assets

	Land	Buildings	Equipment	Leasehold improvements	Vehicles	Total tangible fixed assets	Intangible assets
<i>(In millions of RR)</i>							
Cost							
At 31 December 2018	396	4,219	4,188	1,505	40	10,348	5,427
Additions	-	-	1,740	86	46	1,872	2,337
Disposals /transfer to another category	-	-	(59)	(2)	-	(61)	(72)
At 31 December 2019	396	4,219	5,869	1,589	86	12,159	7,692
Additions	-	-	2,069	3	-	2,072	3,465
Disposals /transfer to another category	-	-	(134)	(231)	-	(365)	(62)
At 31 December 2020	396	4,219	7,804	1,361	86	13,866	11,095
Depreciation and amortisation							
At 31 December 2018	-	(90)	(1,470)	(490)	(32)	(2,082)	(2,116)
Charge for the year (Note 22)	-	(43)	(1,029)	(160)	(8)	(1,240)	(1,095)
Disposals /transfer to another category	-	-	9	2	-	11	51
At 31 December 2019	-	(133)	(2,490)	(648)	(40)	(3,311)	(3,160)
Charge for the year (Note 22)	-	-	(1,414)	(149)	(4)	(1,567)	(1,741)
Disposals /transfer to another category	-	-	103	128	-	231	-
At 31 December 2020	-	(133)	(3,801)	(669)	(44)	(4,647)	(4,901)
Net book value							
At 31 December 2019	396	4,086	3,379	941	46	8,848	4,532
At 31 December 2020	396	4,086	4,003	692	42	9,219	6,194

Intangible asset additions in the amount of RR 1,854 million are related to the capitalised software developments by Tinkoff Software DC during the year ended 31 December 2020 (2019: RR 1,212 million).

Other intangible assets acquired during the year ended 31 December 2020 and 2019 mainly represent accounting software, retail banking software, insurance software, licenses and development of software.

Right-of-use assets and lease liabilities. Right-of-use-assets relate to the office premises leased by the Group. Rental contracts are typically for fixed periods from 1 to 5 years.

11 Fixed Assets, Intangible Assets, and Right-of-Use Assets (Continued)

The Group does not have extension or termination options of its lease agreements other than lease agreements of low value items. The right of use assets by class of leased assets is analysed as follows:

<i>(In millions of RR)</i>		Office premises
Carrying amount at 1 January 2019		1,610
Additions		488
Depreciation charge (Note 22)		(522)
Carrying amount at 31 December 2019		1,576
Additions		230
Depreciation charge (Note 22)		(668)
Carrying amount at 31 December 2020		1,138

Prior to 1 January 2019 Group's leases of premises and equipment were classified as operating leases. 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.

Expenses relating to leases of low-value assets and short-term leases in the amount of RR 548 million are included in administrative and other operating expenses (2019: RR 399 million) (Note 22). Repayment of the principal amount of lease liabilities for the year ended 31 December 2020 amounted to RR 725 million (2019: RR 884 million).

12 Other Financial and Non-Financial Assets

<i>(In millions of RR)</i>	31 December 2020	31 December 2019
Other financial assets		
Settlement of operations with plastic cards	23,882	16,384
Other	6,151	3,870
Total other financial assets	30,033	20,254
Other non-financial assets		
Prepaid expenses	2,724	1,588
Others	1,029	483
Total other non-financial assets	3,753	2,071

Settlement of operations with plastic cards represents settlements with payment systems and payment channels on operations of the customers with banking cards due to be settled within 3 working days. This amount also includes prepayment to the payment systems for operations during holiday period.

At 31 December 2020, included in other financial assets are receivables and investments in associates (2019: same).

12 Other Financial and Non-financial Assets (Continued)

The table below discloses the credit quality of other financial assets based on credit risk grades:

<i>(In millions of RR)</i>	31 December 2020	31 December 2019
Excellent	19,683	9,219
Good	10,350	11,035
Total other financial assets	30,033	20,254

Refer to Note 27 for the description of the Group's credit risk grading system.

For the purpose of ECL measurement settlement of operations with plastic cards balances and other receivables are included in Stage 1. The ECL for these balances represents an immaterial amount, therefore the Group did not recognise any credit loss allowance. Refer to Note 27 for the ECL measurement approach.

As at 31 December 2020, prepaid expenses consist of prepayments for marketing, IT systems support, security, TV advertisement, and ATM-service (2019: same).

Refer to Note 33 for the disclosure of the fair value of other financial assets. The maturity and geographical risk concentration analysis of other financial assets is disclosed in Note 27.

13 Due to banks

<i>(In millions of RR)</i>	31 December 2020	31 December 2019
Correspondent accounts and overnight placements of other banks	4,795	23
Sale and repurchase agreements with other banks	24	-
Total Due to banks	4,819	23

Refer to Note 33 for the disclosure of the fair value of amounts due to banks. Interest rate, maturity, and geographical risk concentration analysis of due to banks is disclosed in Note 27.

Refer to Notes 30 and 31 for information on the amounts included in the category of due to banks received under sale and repurchase agreements and fair value of securities pledged.

14 Customer accounts

<i>(In millions of RR)</i>	31 December 2020	31 December 2019
Individuals		
- Current/demand accounts	323,145	199,408
- Brokerage accounts	73,970	12,253
-Term deposits	135,995	137,292
IE and SME		
- Current/demand accounts	89,199	60,174
-Term deposits	2,213	1,880
Other legal entities		
- Deposits and current accounts of the Parent Company	5,772	5,594
- Current/demand accounts	3,976	3,226
-Term deposits	161	254
Total customer accounts	634,431	420,081

Refer to Note 27 for the disclosure of the fair value of customer accounts. Interest rate, maturity and geographical risk concentration analysis of customer accounts amounts is disclosed in Note 33. Information on related party balances is disclosed in Note 35.

15 Debt securities in issue

<i>(In millions of RR)</i>	Date of maturity	31 December 2020	31 December 2019
RR denominated bonds issued in April 2019	21.03.2029	10,134	10,158
RR denominated bonds issued in September 2019	12.09.2029	10,166	10,157
RR denominated bonds issued in April 2017	22.04.2022	2,492	2,468
RR denominated bonds issued in June 2016	24.06.2021	836	835
Structured debt notes issued in December 2020	05.12.2023	130	-
Structured debt notes issued in October 2020	05.10.2023	93	-
Structured debt notes issued in December 2020	01.12.2023	74	-
Total debt securities in issue		23,925	23,618

On 03 April 2019, the Group issued RR denominated bonds with a nominal value of RR 10,000 million at 9.25% p.a. coupon rate maturing on 21 March 2029.

On 25 September 2019, the Group issued RR denominated bonds with a nominal value of RR 10,000 million at 8.25% p.a. coupon rate maturing on 12 September 2029.

On 28 April 2017, the Group issued RR denominated bonds with a nominal value of RR 5,000 million at 9.65% p.a. coupon rate maturing on 22 April 2022.

On 30 June 2016, the Group issued RR denominated bonds with a nominal value of RR 3,000 million at 11.7% p.a. coupon rate maturing on 24 June 2021.

15 Debt Securities in Issue (Continued)

During October and December 2020, the Bank issued structured debt notes with a total nominal value of RR 331 million at 0.01% coupon rate maturing in October and December 2023. The structured debt notes are linked to the performance of the underlying assets, such as the gold trust and equity indexes. The derivative instruments embedded in the structured debt notes were separated and accounted within financial derivatives line in the consolidated statement of financial position.

All bonds issued by the Group are freely traded on the Moscow Exchange. Refer to Note 33 for the disclosure of the fair value of debt securities in issue. The financial risk management is disclosed in Note 27.

16 Subordinated debt

As at 31 December 2020, the carrying value of the subordinated debt was RR 20,755 million (31 December 2019: RR 18,487 million).

On 15 June 2017, the Group issued perpetual subordinated loan participation notes with a nominal value of USD 300 million with zero premium. The notes have no stated maturity. The Group has a right to repay the notes at its discretion starting 15 September 2022 and they are repayable in case of certain events other than liquidation. The notes bear a fixed interest rate of 9.25% p.a. payable quarterly starting from 15 September 2017. Interest payments may be cancelled by the Group at any time.

The claims of lenders against the Group in respect of the principal and interest on these bonds are subordinated to the claims of other creditors in accordance with the legislation of the Russian Federation.

The perpetual subordinated loan participation notes are traded on the Global Exchange Market.

Interest rate, maturity, and geographical risk concentration analysis of subordinated debt is disclosed in Note 27. Refer to Note 33 for the disclosure of the fair value of subordinated debts.

17 Other Financial and Non-financial Liabilities

<i>(In millions of RR)</i>	31 December 2020	31 December 2019
Other financial liabilities		
Settlement of operations with plastic cards	23,084	6,427
Trade payables	6,636	5,141
Credit related commitments (Note 29)	3,562	2,242
Other	1,306	705
Total other financial liabilities	34,588	14,515
Other non-financial liabilities		
Accrued administrative expenses	2,659	1,112
Taxes payable other than income tax	1,700	1,292
Lease liabilities	1,338	1,652
Total other non-financial liabilities	5,697	4,056

17 Other Financial and Non-financial Liabilities (Continued)

Outstanding settlements under operations with plastic cards include funds that were spent by customers of the Bank by usage of plastic cards but have not yet been compensated to payment systems by the Group.

Accrued administrative expenses are mainly represented by accrued staff costs. Interest expense on lease liabilities amounted to RR 133 million for the year ended 31 December 2020 (Note 19) (2019: RR 129 million).

During 2020, the Group managed to apply an online posting mechanism which allowed customer accounts to be debited and payment systems to be credited for their transactions at the time of authorisation of the transaction. In prior periods, transactions used to be posted only after their clearing by payment systems which requires another business day, as a rule.

Movements in the credit loss allowance for credit related commitments for the year ended 31 December 2020:

	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
<i>(In millions of RR)</i>				
At 31 December 2019	2,228	14	-	2,242
<i>Movements with impact on provision for credit related commitments charge for the year:</i>				
New originated or purchased	920	-	-	920
Transfers:				
- to lifetime (from Stage 1 to Stage 2)	(36)	15		(21)
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(59)	(6)	-	(65)
- recovered (from Stage 3 to Stage 2 and from Stage 2 to Stage 1)	7	(15)	-	(8)
Changes to ECL measurement model assumptions and estimates	(637)	(1)	-	(638)
Movements other than transfers and new originated or purchased loans	1,090	42	-	1,132
Total charge to profit or loss for the year	1,285	35	-	1,320
At 31 December 2020	3,513	49	-	3,562

17 Other Financial and Non-financial Liabilities (Continued)

Movements in the credit loss allowance for credit related commitments for the year ended 31 December 2019:

	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
<i>(In millions of RR)</i>				
At 31 December 2018	2,024	17	-	2,041
<i>Movements with impact on provision for credit related commitments charge for the year:</i>				
New originated or purchased	840	-	-	840
Transfers:				
- to lifetime (from Stage 1 to Stage 2)	(23)	9	-	(14)
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(45)	(7)	-	(52)
- recovered (from Stage 3 to Stage 2 and from Stage 2 to Stage 1)	5	(15)	-	(10)
Changes to ECL measurement model assumptions and estimates	(163)	-	-	(163)
Movements other than transfers and new originated or purchased loans	(410)	10	-	(400)
Total charge to profit or loss for the year	204	(3)	-	201
At 31 December 2019	2,228	14	-	2,242

The credit loss allowance for credit related commitments recognised in the period is impacted by a variety of factors. Refer to Note 27 for information about ECL measurement.

The main movements in the table presented above are described as follows:

- new originated or purchased category represents the credit loss allowance for 12 months for the undrawn part of the credit limit of purchased loans and loans issued during the reporting period, as at the end of the reporting period or as at the date of transfer of the loan from Stage 1 (whichever date is earlier);
- 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. Transfers present the amount of credit loss allowance for credit related commitments charged or recovered at the moment of transfer of credit related commitments among the respective stages;
- changes in assumptions and estimates of the credit loss allowance calculation model that represent changes due to changes in PDs, EADs, and LGDs models during the period;
- movements other than transfers to other stages and new originated or purchased loans represent all the other movements of credit loss allowance for credit related commitments in particular those related to changes in gross carrying amounts of associated loans, credit loss allowance model assumptions, etc.

17 Other Financial and Non-financial Liabilities (Continued)

Interest rate, maturity, and geographical risk concentration analysis of other financial liabilities are disclosed in Note 27. Refer to Note 33 for disclosure of fair value of other financial liabilities.

18 Share capital

<i>(In millions of RR except for the number of shares)</i>	Number of authorised shares	Ordinary shares	Total
At 31 December 2018	2,147 200,000	6,816	6,816
At 31 December 2019	2,147 200,000	6,816	6,816
At 31 December 2020	2,147 200,000	6,816	6,816

The nominal registered issued share capital of the Group is RR 1,472 million before restatement of capital contributions made before the end of the hyperinflationary period in the Russian Federation to the equivalent purchasing power of the Russian ruble as at 31 December 2002. On 26 March 2014, the Bank issued 530 million shares with a nominal value of RR 10 per share. The shares were placed by closed subscription in favour of the Bank's shareholder, TCS Group Holding PLC. As a result of the additional issue, the amount of the share capital increased by RR 5,300 million.

As of 31 December 2020 and 31 December 2019, all the issued ordinary shares are fully paid. All the ordinary shares have a nominal value of RR 10 per share (2019: RR 10 per share) and entitle to one vote per share.

19 Net margin

<i>(In millions of RR)</i>	2020	2019
Interest income calculated using the effective interest rate method		
Loans and advances to customers:		
<i>Credit card loans</i>	89,253	84,325
<i>Cash loans</i>	11,439	11,877
<i>Secured loans</i>	4,950	2,285
<i>Car loans</i>	3,342	1,512
<i>POS loans</i>	1,899	1,825
<i>Corporate loans</i>	725	1,092
<i>Loans to IE and SME</i>	529	325
Investments in debt securities at FVOCI and repurchase receivables	10,222	6,514
Brokerage operations	2,629	184
Placements with other banks and non-bank credit organizations with original maturities of less than three months	510	193
Total interest income calculated using the effective interest rate method	125,498	110,132
Other similar income		
Financial assets at FVTPL	64	90
Total interest income	125,562	110,222
Interest expense calculated using the effective interest rate method		
Customer accounts:		
<i>Individuals</i>		
- Current/demand accounts	9,590	8,988
- Term deposits	6,499	7,006
<i>IE and SME</i>	1,022	1,421
<i>Other legal entities</i>	92	106
RR denominated bonds	2,027	1,282
Subordinated debt	1,948	1,846
Due to banks	441	634
Parent company's deposits	53	228
Total interest expense calculated using the effective interest rate method	21,672	21,511
Other similar expense		
Lease liabilities	133	129
Total interest expense	21,805	21,640
Expenses on deposit insurance	1,745	1,870
Net margin	102,012	86,712

20 Fee and commission income and expenses

<i>(In millions of RR)</i>	2020	2019
Fee and commission income		
Acquiring commission	10,078	7,917
IE and SME services commission	7,445	6,757
Brokerage fee	4,998	635
Fee for selling credit protection	4,572	5,458
Interchange fee	3,963	3,473
SMS fee	3,945	3,244
Foreign currency exchange transactions fee	3,943	3,024
Fee for money transfers	3,117	1,980
Cash withdrawal fee	746	720
Marketing services fee	347	340
Replenishment fee	141	141
Other fees receivable	1,671	853
Total fee and commission income	44,966	34,542

IE and SME services commission represents commission for services to individual entrepreneurs and small to medium businesses. Fee for selling credit protection represents fee which the Bank receives for selling voluntary credit insurance to borrowers of the Group. Acquiring commission represents commission for processing card payments from online and offline points of sale.

The Group has refined the presentation of the Group's revenue structure by reclassifying the sum of merchant acquiring fee from IE and SME services commission to acquiring commission. The comparative information was amended accordingly.

<i>(In millions of RR)</i>	2020	2019
Fee and commission expense		
Payment systems	14,686	10,420
Banking and other fees	2,227	397
Service fees	2,199	1,954
Payment channels	1,257	1,327
Total fee and commission expense	20,369	14,098

Payment systems fees represent fees for MasterCard, Visa and other payment systems' services.

Service fees represent fees for statement printing, mailing service, sms services and others.

Payment channels represent fees paid to third parties through whom borrowers make loan repayments.

21 Customer acquisition expense

<i>(In millions of RR)</i>	2020	2019
Marketing and advertising	10,194	7,961
Staff costs	6,337	5,510
Taxes other than income tax	1,811	1,355
Credit bureaux	878	697
Cards issuing expenses	750	411
Partnership expenses	745	272
Telecommunication expenses	284	326
Other acquisition	117	3
Total customer acquisition expenses	21,116	16,535

Customer acquisition expenses represent expenses paid by the Group on services related to origination of customers which are not directly attributable to the recognised assets and are not incremental. The Group uses a variety of different channels for the acquisition of new customers.

Staff costs represent salary expenses and related costs of employees directly involved in customer acquisition. Included in staff costs are statutory social contributions to the state non-budgetary funds in the amount of RR 1,592 million for the year ended 31 December 2020 (2019: RR 1,511 million).

22 Administrative and other operating expenses

<i>(In millions of RR)</i>	Note	2020	2019
Staff costs		22,813	18,024
Amortization of intangible assets	11	1,741	1,095
Depreciation of fixed assets	11	1,567	1,240
Taxes other than income tax		1,312	1,357
Information services	11	1,067	639
Depreciation of right-of-use assets		668	522
Short-term and low-value lease		548	399
Other provisions		445	260
Collection expenses		393	163
Office maintenance and office supplies		390	375
Communication services		274	279
Professional services		269	615
Security expenses		189	167
Other administrative expenses		436	427
Total administrative and other operating expenses		32,112	25,562

Included in staff costs are statutory social contributions to the non-budget funds of the Russian Federation and share-based remuneration:

<i>(In millions of RR)</i>	2020	2019
Statutory social contribution to the non-budget funds	4,033	3,305
Total	4,033	3,305
Share-based remuneration:		
- Management long-term incentive programme	1,092	469
- Key employees retention plan	356	-
Total	1,448	469

The average number of employees employed by the Group during the reporting year, including those who are working under civil contracts, was 24,724 (2019: 25,304 persons).

23 Other Operating Income

<i>(In millions of RR)</i>	2020	2019
Dividend income	1,014	540
Other	577	307
Total other operating income	1,591	847

24 Income tax

Income tax expense comprises the following:

<i>(In millions of RR)</i>	2020	2019
Current tax	6,747	11,134
Deferred tax	1,351	(3,457)
Total income tax expense	8,098	7,677

The income tax rate applicable to the Group's income in 2020 is 20% (2019: 20%).

The correlation between expected and actual tax amounts is shown below.

<i>(In millions of RR)</i>	2020	2019
Profit before tax	42,088	38,670
Theoretical tax expense at statutory rate of 20% (2019: 20%)	8,418	7,734
Tax effect of items, which are not deductible or assessable for taxation purposes:		
- Non-deductible expenses	163	95
- Income on government and corporate securities taxed at different rates	(448)	(214)
- Other	(35)	62
Income tax expenses for the year	8,098	7,677

Differences between IFRS and taxation regulations in Russia and other countries give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases.

As all of the Group's temporary differences arise in Russia, the tax effect of the movements in these temporary differences is detailed below and is recorded at the rate of 20% (2019: 20%).

24 Income Tax (continued)

The tax effect of movement in temporary differences for the year ended 31 December 2020 is shown in the table below:

	31 December 2019	(Charged)/ credited to profit or loss	Credited to OCI	31 December 2020
<i>(In millions of RR)</i>				
Tax effect of deductible and taxable temporary differences				
Loans and advances to customers	3,573	99	-	3,672
Tangible fixed assets	(597)	91	-	(506)
Right-of-use assets	(322)	137	-	(185)
Intangible assets	(195)	(5)	-	(200)
Securities measured at FVOCI	(1,016)	(1,119)	685	(1,450)
Accrued expenses	(119)	624	-	505
Lease liabilities	339	(108)	-	231
Customer accounts	(44)	(9)	-	(53)
Debt securities in issue	(17)	(41)	-	(58)
Securities measured at FVTPL	(45)	11	-	(34)
Financial derivatives	40	(1,031)	-	(991)
Net deferred tax assets (liabilities)	1,597	(1,351)	685	931

The tax effect of movement in temporary differences for the year ended 31 December 2019 is shown in the table below:

	31 December 2018	1 January 2019 (IFRS 16 adoption)	Credited/ (charged) to profit or loss	Charged to OCI	31 December 2019
<i>(In millions of RR)</i>					
Tax effect of deductions and taxable temporary differences					
Loans and advances to customers	722	-	2,851	-	3,573
Fixed assets	(596)	-	(1)	-	(597)
Right-of-use assets	-	(322)	-	-	(322)
Intangible assets	(208)	-	13	-	(195)
Securities measured at FVOCI	(487)	-	789	(1,318)	(1,016)
Accrued expenses	417	-	(536)	-	(119)
Lease liabilities	-	321	18	-	339
Customer accounts	(21)	-	(23)	-	(44)
Debt securities in issue	(4)	-	(13)	-	(17)
Securities measured at FVTPL	(40)	-	(5)	-	(45)
Financial derivatives	(324)	-	364	-	40
Net deferred tax (liabilities)/assets	(541)	(1)	3,457	(1,318)	1,597

25 Dividends

On 30 April 2020 the Board of Directors declared the payment of dividends in the amount of RR 588 million. The declared dividends were paid on 19 May 2020.

On 17 August 2020 the Board of Directors declared the payment of dividends in the amount of RR 686 million. The declared dividends were paid on 18 August 2020.

On 17 November 2020 the Board of Directors declared the payment of dividends in the amount of RR 3,000 million. The declared dividends were paid on 27 November 2020.

On 25 November 2020 the Board of Directors declared the payment of dividends in the amount of RR 147 million. The declared dividends were paid on 26 November 2020.

On 18 December 2020 the Board of Directors declared the payment of dividends in the amount of RR 4,998 million. The declared dividends were paid on 29 December 2020.

On 09 January 2019 the Board of Directors declared the payment of dividends in the amount of RR 9,501 million. The declared dividends were paid on 21 January 2019.

On 12 April 2019 the Board of Directors declared the payment of dividends in the amount of RR 3,196 million. The declared dividends were paid on 23 April 2019.

26 Net Debt Reconciliation

The table below sets out an analysis of the debt amount and its movements for each of the periods presented. The debt items are those that are reported as cash from financing activities in the consolidated statement of cash flows.

	Liabilities arising from financing activities			
	Debt securities in issue	Perpetual subordinated bonds	Lease liabilities	Total
(In millions of RR)				
At 31 December 2018	5,851	20,644	-	26,495
Adoption of IFRS 16	-	-	1,604	1,604
Cash flows from repayments	(3,165)	-	(884)	(4,049)
Cash flows from proceeds	20,727	46	-	20,773
Foreign exchange adjustments	-	(2,267)	-	(2,267)
Other non-cash movements	205	64	932	1,201
At 31 December 2019	23,618	18,487	1,652	43,757
Cash flows from repayments	-	(1,937)	(725)	(2,662)
Cash flows from proceeds	331	710	-	1,041
Foreign exchange adjustments	-	3,609	-	3,609
Other non-cash movements	(24)	(114)	411	273
At 31 December 2020	23,925	20,755	1,338	46,018

27 Financial Risk Management

Credit Risk. The Group exposes itself to credit risk, which is the risk that the Group will incur losses due to failure to fulfil, untimely or incomplete fulfilment by the debtor of its financial obligations to the Group in accordance with the terms of the agreement (i.e. the probability that the borrower or the counterparty fails to fulfil its contractual obligations to the Group). The credit risk arises as a result of the Bank's lending and other transactions with counterparties to place (provide) financial assets. The Group issued loans to individuals, IE and IE and SME customers across all regions of the Russian Federation, therefore its credit risk is broadly diversified. The management of the Group takes special measures to mitigate the growing credit risk such as decreasing of credit limits for unreliable clients, diversifying of modes of work with overdue borrowers, toughening of scoring for new borrowers, etc. The Group's maximum exposure to credit risk is reflected in the carrying amounts of financial assets in the consolidated statement of financial position and within contingencies and commitments (Note 29). The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant. The Group (Bank) has the credit committee which establishes general principles for lending to individuals and legal entities. According to these principles, the minimum requirements for potential customers (individuals) are listed below:

- Citizenship of the Russian Federation;
- Age from 18 to 70 y.o., but not older than 70 y.o. at the time of loan repayment;
- Availability of a desk or mobile phone;
- permanent employment or education;
- permanent income.

For cash loans, the minimum requirements are listed below:

- cash loan volumes range between RR 50 thousand and RR 2 million.
- the requested loan term is from 3 to 36 months;

For POS loans, the minimum requirements are listed below:

- cash loan volumes range within RR 3 thousand and RR 500 thousand.
- the requested loan term is from 3 to 36 months;

For secured loans, the minimum requirements are listed below:

- the requested amount of a loan secured with a car should be between RR 100 thousand and RR 3 million, the loan term is from 3 months to 5 years. The requirement for the car is in good condition of driving with an age not more than 15 years, availability of a vehicle registration certificate and vehicle passport;
- The requested loan secured with real estate amount should be between RR 200 thousand and RR 15 million, the loan term is from 3 months to 15 years. The requirement for the real estate is an apartment in an apartment building within the Russian Federation, which is free from any encumbrances.

For car loans, the minimum requirements are listed below:

- The requested loan term is from 1 to 5 years;
- Car loan volumes up to RR 2 million;
- The requirement for the car is in good condition of driving with an age not more than 18 years, availability of a vehicle passport.

27 Financial Risk Management (Continued)

For loans to IE and SME, the minimum requirements are listed below:

- working capital loan: loan volumes up to RR 10 million and loan term to 6 months;
- loan for individual entrepreneurs for any purpose: loan volumes up to RR 2 million and loan term to 36 months;
- loan for individual entrepreneurs secured with real estate: loan volumes up to RR 15 million and loan term to 15 years. The requirement for the real estate is an apartment in an apartment building within the Russian Federation, which is free from any encumbrances;
- investment credit line secured with real estate: loan volumes up to RR 15 million and loan term to 5 years. The requirement for the real estate is an apartment in an apartment building within the Russian Federation, which is free from any encumbrances;
- for IE and SME with a turnover from RR 120 million per year: loan volumes up to RR 60 million and loan term to 5 years.

The credit decision process includes:

- Validation of the application data. Employees of the Debt Verification and Prevention Department check documents and confirm contact information (addresses and phone numbers if the applicant already uses any other Bank product);
- phone verification of the application information about the potential customer, his/her employment, social and property status, etc. This step may be omitted for POS loans;
- requesting of the previous credit history of the applicant from the three largest credit bureaus in Russia – Equifax, UCB (United Credit Bureau) and NBCH (National Bureau of Credit Histories);
- based on all available information, the credit score of the applicant is calculated and a final decision is made about the approval of the credit product;
- the approved loan amount, loan term and tariff plan are calculated depending on the score and declared income.

Management of the Group manages the credit risk on unused limits on credit cards in the following way:

- a) if the credit card debt is overdue for more than 7 days, its account will be blocked till repayment;
- b) if the borrower had lost his/her source of income, then the borrower's account might be blocked till verification of his/her new source of income;
- c) if the borrower's loan debt burden in other banks is substantially bigger than at the time of loan origination or the credit quality of the borrower decreases significantly then the borrower's limit for credit might be reduced accordingly.

When loans become unrecoverable or not economically viable to pursue further collection efforts, the Collection Department may decide to sell these loans to a debt collection agency.

The Collection Department considers the following criteria for credit-impaired loans qualifying for sale to external debt collection agencies:

- a) loans remain unpaid after all collection procedures were performed (no payment during last 4–6 months);
- b) the debtor cannot be either reached or found for the previous 4 months;
- c) the debtor has no assets and there is no expectation he/she will have any in the future;
- d) the debtor has died and there is no known estate or guarantor;
- e) it is determined that it is not cost effective to continue collection efforts.

27 Financial Risk Management (Continued)

The management of the Bank manages the credit risk on unused limits on credit cards in the following way:

- a) if the credit card loan is overdue for more than 7 days, its account will be blocked till repayment;
- b) if the borrower had lost his/her source of income, then borrower account might be blocked till verification of his/her new employment;
- c) if borrower's loan debt burden in other banks is substantially bigger than at the time of loan origination or the credit quality of the borrower decreases significantly then the borrower's limit for credit might be reduced accordingly.

When a customer experiences serious difficulties with his/her current debt servicing, he/she may be offered loan restructuring. In this case, the Bank stops accrual of interest, commissions, and fines and the debt amount is restructured according to a fixed instalment payment plan with not more than 36 equal monthly payments.

Another way of working with overdue loans is initiation of the state court process. This collection option statistically gives greater recovery than the sale of credit-impaired loans. Defaulted clients that could be subject to the court process are chosen by the Bank's Collection Department considering the following criteria:

- the client's account balance was fixed, accrual of interest stopped;
- information about the client is considered to be up to date;
- the client denied the restructuring programme;
- term of limitation of court actions has not expired;
- court process is economically justified.

Credit Risk Grading System. For measuring credit risk and grading financial instruments except for loans and advances to customers by the level of credit risk, the Group applies risk grades estimated by external international rating agencies in case these financial instruments have risk grades estimated by external international rating agencies (using Fitch ratings and in case of their absence -Moody's or Standard & Poor's ratings adjusting them to Fitch's categories using a reconciliation table):

Master scale credit risk grade	Corresponding ratings of external international rating agency (Fitch)
Excellent	AAA, AA+ to AA-, A+ to A-
Good	BBB+ to BBB-, BB+
Monitor	BB to B+
Sub-standard	B, B-
Doubtful	CCC+ to CC-
Default	C, D

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

- *Excellent* – high credit quality with lowest or very low expected credit risk;
- *Good* – good credit quality with currently low expected credit risk;
- *Monitor* – adequate credit quality with a moderate credit risk;

27 Financial Risk Management (Continued)

- *Sub-standard* – moderate credit quality with a satisfactory credit risk;
- *Doubtful* – facilities that require closer monitoring and remedial management; and
- *Default* – facilities in which a default has occurred.

For measuring credit risk and grading loans and advances to customers, unused credit limits on credit cards and those financial instruments which do not have risk grades estimated by external international rating agencies, the Group applies its internal risk grades and the corresponding range of probabilities of default:

Master scale credit risk grade	Corresponding interval
Excellent	For credit cards: non-overdue with PD < 5%; for other types of loans: non-overdue for the last 12 months with PD < 5% or with early repayments
Good	all other non-overdue loans
Monitor	1-30 days overdue for all types of loans or without first due date for credit card loans
Sub-standard	31-90 days overdue or restructured loans
NPL	0-90 days overdue 90+ days overdue

The condition of early repayments is satisfied, as described in the table above, if cumulative amount of early repayments exceed 5% of the gross carrying amount at the date of recognition of the loan.

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

- *Excellent* – strong credit quality with minimum expected credit risk;
- *Good* – adequate credit quality with low expected credit risk;
- *Monitor* – adequate credit quality with a moderate credit risk and credit cards loans before the first due date;
- *Sub-standard* – low credit quality with a substantial credit risk, includes restructured loans that are less than 90 days overdue;
- *NPL* – non-performing loans, credit-impaired loans more than 90 days overdue.

The rating models are regularly reviewed by the Credit Risk Department, backtested on actual default data and updated if necessary. Despite the method used, the Group regularly validates the accuracy of ratings estimates and appraises the predictive power of the models.

Expected Credit Loss (ECL) Measurement – Definitions and Description of Estimation Techniques

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).

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

Default occurs when a financial asset is 90 days past due or less than 90 days overdue but with the final statement issued, i.e. the limit is closed, the balance is fixed, interest and commissions are no longer accrued.

27 Financial Risk Management (Continued)

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

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

Loss Given Default (LGD) – an estimate of the loss arising on default as a percentage of the EAD.

It is based on the difference between the contractual cash flows due and those that the creditor would expect to receive.

Discount Rate – a rate to discount an expected loss to its present value at the reporting date. The discount rate represents the effective interest rate (EIR) for the financial instrument or an approximation thereof.

Lifetime Period – the maximum period over which ECL should be measured. For loans with fixed maturity, the lifetime period is equal to 20 months. For revolving facilities, it is based on statistics of the average period between the moment of the loan falling into Stage 2 until the write-off or attrition. Currently, the Group estimates that this period equals to 4 years, though it is subject to periodical reassessment.

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

12-month ECL – the portion of lifetime ECLs that represent the ECLs resulting from default events on a financial instrument that are possible within 12 months after the reporting date that are limited by the remaining contractual life of the financial instrument.

Forward Looking Information – the information that includes the key macroeconomic variables impacting credit risk and expected credit losses for each portfolio segment. A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information.

Credit Conversion Factor (CCF) – a coefficient that shows that the probability of conversion of an off-balance sheet amount to exposure in the consolidated statement of financial position within a defined period. It can be calculated for a 12-month or lifetime period. Based on the analysis performed, the Group considers that 12-month and lifetime CCFs are the same.

Purchased Originated Credit-Impaired (POCI) Financial Assets – financial assets that are credit-impaired upon initial recognition.

Default and Credit-Impaired Assets – assets for which a default event has occurred.

The default definition stated above should be applied to all types of financial assets of the Group.

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria.

Significant Increase in Credit Risk (SICR) – the SICR assessment is performed on an individual basis for all financial assets by regular monitoring of applicability by the Group Risk Management Department.

The Group considers a financial instrument to have experienced a SICR when one or more of the following quantitative, qualitative or backstop criteria have been met.

27 Financial Risk Management (Continued)

For interbank operations, bonds issued by banks and bonds issued by corporates and sovereigns:

- 30 days past due;
- award of risk grade “doubtful”;
- decrease of the credit rating by 2 notches, which corresponds to an approximate increase of PD by 2.5 times.

For credit card loans:

- 30 days past due;
- relative threshold defined on an individual basis using existing scoring models: increase of the 12-month PD compared to PD estimated 18 months ago or as at the date of initial recognition (if it occurred less than 18 months ago) by 3 times or PD reaching 50% and above. 18-month period was determined as the weighted average period of the most recent date where the credit limit was revised by at least 25%, which is considered to be a substantial revision or of the utilization date if there was no revision.

For all other loans:

- 30 days past due;
- if the loans were past due for more than 30 days during the last 6 months or if the loans fell past due during the last 4 months more than once.

If there is evidence that the SICR criteria are no longer met, the instrument will be transferred back to Stage 1.

General Principle of Techniques Applied

For non-POCI financial assets, ECLs are generally measured based on the risk of default over one of two different time periods, depending on whether or not the credit risk of the borrower has increased significantly since initial recognition. This approach can be summarised in a three-stage model for ECL measurement:

- Stage 1 – a financial instrument that is not credit-impaired on initial recognition and its credit risk has not increased significantly since initial recognition, the loss allowance is based on 12-month ECLs;
- Stage 2 – if since the date, which was assumed to be the date of initial recognition is identified a SICR, the financial instrument is moved to Stage 2 but is not yet deemed to be credit-impaired, the loss allowance is based on lifetime ECLs;
- Stage 3 – if the financial instrument is credit-impaired or restructured, the financial instrument is then moved to Stage 3 and the loss allowance is based on lifetime ECLs.

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.

27 Financial Risk Management (Continued)

The Group may carry out two separate approaches for ECL measurement:

- assessment on a portfolio basis for loans and advances to customers: internal ratings are estimated on an individual basis but the same credit risk parameters (e.g. PD, LGD) are applied during the process of ECL calculations for the same credit risk ratings and homogeneous segments of the loan portfolio;
- assessment based on external ratings: for all other financial instruments except for FVTPL.

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

Principles of Assessment on a 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.

Examples of shared characteristics include: type of customer, product type, credit risk rating, date of initial recognition, overdue level and repayment statistics.

The different segments reflect differences in the credit risk parameters, e.g., PD and LGD.

The appropriateness of groupings is monitored and reviewed on a periodic basis by the Risk Management Department.

In general, ECL is the multiplication of the following credit risk parameters: EAD, PD, and LGD (definitions of the parameters are provided above). The general approach used for ECL calculation is stated below.

$$ECL = PD_{t_i} \cdot EAD_{t_i} \sum_{i=0}^{N-1} \frac{LGD_{t_i}}{(1 + EIR)^{t_i}}$$

where:

$PD_{t_i, t_{i+1}}$ – probability of default in the period from t_i to t_{i+1} (can't be higher than 100%)

EAD_{t_i} – exposure at default in moment

LGD_{t_i} – loss given default in moment t_i

t_i – number of months in the loan's lifetime

EIR – effective interest rate

N – remaining amount of payments.

27 Financial Risk Management (Continued)

The ECL is determined by predicting credit risk parameters (EAD, PD and LGD) for each future month during the lifetime period for each exposure or the entire segment. These three components are multiplied together and adjusted to the probability of “survival”. This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed up. The discount rate used in the ECL calculation is the initial effective interest rate or an approximation thereof.

The EADs are determined based on the expected payment profile. For revolving products, the EAD is predicted by taking the current withdrawn balance and adding a “credit conversion factor” that accounts for the expected drawdown of the remaining limit of utilised loans by the time of default. These assumptions vary by product type, current limit utilisation and other borrower-specific behavioural characteristics. For other products, EAD is equal to current exposure as there is no credit limit to utilize.

Two types of PDs are used for calculating ECLs: 12-month and lifetime PDs:

- 12-month PDs – the estimated probability of a default occurring within the next 12 months. An assessment of a 12-month PD is based on the latest available historic default data using borrower-specific behavioural characteristics and adjusted for forward-looking information when appropriate. Based on borrower-specific PDs the exposures are allocated to segments to which average PD for the segment is applied;
- 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 and 3 exposures. An assessment of a lifetime PD is based on the latest available historic default data using product specific lifetime periods as described above. To calculate lifetime PD, the Group developed lifetime PD curves based on the 12-month PD data.

LGD represents the Group's expectation of the extent of loss on a defaulted exposure. For credit cards, cash loans and POS loans LGDs are calculated on portfolio basis based on repayment statistics of defaulted loans over the period of 24 or 36 months. For secured loans, car loans, and IE and SME loans, LGDs are calculated using current market data in relation to the expected recoveries.

ECL Measurement for Loan Commitments. The ECL measurement for these instruments 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 contractual obligation for future transactions. CCF for undrawn credit facilities and overdrafts is defined based on statistical analysis of exposures at default.

Principles of Assessment Based on External Ratings – the principles of ECL calculations based on external ratings are the same as for their assessment on a portfolio basis. Credit risk parameters (PD and LGD) are taken from the default and recovery statistics published by international rating agencies (Fitch and in case of their absence - Moody's or Standard & Poor's).

27 Financial Risk Management (Continued)

Forward-Looking Information Incorporated in the ECL Models. The calculation of ECLs incorporates forward-looking information. The Group has performed historical analysis and identified the key economic variables impacting credit risk and ECLs for each portfolio. The list of variables is as follows:

- Russian stock market index MOEX;
- Moscow Prime Offered Rate;
- Debt load of Russian population based on statistics from bureaus of credit history.

The impact of these economic variables on the ECL has been determined by performing statistical regression analysis to understand the impact that changes in these variables historically had on default rates.

Three different scenarios are used: base, optimistic, and pessimistic. The scenarios are weighted accordingly with base scenario having 71.1% (2019:90.8%) weight, optimistic scenario having 0.1% (2019:1.3%) weight, and pessimistic scenario having 28.8% (2019:7.9%) weight.

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 on a quarterly basis.

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

Market Risk. The Group is exposed to the market risk related to open positions in (a) currency, (b) interest, and (c) equity instruments, all of which are exposed to general and specific market movements. The priority goal of market risk management is to maintain the risks assumed by the Group at a level determined by the Group in accordance with its own strategic objectives. Management sets limits on the value of risk that may be accepted, which is monitored on a daily basis.

However, this approach may not prevent losses beyond these limits in case of more serious market changes.

Currency Risk. The Bank uses limits of open currency positions established by the respective regulatory documents of the Bank of Russia.

The table below contains information about the Group's exposure to the currency risk at the end of the year:

	At 31 December 2020				At 31 December 2019			
	Non- derivative monetary financial assets	Non- derivative monetary financial liabilities	Derivatives	Net position	Non- derivative monetary financial assets	Non- derivative monetary financial liabilities	Derivatives	Net position
<i>(In millions of RR)</i>								
RR	664,898	(551,112)	(24,283)	89,503	483,842	(396,002)	(12,995)	74,845
USD	114,454	(140,842)	29,207	2,819	46,374	(61,499)	13,422	(1,703)
EUR	32,667	(31,936)	(5)	726	18,489	(18,400)	(595)	(506)
GBP	1,404	(1,414)	-	(10)	677	(675)	(32)	(30)
Others	1,958	(2,420)	-	(462)	87	788	-	(701)
Total	815,381	(727,724)	4,919	92,576	549,469	(477,364)	(200)	71,905

27 Financial Risk Management (Continued)

The above analysis includes only monetary assets and liabilities. Non-monetary assets do not give rise to any material currency risk.

Amounts disclosed in respect of derivatives represent the fair value, at the end of the reporting period, of the respective currency and mean that the Group agreed to buy (positive amount) or sell (negative amount) before netting of positions and payments with the counterparty.

The amounts by currency are presented gross as stated in Note 32. The net total represents the fair value of the currency derivatives. The above analysis includes only monetary assets and liabilities.

The table below 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 the same:

	At 31 December 2020		At 31 December 2019	
	Impact on profit for the year	Impact on total equity	Impact on profit for the year	Impact on total equity
<i>(In millions of RR)</i>				
USD strengthening by 20% (2019: by 20%)	455	455	(270)	(270)
USD weakening by 20% (2019: by 20%)	(455)	(455)	270	270
EUR strengthening by 20% (2019: by 20%)	117	117	(80)	(80)
EUR weakening by 20% (2019: by 20%)	(117)	(117)	80	80
GBP strengthening by 20% (2019: by 20%)	(2)	(2)	(5)	(5)
GBP weakening by 20% (2019: by 20%)	2	2	5	5

The exposure was calculated only for monetary assets and liabilities denominated in currencies other than the functional currency of the respective company 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 reduce or create losses in the event that unexpected movements arise.

The Group is exposed to the prepayment risk through providing fixed rate loans that entitle the borrower to repay the loan early. The Group's current year profit and equity at the end of the current reporting period were not exposed to significant risk by changes in prepayment rates because such loans are carried at amortised cost and the prepayment right is at or close to the amortised cost of the loans and advances to customers (2019: same).

27 Financial Risk Management (Continued)

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

<i>(In millions of RR)</i>	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 3 years	More than 3 years	Non-interest bearing financial instruments	Total
31 December 2020							
Total financial assets	245,228	143,222	75,685	139,909	215,773	592	820,409
Total financial liabilities	(381,123)	(165,763)	(81,939)	(88,844)	(10,164)	-	(727,833)
Net interest sensitivity gap at 31 December 2020	(135,895)	(22,541)	(6,254)	51,065	205,609	592	92,576
31 December 2019							
Total financial assets	131,546	150,177	65,166	122,852	79,639	864	550,244
Total financial liabilities	(207,751)	(153,968)	(62,627)	(41,421)	(12,187)		(477,954)
Net interest sensitivity gap at 31 December 2019	(76,205)	(3,791)	2,539	81,431	67,452	864	72,290

The Group has no significant risk associated with variable interest rates on loans and advances provided to customers or loans received.

The assessment of the interest rate risk of the bank portfolio is carried out using an approach based on changes in the expected net interest income and a simultaneous shift in interest rates by +/- 200 basis points. If as at 31 December 2020 interest rates had been 200 basis points lower/higher (2019: 200 basis points), with all other variables held the same, profit for the year would have been RR 1,852 million (2019: RR 1,446 million) higher/lower.

27 Financial Risk Management (Continued)

The Group monitors interest rates for its financial instruments. The table below summarises interest rates set for 2020 and 2019 based on reports reviewed by key management personnel:

<i>In % p.a.</i>	2020					2019				
	RR	USD	EUR	GBP	Other	RR	USD	EUR	GBP	Other
Assets										
Cash and cash equivalents	0.0	0.0	0.0	0.0	-	0.0	0.0	0.0	0.0	0.0
Loans and advances to customers	33.5	-	-	-	-	35.7	-	-	-	-
Investment in debt securities	6.9	2.6	1.3	-	-	7.9	4.3	2.4	-	-
Repurchase receivables	6.9	3.3	-	-	-	-	-	-	-	-
Brokerage receivables	15.5	15.4	13.5	-	-	15.4	14.7	13.7	-	-
Liabilities										
Due to banks	4.4	0.0	-	-	-	6.2	0.0	-	-	-
Customer accounts	3.3	0.5	0.1	0.1	-	5.1	1.0	0.1	0.1	0.0
Debt securities in issue	8.6	-	-	-	-	9.0	-	-	-	-
Brokerage payables	15.6	15.6	-	-	-	15.8	15.3	-	-	-
Subordinated debt	-	10.0	-	-	-	-	10.0	-	-	-

The sign “-” in the table below means that the Group does not have assets or liabilities in the respective currency.

Other Price Risk. The Group is not exposed to the risk of changes in share prices as it does not carry out transactions with equity instruments.

27 Financial Risk Management (Continued)

Geographical Risk Concentrations. The geographical concentration of the Group's financial assets and liabilities as at 31 December 2020 is set out below:

<i>(In millions of RR)</i>	Russia	OECD	Other non-OECD	Listed	Total
Financial assets					
Cash and cash equivalents	127,906	7,027	-	-	134,933
Mandatory cash balances with the CBRF	5,379	-	-	-	5,379
Loans and advances to customers	372,227	-	-	-	372,227
Financial derivatives	5,028	-	-	-	5,028
Investment in debt securities	226,067	-	6,582	-	232,649
Repurchase receivables	29	-	-	-	29
Investment in equity securities	592	-	-	-	592
Brokerage receivables	24,064	-	-	-	24,064
Guarantee deposits with payment systems	672	14,803	-	-	15,475
Other financial assets	30,033	-	-	-	30,033
Total financial assets	791,997	21,830	6,582	-	820,409
Financial liabilities					
Due to banks	4,819	-	-	-	4,819
Customer accounts	628,659	-	5,772	-	634,431
Debt securities in issue	-	-	-	23,925	23,925
Financial derivatives	109	-	-	-	109
Brokerage payables	9,206	-	-	-	9,206
Subordinated debt	-	-	-	20,755	20,755
Other financial liabilities	34,588	-	-	-	34,588
Total financial liabilities	677,381	-	5,772	44,680	727,833
Unused credit limits (Note 29)	205,398	-	-	-	205,398

27 Financial Risk Management (Continued)

<i>(In millions of RR)</i>	Russia	OECD	Other non-OECD	Listed	Total
Financial assets					
Cash and cash equivalents	51,404	2,348	-	-	53,752
Mandatory cash balances with the CBRF	3,448	-	-	-	3,448
Due from other banks	250	-	-	-	250
Loans and advances to customers	328,301	-	-	-	328,301
Financial derivatives	390	-	-	-	390
Investment in debt securities	132,355	-	-	-	132,355
Investment in equity securities	385	-	-	-	385
Brokerage receivables	2,799	-	-	-	2,799
Guarantee deposits with payment systems	501	8,376	-	-	8,877
Other financial assets	20,254	-	-	-	20,254
Total financial assets	540,087	10,724	-	-	550,811
Financial liabilities					
Due to banks	23	-	-	-	23
Customer accounts	414,377	-	5,704	-	420,081
Debt securities in issue	-	-	-	23,618	23,618
Financial derivatives	590	-	-	-	590
Brokerage payables	1,207	-	-	-	1,207
Subordinated debt	-	-	-	18,487	18,487
Other financial liabilities	14,456	59	-	-	14,515
Total financial liabilities	430,653	59	5,704	42,105	478,521
Unused credit limits (Note 29)	168,059	-	-	-	168,059

Assets, liabilities, and credit related commitments have been based on the country in which the counterparty is located. Balances of Russian counterparties' transactions actually outstanding to/from offshore companies of these Russian counterparties, are allocated to the caption "Russia". Cash on hand and fixed assets have been allocated based on the country in which it is physically held.

Other Risk Concentrations. The management monitors and discloses concentrations of credit risk by obtaining reports listing exposures to borrowers with aggregated loan balances in excess of 10% of net assets. The Group did not have any such significant risk concentrations as at 31 December 2020 and 31 December 2019.

Liquidity Risk. Liquidity risk is the risk that the Bank will encounter difficulty in meeting its obligations associated with financial liabilities. The Group is exposed to daily calls on its available cash resources from unused limits on issued credit cards, retail deposits from customers, current accounts, and loans received. The Group does not accumulate cash for the need to meet all above obligations at the same time, as the experience shows that the amount of cash required to meet those obligations may be forecast with a reasonable degree of probability. The Finance Department analyses the liquidity position on an ongoing basis for the purpose of control. In case liquidity ratios deteriorate, the respective information is brought to the attention of the Chairman of the Management Board of the Bank. In the event of actual or expected (future) significant deterioration in liquidity ratios, the information is immediately communicated to the Board of Directors of the Bank.

27 Financial Risk Management (Continued)

The Group seeks to maintain a stable funding base primarily consisting of amounts due to institutional investors, corporate and retail customer deposits, and debt securities. The Group keeps its funds in diversified portfolios of liquid assets such as a correspondent account with the CBRF and overnight placements in high-rated commercial banks, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements. The available cash must at all times exceed all accrued financing costs falling due within half a year plus two months of regular operating costs. The liquidity management of the Group requires analysis 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 liquidity analysis takes into account the contractual obligations and ability of the Group to waive any potential breaches within the grace period.

The Bank calculates liquidity ratios on a daily basis in accordance with the laws of the Russian Federation. In 2020 and 2019, the Bank's ratios met the requirements of the CBRF.

The CFO receives information about the liquidity of the financial assets and liabilities. This includes daily, weekly, monthly, and quarterly updates on the level of credit card transactions and repayments, statistics on credit card issuance and credit card limit utilisation, inflow and outflow of retail deposits, changes in the investment securities portfolio, level of expected outflows such as operating costs and financing transactions. The CFO then ensures the availability of an adequate portfolio of short-term liquid assets, made up of an amount on the correspondent account with the CBRF and overnight deposits with banks, to ensure that sufficient liquidity is maintained within the Bank as a whole. Regular liquidity stress testing under a variety of scenarios and credit card portfolio behaviour is reviewed by the CFO.

The table below shows liabilities as at 31 December 2020 by their remaining contractual maturity. The amounts of liabilities disclosed in the table are the contractual undiscounted cash flows and total loan commitments. Such undiscounted cash flows differ from the amount included in the consolidated statement of financial position because the consolidated statement of financial position amount 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 reporting date. Foreign currency payments are translated using the spot currency rate at the end of the reporting period.

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

	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Total
<i>(In millions of RR)</i>						
Liabilities						
Due to banks	24	-	-	-	4,795	4,819
Customer accounts	337,419	84,412	80,149	80,306	48,979	631,265
Debt securities in issue	173	316	515	1,930	23,245	26,179
Financial derivatives	51	198	251	501	25,842	26,843
Brokerage payables	9,206	-	-	-	-	9,206
Subordinated debt	168	322	496	998	22,126	24,110
Other financial liabilities	34,588	-	-	-	-	34,588
Lease liabilities	64	102	166	330	686	1,348
Unused credit limits (Note 29)	205,398	-	-	-	-	205,398
Total potential future payments for financial liabilities	587,091	85,350	81,577	84,065	125,673	963,756

27 Financial Risk Management (Continued)

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

	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Total
<i>(In millions of RR)</i>						
Liabilities						
Due to banks	23	-	-	-	-	23
Customer accounts	197,643	84,108	70,530	60,627	11,605	424,513
Debt securities in issue	167	336	485	1,038	23,795	25,821
Financial derivatives	-	199	203	399	19,833	20,634
Brokerage payables	1,207	-	-	-	-	1,207
Subordinated debt	149	291	440	891	18,541	20,312
Other financial liabilities	14,515	-	-	-	-	14,515
Lease liabilities	11	109	111	209	1,254	1,694
Unused credit limits (Note 29)	168,059	-	-	-	-	168,059
Total potential future payments for financial liabilities	381,774	85,043	71,769	63,164	75,028	676,778

Financial derivatives receivable and payable are disclosed in Note 32. The tables above present only the derivatives payable.

Customer accounts are classified in the above table based on their 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.

The Group takes on exposure to liquidity risk, which is the risk of cash shortage in case the liability cash flow exceeds the asset cash flow.

Exposure to liquidity risk arises as a result of the Group's borrowing and operational activities that imply cash payments.

The Group uses daily, short-term, and long-term reporting, stress-testing and forecasting practices to monitor and prevent potential liquidity problems.

The Group is actively increasing the number of counterparties for interbank lending, looking for new markets, improving and creating additional debit and credit products to have more instruments of cash-flow management. The recent economic situation has resulted in an increased liquidity risk.

In response, the management of the Group preserves cash safety cushions for possible cash outflows and has planned the Group's liquidity position for the next year to ensure it can cover all upcoming payment obligations.

27 Financial Risk Management (Continued)

The expected maturity analysis of financial assets and liabilities at their carrying amounts as analysed by management as at 31 December 2020 is presented in the table below.

<i>(In millions of RR)</i>	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years	Total
Assets							
Cash and cash equivalents	134,933	-	-	-	-	-	134,933
Mandatory cash balances with the CBRF	2,737	539	449	574	1,080	-	5,379
Loans and advances to customers	51,050	65,055	66,175	70,316	103,679	15,952	372,227
Financial derivatives	82	-	-	-	4,946	-	5,028
Investment in debt securities	232,649	-	-	-	-	-	232,649
Investment in equity securities	-	-	-	-	-	592	592
Repurchase receivables	29	-	-	-	-	-	29
Brokerage receivables	24,064	-	-	-	-	-	24,064
Guarantee deposits with payment systems	2,122	2,705	2,751	2,923	4,311	663	15,475
Other financial assets	30,033	-	-	-	-	-	30,033
Total financial assets	477,699	68,299	69,375	73,813	114,016	17,207	820,409
Liabilities							
Due to banks	24	-	-	-	4,795	-	4,819
Customer accounts	322,813	63,601	52,958	67,671	127,388	-	634,431
Debt securities in issue	-	870	944	981	11,281	9,849	23,925
Financial derivatives	76	-	-	-	33	-	109
Brokerage payables	9,206	-	-	-	-	-	9,206
Subordinated debt	-	481	481	961	18,832	-	20,755
Other financial liabilities	34,588	-	-	-	-	-	34,588
Total financial liabilities	366,707	64,952	54,383	69,613	162,329	9,849	727,833
Net liquidity gap at 31 December 2020	110,992	3,347	14,992	4,200	(48,313)	7,358	92,576
Cumulative liquidity gap at 31 December 2020	110,992	114,339	129,331	133,531	85,218	92,576	-

27 Financial Risk Management (Continued)

The expected maturity analysis of financial assets and liabilities at their carrying amounts as analysed by management as at 31 December 2019 is presented in the table below.

<i>(In millions of RR)</i>	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years	Total
Assets							
Cash and cash equivalents	53,752	-	-	-	-	-	53,752
Mandatory cash balances with the CBRF	1,547	500	339	503	559	-	3,448
Due from other banks	-	-	46	-	204	-	250
Loans and advances to customers	47,443	62,395	62,225	60,674	83,123	12,441	328,301
Financial derivatives	-	-	-	-	390	-	390
Investment in debt securities	132,355	-	-	-	-	-	132,355
Investment in equity securities	-	-	-	-	-	385	385
Brokerage receivables	2,799	-	-	-	-	-	2,799
Guarantee deposits with payment systems	1,282	1,687	1,683	1,641	2,248	336	8,877
Other financial assets	20,150	63	20	10	11	-	20,254
Total financial assets	259,328	64,645	64,313	62,828	86,535	13,162	550,811
Liabilities							
Due to banks	23	-	-	-	-	-	23
Customer accounts	188,484	60,879	41,259	61,298	68,161	-	420,081
Debt securities in issue	-	411	599	1,008	10,003	11,597	23,618
Financial derivatives	-	-	-	-	590	-	590
Brokerage payables	1,207	-	-	-	-	-	1,207
Subordinated debt	-	158	-	-	18,329	-	18,487
Other financial liabilities	14,515	-	-	-	-	-	14,515
Total financial liabilities	204,229	61,448	41,858	62,306	97,083	11,597	478,521
Net liquidity gap at 31 December 2019	55,099	3,197	22,455	522	(10,548)	1,565	72,290
Cumulative liquidity gap at 31 December 2019	55,099	58,296	80,751	81,273	70,725	72,290	-

All investment in debt securities are classified within demand and less than one month as they are easy repayable in the CBRF or in the open securities market and can provide immediate liquidity to the Group.

27 Financial Risk Management (Continued)

As at the 31 December 2020, all investment in debt securities are classified within demand and less than one month as they are easy exchangeable in the CBRF or in the open market securities and can provide immediate liquidity to the Group. Current accounts of individuals were allocated using the customer account cash outflow curve. The allocation of deposits of individuals considers the statistics of deposit autoprolongations. When the customers have more than one active deposit, the funds from shorter deposits are included in longer deposits until maturity.

The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Bank. It is unusual for banks ever to be completely matched since transactions are often of an uncertain term and of different types. Those unmatched positions potentially enhance 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 Bank and its exposure to changes in interest and exchange rates.

Management believes that in spite of a substantial portion of customer accounts being on demand, diversification of these deposits by number and type of depositors, and the past experience of the Group indicate that these customer accounts provide a long-term and stable source of funding for the Group.

28 Management of Capital

The Group's objectives when managing capital are (a) to comply with the capital requirements set by the Central Bank of Russian Federation (CBRF); (b) for the Group to comply with the financial covenants set by the terms of RR and USD denominated securities issued; and (c) to safeguard the Group's ability to continue as a going concern.

The Group management considers total capital under management to be equal to equity attributable to shareholders of the Bank as shown in the consolidated statement of financial position. The capital managed by the Group as at 31 December 2020 amounted to RR 111,187 mln. (31 December 2019: RR 87,581 million).

Compliance with capital adequacy ratios set by the CBRF is monitored daily, and the Group submits to the CBRF on a monthly basis mandatory reports outlining the respective calculation reviewed and signed by the Bank's management. Other forms of capital management are evaluated annually.

The amount of the Bank's capital calculated in accordance with the regulatory requirements of the CBRF was RR 121,350 million as of 31 December 2020, the equity capital adequacy ratio (N1.0) was 13.07% (2019: RR 99,731 million and 12.12%). The minimum required equity capital adequacy ratio (N1.0) was 8% as at 31 December 2020 (2019: 8%).

The Group and the Bank have complied with all externally imposed capital requirements during 2020 and 2019.

29 Contingencies and Commitments

Legal Proceedings. From time to time and in the normal course of business, claims against the Group may be received. On the basis of its own estimates and internal professional advice, the Group management is of the opinion that no material losses will be incurred by the Group in respect of claims in the consolidated financial statements.

29 Contingencies and Commitments (Continued)

Tax Contingencies. The 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 by tax authorities. The 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 when decision about review was made. 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 assessment for controlled transactions (transactions between related parties and certain transactions between unrelated parties), if such transactions are not on an arm's length. 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.

The Group includes companies incorporated outside of the Russian Federation. The tax liabilities of the Group are determined on the assumption that these companies are not subject to Russian income tax, because they do not carry out their activities in the Russian Federation. The parent company is a tax resident of the Republic of Cyprus and the beneficial owner of the Bank. This interpretation of relevant legislation may be challenged but the impact of any such challenge cannot be reliably estimated currently; however, it may be significant to the financial position and/or the overall operations of the Group. The Controlled Foreign Company (CFC) legislation introduced Russian taxation of profits of foreign companies and non-corporate structures (including trusts) controlled by Russian tax residents (controlling parties). The CFC income is subject to a 20% tax rate if the CFC is controlled by a legal entity and a rate of 13% if it is controlled by an individual. As a result, management reassessed the Group's tax positions and recognised current tax expense as well as deferred taxes that arose from the expected taxable manner of recovery of the relevant Group's operations to which the CFC legislation applies to and to the extent that the Group (rather than its owners) is obliged to settle such taxes.

As Russian tax legislation does not provide definitive guidance in certain areas, the Group adopts, from time to time, interpretations of such uncertain areas that reduce the overall tax rate of the Group. While management currently estimates that the tax positions and interpretations that it has taken can probably be sustained, there is a possible risk that outflow of resources will be required should such tax positions and interpretations be challenged by the tax authorities. 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. As at 31 December 2020, the Group management did not identify any material tax risks (2019: same).

29 Contingencies and Commitments (Continued)

Compliance with Covenants. The Group is subject to certain contractual obligations related primarily to its issued debt securities and subordinated perpetual loan. Non-compliance with such covenants may result in negative consequences for the Group. The management believes that the Group was in compliance with all such covenant as at 31 December 2020 (2019: same).

Future Lease Payments Related to Leases where Leased Asset is of Low Value. The future cash outflows to which the Group is exposed and which are not reflected in the lease liabilities amounted to RR 233 million as at 31 December 2020 and relate primarily to leases of assets which are of low value (31 December 2019: RR 268 million).

Credit Related Commitments and Performance Guarantees. The primary purpose of these instruments is to ensure that funds are available to a customer as required. Commitments to extend credit represent unused portions of authorizations to extend credit in the form of credit card loans and guarantees. 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 probable loss amount is less than the total amount of unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific creditworthiness standards.

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

Performance guarantees are contracts that provide compensation if the other party fails to perform a contractual obligation. Such contracts do not transfer the credit risk. The risk under performance guarantee contracts is the possibility that the insured event (i.e. the failure to perform the contractual obligation by the other party) occurs. The key risks the Group faces are significant fluctuations in the frequency and amount of payments incurred on such contracts relative to expectations. The Group uses a scoring model to predict levels of such payments. Claims must be made before the contract matures and most claims are settled within short term. This allows the Group to achieve a high degree of certainty about the estimated payments and therefore future cash flows.

Outstanding credit limits and related commitments are as follows:

<i>(In millions of RR)</i>	31 December 2020	31 December 2019
Unused limits on credit card loans	208,405	168,059
Unused limits on corporate loans	555	-
Credit loss allowance	(3,562)	(2,242)
Total credit related commitments, net of credit loss allowance	205,398	165,817
Performance guarantees issued	659	874
Provisions	(4)	(3)
Total performance guarantees issued, net of provisions	655	871

The total outstanding amount of unused limits on loans does not necessarily represent future cash requirements, as these obligations may expire or be cancelled without providing the borrower with funds and, therefore, their fair value is close to nil. In accordance with credit card service conditions.

29 Contingencies and Commitments (Continued)

The Group has a right to refuse the issuance, activation, reissuing, or unblocking of a credit card, and is providing a credit card limit at its own discretion and without explaining its reasons.

The following table contains an analysis of credit related commitments by credit quality as at 31 December 2020 based on credit risk grades.

	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
<i>(In millions of RR)</i>				
Credit related commitments				
- Excellent	180,619	-	-	180,619
- Good	14,905	234	-	15,139
- Monitor	12,546	334	-	12,880
- Sub-standard	-	322	-	322
Unrecognised gross amount	208,070	890	-	208,960
Credit loss allowance	(3,513)	(49)	-	(3,562)
Unrecognised net amount	204,557	841	-	205,398

The following table contains an analysis of credit related commitments by credit quality as at 31 December 2019 based on credit risk grades.

	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
<i>(In millions of RR)</i>				
Credit related commitments				
- Excellent	145,154	-	-	145,154
- Good	12,285	84	-	12,369
- Monitor	10,360	176	-	10,536
- Sub-standard	-	-	-	-
Unrecognised gross amount	167,799	260	-	168,059
Credit loss allowance	(2,228)	(14)	-	(2,242)
Unrecognised net amount	165,571	246	-	165,817

The Group may decide to increase or decrease a credit card limit using a scoring model, which is based on the client's behaviour model. Credit related commitments are denominated in RR. Therefore, the fair value of the contractual amount of revocable unused limits on contingencies and commitments is close to zero.

29 Contingencies and Commitments (Continued)

The following table contains an analysis of performance guarantees issued by credit quality based on credit risk grades.

	31 December 2020	31 December 2019
	Stage 1 (12- months ECL)	Stage 1 (12- months ECL)
<i>(In millions of RR)</i>		
Performance guarantees issued		
- Excellent	414	564
- Good	245	310
Unrecognised gross amount	659	874
Provisions	(4)	(3)
Unrecognised net amount	655	871

Mandatory cash balances with the CBRF of RR 5,379 million as at 31 December 2020 (2019: RR 3,448 million) represent mandatory reserve deposits which are not available to finance the Bank's day to day operations.

30 Offsetting Financial Assets and Financial Liabilities

Financial instruments subject to offsetting, enforceable master netting and similar arrangements are as follows as at 31 December 2020:

	Gross amounts before offsetting	Gross amounts set off in the consolidated statement of financial position	Net amount after offsetting in the consolidated statement of financial position	Amounts subject to master netting and similar arrangements not set off in the consolidated statement of financial position		Net amount of expo- sure
				Financial instruments	Cash collateral	
<i>(In millions of RR)</i>						
Assets						
Reverse repurchase agreements with other banks with original maturities of more than three months	33,210	-	33,210	34,527	-	(1,317)
Brokerage receivables	24,064	-	24,064	24,113	-	(49)
Financial derivatives	4,919	-	4,919	-	4,795	124
Total assets subject to offsetting, master netting, and similar arrangement	62,193	-	62,193	58,640	4,795	(1,242)

30 Offsetting Financial Assets and Financial Liabilities (Continued)

	Gross amounts before offsetting	Gross amounts set off in the consolidated statement of financial position	Net amount after offsetting in the consolidated statement of financial position	Amounts subject to master netting and similar arrangements not set off in the consolidated statement of financial position	Financial instruments	Cash collateral	Net amount of expo- sure
<i>(In millions of RR)</i>							
Liabilities							
Due to banks	4,819	-	4,819	4,949	-	-	(130)
Brokerage payables	9,206	-	9,206	9,696	-	-	(490)
Total liabilities subject to offsetting, master netting, and similar arrangement	14,025	-	14,025	14,645	-	-	(620)

Financial instruments subject to offsetting, enforceable master netting and similar arrangements are as follows as at 31 December 2019:

	Gross amounts before offsetting	Gross amounts set off in the consolidated statement of financial position	Net amount after offsetting in the consolidated statement of financial position	Amounts subject to master netting and similar arrangements not set off in the consolidated statement of financial position	Financial instruments	Cash collateral	Net amount of expo- sure
<i>(In millions of RR)</i>							
Assets							
Reverse repurchase agreements with other banks with original maturities of more than three months	18,449	-	18,449	20,130	-	-	(1,681)
Brokerage receivables	2,799	-	2,799	2,239	-	-	560
Due from other banks	204	-	204	227	-	-	(23)
Financial derivatives	20	-	20	-	23	-	(3)
Total assets subject to offsetting, master netting, and similar arrangement	21,472	-	21,472	22,596	23	-	(1,147)

30 Offsetting Financial Assets and Financial Liabilities (Continued)

	Gross amounts before offsetting	Gross amounts set off in the consolidated statement of financial position	Net amount after offsetting in the consolidated statement of financial position	Amounts subject to master netting and similar arrangements not set off in the consolidated statement of financial position		Net amount of expo- sure
				Financial instruments	Cash collateral	
<i>(In millions of RR)</i>						
Liabilities						
Due to banks	23	-	23	20	-	3
Brokerage payables	1,207	-	1,207	1,282	-	(75)
Financial derivatives	227	-	227	-	204	23
Total liabilities subject to offsetting, master netting, and similar arrangement	1,457	-	1,457	1,302	204	(49)

As at 31 December 2020, the Group has master netting arrangements with counterparty banks, which are enforceable in case of default. The Group also made margin deposits with its clearing house counterparty as collateral for its outstanding derivative positions. The counterparty may set off the Group's liabilities with the margin deposit in case of default (2019: same). The disclosure does not apply to loans and advances to customers and related customer deposits.

31 Transfers of Financial Assets

The Group transferred financial assets in transactions that did not qualify for derecognition in the current and previous periods.

The table below shows the data on transfer operations under which the Group continues to recognize all financial assets transferred. The analysis results are presented by types of financial assets.

		31 December 2020		31 December 2019	
		Carrying amount of the assets	Carrying amount of the associated liabilities	Carrying amount of the assets	Carrying amount of the associated liabilities
<i>(In millions of RR)</i>					
	Note				
Debt securities at FVOCI pledged under repurchase agreements	7,13	29	24	-	-
Total		29	24	-	-

31 Transfers of Financial Assets (Continued)

In the normal course of business, the Group makes borrowings on the interbank market using different financial instruments as collateral to support its everyday operations in terms of liquidity.

The Group also enters into reverse sale and repurchase agreements. A summary of such operations is provided in the table below:

	31 December 2020		31 December 2019	
	Amounts granted under repo agreements	Fair value of securities received as collateral	Amounts granted under repo agreements	Fair value of securities received as collateral
<i>(In millions of RR)</i>				
Cash and cash equivalents	33,210	34,527	18,449	20,130
Brokerage receivables	24,064	24,113	2,799	2,239
Total	57,274	58,640	21,248	22,369

32 Financial derivatives

The table below sets out fair values, as at the end of the reporting period, of receivables or payables under foreign exchange forwards and swap contracts entered into by the Group with a breakdown by currency. The table reflects gross positions before the netting of any counterparty positions (and payments) and covers the contracts with settlement dates after the end of the respective reporting period. The transactions are short-term.

	31 December 2020		31 December 2019	
	Contracts with positive fair value	Contracts with negative fair value	Contracts with positive fair value	Contracts with negative fair value
<i>(In millions of RR)</i>				
Foreign exchange forwards and swaps: discounted notional amounts, at the end of the reporting period				
- USD receivable on settlement (+)	29,311	-	8,768	8,888
- USD payable on settlement (-)	-	(104)	(1,570)	(2,664)
- RR receivable on settlement (+)	75	-	1,896	2,971
- RR payable on settlement (-)	(24,358)	-	(8,388)	(9,474)
- EUR payable on settlement (-)	-	(5)	(301)	(294)
- GBP payable on settlement (-)	-	-	(15)	(17)
Fair value of foreign exchange forwards and swaps	5,028	(109)	390	(590)

33 Fair Value of Financial Instruments

Fair value measurements are analysed by level in the fair value hierarchy as follows: (a) Level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (b) 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 (c) Level three measurements are valuations not based on observable market data (that is, unobservable inputs).

(a) Recurring Fair Value Measurements

Recurring fair value measurements are those that the accounting standards 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:

(In millions of RR)	31 December 2020				31 December 2019			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets at fair value								
Financial derivatives	-	5,028	-	5,028	-	390	-	390
Investment in debt securities	226,393	6,256	-	232,649	130,416	1,939	-	132,355
Investment in equity securities	-	-	592	592	-	-	385	385
Repurchase receivables	29	-	-	29	-	-	-	-
Total assets recurring fair value measurements	226,422	11,284	592	238,298	130,416	2,329	385	133,130
Liabilities at fair value								
Financial derivatives	-	109	-	109	-	590	-	590
Total liabilities recurring fair value measurements	-	109	-	109	-	590	-	590

Investments in debt securities categorised at level 2 are represented by liquid debt securities classified in "Good" credit risk grade for analysing the credit risk.

33 Fair Value of Financial Instruments (Continued)

(a) Recurring Fair Value Measurements (continued)

The description of valuation techniques and the description of the inputs used in the fair value measurement for level 2 measurements as at 31 December 2020 are as follows:

<i>(In millions of RR)</i>	Fair value	Valuation technique	Inputs used
Assets at fair value			
Investment in debt securities	6,256	Observable quotes for comparable securities are adjusted by multiplier depending on the degree of the market activity.	Quotes from the automated fair value system for financial instruments of NSD Price Centre*
Foreign exchange swaps and forwards	5,028	Discounted cash flows adjusted for counterparty credit risk subject to embedded options	Russian ruble curve. USD dollar and Euro swaps curve CDS quotes assessment of counterparty credit risk
Total recurring fair value measurements at level 2	11,284		
Liabilities at fair value			
Foreign exchange swaps and forwards	109	Discounted cash flows adjusted for counterparty credit risk subject to embedded options	Russian ruble curve. USD dollar and Euro swaps curve CDS quotes assessment of counterparty credit risk.
Total recurring fair value measurements at level 2 (unaudited)	109		

The description of valuation techniques and the description of the inputs used in the fair value measurement for level 2 measurements as at 31 December 2019 are as follows:

<i>(In millions of RR)</i>	Fair value	Valuation technique	Inputs used
Assets at fair value			
Investment in debt securities	1,939	Observable quotes for comparable securities are adjusted by multiplier depending on the degree of the market activity.	Quotes from the automated fair value system for financial instruments of NSD Price Centre*
Foreign exchange swaps and forwards	390	Discounted cash flows adjusted for counterparty credit risk subject to embedded options	Russian ruble curve. USD Dollar swaps curve. CDS quotes assessment of counterparty credit risk
Total recurring fair value measurements at level 2	2,329		

33 Fair Value of Financial Instruments (Continued)

(a) Recurring Fair Value Measurements (continued)

<i>(In millions of RR)</i>	Fair value	Valuation technique
Liabilities at fair value		
Foreign exchange swaps and forwards	590	Discounted cash flows adjusted for counterparty credit risk subject to embedded options Russian ruble curve. USD Dollar swaps curve. CDS quotes assessment of counterparty credit risk.
Total recurring fair value measurements at level 2	590	

* NSD Valuation Center is a fair value measurement service for bonds and other financial instruments, accredited by the CBRF.

There were no changes in the valuation techniques for level 2 recurring fair value measurements during the year ended 31 December 2020. Level 2 derivatives comprise foreign exchange forwards and swaps.

The foreign exchange forwards have been fair valued using forward exchange rates that are quoted in an active market. Foreign exchange swaps are fair valued using forward interest rates extracted from observable yield curves. The effects of discounting are generally insignificant for level 2 derivatives.

The description of valuation techniques and the description of the inputs used in the fair value measurement for level 3 measurements as at 31 December 2020 are as follows:

<i>(In millions of RR)</i>	Fair value	Valuation technique	Inputs used
Assets at fair value			
Investments in equity securities of the Insurance Company	592	Value of net assets of the Insurance Company attributable to the ownership ratio of the Bank	Cost of acquisition. Profit earned by the Insurance Company after the date of acquisition by the Bank of the Insurance Company shares.
Total recurring fair value measurements at level 3 (unaudited)	592		

The description of valuation techniques and the description of the inputs used in the fair value measurement for level 3 measurements as at 31 December 2019 are as follows:

<i>(In millions of RR)</i>	Fair value	Valuation technique	Inputs used
Assets at fair value			
Investments in equity securities of the Insurance Company	385	Value of net assets of the Insurance Company attributable to the ownership ratio of the Bank	Cost of acquisition. Profit earned by the Insurance Company after the date of acquisition by the Bank of the Insurance Company shares.
Total recurring fair value measurements at Level 3	385		

33 Fair Value of Financial Instruments (Continued)

(a) Recurring Fair Value Measurements (continued)

Analysis of changes in Level 3 fair value for the year ended 31 December 2020 is as follows:

<i>(In millions of RR)</i>	Investment in equity securities
Fair value at 31 December 2019	385
Revaluation of investments	207
Fair value at 31 December 2020 – Level 3	592

There were no changes in the valuation models for Level 3 recurring fair value measurements during the nine and three months ended 31 December 2020 (2019: none).

(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:

<i>(In millions of RR)</i>	31 December 2020				31 December 2019			
	Level 1	Level 2	Level 3	Carrying value	Level 1	Level 2	Level 3	Carrying value
Financial assets carried at amortised cost								
Cash and cash equivalents								
- Cash on hand	21,069	-	-	21,069	11,118	-	-	11,118
- Cash balances with the CBRF (other than mandatory reserve deposits)	-	38,646	-	38,646	-	16,599	-	16,599
- Placements with other banks and non-bank credit organizations with original maturities of less than three months	-	75,218	-	75,218	-	26,035	-	26,035
Mandatory cash balances with the CBRF	-	5,379	-	5,379	-	3,448	-	3,448
Due from other banks	-	-	-	-	-	250	-	250
Loans and advances to customers	-	-	372,392	372,227	-	-	328,466	328,301
Guarantee deposits with payment systems	-	-	15,475	15,475	-	-	8,877	8,877
Brokerage receivables	-	24,064	-	24,064	-	2,799	-	2,799
Other financial assets								
- Settlement of operations with plastic cards receivable	-	23,882	-	23,882	-	16,384	-	16,384
- Other receivables	-	6,151	-	6,151	-	3,870	-	3,870
Total financial assets carried at amortised cost	21,069	173,340	387,867	582,111	11,118	69,385	337,343	417,681

33 Fair Value of Financial Instruments (Continued)

(b) Assets and Liabilities not Measured at Fair Value but for which Fair Value is Disclosed (continued)

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

(In millions of RR)	31 December 2020				31 December 2019			
	Level 1	Level 2	Level 3	Carrying value	Level 1	Level 2	Level 3	Carrying value
Financial liabilities carried at amortised cost								
Due to banks	-	4,819	-	4,819	-	23	-	23
Brokerage payables	-	9,206	-	9,206	-	1,207	-	1,207
Customer accounts								
Individuals								
- Current/demand accounts	-	323,145	-	323,145	-	199,408	-	199,408
- Brokerage accounts	-	73,970	-	73,970	-	12,253	-	12,253
- Term deposits	-	138,971	-	135,995	-	139,114	-	137,292
IE and SME								
- Current/demand accounts	-	89,199	-	89,199	-	60,174	-	60,174
- Term deposits	-	1,915	-	2,213	-	1,879	-	1,880
Other legal entities								
- Current/demand accounts	-	3,976	-	3,976	-	3,226	-	3,226
- Term deposits	-	161	-	161	-	254	-	254
- Deposits and current accounts of the Parent Company	-	5,772	-	5,772	-	5,594	-	5,594
Debt securities in issue								
RR bonds issued on the domestic market	24,824	-	-	23,925	24,442	-	-	23,618
Subordinated debt								
Perpetual subordinated bonds	22,174	-	-	20,755	19,604	-	-	18,487
Other financial liabilities								
Settlement of operations with plastic cards	-	23,084	-	23,084	-	6,427	-	6,427
Trade payables	-	6,636	-	6,636	-	5,141	-	5,141
Credit related commitments	-	-	-	3,562	-	-	-	2,242
Other financial liabilities	-	1,306	-	1,306	-	705	-	705
Total financial liabilities carried at amortised cost	46,998	682,160	-	727,724	44,046	435,405	-	477,931

33 Fair Value of Financial Instruments (Continued)

(b) Assets and Liabilities not Measured at Fair Value but for which Fair Value is Disclosed (continued)

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by an active quoted market price. Where quoted market prices are not available, the Group used valuation techniques. 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.

As at 31 December 2020 and 31 December 2019, the fair value of commitments to extend credits is estimated to be approximately nil as they are in line with market rates. The fair value of the debt securities in issue and subordinated debt was calculated based on quoted prices from the Moscow Exchange MICEX-RTS and Global Exchange Market, where the Bank's debt securities are listed and traded.

The average discount rates used depend on the instrument currency and are allocated as follows:

<i>(In % p.a.)</i>	31 December 2020	31 December 2019
Assets		
Cash and cash equivalents	0.0	0.0
Due from other banks	-	5.5
Loans and advances to customers	33.0	35.7
Investment in debt securities	5.5	7.0
Repurchase receivables	5.1	4.7
Brokerage receivables	15.4	15.2
Liabilities		
Due to banks	4.4	0.2
Customer accounts	2.0	3.9
Debt securities in issue	6.1	7.5
Brokerage payables	15.6	15.5
Subordinated debt	5.3	6.8

34 Presentation of Financial Instruments by Measurement Category

In accordance with IFRS 9 “Financial Instruments”, the Group classifies/includes its financial assets into the following categories: (a) financial assets at FVTPL; (b) financial assets through OCI, and (c) financial assets at AC. The financial assets at FVTPL category have two sub-categories: (a) assets measured at FVTPL mandatorily, and (b) assets designated as such upon initial recognition.

The following table provides an analysis of classes of financial assets with these measurement categories as at 31 December 2020:

	AC	FVTPL (mandatory)	Debt Instruments through OCI	Equity Instruments through OCI	Total
<i>(In millions of RR)</i>					
ASSETS					
Cash and cash equivalents					
-Cash on hand	21,069	-	-	-	21,069
-Cash balances with the CBRF (other than mandatory reserve deposits)	38,646	-	-	-	38,646
-Placements with other banks and non-bank credit organizations with original maturities of less than three months	75,218	-	-	-	75,218
Mandatory cash balances with the CBRF	5,379	-	-	-	5,379
Due from other banks	-	-	-	-	-
Loans and advances to customers	372,227	-	-	-	372,227
Financial derivatives	-	5,028	-	-	5,028
Investments in debt securities	-	4,265	228,384	-	232,649
Investment in equity securities	-	-	-	592	592
Repurchase receivables	-	-	29	-	29
Guarantee deposits with payment systems	15,475	-	-	-	15,475
Brokerage receivables	24,064	-	-	-	24,064
Other financial assets					
- Settlement of operations with plastic cards receivable	23,882	-	-	-	23,882
- Other receivables	6,151	-	-	-	6,151
Total financial assets	582,111	9,293	228,413	592	820,409

34 Presentation of Financial Instruments by Measurement Category (Continued)

The following table provides an analysis of classes of financial assets with these measurement categories as at 31 December 2019:

	AC	FVTPL (mandatory)	Debt Instruments through OCI	Equity Instruments through OCI	Total
<i>(In millions of RR)</i>					
ASSETS					
Cash and cash equivalents					
- Cash on hand	11,118	-	-	-	11,118
- Cash balances with the CBRF (other than mandatory reserve deposits)	16,599	-	-	-	16,599
- Placements with other banks and non-bank credit organizations with original maturities of less than three months	26,035	-	-	-	26,035
Mandatory cash balances with the CBRF	3,448	-	-	-	3,448
Due from other banks	250	-	-	-	250
Loans and advances to customers	328,301	-	-	-	328,301
Financial derivatives	-	390	-	-	390
Guarantee deposits with payment systems	8,877	-	-	-	8,877
Investments in debt securities	-	-	132,355	-	132,355
Investment in equity securities	-	-	-	385	385
Brokerage receivables	2,799	-	-	-	2,799
Other financial assets					
- Settlement of operations with plastic cards receivable	16,384	-	-	-	16,384
- Other receivables	3,870	-	-	-	3,870
Total financial assets	417,681	390	132,355	385	550,811

35 Related Party Transactions

Parties are generally considered to be related if the parties are under common control or one party has the ability to control the other party or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. Other related parties in the tables below are represented by entities which are under the control of Oleg Tinkoff who was the Group's ultimate controlling party until 07 January 2021 (Note 1). The outstanding balances with related parties are as follows:

	31 December 2020			31 December 2019		
	Parent company	Key management personnel	Other related parties	Parent company	Key management personnel	Other related parties
<i>(In millions of RR)</i>						
Assets						
Investment in equity securities	-	-	592	-	-	385
Gross amounts of loans and advances to customers (contractual interest rate: 5.5%–21.7% p.a. (31 December 2019: 5.5–25.7% p.a.))	-	422	14,253	-	12	5,565
Other financial assets	-	-	77	-	-	484
Other non-financial assets	-	-	4	-	-	1
Total assets	-	422	14,926	-	12	6,435
Liabilities						
Customer accounts (contractual interest rate: 0.01–4.5% p.a. (31 December 2019: 0.5–7.2% p.a.))	5,772	1,221	4,035	5,594	1,779	3,054
Other financial liabilities	-	-	1,124	-	-	978
Total liabilities	5,772	1,221	5,159	5,594	1,779	4,032
Equity						
Long-term benefits:						
- Management long-term incentive programme	-	1,378	-	-	930	-
Total equity	-	1,378	-	-	930	-

35 Related Party Transactions (Continued)

The income and expense items with related parties were as follows:

	2020			2019		
	Parent company	Key management personnel	Other related parties	Parent company	Key management personnel	Other related parties
<i>(In millions of RR)</i>						
Interest income calculated using the effective interest rate method	-	18	765	713	2	379
Interest expenses calculated using effective interest rate method	(53)	(29)	(69)	(228)	(64)	(66)
Credit loss allowance for loans and advances to customers			(385)			(804)
Fee and commission income	-	-	453	-	-	214
Fee and commission expense	-	-	(45)	-	-	(18)
Customer acquisition expense	-	-	(343)	-	-	(219)
Insurance premiums earned	-	-	269	-	-	301
(Net losses)/Net gains from foreign exchange translation	(965)	-	(40)	94	-	31
Net gains/(net losses) from operations with foreign currencies	45	-	-	(111)	-	-
Net gains/(net losses) from derivatives revaluation	-	-	-	678	-	-
Administrative and other operating expenses	-	(2,866)	-	-	(1,582)	(174)
Other operating income	32	-	1,073	-	-	623

Key management compensation is presented below:

<i>(In millions of RR)</i>	2020	2019
<i>Short-term benefits:</i>		
- Salaries	1,065	889
- Short-term bonuses	913	586
<i>Long-term benefits:</i>		
- Management long-term incentive programme	862	107
- Key employees retention plan	26	-
Total	2,866	1,582

35 Related Party Transactions (Continued)

Key Employees Retention Programme. On 14 April 2020 the Group launched a new long term incentive programme for more than 250 senior and middle management level employees. The purpose of the programme is to retain and motivate key employees with high potential. This is a performance-based cash-settled programme linked to the market price of GDRs. The expenses related to those participants who are considered to be key management personnel are disclosed in the table above.

Management Long-Term Incentive Programme (MLTIP) On 31 March 2016 the Group introduced a MLTIP as both a long-term incentive and a retention tool for the management of the Group. Total number of GDRs attributable to the management is 15,290 thousand as at 31 December 2020 (31 December 2019: 9,940 thousand).

Participants of the programme receive the vested parts of their grants provided that they remain employed by the Group throughout the vesting period. Participants are entitled to the dividends, if any. Participants who leave the Group lose their right for the not invested parts of the grants.

The fair value of the awards as at grant dates (31 March 2016, 08 February 2017, 22 February 2018, 15 January 2019, 05 June 2020 and 11 December 2020) is determined on the basis of market quotes of GDRs as at those dates.

Each grant before 2020 is divided into 4 equal awards. Each award vests over 4 years in equal tranches. The delivery dates as of which the GDRs are allowed to be sold by the participants correspond to the vesting dates 31 March, as well as each subsequent 31 March (with the exception of 2019 when the vesting date for all participants was 31 January 2019) until 2022 for participants joining in 2016, until 2023 for participants joining in 2017, until 2024 for participants joining in 2018, until 2025 for participants joining in 2019.

Each award provided in 2020 is divided into 5 equal parts. The delivery dates as of which the GDRs are allowed to be sold by the participants are 31 August 2021 and onwards, on an annual basis, until 2025.

The following table discloses the changes in the numbers of GDRs attributable to the MLTIP for the period from the Programme launch until the end of the reporting period:

<i>In thousands</i>	Number of GDRs attributable to the MLTIP
At 31 December 2018	6,178
Granted	91
Vested	(2,419)
Forfeited	(68)
At 31 December 2019	3,782
Granted	5,350
Vested	(1,810)
Forfeited	(46)
At 31 December 2020	7,276

36 Events After the End of the Reporting Period

On 07 January 2021, all class B shares of the Parent Company were converted to class A shares and, on the same date, all issued shares were reclassified and re-designated as ordinary shares. As a result of that conversion, Mr. Oleg Tinkoff's voting rights in the Group decreased from 84.38% to 35.08%, his control over the Group was ceased, and the Parent Company became the controlling shareholder.

On 22 March 2021, the registered address and the place of business of the Bank changed to the following address: bldg. 26, 38A, 2-ya Khutorskaya Street, Moscow, 127287, Russia.

On 25 March 2021, S.V. Bliznyuk was appointed Chairman of the Bank's Management Board.

37 Significant Accounting Policies

Basis of Preparation. These consolidated financial statements have been prepared in accordance with the 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 revaluation of financial instruments measured at fair value through profit or loss and at fair value through other comprehensive income. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all periods presented in the consolidated financial statements, unless otherwise stated. The management prepared these consolidated financial statements on a going concern basis.

Consolidated Financial Statements. Subsidiaries are those investees, including structured entities, that the Group controls because the Group (a) has powers to direct relevant activities of the investees that significantly affect their returns, (b) has exposure, or rights, to variable returns from its involvement with the investees, and (c) 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 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 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 the investee's activities or apply only in exceptional circumstances, do not prevent the Group from controlling the investee. Subsidiaries are consolidated from the date on which control over their operations is transferred to the Group and are deconsolidated from the date on which control ceases. Subsidiaries are consolidated by the acquisition method.

Subsidiaries other than those acquired from parties under common control are consolidated by the acquisition method.

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.

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. The non-controlling interest that is not a present ownership interest is measured at fair value.

37 Significant Accounting Policies (Continued)

Goodwill is measured by deducting the net assets of the acquiree from the aggregate of the consideration paid for the acquiree, the amount of non-controlling interest in the acquiree and fair value of an interest in the acquiree held immediately before the acquisition date. Any negative amount ("negative goodwill") is recognised in profit or loss, after management assesses whether it identified all assets acquired and all liabilities and contingent liabilities assumed, and reviews appropriateness of their measurement.

The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed, including fair value of assets or liabilities from contingent consideration arrangements, but excludes acquisition related costs such as advisory, legal, valuation, and similar professional services.

Transaction costs incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt securities are deducted from their carrying amount and all other transaction costs associated with the acquisition are expensed.

The Group intercompany transactions, balances on respective accounts and unrealised income from transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the costs cannot be recovered. The Bank and the designated financial institution use uniform accounting policies consistent with the Group's policies.

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

Purchases and Sales of Non-Controlling Interests. The Group applies the economic entity model to account for transactions with owners of non-controlling interest. Any difference between the purchase consideration and the carrying amount of non-controlling interest acquired is recorded as a capital transaction directly in equity.

The Group recognises the difference between sales consideration and carrying amount of non-controlling interest sold as a capital transaction in the consolidated statement of changes in equity.

Associates. Associates are entities over which the Group has significant influence (directly or indirectly), but does not control them; generally, the voting rights share in those entities is between 20 and 50 percent. Investments in associates are accounted for using the equity method and are initially recognised at cost. The carrying amount of associates includes goodwill identified on acquisition less accumulated credit losses, if any. Dividends received from associates reduce the carrying value of the investment in associates. Other post-acquisition changes in Group's share of net assets of associates are recorded as follows: (a) the Group's share of profits and losses of associates is recorded in the consolidated profit or loss for the year as a share of financial result of associates, (b) the Group's share of other comprehensive income is recorded in other comprehensive income and presented separately, (c); all other changes in the Group's share of the carrying value of net assets of associates are recorded in profit or loss within the share of financial 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 record further losses, unless it has incurred obligations or made payments on behalf of that associate. Otherwise, the Group continues to recognise further losses if it has commitments to fund the associate's operations.

37 Significant Accounting Policies (Continued)

Unrealised gains on transactions between the Group and its associates are eliminated proportionate to the Group's interest in those associates; unrealised losses are also eliminated unless they are caused by impairment of the associate's assets.

The Group applies the impairment measurement requirements in IFRS 9 to long-term loans and similar long-term financial instruments that in substance form part of the investment in associates before reducing the carrying value of the investment by the difference between losses of the investee and the value of the Group's ordinary shares.

Disposals of Subsidiaries, Associates, or Joint Ventures. When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recorded in profit or loss.

The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest in an associate, joint venture or financial asset. In addition, all amounts previously recognised in other comprehensive income in respect of that entity, are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are recycled to profit or loss.

If the interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss.

Financial Instruments – Key Measurement Terms. Depending on their classification, financial instruments are carried at fair value or amortised cost as described below.

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 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 the management considers to be the last trading operation price as of the reporting date.

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 (an asset) for a particular risk exposure or paid to transfer a net short position (a liability) for a particular risk exposure in an orderly transaction between market participants at the measurement date.

37 Significant Accounting Policies (Continued)

This is applicable to 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 official risk management or investment strategy; (b) 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, are substantially the same.

Valuation models such as the discounted cash flow model or models based on data of similar arm's length transactions or the present value of the investee, are used to measure fair value of financial instruments for which market information about transaction prices is not available.

Fair value measurements are analysed by level in the fair value hierarchy as follows:

- 1) Level 1 are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities,
- 2) Level 2 are measurements obtained by valuations models using all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and
- 3) Level 3 are measurements that are 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 (Note 33).

Transaction Costs are incremental costs that are directly attributable to the acquisition, issue or retirement 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 ownership transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised Cost 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 write-down 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 shown 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.

37 Significant Accounting Policies (Continued)

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 a financial asset or to the amortised cost of a financial liability. The calculation of the effective interest rate does not include expected credit losses, but includes transaction costs, premiums, or discounts and fees that are the origination fee and an integral part of the effective interest rate.

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 and considerations 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 amortised cost of the asset on initial recognition instead of its gross carrying amount and incorporates expected credit losses in estimated future cash flows. When the Group revises the estimates of future cash flows, the carrying amount of the respective financial assets and financial liabilities is adjusted to reflect the new estimates discounted using the original effective interest rate. Any changes are recognised in profit or loss.

Financial Instruments – Initial Recognition. Financial instruments at FVTPL are initially recorded at fair value. All other financial instruments are initially recorded at fair value plus transaction costs that are incremental and directly attributable to the acquisition or the issue of the financial asset or financial liability such as fee and commission. Fair value at initial recognition is best evidenced by the transaction price. Gain or loss on initial recognition is only recorded if there is a difference between the 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. Following the initial recognition, an expected credit loss allowance is recognised for financial assets measured at AC and investments in debt instruments measured at fair value through other comprehensive income, resulting in an accounting loss being recognised immediately after the asset is initially recognised. 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.

The Group uses such valuation models as the discounted cash flow model to determine the fair value of currency swaps, currency forwards that are not traded in an active market. Differences may arise between the fair value at initial recognition, which is considered to be the transaction price, and the amount determined at initial recognition using a valuation technique. The differences are immediately recognised in profit or loss if the valuation uses only Level 1 or Level 2 inputs.

37 Significant Accounting Policies (Continued)

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:

- 1) the Group's business model for managing the related assets portfolio; and
- 2) the cash flow characteristics of the asset.

Financial assets – Classification and Subsequent Measurement – Business Model. The business model reflects how the Group manages the assets in order to generate cash flows – whether the Group's objective is:

- 1) solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows"); or
- 2) 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");
- 3) if neither of 1) and 2) is applicable, the financial assets are classified as part of "other" business model and measured at FVTPL.

A 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 as 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.

Based on the analysis performed, the Group included the following financial instruments in the business model "hold to collect contractual cash flows" since the Group manages the financial instruments solely to collect contractual cash flows: cash and cash equivalents, mandatory cash balances with the CBRF, due from other banks, loans and advances to customers, guarantee deposits with payment systems, and other financial assets. The Group included debt securities at FVOCI in the business model "hold to collect contractual cash flows and sell" since the Group manages the financial instruments to collect both the contractual cash flows and the cash flows arising from the sale of assets. The Group included debt securities measured at FVTPL and financial derivatives in the business model "other".

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 (the SPPI test). 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.

37 Significant Accounting Policies (Continued)

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. See below for “Financial Assets – Modification”.

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 start of the first reporting period following the change. The Group did not change its business model during the reporting period and did not make any reclassifications.

Financial Assets – Impairment – Credit Loss Allowance for ECL.

The Group assesses on a forward-looking basis the ECL for debt instruments (including loans) measured at AC and FVOCI and for the exposure arising from loan commitments. The Group measures ECL and recognises credit loss allowance at each reporting date. Note 7 contains information about expected credit losses on debt securities at fair value through other comprehensive income.

The measurement of ECL reflects:

- 1) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes
- 2) the time value of money and
- 3) 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 economic conditions.

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

The Group applies a “three stage” model for impairment in accordance with IFRS 9, based on changes in credit quality since initial recognition.

- 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 (12 month 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 (lifetime ECL). Refer to Note 27 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. Refer to Note 27 for a description of how the Group defines credit-impaired assets and default.

37 Significant Accounting Policies (Continued)

For financial assets that are purchased or originated credit-impaired, the ECL is always measured at a lifetime ECL. Note 27 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 measurement models.

As an exception, for certain financial instruments, such as credit cards, that may include both a loan and an undrawn commitment component, the Group measures expected credit losses over the period that the Group is exposed to credit risk, that is, until the expected credit losses would be mitigated by credit risk management actions, even if that period extends beyond the maximum contractual credit period. This is because ability to demand debt repayment and cancel the undrawn commitment does not limit the exposure to credit losses to such contractual notice period. Refer to Note 3 for critical estimates and judgements applied in determining the period for measuring ECL.

Financial Assets – Write-Off. Impaired assets are partly written-off against the generated credit loss allowance usually after one year since they become overdue. The amount of uncollectible part of the loan is estimated on a loan portfolio basis taking into account the impaired loan payment statistics.

The Group writes-off financial assets that are still subject to enforcement, however, there is no reasonable expectation of full recovery. If credit-impaired loans are sold to third parties, the Group remeasures the amount of ECL prior to sale taking into consideration the expected sales proceeds so that there are no income or losses on derecognition upon sale.

Repayments of Written-Off Loans. Recovery of amounts previously written-off as uncollectible is recorded directly to reduce the credit loss allowance for the loans and advances to customers line as profit or loss. Cash flows related to repayments of written-off loans are separately presented within recoveries from written-off loan in the consolidated statement of cash flows.

Financial Assets – Modification. 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 others, the following factors: any new contractual terms that substantially affect the risk profile of the asset, significant change in interest rate, change in the currency denomination, insertion of credit enhancement that significantly affect the credit risk associated with the asset, significant extension of the loan when the borrower is in financial difficulty.

If the modified terms are substantially different so that the rights to cash flows from the original asset are deemed to have expired, the Group derecognises the original financial asset and recognises a new asset at fair value. The date of renegotiation is considered to be the date of initial recognition for impairment calculation purposes, including determining whether a SICR has occurred. The Group also assesses whether the new loan or debt instrument 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.

37 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 risk adjusted effective interest rate for POCI financial assets) and recognises a modification gain or loss in profit or loss.

Usually modifications of Stage 3 loans do not result in derecognition since they do not change the expected cash flows substantially and represent the way of collection of past due debt balances. If the terms of the changed asset are not substantially different, the change does not result in derecognition.

Financial Assets – Derecognition (Other than through a Substantial Modification) The Group derecognises financial assets when (1) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (2) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (a) also transferring substantially all risks and rewards of ownership of the assets or (b) 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 – Measurement Categories. Financial liabilities are classified as subsequently measured at AC, except for financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities).

Financial Assets – Derecognition. Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires). An exchange between the Group and its original creditors 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 taken into consideration. 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. Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch up method, with any gain or loss recognised in profit or loss, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners.

37 Significant Accounting Policies (Continued)

Cash and Cash Equivalents. Cash and cash equivalents are short-term, highly liquid assets that are readily convertible to known amounts of cash and which are subject to an insignificant changes in value. Cash and cash equivalents include mandatory cash balances with the CBRF, all interbank placements, and reverse sale and repurchase agreements with other banks with original maturities of less than three months. Funds restricted for a period of more than three months on origination are excluded from cash and cash equivalents. Cash and cash equivalents are carried at amortised cost as: (a) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (b) they are not designated at FVTPL. The payments or receipts presented in the consolidated statement of cash flows represent transfers of cash and cash equivalents by the Group, including amounts charged or credited to current accounts of the Group's counterparties held with the Group, such as loan interest income or principal collected by charging the customer's current account or interest payments or disbursement of loans credited to the customer's current account, which represents cash or cash equivalent from the customer's perspective.

Mandatory Cash Balances with the CBRF. Mandatory cash balances with the CBRF are carried at amortised cost and represent non-interest bearing funds deposited with the CBRF which are not intended to finance the Group's day to day operations. Hence, they are excluded from cash and cash equivalents for the purposes of the consolidated statement of cash flows.

Due from Other Banks. Amounts due from other banks are accounted for when the Group advances money to counterparty banks. Amounts due from other banks are carried at amortised cost if: (a) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (b) they are not designated at FVTPL.

Certain bank deposits are subject to the "bail-in" legislation that permits or requires a national financial rehabilitation authority to impose losses on deposit holders in particular circumstances. Where the bail-in clauses are included in the contractual terms of the instrument, the SPPI test is not met and such instruments are mandatorily measured at FVTPL. The Group did not identify such balances due from other banks. Where such clauses in the contract merely acknowledge the existence of the legislation and do not create any additional rights or obligation for the Group, the SPPI criterion is met and the respective instruments are carried at AC.

Brokerage Receivables and Brokerage Payables. Brokerage receivables represent placements under reverse sale and purchase agreements made by the Bank with central counterparty to provide customers who have brokerage accounts with the Bank with the possibility to acquire securities in case those customers have insufficient own funds to acquire those securities.

Brokerage payables represent funds attracted under sale and repurchase agreements made by the Bank with central counterparty to provide customers who have brokerage accounts with the Bank with the possibility to borrow securities and make short sales. Brokerage receivables and payables are short-term and accounted at amortised cost.

37 Significant Accounting Policies (Continued)

Investments in Debt Securities. Based on the business model and the contractual cash flow characteristics, the Group classifies investments in debt securities as carried at AC, FVOCI or FVTPL. Debt securities are carried at AC if they are held for collection of contractual cash flows and where those cash flows represent SPPI, and if they are not voluntarily designated at FVTPL in order to significantly reduce an accounting mismatch.

Debt securities are carried at FVOCI if they are held for collection of contractual cash flows and for selling, where those cash flows represent SPPI, and if they are not designated at FVTPL. Interest income from these assets is calculated using the effective interest method and recognised in profit or loss. An impairment allowance estimated using the expected credit loss model is recognised in profit or loss for the year. All other changes in the carrying value are recognised in OCI except for net foreign exchange translation income/losses and interest income calculated using the effective interest rate method.

When the debt security is derecognised, the cumulative income or loss previously recognised in OCI is reclassified from OCI to profit or loss. Investments in debt securities are carried at FVTPL if they do not meet the criteria for AC or FVOCI. The Group may also irrevocably designate investments in debt securities at FVTPL on initial recognition if applying this option significantly reduces an accounting mismatch between financial assets and liabilities being recognised or measured using different accounting methods.

Investments in Equity Securities. Financial assets that meet the definition of capital from the issuer's perspective, i.e. instruments that do not contain a contractual obligation to pay cash and that evidence a residual interest in the issuer's net assets, are considered by the Group as investments in equity securities. Investments in equity securities are measured at FVTPL, except where the Group elects at initial recognition to irrevocably designate equity investments at FVOCI. The Group's policy is to designate equity investments at FVOCI when those investments are held for strategic purposes other than solely to generate investment returns. When the FVOCI option is elected, fair value revaluation income and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses and their recovery, if any, are not measured separately from other changes in fair value. Dividends continue to be recognised in profit or loss when the Group's right to receive payments is established except when they represent a recovery of investments rather than a return on such investments.

Loans and Advances to Customers. Loans and advances to customers are recorded when the Group advances money to customers to purchase a customer loan or to originate a loan to a customer.

Based on the business model and the cash flow characteristics, the Group classifies loans and advances to customers into one of the following measurement categories:

- 1) AC: loans that are held for collection of contractual cash flows and those cash flows represent SPPI and loans that are not voluntarily designated at FVTPL;

37 Significant Accounting Policies (Continued)

- 2) FVTPL: loans that do not meet the SPPI test or other criteria for AC or FVOCI are measured at FVTPL.

Impairment allowances are determined based on the forward-looking ECL model. Note 27 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.

Credit Related Commitments. The Group issues commitments to provide loans. Financial commitments to provide loans are initially recognised at their fair value, which is normally equal to the amount of fees received. 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 amount of the credit loss allowance determined based on the expected credit loss model. For loan commitments (where those components can be separated from the loan), separate credit loss allowance is recognised as a liability in the consolidated statement of financial position.

Performance Guarantees. Performance guarantees are contracts that provide compensation if the other party fails to perform a contractual obligation. Such contracts transfer the risk of default of the contractual obligation in addition to credit risk. Performance guarantees are initially recognised at 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 contract. At the end of each reporting period, the performance guarantee contracts are measured at the higher of (i) the unamortised balance of the amount at initial recognition and (ii) the best estimate of expenditure required to settle the contract at the end of each reporting period, discounted to the present value. Where the Group has the contractual right to revert to its customer for recovering amounts paid to settle the performance guarantee contracts, such amounts will be recognised as an asset upon transfer of the loss compensation to the guarantee's beneficiary. These payments are recognised within fee and commission income in profit or loss.

Transactions under Sale and Repurchase Agreements and Lending of Securities. Transactions under sale and repurchase agreements ("repo agreements") which effectively provide a lender's return to the counterparty, are treated as financing transactions collateralised by securities. Securities sold under such sale and repurchase agreements are not derecognised. The securities are reclassified as repurchase receivables in the consolidated statement of financial position if the transferee has the right by contract or custom to sell or re-pledge those securities, in which case they are reclassified as repurchase receivables. The corresponding liability is presented in the Due to banks or Other Borrowed Funds line.

Securities purchased under agreements to resell ("reverse repo agreements"), which effectively provide a lender's return to the Group, are recorded as Due from Other Banks or Loans and Advances to Customers, as appropriate. The difference between the sale and repurchase price, adjusted by interest and dividend income collected by the counterparty, is treated as interest income and accrued over the life of reverse repo agreements using the effective interest method.

37 Significant Accounting Policies (Continued)

Securities lent to counterparties for a fixed fee are retained in the consolidated financial statements in their original item in the consolidated statement of financial position unless the counterparty has a right by contract or custom to sell or re-pledge the securities. In such cases, they are reclassified in a separate item. Securities borrowed for a fixed fee are not recorded in the consolidated financial statements, unless these are sold to third parties. In such case, the financial results of purchase and sale of those securities are recorded in profit or loss for the year within the income less losses arising from trading securities line. The obligation to return the securities is recorded at fair value in the Other Borrowed Funds Line.

Based on classification of securities sold under the sale and repurchase agreements, the Group classifies repurchase receivables into one of the following measurement categories: AC, FVOCI, FVTPL.

Guarantee Deposits with Payment Systems. Amounts of guarantee deposits with payment systems are recorded when the Group advances money to payment systems with no intention of trading the non-derivative receivables unquoted in the open market. Amounts of guarantee deposits with payment systems are carried at amortised cost.

Fixed Assets. Fixed assets are carried at initial cost less accumulated depreciation and provision for impairment, where required. Costs of minor repairs and day-to-day maintenance are recorded when incurred. Costs of replacing major components of fixed assets are capitalised, and the replaced component is retired.

At the end of each reporting period, the management assesses whether there is any indication of impairment of fixed assets. If any such indication exists, the 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.

An impairment loss recognised for an asset in previous 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. Income and losses on disposals determined by comparing proceeds with carrying amount are recognised in profit or loss for the year (within other operating income or expenses).

Depreciation. Depreciation of other fixed assets is calculated using the straight-line method, i.e. equal decrease of its cost to its residual value over its estimated useful life as follows:

	Useful lives in years
Buildings	99
Equipment	3–10
Vehicles	5–7
Leasehold improvements	Shorter of their useful life and the term of the underlying lease
Others (safes, fireproof cabinets)	20

37 Significant Accounting Policies (Continued)

The residual value of an asset is an estimated amount that the Group would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life. The 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 of acquisition less accumulated amortisation. The Group's intangible assets have definite useful life and include capitalised software and software developed by the Group. 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.

Computer software licenses acquired are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. All the other costs associated with computer software, e.g. its maintenance, are recorded when incurred. Capitalised computer software is amortised on a straight line basis over expected useful lives of 1 to 10 years. At the end of each reporting period, the management assesses whether there is any indication of impairment of intangible assets. If any such indication exists, the 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. An impairment loss recognised for an asset in previous 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. Intangible assets including goodwill with indefinite useful life are tested annually for impairment.

Accounting for Leases by the Group as a Lessee from 01 January 2019. From 01 January 2019, leases, where the Group is the lessee, are recognised as a right-of-use asset and a corresponding liability as at the date when the leased asset is available for use by the Group. Each lease payment is allocated between the liability and financing cost. The financial expenses are 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. The right to use asset is depreciated from the date of lease over the shorter of the right-to-use asset's useful life and the lease term using the straight-line method.

Assets and 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 incentive payments receivable;
- variable lease payments that are based on an index or a rate and that are initially measured using the index or rate as at the lease commencement date;
- amounts to be received by the lessee under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain regarding the exercise of that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

37 Significant Accounting Policies (Continued)

In accordance with IFRS 16, the lease term includes any lease periods non-cancellable early and optional extension periods which have been assessed as reasonably certain to be exercised. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the incremental borrowing rate is used, being the rate that the Group 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 initial cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives payments;
- all initial direct costs; and
- an estimate of the costs that will be incurred by the Group in dismantling and relocating the underlying asset, restoring the site where it is located, or restoring the underlying asset to the condition required by the lease terms.

As an exception from the above, the Group accounts for short-term leases and leases of low value assets by recognising the lease payments as an operating expense using the straight-line method. Short-term lease is lease with a lease term of 12 months or less. Low value assets are assets with a value of RR 300,000 or less at the date of conclusion of the contract.

Right-of-use assets are included in fixed assets, lease liabilities are included in other non-financial liabilities in the consolidated statement of financial position. Depreciation of right-of-use assets is recognised in administrative and other operating expenses within the consolidated statement of profit or loss.

Financial expenses are recognised within other similar expenses of the consolidated statement of profit or loss. Repayment of principal of lease liabilities is disclosed within cash flows from financing activities of the consolidated statement of cash flows.

Accounting for Operating Leases by the Group as a Lessee before 01 January 2019. When the Group is a lessee and the risks and income incidental to possession of lease items are not transferred by the lessor to the Group, the total amount of operating lease payments is recorded in profit or loss for the year (as rental expense within administrative and other operating expenses) on a straight-line basis over the lease period.

Leases embedded in other agreements are separated if (a) fulfilment of the agreement is related to the use of a specific asset or assets and (b) the agreement provides for the transfer of a right to use the asset.

When assets are leased out under an operating lease, the lease payments to be received are recorded as rental income on a straight-line basis over the lease term.

Due to banks. Amounts due to banks are recorded when money or other assets are provided to the Group by counterparty banks. Non-derivative liability is carried at amortised cost.

Customer Accounts. Customer accounts are non-derivative financial liabilities to legal entities and individuals and are carried at amortised cost.

37 Significant Accounting Policies (Continued)

Debt Securities in Issue. Debt securities are stated at amortised cost. If the Group purchases its own debt securities in issue, they are removed from the consolidated statement of financial position and the difference between the carrying amount of the liability and the amount paid is recorded in a separate line of consolidated statement of profit or loss as profit or loss from repurchase of debt securities in issue.

Subordinated debt. A subordinated debt can only be repaid in the event of a liquidation after the claims of other higher priority creditors have been met. A subordinated debt is carried at AC.

Financial Derivatives. Financial derivatives, including forwards and foreign currency swaps, are carried at their fair value.

All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of financial derivatives are recorded in profit or loss within the Net (Losses)/Income from Financial Derivatives Revaluation. The Group does not apply hedge accounting.

Income Taxes. Income tax expenses are recorded in the consolidated financial statements in accordance with the rules of legislation enacted or substantively enacted by the end of the reporting period. The income tax charge comprises current tax and deferred tax and is recognised in profit or loss for the year except if it is not to be recognised in other comprehensive income or directly in equity because it relates to transactions that are also recorded, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is calculated on the basis of income tax amounts 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. Tax expenses other than income tax expenses are recorded within administrative and other operating expenses.

Deferred income tax is calculated 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 in the consolidated statement of financial position. 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 assets and liabilities 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 or the tax loss carry forwards will be realized. Deferred tax assets and liabilities are netted only within each individual company of the Group. Deferred tax assets for temporary differences decreasing the tax base and tax loss carry forwards are recorded only to the extent that it is probable that taxable profit will be available against which the taxable temporary differences 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 temporary differences will not be offset through dividends or otherwise in the foreseeable future.

37 Significant Accounting Policies (Continued)

Uncertain Tax Positions. The Group's uncertain tax positions are assessed by management at the end of each reporting period. Liabilities recorded for tax are accounted for when management believes that it is probable that additional tax liabilities would arise if the Group's tax position were challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted as at the end of 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.

Allowances for Liabilities and Charges. Allowances for liabilities and charges are non-financial liabilities of uncertain timing or amount. Provisions are recorded in the consolidated financial statements when the Group has a legal or constructive obligation arising from a past event. In this case, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Settlements with Suppliers and Other Payables. Payables are recognized when the counterparty fulfils its obligations and are carried at amortised cost.

Mandatory payments and contributions, such as taxes, other than income tax or levies imposed by regulators based on information relating to the period before the obligation to pay occurs, are recognized as liabilities when an obligating event occurs that gives rise to the mandatory payment and is defined by the legislation as resulting in the obligation to make a mandatory payment. If the mandatory payment is made before the obligating event occurs, such payment is recognized as a prepayment.

Share Capital. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are recorded in equity as a deduction from the profit after tax.

Share Premium. Share premium is the difference between the fair value of the consideration received for the issue of shares and the nominal value of the shares.

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 Note "Events after the End of the Reporting Period". Profit is distributed and otherwise expensed on the basis of accounting statements prepared in accordance with the requirements of the Russian legislation. In accordance with the requirements of the Russian legislation, the profit is distributed on the basis of the net profit of the current year according to the consolidated financial statements prepared in accordance with the requirements of the Russian legislation.

Interest Income and Expense Recognition. Interest income and expenses are recorded for all debt instruments, other than those at FVTPL, on an accrual basis using the effective interest method. Such calculation includes in interest income or expense all fees and levies 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.

37 Significant Accounting Policies (Continued)

Fees integral to the effective interest rate include fees received or paid in relation to the creation or acquisition of a financial asset or the issuance of a financial liability (e.g. interchange fee on credit card loans). Commitment fees (e.g. annual fee on credit cards) received by the Group to originate loans at market rates are an integral part of the effective interest rate if it is probable that the Group will enter into a specific lending arrangement and does not expect to sell the loan shortly after its origination. The Group does not designate loan commitments in profit or loss as financial liabilities at fair value.

Doubtful loans and other debt instruments are written off at the present value of expected cash flows and interest income is subsequently recorded at present discounted value based on the effective interest rate applied to the asset, which was used to measure the impairment loss.

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

Customer Acquisition Expense Recognition. Customer acquisition expenses are represented by the costs incurred on services related to attraction of borrowers and customers, mailing of advertising materials, processing of responses, etc. Costs directly attributed to the acquisition of a particular borrower or customer are included in the effective interest rate of the financial asset or liability; the remaining costs are expensed in the period when these services are provided.

Other Income and Expenses. All other income and expenses are generally recorded on an accrual basis by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Other Similar Income. Other similar income represents interest income and expense recorded for debt instruments measured at fair value through profit or loss ("FVTPL") and is recognised on an accrual basis using nominal interest rate.

Other Similar Expenses. Other similar expenses represent financial expenses related to the discounted lease payments using the borrowing rate.

Fee and Commission Income and Expenses. Fee and commission income is recorded during the period on a straight-line basis as the services are rendered, when the customer simultaneously receives and consumes the benefits of the services provided by the Group. This is, e.g., SMS fee, part of IE and SME current account commission, which represents fixed monthly payments. Variable fees are recognised only to the extent that management determines that it is highly probable that a significant reversal will not occur.

Other fee and commission income is recognised at a point in time when the Group satisfies its performance obligation, usually upon execution of the respective transaction. The amount of fee or commission received or receivable represents the transaction price for the services identified as distinct performance obligations. Such income includes acquiring commission, part of IE and SME current account commission and brokerage fee which represents payments for the completed transaction, fee for selling credit protection, interchange fee, cash withdrawal fee, foreign currency exchange transactions fee, fee for money transfers, etc.

37 Significant Accounting Policies (Continued)

All other fee and commission expenses are generally recorded on an accrual basis by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Customer Loyalty Programme. The group creates loyalty programmes where retail clients accumulate points, which entitle them to reimbursement of purchases made with credit and debit cards. A financial liability is recognised for the amount of fair value of points expected to be redeemed until they are actually redeemed or expire with the corresponding entries to interest income calculated using the effective interest rate method or fee and commission income depending on whether the points were accumulated by credit card clients or debit card clients respectively.

Insurance Premiums Earned. In cases when the Group acts as an agent and attracts clients for the Insurance Company that are not related to loan products, the Bank earns fee and commission income which is recognised in income from insurance operations in the consolidated statement of profit or loss. The insurance agent's fee is recognized at the inception of the insurance contract.

Foreign Currency Translation and Operations. The functional currency of the Group is the currency of the primary economic environment in which the entity operates. The Group's functional currency and the presentation currency of the Group's consolidated financial statements is the Russian ruble, the national currency of the Russian Federation.

Monetary assets and liabilities are translated into each entity's functional currency at the official exchange rate of the CBRF at the end of the respective reporting period. Foreign exchange gains and losses resulting 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 profit or loss for the year as Net gains/(Losses) from Translation of Foreign Exchange Balances.

Foreign exchange gains and losses resulting from the settlement of transactions with foreign currencies are recognised in profit or loss for the year as Net Losses/(gains) from Operations with Foreign Currencies (except for clients' foreign currency exchange transactions fee, which is recorded in profit or loss as fee and commission income).

Translation at year-end exchange rates does not apply to non-monetary items that are measured at initial cost.

As at 31 December 2020, the official exchange rate used for revaluation of foreign currency balances was USD 1 = RR 73.8757 (31 December 2019: USD 1 = RR 61.9057), and the average exchange rate for 2020 was USD 1 = RR 72.1464 (2019: USD 1 = RR 64.7362).

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

37 Significant Accounting Policies (Continued)

Staff Costs and Related Contributions. Wages, salaries, insurance contributions to mandatory pension, medical 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 payments beyond the payments to the statutory defined contribution scheme.

Segment Reporting. Segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker. Segments whose revenue, financial result, or assets are ten percent or more of total revenue, total financial result or cumulative assets of all segments are disclosed separately.

Equity-Settled Share-Based Payments. The expense is recognized consistently over the vesting period and is measured at the fair value of the award determined at the vesting date, which is amortised over the employee's employment with the company (vesting) period. The fair value of the equity award is estimated only once at the vesting date and is adjusted by the estimated number of instruments that are expected to vest. Dividends declared to be paid during the vesting period accrue and are paid to the employee together with the sale proceeds of the invested shares upon a liquidity event. Expected dividends (including those expected during the vesting period) are included in the determination of the fair value of the share-based payment, accordingly.

Cash-Settled Share-Based Payment. The expense is recognized gradually over the vesting period and is measured at the fair value of the liability at each reporting date. The fair value of the liability reflects all vesting conditions, except for the requirement of the employee to stay in employment with the company which is reflected in the amortization schedule. The liability is measured, initially and at the end of each reporting period until settled, at the fair value, taking into account the terms and conditions on which the instruments were granted and the extent to which the employees have rendered service to date.

Amendments to the Consolidated Financial Statements after Issue. The Group management has the right to amend these consolidated financial statements after issue.

Changes in Presentation. In 2020, because of significant growth in the brokerage operations and the related balances and volumes of transactions, the Group made a detailed review of the relevant accounting policies to achieve more relevant and reliable presentation. As a result of such review, the Group reclassified brokerage receivables and brokerage payables from cash and cash equivalents and due to banks, respectively, into separate line items in the consolidated statement of financial position. Also the Group identified that certain portion of brokerage operations fee and commission income related to margin trading of Group's clients has more characteristics of being interest income rather than fee and commission income. Hence, the Group made relevant reclassification from fee and commission income into interest income in the consolidated statement of profit or loss and other comprehensive income. Similar reclassifications were made in the Consolidated Statement of Cash Flows.

Management considers that the above reclassifications will result in a more reliable and relevant presentation of the financial information which is more consistent with the market practice of many other banks.

37 Significant Accounting Policies (Continued)

In September 2020 as a result of a detailed review of the marketing agreements with the payment systems the Group changed its accounting policy in relation to income received under these agreements by reclassifying it from Other operating income to reduce the Payment System fees accounted for in Interest income and Fee and commission expenses. Part of the net payment system fees which relates to the borrowers' transactions is included in the effective interest income of the loans. Another part which relates to the customer's transactions was reclassified to Fee and commission expenses and presented on a net basis within the payment systems. Management considers that this reclassification results in a more reliable and relevant presentation of the substance of these agreements since such income from payment systems primarily represents volume rebates, hence it could be offset against related expenses.

In December 2020, given an increase in the related amounts, the Group refined its accounting policy in relation to recoveries received in excess of gross carrying amount of purchased loans and reclassified them from the Other Operating Income line to the Credit Loss Allowance for Loans line of the consolidated statement of profit or loss and other comprehensive income.

The effect of changes described above on the consolidated statement of financial position for the year ended 31 December 2019 is shown in the table below:

<i>(In millions of RR)</i>	As originally presented	Reclassification	As reclassified
Cash and cash equivalents	55,984	(2,232)	53,752
Due to banks	663	(640)	23
Brokerage receivables	-	2,799	2,799
Brokerage payables	-	1,207	1,207

The effect of changes described above on the consolidated statement of profit or loss for the year ended 31 December 2019 is shown in the table below:

<i>(In millions of RR)</i>	As originally presented	Reclassification	As reclassified
Interest income calculated using the effective interest rate method	108,975	1,157	110,132
Credit loss allowance for loans and advances to customers and credit related commitments	(27,843)	693	(27,150)
Fee and commission income	34,726	(184)	34,542
Fee and commission expense	(16,423)	2,325	(14,098)
Other operating income	4,838	(3,991)	847

The effect of changes described above on the consolidated statement of cash flows for the year ended 31 December 2019 is shown in the table below:

<i>(In millions of RR)</i>	As originally presented	Reclassification	As reclassified
Interest income received calculated using the effective interest rate method	105,754	879	106,633
Fees and commissions received	34,670	(184)	34,486
Fees and commissions paid	(16,468)	1,499	(14,969)
Recoveries from the purchased loans received	-	693	693
Other operating income received	3,823	(2,887)	936
Net increase in cash and cash equivalents	24,097	(2,232)	21,865
Net increase in brokerage receivables	-	(2,799)	(2,799)
Net decrease in due to banks	(2,045)	(640)	(2,685)
Net increase in brokerage payables	-	1,207	1,207

38 Adoption of New or Revised Standards and Interpretations

The following amended standards became effective from 1 January 2020, but did not have any material impact on the Group:

- amendments to the Conceptual Framework for Financial Statements (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 annual periods beginning on or after 01 January 2020);
- definition of material — amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020);
- 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).

39 New Accounting Pronouncements

Certain new amendments have been issued that are mandatory for the annual periods beginning on or after 1 January 2021, which the Group has not early adopted:

IFRS 17 “Insurance Contracts” (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2023)*. IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. As a consequence, it was difficult for investors to compare and contrast the financial performance of otherwise similar insurance companies. IFRS 17 is a single principle-based standard to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The standard requires recognition and measurement of groups of insurance contracts at: (i) a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset) (ii) an amount representing the unearned profit in the group of contracts (the contractual service margin). Insurers will be recognising the profit from a group of insurance contracts over the period they provide insurance coverage, and as they are released from risk. If a group of contracts is or becomes loss-making, an entity will be recognising the loss immediately. The Group is currently assessing the impact of IFRS 17 on the insurance contracts issued by the Insurance Company as well as the impact for credit cards and similar loan products which may include insurance component.

Amendments to IFRS 17 and an amendment to IFRS 4 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023)*. The amendments relate to eight areas of IFRS 17, and they are not intended to change the fundamental principles of the standard. The following amendments to IFRS 17 were made: effective date, expected recovery of insurance acquisition cash flows, contractual service margin attributable to investment services, reinsurance contracts held – recovery of losses and other amendments.

The following other new pronouncements are not expected to have any material impact on the Group when adopted:

- Amendments to IFRS 10 and IAS 28: Sale or contribution of assets between an investor and its associate or joint venture (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB).
- Classification of liabilities as current or non-current – Amendments to IAS 1 (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2022).

39 New Accounting Pronouncements (Continued)

- Amendments to IAS 1: Classification of liabilities as current or non-current (issued on 15 July 2020 and effective for annual periods beginning on or after 01 January 2023).
- Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022).
- Interest rate benchmark reform – Phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (issued on 27 August 2020 and effective for annual periods beginning on or after 1 January 2021).
- COVID-19-Related Rent Concessions – Amendments to IFRS 16 (issued on 28 May 2020 and effective for annual periods beginning on or after 1 June 2020).

JSC «Tinkoff Bank»

**International Financial Reporting Standards
Consolidated Financial Statements and
Independent Auditor's Report**

31 December 2019

Independent Auditor's Report

To the Shareholder and the Board of Directors of JSC «Tinkoff Bank»

Report on the Audit of the Consolidated Financial Statements

Our Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of JSC «Tinkoff Bank» (the Bank) and its subsidiaries (together – the Group) as at 31 December 2019, and their consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Scope of Audit

We have audited the consolidated financial statements of the Group, including:

- the consolidated statement of financial position as at 31 December 2019;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- notes to the consolidated financial statements, including significant accounting policies and other explanatory information.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibility under those standards are further described in Auditor's responsibilities for the Audit of Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including the International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and ethical requirements of the Auditor's Professional Ethics Code and Auditor's Independence Rules that are relevant to our audit of the consolidated financial statements in the Russian Federation. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our Audit Approach

Overview



- Materiality at the level of the Group's consolidated financial statements in general: 1,934 million Russian rubles (RR mln), which represents approximately 5% of profit before tax.
- We audited one material business component of the Group.
- For non-material business components, we carried out substantive audit procedures where necessary.
- The audit scope covers more than 95% of the Group's revenue and 95% of the absolute value of the Group's profit before tax.
- Credit loss allowance for loans and advances to customers, calculated using the expected credit loss model in line with the requirements of IFRS 9 Financial Instruments.
- Recognition of interest income calculated using the effective interest rate method on loans and advances to customers.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including, among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the consolidated financial statements as a whole.

Materiality at the Level of the Group's Consolidated Financial Statements in General	RR 1,934 million.
How We Determined it	Approximately 5% of profit before tax.
Rationale for the Benchmark Applied to Determine Materiality	We decided to use profit before tax as the benchmark for determining materiality, because we believe that this benchmark is considered most frequently by users to measure the Group's performance and it is a generally accepted benchmark. We set materiality at approximately 5%, which falls within the range of acceptable quantitative materiality thresholds applicable to profit-oriented businesses in this sector.

Key Audit Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for 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.

Key Audit Matter	How Our Audit Addressed the Key Audit Matter
Credit loss allowance for loans and advances to customers, calculated using the expected credit loss model in line with the requirements of IFRS 9 Financial Instruments.	<p>IFRS 9 is a complex accounting standard for which models have been developed by the Group as a basis to calculate expected credit losses. These calculations involve the application of significant management judgement and estimates.</p> <p>Therefore, we made focus on the expected credit loss models used by the management for the purpose of compliance with IFRS 9. These models are described in more detail in Note 3 "Significant Accounting Policies" and Note 30 "Financial Risk Management" to the consolidated financial statements.</p> <p>An assessment of the credit loss allowance for loans and advances to customers is performed on a portfolio basis, with the key assumptions being the probability of a balance account falling into arrears and subsequently non-performing (which is impacted by the definitions of significant increase in credit risk and default), the estimated recoveries from non-performing loans, and the remaining lifetime period for revolving credit lines issued. In addition, calculation of the expected credit loss allowance incorporates forward-looking information, that is impacted by different scenarios and adjusts</p>
	<p>In relation to the ECL models for measuring credit loss allowance, we assessed the appropriateness of the key assumptions used in the methodologies and models of the Group and their compliance with the requirements of IFRS 9.</p> <p>For a sample of loans, we recalculated their probabilities of default and compared the results with the models' outputs. Additionally, we reviewed the Group's back-testing of probabilities of default estimated on the basis of the models by comparing them to the actual default rates evidenced in the loan portfolios.</p> <p>With regard to the controls relating to the credit loss allowance, we assessed and tested on a sample basis the design and</p> <p>operating effectiveness of the key controls over the credit loss allowance data and calculations. These key controls included those over classification of certain loans by loan portfolios, allocation of cash received from customers to respective loans and advances to customers, identification of overdue loans, and initial data transfer from operating systems to the credit loss allowance models.</p> <p>In addition, we performed testing, on a sample basis, of the statistical models used to calculate the credit loss allowance and we also tested, on a sample basis, the completeness of restructured</p>

Key Audit Matter	How Our Audit Addressed the Key Audit Matter
<p>the probability of default.</p> <p>Note 3 “Significant Accounting Policies”, Note 4 “Critical Accounting Estimates and Judgements in Applying Accounting Policies”, Note 9 “Loans and Advances to Customers” and Note 30 “Financial Risk Management” to the consolidated financial statements provide detailed information on the credit loss allowance for loans and advances to customers.</p>	<p>credit-impaired loans. This testing approach varied based on portfolio including testing of the coding used in the credit loss allowance models, re-performance of the calculation including re-calculation of the effect of forward-looking information on credit loss allowance, and testing the system generated data used in the models.</p> <p>We tested a sample of post model accounting adjustments where applicable, including considering the basis for the adjustment, the logic applied, the data and assumptions used to calculate the adjustment.</p> <p>We assessed the disclosures of credit loss allowance made in the consolidated financial statements against their compliance with the applicable accounting standards and their completeness and accuracy.</p>
<p>Recognition of Interest Income Calculated Using the Effective Interest Rate Method on Loans and Advances to Customers</p> <p>We focused on this area because calculation of interest income by the effective interest rate method uses, in addition to relevant nominal interest rates, a number of different fee and commission income types received and other costs incurred. Significant management judgements and estimates are involved in determining the expected maturity of loans and advances to customers, and which income and costs are included in interest income and which are included in net fee and commission income.</p> <p>The Group has a significant amount of information from which to assess trends in payments, repayments of credit products for more than ten years of history of lending in different economic conditions. This detailed information is used to obtain estimates of its customers’ behaviour, including the assumptions around expected maturity of loans, which are then used in the effective interest rate calculation.</p> <p>Note 3 “Significant Accounting Policies”, Note 4 “Critical Accounting Estimates and Judgments in Applying Accounting Policies”, Note 21 “Net margin”, and Note 30 “Financial Risk Management” included in the consolidated financial statements provide detailed information on the interest income calculated using the effective interest rate method and effective interest rates of loans and advances to customers.</p>	<p>Our audit procedures in relation to the effective interest rates of loans and advances to customers originated by the Group included testing, on a sample basis, of the operating effectiveness of key controls in relation to the nominal interest income, as well as the fee and commission income and other costs incurred which contribute to interest income calculated using the effective interest rate method. These controls included those over calculation and accrual of the nominal interest income and fee and commission income and other costs that are part of interest income calculated using the effective interest rate method and controls over the data transfer from the operating systems to the accounting system.</p> <p>We analysed the appropriateness and consistency of the methodology and its application across each of the loan portfolios and loan impairment stages within these portfolios and assessed the reasonableness of the key assumptions used in the calculations, including the fee and commission income and other cost components of the effective interest income rate and expected repayment periods of the loans by considering historic information. We also assessed the mathematical accuracy of the calculations through their random re-performance.</p> <p>In addition, we performed substantive analytical procedures to assess the reasonableness of the interest income calculated using the effective</p>

Key Audit Matter	How Our Audit Addressed the Key Audit Matter
	interest rate method recognised by the Group.

How We Tailored Our Group Audit Scope

JSC «Tinkoff Bank» is the parent company of the group of companies. The financial information of this group of companies is included in the consolidated financial statements of JSC «Tinkoff Bank».

We tailored the scope of our audit to ensure that we perform sufficient work to express our opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, accounting processes and controls used by the Group, and the industry in which the Group operates.

The Group has one primary business component, being banking that the Group carries out in the Russian Federation. This component is divided into retail banking to individuals and SME services and includes two reporting units that are JSC «Tinkoff Bank» and LLC «Phoenix». Full scope audit procedures were performed in respect of that primary business component.

Other reporting units, such as TCS Finance D.A.C., LLC «Tinkoff Software DC» and ANO «Tinkoff Education», are not considered to be primary business components for audit purposes. Where necessary, additional substantive audit procedures were carried out across these non-primary business components at the financial statement item level in order to achieve the desired level of audit evidence. The consolidated financial statements are a consolidation of all of the above reporting units.

The audit scope covers more than 95% of the Group's revenue and 95% of the absolute value of the Group's profit before tax. The Group's revenue consists of interest income calculated using the effective interest rate method, other similar income, fee and commission income, income less expenses from foreign currency translation, income less expenses from sale of debt securities at FVOCI, income from operations with debt securities at FVTPL, insurance premiums earned, and other operating income.

Other Information

Management is responsible for the other information. The other information comprises the annual report and the quarterly Issuer's Report for the 1st quarter of 2020 (but does not include the consolidated financial statements and our auditor's report thereon), which are expected to be made available to us after the date of this auditor's report.

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

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

When we read the quarterly Issuer's Report for the 1st quarter of 2020, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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 statement 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 ability of the Group 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 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.

Auditor's Responsibilities for the Audit of Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA 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 judgement 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 ability of the Group to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, 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 auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Report on examination in accordance with Article No.42 of Federal Law of 2 December 1990 No.395-1 "On Banks and Banking Activity"

Management of the Bank is responsible for compliance of the Group with the statutory ratios set by the Bank of Russia and for compliance of internal control and organisation of risk management systems of the Group with the Bank of Russia's requirements for such systems.

In accordance with Article No.42 of Federal Law of 2 December 1990 No.395-1 "On Banks and Banking Activity", we have examined the following during the audit of the consolidated financial statements of the Group for the year ended 31 December 2019:

- compliance of the Group as at 1 January 2020 with the statutory ratios set by the Bank of Russia; and
- compliance of internal control and organisation of risk management systems of the Group with the requirements set by the Bank of Russia for such systems.

Our examination was limited to procedures selected based on our judgement such as inquiries, analysis and examination of documents, comparison of requirements, procedures and methodologies adopted by the Bank with the Bank of Russia's requirements, as well as recalculation, comparison and reconciliation of figures and other information.

We have identified the following based on our examination:

1) as related to compliance of the Group with the statutory ratios set by the Bank of Russia:

As at 1 January 2020 the Group statutory ratios were within the limits set by the Bank of Russia.

We draw your attention to the fact that we have not performed any procedures related to the underlying accounting data of the Group other than the procedures we considered necessary to express our opinion on whether or not the consolidated financial statements of the Group present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS.

2) as related to compliance of internal control and organisation of risk management systems of the Group with the Bank of Russia's requirements for such systems:

- in accordance with the requirements and recommendations of the Bank of Russia, as at 1 January 2020, the Bank's departments managing the Group significant risks were not subordinated and accountable to the departments taking the relevant risks;
- internal documents of the Bank effective as at 1 January 2020 which set out the methodologies to identify and manage significant credit, operational, market and liquidity risks of the Group, and the methodologies to carry out stress testing are duly approved by appropriate management bodies of the Bank in accordance with the Bank of Russia's requirements and recommendations;
- as at 1 January 2020, the Bank had in place a reporting system for significant credit, operational, market

and liquidity risks, and for equity (capital) of the Group;

- the frequency and consistency of reports prepared by risk management subdivisions of the Bank and its internal audit function during 2020 as related to management of credit, operational, market and liquidity risks of the Group complied with internal documents of the Bank; those reports included observations made by risk management subdivisions of the Bank and its internal audit function as related to the assessment of the effectiveness of the respective methodologies of the Bank as well as recommendations on their improvement;
- as at 1 January 2020, the authority of the Bank's Board of Directors and its executive bodies included control over compliance by the Group with the risk and equity (capital) adequacy limits set by internal documents of the Bank. To exercise control over the effectiveness of the risk management procedures applied in the Group and their consistent application in 2019, the Bank's Board of Directors and its executive bodies regularly discussed the reports prepared by risk management subdivisions of the Bank and its internal audit function and considered proposed measures to eliminate weaknesses.

We have performed the above procedures related to internal control and organisation of risk management systems of the Group solely to examine compliance of internal control and organisation of risk management systems of the Group with the Bank of Russia's requirements for such systems.

The certified auditor responsible for the audit resulting in this independent auditor's report is Alexey Lovchikov.

27 March 2020

Moscow, Russian Federation

[Seal: JOINT-STOCK COMPANY * OGRN (Primary State Registration Number) 1027700148431 * PricewaterhouseCoopers Audit * MOSCOW]

A. A. Lovchikov, Manager of the assignment (Qualification Certificate No. 01-001308), PricewaterhouseCoopers Audit Joint-Stock Company

Audited entity: JSC "Tinkoff Bank"

Registered by the Central Bank of the Russian Federation Number 2673

Record made in the Unified State Register of Legal Entities on
28 November 2002 under State Registration Number 1027739642281

Taxpayer identification number: 7710140679

127287, Russian Federation, Moscow, 2-nd Khutorskaya Street, 38A, building
26

Independent Auditor:

PricewaterhouseCoopers Audit Joint-Stock Company

Registered by the Government Agency Moscow Registration Chamber on
28 February 1992 under number 008.890

Record made in the Unified State Register of Legal Entities on
22 August 2002 under State Registration Number 1027700148431

Taxpayer Identification Number: 7705051102

Member of Self-Regulatory organization of auditors Association
"Sodruzhestvo"

Principal Registration Number of the Record in the Register of Auditors and Audit
Organizations - 12006020338

<i>(In millions of RR)</i>	Note	31 December 2019	31 December 2018
ASSETS			
Cash and cash equivalents	7	55,984	31,887
Mandatory cash balances with the CBRF		3,448	2,435
Due from other banks	8	250	-
Loans and advances to customers	9	328,301	220,106
Financial derivatives	35	390	1,711
Investments in securities	10	132,355	98,345
Repurchase receivables		-	1,182
Investment in equity securities	11	385	280
Guarantee deposits with payment systems	12	8,877	4,603
Current income tax assets		723	1,146
Deferred income tax assets	26	1,606	-
Tangible fixed assets and right-of-use assets	13	10,424	8,266
Intangible assets	13	4,532	3,311
Other financial assets	14	20,254	15,261
Other non-financial assets	14	2,071	2,342
TOTAL ASSETS		569,600	390,875
LIABILITIES			
Due to banks	15	663	2,708
Customer accounts	16	420,081	283,099
Debt securities in issue	17	23,618	5,851
Financial derivatives	35	590	89
Current income tax liability		-	180
Deferred tax liability	26	9	541
Subordinated debt	18	18,487	20,644
Other financial liabilities	19	14,515	11,735
Other non-financial liabilities	19	4,056	2,414
TOTAL LIABILITIES		482,019	327,261
EQUITY			
Share capital	20	6,816	6,816
Share-based payment reserve	38	1,039	1,232
Retained earnings		72,673	55,018
Revaluation reserve for investments in debt securities		4,214	(972)
Equity attributable to the shareholder of the Bank		84,742	62,094
Non-controlling interest		2,839	1,520
TOTAL EQUITY		87,581	63,614
TOTAL LIABILITIES AND EQUITY		569,600	390,875

Approved for issue and signed on 27 March 2020.

Oliver Charles Hughes /*Signature*/
Chairman of the Management Board

N.V. Izyumova /*Signature*/
Chief Accountant

<i>(In millions of RR)</i>	Note	2019	2018
Interest income calculated using the effective interest rate method	21	108,975	76,640
Other similar income	21	90	371
Interest expense calculated using the effective interest rate method	21	(21,511)	(15,573)
Other similar expense	21	(129)	-
Expenses on deposit insurance	21	(1,870)	(1,174)
Net margin	21	85,555	60,264
Credit loss allowance for loans and advances to customers and credit related commitments	9.19	(27,843)	(12,047)
Credit loss allowance for debt securities at FVOCI	10	143	(189)
Total credit loss allowance for debt financial instruments		(27,700)	(12,236)
Net margin after credit loss allowance		57,855	48,028
Fee and commission income	22	34,726	27,066
Fee and commission expense	22	(16,423)	(11,492)
Customer acquisition expense	23	(16,535)	(13,583)
(Net losses)/ gains from derivatives revaluation		(1,885)	1,246
Net gains/(net losses) from foreign exchange translation		1,758	(1,587)
(Net losses)/ gains from operations with foreign currencies		(1,079)	168
Net gains from disposals of debt securities at FVOCI		301	289
Net gains/(losses) from debt instruments at FVTPL		359	(697)
Insurance premiums earned		317	320
Administrative and other operating expenses	24	(25,562)	(19,835)
Other operating income	25	4,838	3,124
Profit before tax		38,670	33,047
Income tax expense	26	(7,677)	(6,633)
PROFIT FOR THE YEAR		30,993	26,414
Profit is attributable to:			
- Shareholder of the Bank		29,690	25,509
- Non-controlling interest		1,303	905

<i>(In millions of RR)</i>	2019	2018
Profit for the year	30,993	26,414
Other comprehensive income/(loss)		
<i>Items that may be reclassified to profit or loss</i>		
Debt securities at FVOCI, net of tax:		
- Net gains/(losses) arising during the year, net of tax	5,322	(2,650)
- Net gains reclassified to profit or loss upon disposal, net of tax	(241)	(231)
<i>Items that will not be reclassified to profit or loss:</i>		
- Net gains of investments in equity securities at FVOCI, net of tax	105	125
Other comprehensive income/(loss) for the year, net of tax	5,186	(2,756)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	36,179	23,658
Total comprehensive income is attributable to:		
- Shareholder of the Bank	34,876	22,753
- Non-controlling interest	1,303	905

(In millions of RR)

	Attributable to the Bank's shareholder						Non-controlling interest	Total equity
	Note	Share capital	Share-based payment reserve	Revaluation reserve for investments in debt securities	Retained earnings	Total		
Balance at 31 December 2017		6,816	1,286	1,576	38,812	48,490	615	49,105
Effect of initial application of IFRS 9 – ECL re-measurement, net of tax		-	-	291	(10,070)	(9,779)	-	(9,779)
Effect of initial application of IFRS 9 – other, net of tax		-	-	(4)	4	-	-	-
Balance at 1 January 2018		6,816	1,286	1,863	28,746	38,711	615	39,326
Profit for the year		-	-	-	25,509	25,509	905	26,414
Other comprehensive (loss)/income:								
- Investments in debt securities at FVOCI and Repurchase receivables		-	-	(2,881)	-	(2,881)	-	(2,881)
- Investments in equity securities		-	-	125	-	125	-	125
Total comprehensive (loss)/income for the year		-	-	(2,756)	25,509	22,753	905	23,658
Share-based payment reserve	20.38	-	(54)	-	684	630	-	630
Revaluation transferred to retained earnings as a result of disposal of investments in equity securities		-	-	(79)	79	-	-	-
Balance at 31 December 2018		6,816	1,232	(972)	55,018	62,094	1,520	63,614
Profit for the year		-	-	-	29,690	29,690	1,303	30,993
Other comprehensive income:								
- Investments in debt securities at FVOCI and Repurchase receivables		-	-	5,081	-	5,081	-	5,081
- Investments in equity securities		-	-	105	-	105	-	105
Total comprehensive income for the year		-	-	5,186	29,690	34,876	1,303	36,179
Share-based payment reserve	20.38	-	(193)	-	662	469	-	469
Dividends	27	-	-	-	(12,697)	(12,697)	-	(12,697)
Acquisition of non-controlling interest in subsidiaries		-	-	-	-	-	16	16
Balance at 31 December 2019		6,816	1,039	4,214	72,673	84,742	2,839	87,581

<i>(In millions of RR)</i>	Note	2019	2018
Cash flows from operating activities			
Interest income received calculated using the effective interest rate method		105,754	73,352
Other similar income received		155	300
Interest expense paid calculated using the effective interest rate method		(21,527)	(14,711)
Recoveries from written-off loans	9	3,415	4,083
Expenses on deposits insurance paid		(1,673)	(1,001)
Fees and commissions received		34,670	27,143
Fees and commissions paid		(16,468)	(11,588)
Customer acquisition expense paid		(18,341)	(15,253)
Cash (paid)/received from operations with foreign currencies		(1,079)	168
Cash (paid)/received from operations with derivatives		(647)	2,581
Premiums received from insurance operations		303	306
Other operating income received		3,823	1,575
Administrative and other operating expenses paid		(23,853)	(19,591)
Income tax paid		(10,891)	(4,543)
Cash flows from operating activities before changes in operating assets and liabilities		53,641	42,821
Changes in operating assets and liabilities			
Net increase in CBRF mandatory reserves		(1,013)	(760)
Net (increase)/decrease in due from banks		(250)	256
Net increase in loans and advances to customers		(131,510)	(93,839)
Net decrease in debt securities measured at FVTPL		5,470	3
Net increase in guarantee deposits with payment systems		(4,848)	(132)
Net increase in other financial assets		(3,643)	(2,081)
Net decrease/(increase) in other non-financial assets		19	(436)
Net (decrease)/increase in funds due to banks		(2,045)	2,704
Net increase in customer accounts		144,806	100,736
Net increase in other financial liabilities		1,387	177
Net cash from operating activities		62,014	49,449
Cash flows from/(used in) investing activities			
Acquisition of tangible fixed assets		(1,773)	(2,833)
Acquisition of intangible assets		(2,327)	(1,842)
Acquisition of investments in securities, repurchase receivables and other investments		(87,275)	(88,572)
Proceeds from sale and redemption of investments in securities		50,587	60,168
Net cash used in investing activities		(40,788)	(33,079)
Cash flows from/(used in) financing activities			
Proceeds from debt securities in issue	28	20,727	-
Proceeds of perpetual loan participation notes	28	46	-
Dividends paid	27	(12,697)	-
Repayment of principal of lease liabilities	28	(884)	-
Repayment of debt securities in issue	28	(3,165)	(2,214)
Other financing activities cash flows		16	-
Repayment of subordinated debt	28	-	(5,659)
Repayment of perpetual loan participation notes	28	-	(49)
Net cash from/(used in) financing activities		4,043	(7,922)
Effect of exchange rate changes on cash and cash equivalents		(1,172)	1,012
Net increase in cash and cash equivalents		24,097	9,460
Cash and cash equivalents at the beginning of the year	7	31,887	22,427
Cash and cash equivalents at the end of the year	7	55,984	31,887

1 Introduction

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards for the year ended 31 December 2019 for JSC «Tinkoff Bank» (the Bank), its dedicated financial institution TCS Finance D.A.C., LLC «Phoenix», LLC «Tinkoff Software DC», ANO «Tinkoff Education», and LLC «Tinkoff Capital» (together – the Group).

The Bank is registered and has its legal address in the territory of the Russian Federation. The Bank is a joint stock company whose shareholders' liability is limited by the number of shares held by them and was established in accordance with the requirements of the Russian legislation.

100% of the Bank's share capital is held by TCS Group Holding PLC (the Parent Company) incorporated under the laws of Cyprus. The Group ultimate beneficial owner is Mr. Oleg Tinkoff (2018: the same).

The Company has prepared and issued the consolidated financial statements for the year ended 31 December 2019 for the Company and its subsidiaries in accordance with the International Financial Reporting Standards adopted by the European Union and the requirements of the Cyprus Companies Law, Chapter 113. These consolidated financial statements are available at: 25 Spyrou Araouzou, 25 Berengaria, 5th floor, Limassol, Cyprus, and at www.tinkoff.ru/eng.

The Bank holds 51% of the shares in LLC «Phoenix». LLC «Phoenix» is a debt collection agency.

TCS Finance D.A.C. is a structured entity which issued debt securities including subordinated perpetual bonds for the Group. The Group neither owns shares nor has voting rights in this company. However, this entity was consolidated as it was specifically set up for the purposes of the Group, and the Group has exposure to substantially all risks and rewards through outstanding guarantees of the entity's obligations.

LLC «Tinkoff Software DC» provides software development services.

ANO «Tinkoff Education» is a non-commercial organization set up by the Bank as the sole founder.

LLC «Tinkoff Capital» is an asset management company established in June 2019 to manage investment funds, mutual funds, and non-state pension funds.

During 2019, the Bank acquired a 40% interest in LLC «CloudPayments». LLC «CloudPayments» is a developer of online payment solutions whose core business is online merchant acquiring in Russia. The Group classified this investment as an investment in an associate.

Principal Activity. The Bank's principal business activities are retail banking to private individuals, individual entrepreneurs' (IE) and small and medium enterprises' (SME) accounts and acquiring, brokerage services, within the Russian Federation. The Bank operates under General Banking License No. 2673 issued by the Central Bank of the Russian Federation (the CBRF) on 8 December 2006. That license was reissued on 15 April 2013 due to changes in requirements for certain banking operations. The Bank participates in the state deposit insurance scheme, which was introduced by Federal Law «On Insurance of Bank Deposits in the Russian Federation» No. 177-FZ dated 23 December 2003. The State Deposit Insurance Agency guarantees repayment of up to RR 1,400 thousand per individual, individual entrepreneur, and small enterprise deposits in case of the withdrawal of a license of a bank or a CBRF-imposed moratorium on payments.

Registered Address and Place of Business. The Bank is registered at: bldg. 1, 10, 1-y Volokalamsky proezd, Moscow, 123060, Russia.

Presentation Currency. These consolidated financial statements are presented in millions of Russian rubles (RR million).

2 Operating Environment of the Group

Russian Federation. The Russian Federation displays certain characteristics of an emerging market. The country's economy is especially sensitive to oil and gas prices. The legal, tax, and statutory framework is continuously developing and is subject to frequent changes and varying interpretations (Note 32).

Persistent political tensions in the region and international sanctions imposed on certain Russian companies and citizens have a continuous negative effect on the Russian economy.

Financial markets are still volatile. This operating environment has a significant impact on the Group's operations and financial position. Management regularly takes all necessary measures to ensure the stability of the Group's operations.

However, the future effects of the current economic situation are difficult to predict and management's current expectations and estimates could differ from actual results.

The key rate of the CBRF amounted to 6.25% per annum as at 31 December 2019 (31 December 2018: 7.75%).

The Group actively monitors the situation in the Russian banking sector and the activities of the CBRF in accordance with current and new requirements that have entered into force, as well as any sanctions against participants that violate those requirements. In particular, in 2019, the CBRF introduced certain macroprudential adjustments (for example, borrowers' debt burden limit) in order to manage macroeconomic risks related to primarily unsecured lending. The Group's management believes that it is highly important to participate in discussions of legislation development in the banking sector and supports the intention of the CBRF to make the financial market more transparent and disciplined.

In late 2019, the world learnt about the coronavirus disease (COVID 19) from China. At the end of the year, the World Health Organisation received information on a limited number of cases of an unknown viral disease. In the first months of 2020, the virus spread worldwide and its adverse impact on the population health and global economy became rampant. Although the situation is still evolving at the time of issue of these consolidated financial statements, it appears that its adverse effect on the global economy and the Group could be significant. In the management's opinion, these events qualify as a non-adjusting event after the reporting date. The effect of this negative situation will be expressed in impairment losses and expected credit losses in 2020, including as a result of updating the expected credit loss model subject to statistical data and macroeconomic forecasts. However, given the uncertainty caused by the current situation and the impact of measures that have already been or will be taken by business and the population in order to minimize the direct and indirect impact that the coronavirus (COVID-19) has on the community and economy, including the state support that is expected and had already been provided, statistics will not be as accurate as in a more stable and predictable environment. Therefore, currently it is impractical to quantify the potential impact of this event on the Group.

As at the date of approval of these consolidated financial statements, there is a significant weakening of Russian rouble against US dollar and Euro as compared to the end of 2019, the stock market has dropped, and commodity prices have significantly decreased.

The Group's management has assessed the impact of rouble weakening and decline in securities market quotations on the Group and concluded that the Group continues to comply with all regulatory requirements, including the capital adequacy ratio as required by the CBRF up to the date of issue of these consolidated financial statements.

2 Operating Environment of the Group (Continued)

On 20 March 2020, the CBRF introduced a number of measures to support the financial sector of the Russian Federation. Those measures include easing of some regulatory requirements for banks that will be in effect during certain periods. Some measures will be in effect until 1 January 2021. In particular, the CBRF granted credit institutions and non-bank financial institutions the right to use market quotations of equity and debt securities as at 1 March 2020 in order to account for all securities purchased before 1 March 2020. This measure will be in effect until 1 January 2021. Management will keep a watchful eye on the potential impact of these developments and will take all reasonable effort to mitigate their potential effects for the Group.

For the purpose of measurement of expected credit losses (ECL), the Group uses predictive information, including forecasts of macroeconomic indicators (Note 4). 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 33 provides more information of how the Group incorporates predictive information in the ECL models.

3 Significant Accounting Policies

Basis of Preparation. These consolidated financial statements have been prepared in accordance with the 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 revaluation of financial instruments measured at fair value through profit or loss and at fair value through other comprehensive income. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. Except for changes in accounting policies resulting from the transition to IFRS 16 from 1 January 2019, these policies have been consistently applied to all periods presented in the consolidated financial statements, unless otherwise stated (Note 5).

Management prepared these consolidated financial statements on a going concern basis.

Consolidated Financial Statements. Subsidiaries are those investees, including structured entities, that the Group controls because the Group (a) has powers to direct relevant activities of the investees that significantly affect their returns, (b) has exposure, or rights, to variable returns from its involvement with the investees, and (c) 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 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 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 the investee's activities or apply only in exceptional circumstances, do not prevent the Group from controlling the investee. Subsidiaries are consolidated from the date on which control over their operations is transferred to the Group and are deconsolidated from the date on which control ceases. Subsidiaries are consolidated by the acquisition method.

3 Significant Accounting Policies (Continued)

Subsidiaries other than those acquired from parties under common control are consolidated by the acquisition method. 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.

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. The non-controlling interest that is not a present ownership interest is measured at fair value.

Goodwill is measured by deducting the net assets of the acquiree from the aggregate of the consideration paid for the acquiree, the amount of non-controlling interest in the acquiree and fair value of an interest in the acquiree held immediately before the acquisition date. Any negative amount ("negative goodwill") is recognised in profit or loss, after management assesses whether it identified all assets acquired and all liabilities and contingent liabilities assumed, and reviews appropriateness of their measurement.

The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed, including fair value of assets or liabilities from contingent consideration arrangements, but excludes acquisition related costs such as advisory, legal, valuation, and similar professional services.

Transaction costs incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt securities are deducted from their carrying amount and all other transaction costs associated with the acquisition are expensed.

The Group intercompany transactions, balances on respective accounts and unrealised income from transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the costs cannot be recovered. The Bank and the designated financial institution use uniform accounting policies consistent with the Group's policies.

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

Purchases and Sales of Non-Controlling Interests. The Group applies the economic entity model to account for transactions with owners of non-controlling interest. Any difference between the purchase consideration and the carrying amount of non-controlling interest acquired is recorded as a capital transaction directly in equity.

The Group recognises the difference between sales consideration and carrying amount of non-controlling interest sold as a capital transaction in the consolidated statement of changes in equity.

Associates. Associates are entities over which the Group has significant influence (directly or indirectly), but does not control them; generally, the voting rights share in those entities is between 20 and 50 percent. Investments in associates are accounted for using the equity method and are initially recognised at cost. The carrying value of associates includes goodwill identified on acquisition less accumulated credit losses, if any. Dividends received from associates reduce the carrying amount of the investment in associates.

3 Significant Accounting Policies (Continued)

Other post-acquisition changes in Group's share of net assets of associates are recorded as follows: (a) the Group's share of profits and losses of associates is recorded in the consolidated profit or loss for the year as a share of financial result of associates, (b) the Group's share of other comprehensive income is recorded in other comprehensive income and presented separately, (c) all other changes in the Group's share of the carrying value of net assets of associates are recorded in profit or loss within the share of financial 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 record further losses, unless it has incurred obligations or made payments on behalf of that associate. Otherwise, the Group continues to recognise further losses if it has commitments to fund the associate's operations.

Unrealised gains on transactions between the Group and its associates are eliminated proportionate to the Group's interest in those associates; unrealised losses are also eliminated unless they are caused by impairment of the associate's assets.

The Group applies the impairment measurement requirements in IFRS 9 to long-term loans and similar long-term financial instruments that in substance form part of the investment in associates before reducing the carrying value of the investment by the difference between losses of the investee and the value of the Group's ordinary shares.

Disposals of Subsidiaries, Associates, or Joint Ventures. When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recorded in profit or loss.

The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest in an associate, joint venture or financial asset. In addition, all amounts previously recognised in other comprehensive income in respect of that entity, are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are recycled to profit or loss.

If the interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss.

Financial Instruments – Key Measurement Terms. Depending on their classification, financial instruments are carried at fair value or amortised cost as described below.

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 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.

3 Significant Accounting Policies (Continued)

The price within the bid-ask spread that is most representative of fair value in the circumstances was used to measure fair value, which the management considers to be the last trading operation price as of the reporting date.

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 (an asset) for a particular risk exposure or paid to transfer a net short position (a liability) for a particular risk exposure in an orderly transaction between market participants at the measurement date.

This is applicable to 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 official risk management or investment strategy; (b) 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, are substantially the same.

Valuation models such as the discounted cash flow model or models based on data of similar arm's length transactions or the present value of the investee, are used to measure fair value of financial instruments for which market information about transaction prices is not available.

Fair value measurements are analysed by level in the fair value hierarchy as follows:

- 1) Level 1 are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 are measurements obtained by valuations models using all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and
- 3) Level 3 are measurements that are 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 (Note 36).

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 ownership transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost 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 write-down 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 rate 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 shown separately and are included in the carrying values of related items in the consolidated statement of financial position.

3 Significant Accounting Policies (Continued)

The effective interest rate 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 a financial asset or to the amortised cost of a financial liability. The calculation of the effective interest rate does not include expected credit losses, but includes transaction costs, premiums, or discounts and fees that are the origination fee and an integral part of the effective interest rate.

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 and considerations 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 amortised cost of the asset on initial recognition instead of its gross carrying amount and incorporates expected credit losses in estimated future cash flows. When the Group revises the estimates of future cash flows, the carrying amount of the respective financial assets and financial liabilities is adjusted to reflect the new estimates discounted using the original effective interest rate. Any changes are recognised in profit or loss.

Financial Instruments – Initial Recognition. Financial instruments at FVTPL are initially recorded at fair value. All other financial instruments are initially recorded at fair value plus transaction costs that are incremental and directly attributable to the acquisition or the issue of the financial asset or financial liability such as fee and commission. Fair value at initial recognition is best evidenced by the transaction price. Gain or loss on initial recognition is only recorded if there is a difference between the 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. Following the initial recognition, an expected credit loss allowance is recognised for financial assets measured at AC and investments in debt instruments measured at fair value through other comprehensive income, resulting in an accounting loss being recognised immediately after the asset is initially recognised. 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.

The Group uses such valuation models as the discounted cash flow model to determine the fair value of currency swaps, currency forwards that are not traded in an active market. Differences may arise between the fair value at initial recognition, which is considered to be the transaction price, and the amount determined at initial recognition using a valuation technique. The differences are immediately recognised in profit or loss if the valuation uses only Level 1 or Level 2 inputs.

3 Significant Accounting Policies (Continued)

Financial Assets – Classification and Subsequent Measurement – Measurement Categories. The Group classifies financial assets using the following measurement categories: to be measured at fair value through profit or loss (FVPL), to be measured at fair value through other comprehensive income (FVOCI), and those to be measured at amortised cost (AC). The classification and subsequent measurement of debt financial assets depends on:

- the Group's business model for managing the related assets portfolio; and
- the cash flow characteristics of the asset.

Financial assets – Classification and Subsequent Measurement – Business Model. The business model reflects how the Group manages the assets in order to generate cash flows – whether the Group's objective is:

- 1) solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows"); or
- 2) 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");
- 3) if neither of 1) and 2) is applicable, the financial assets are classified as part of "other" business model and measured at FVTPL.

A 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 as 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.

Based on the analysis performed, the Group included the following financial instruments in the business model "hold to collect contractual cash flows" since the Group manages the financial instruments solely to collect contractual cash flows: cash and cash equivalents, Mandatory cash balances with the CBRF, due from other banks, loans and advances to customers, guarantee deposits with payment systems, and other financial assets. The Group included debt securities at FVOCI in the business model "hold to collect contractual cash flows and sell" since the Group manages the financial instruments to collect both the contractual cash flows and the cash flows arising from the sale of assets. The Group included debt securities measured at FVTPL and financial derivatives in the business model "other".

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 (the SPPI test). 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.

3 Significant Accounting Policies (Continued)

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. See below for “Financial Assets – Modification”.

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 start of the first reporting period following the change. The Group did not change its business model during the reporting period and did not make any reclassifications.

Financial Assets – Impairment – Credit Loss Allowance for ECL. The Group assesses on a forward-looking basis the ECL for debt instruments (including loans) measured at AC and FVOCI and for the exposure arising from loan commitments. The Group measures ECL and recognises credit loss allowance at each reporting date. Note 10 contains information about expected credit losses on debt securities at fair value through other comprehensive income.

The measurement of ECL reflects:

- 1) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes
- 2) time value of money; and
- 3) 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 economic conditions.

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

The Group applies a “three stage” model for impairment in accordance with IFRS 9, based on changes in credit quality since initial recognition.

- 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 (12 month 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 (lifetime ECL). Refer to Note 30 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. Refer to Note 30 for a description of how the Group defines credit-impaired assets and default.

3 Significant Accounting Policies (Continued)

For financial assets that are purchased or originated credit-impaired, the ECL is always measured at a lifetime ECL. Note 30 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 measurement models.

As an exception, for certain financial instruments, such as credit cards, that may include both a loan and an undrawn commitment component, the Group measures expected credit losses over the period that the Group is exposed to credit risk, that is, until the expected credit losses would be mitigated by credit risk management actions, even if that period extends beyond the maximum contractual credit period. This is because ability to demand debt repayment and cancel the undrawn commitment does not limit the exposure to credit losses to such contractual notice period. Refer to Note 4 for critical estimates and judgements applied in determining the period for measuring ECL.

Financial Assets – Write-Off. Impaired assets are partly written-off against the generated credit loss allowance usually after one year since they become overdue. The amount of uncollectible part of the loan is estimated on a loan portfolio basis taking into account the impaired loan payment statistics.

The Group writes-off financial assets that are still subject to enforcement, however, there is no reasonable expectation of full recovery. If credit-impaired loans are sold to third parties, the Group remeasures the amount of ECL prior to sale taking into consideration the expected sales proceeds so that there are no income or losses on derecognition upon sale.

Repayments of Written-Off Loans. Recovery of amounts previously written-off as uncollectible is recorded directly to reduce the credit loss allowance for the loans and advances to customers line as profit or loss. Cash flows related to repayments of written-off loans are separately presented within recoveries from written-off loan in the consolidated statement of cash flows.

Financial Assets – Modification. 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 others, the following factors: any new contractual terms that substantially affect the risk profile of the asset, significant change in interest rate, change in the currency denomination, insertion of credit enhancement that significantly affect the credit risk associated with the asset, significant extension of the loan when the borrower is in financial difficulty.

If the modified terms are substantially different so that the rights to cash flows from the original asset are deemed to have expired, the Group derecognises the original financial asset and recognises a new asset at fair value. The date of renegotiation is considered to be the date of initial recognition for impairment calculation purposes, including determining whether a SICR has occurred. The Group also assesses whether the new loan or debt instrument 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.

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.

3 Significant Accounting Policies (Continued)

The Group recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate (or credit risk adjusted effective interest rate for POCI financial assets) and recognises a modification gain or loss in profit or loss.

Usually modifications of Stage 3 loans do not result in derecognition since they do not change the expected cash flows substantially and represent the way of collection of past due debt balances. If the terms of the changed asset are not substantially different, the change does not result in derecognition.

Financial Assets – Derecognition (Other than through a Substantial Modification) The Group derecognises financial assets when (1) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (2) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (a) also transferring substantially all risks and rewards of ownership of the assets or (b) 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 – Measurement Categories. Financial liabilities are classified as subsequently measured at AC, except for financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities).

Financial Assets – Derecognition. Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires). An exchange between the Group and its original creditors 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 taken into consideration. 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. Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch up method, with any gain or loss recognised in profit or loss, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners.

Cash and Cash Equivalents. Cash and cash equivalents are short-term, highly liquid assets that are readily convertible to known amounts of cash and which are subject to an insignificant changes in value. Cash and cash equivalents include Mandatory cash balances with the CBRF, all interbank placements, and reverse sale and repurchase agreements with other banks with original maturities of less than three months. Funds restricted for a period of more than three months on origination are excluded from cash and cash equivalents.

3 Significant Accounting Policies (Continued)

Cash and cash equivalents are carried at amortised cost as: (a) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (b) they are not designated at FVTPL. The payments or receipts presented in the consolidated statement of cash flows represent transfers of cash and cash equivalents by the Group, including amounts charged or credited to current accounts of the Group's counterparties held with the Group, such as loan interest income or principal collected by charging the customer's current account or interest payments or disbursement of loans credited to the customer's current account, which represents cash or cash equivalent from the customer's perspective.

Mandatory cash balances with the CBRF. Mandatory cash balances with the CBRF are carried at amortised cost and represent non-interest bearing funds deposited with the CBRF which are not intended to finance the Group's day to day operations. Hence, they are excluded from cash and cash equivalents for the purposes of the consolidated statement of cash flows.

Due from Other Banks. Amounts due from other banks are accounted for when the Group advances money to counterparty banks. Amounts due from other banks are carried at amortised cost if: (a) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (b) they are not designated at FVTPL.

Certain bank deposits are subject to the "bail-in" legislation that permits or requires a national financial rehabilitation authority to impose losses on deposit holders in particular circumstances. Where the bail-in clauses are included in the contractual terms of the instrument, the SPPI test is not met and such instruments are mandatorily measured at FVTPL. The Group did not identify such balances due from other banks. Where such clauses in the contract merely acknowledge the existence of the legislation and do not create any additional rights or obligation for the Group, the SPPI criterion is met and the respective instruments are carried at AC.

Investments in Debt Securities. Based on the business model and the contractual cash flow characteristics, the Group classifies investments in debt securities as carried at AC, FVOCI or FVTPL. Debt securities are carried at AC if they are held for collection of contractual cash flows and where those cash flows represent SPPI, and if they are not voluntarily designated at FVTPL in order to significantly reduce an accounting mismatch.

Debt securities are carried at FVOCI if they are held for collection of contractual cash flows and for selling, where those cash flows represent SPPI, and if they are not designated at FVTPL. Interest income from these assets is calculated using the effective interest rate method and recognised in profit or loss. An impairment allowance estimated using the expected credit loss model is recognised in profit or loss for the year. All other changes in the carrying value are recognised in OCI except for net foreign exchange translation income/losses and interest income calculated using the effective interest rate method.

When the debt security is derecognised, the cumulative income or loss previously recognised in OCI is reclassified from OCI to profit or loss.

3 Significant Accounting Policies (Continued)

Investments in debt securities are carried at FVTPL if they do not meet the criteria for AC or FVOCI. The Group may also irrevocably designate investments in debt securities at FVTPL on initial recognition if applying this option significantly reduces an accounting mismatch between financial assets and liabilities being recognised or measured using different accounting methods.

Investments in Equity Securities. Financial assets that meet the definition of capital from the issuer's perspective, i.e. instruments that do not contain a contractual obligation to pay cash and that evidence a residual interest in the issuer's net assets, are considered by the Group as investments in equity securities. Investments in equity securities are measured at FVTPL, except where the Group elects at initial recognition to irrevocably designate equity investments at FVOCI. The Group's policy is to designate equity investments at FVOCI when those investments are held for strategic purposes other than solely to generate investment returns. When the FVOCI option is elected, fair value revaluation income and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses and their recovery, if any, are not measured separately from other changes in fair value. Dividends continue to be recognised in profit or loss when the Group's right to receive payments is established except when they represent a recovery of investments rather than a return on such investments.

Loans and Advances to Customers. Loans and advances to customers are recorded when the Group advances money to customers to purchase a customer loan or to originate a loan to a customer.

Based on the business model and the cash flow characteristics, the Group classifies loans and advances to customers into one of the following measurement categories:

- 1) AC: loans that are held for collection of contractual cash flows and those cash flows represent SPPI and loans that are not voluntarily designated at FVTPL;
- 2) FVTPL: loans that do not meet the SPPI test or other criteria for AC or FVOCI are measured at FVTPL.

Impairment allowances are determined based on the forward-looking ECL model. Note 30 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.

Credit Related Commitments. The Group issues commitments to provide loans. Financial commitments to provide loans are initially recognised at their fair value, which is normally equal to the amount of fees received. Such loan commitment fees are deferred and included in the carrying amount of the loan on initial recognition. At the end of each reporting period, the commitments are measured at the amount of the credit loss allowance determined based on the expected credit loss model. For loan commitments (where those components can be separated from the loan), separate credit loss allowance is recognised as a liability in the consolidated statement of financial position.

3 Significant Accounting Policies (Continued)

Transactions under Sale and Repurchase Agreements and Lending of Securities. Transactions under sale and repurchase agreements (“repo agreements”) which effectively provide a lender’s return to the counterparty, are treated as financing transactions collateralised by securities. Securities sold under such sale and repurchase agreements are not derecognised. The securities are reclassified as repurchase receivables in the consolidated statement of financial position if the transferee has the right by contract or custom to sell or re-pledge those securities, in which case they are reclassified as repurchase receivables. The corresponding liability is presented in the “Due to banks” or “Other Borrowed Funds” line.

Securities purchased under agreements to resell (“reverse repo agreements”), which effectively provide a lender’s return to the Group, are recorded as “Due from Other Banks” or “Loans and Advances to Customers”, as appropriate. The difference between the sale and repurchase price, adjusted by interest and dividend income collected by the counterparty, is treated as interest income and accrued over the life of reverse repo agreements using the effective interest rate method.

Securities lent to counterparties for a fixed fee are retained in the consolidated financial statements in their original item in the consolidated statement of financial position unless the counterparty has a right by contract or custom to sell or re-pledge the securities. In such cases, they are reclassified in a separate item. Securities borrowed for a fixed fee are not recorded in the consolidated financial statements, unless these are sold to third parties. In such case, the financial results of purchase and sale of those securities are recorded in profit or loss for the year within the “Income Less Losses Arising from Trading Securities” line. The obligation to return the securities is recorded at fair value in the “Other Borrowed Funds” line.

Based on classification of securities sold under the sale and repurchase agreements, the Group classifies repurchase receivables into one of the following measurement categories: AC, FVOCI, FVTPL.

Guarantee Deposits with Payment Systems. Amounts of guarantee deposits with payment systems are recorded when the Group advances money to payment systems with no intention of trading the non-derivative receivables unquoted in the open market. Amounts of guarantee deposits with payment systems are carried at amortised cost.

Fixed Assets. Fixed assets are carried at initial cost less accumulated depreciation and provision for impairment, where required. Costs of minor repairs and day-to-day maintenance are recorded when incurred. Costs of replacing major components of fixed assets are capitalised, and the replaced component is retired.

At the end of each reporting period, the management assesses whether there is any indication of impairment of fixed assets. If any such indication exists, the 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.

An impairment loss recognised for an asset in previous 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. Income and losses on disposals determined by comparing proceeds with carrying amount are recognised in profit or loss for the year (within other operating income or expenses).

3 Significant Accounting Policies (Continued)

Depreciation. Depreciation of other fixed assets is calculated using the straight-line method, i.e. equal decrease of its cost to its residual value over its estimated useful life as follows:

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

Intangible Assets. The Group's intangible assets have definite useful life and include capitalised software and software developed by the Group. 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.

Computer software licenses acquired are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. All the other costs associated with computer software, e.g. its maintenance, are recorded when incurred. Capitalised computer software is amortised on a straight line basis over expected useful lives of 1 to 10 years. At the end of each reporting period, the management assesses whether there is any indication of impairment of intangible assets. If any such indication exists, the 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. An impairment loss recognised for an asset in previous 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. Intangible assets including goodwill with indefinite useful life are tested annually for impairment.

Accounting for Leases by the Group as a Lessee from 1 January 2019. From 1 January 2019, leases, where the Group is the lessee, are recognised as a right-of-use asset and a corresponding liability as at the date when the leased asset is available for use by the Group. Each lease payment is allocated between the liability and financing cost. The financial expenses are 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. The right to use asset is depreciated from the date of lease over the shorter of the right-to-use asset's useful life and the lease term using the straight-line method.

Assets and 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 incentive payments receivable;

Useful lives in years

Buildings	99
Equipment	3—10
Vehicles	5
Leasehold improvements	Shorter of their useful life and the term of the underlying lease

3 Significant Accounting Policies (Continued)

- variable lease payments that are based on an index or a rate and that are initially measured using the index or rate as at the lease commencement date;
- amounts to be received by the lessee under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain regarding the exercise of that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

In accordance with IFRS 16, the lease term includes any lease periods non-cancellable early and optional extension periods which have been assessed as reasonably certain to be exercised. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the incremental borrowing rate is used, being the rate that the Group 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 initial cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives payments;
- all initial direct costs; and
- an estimate of the costs that will be incurred by the Group in dismantling and relocating the underlying asset, restoring the site where it is located, or restoring the underlying asset to the condition required by the lease terms.

As an exception from the above, the Group accounts for short-term leases and leases of low value assets by recognising the lease payments as an operating expense using the straight-line method. Short-term lease is lease with a lease term of 12 months or less. Low value assets are assets with a value of RR 300,000 or less at the date of conclusion of the contract.

Right-of-use assets are included in fixed assets, lease liabilities are included in other non-financial liabilities in the consolidated statement of financial position. Depreciation of right-of-use assets is recognised in administrative and other operating expenses within the consolidated statement of profit or loss.

Financial expenses are recognised within other similar expenses of the consolidated statement of profit or loss. Repayment of principal of lease liabilities is disclosed within cash flows from financing activities of the consolidated statement of cash flows.

Accounting for Leases by the Group as a Lessee before 1 January 2019. When the Group is a lessee and the risks and income incidental to possession of lease items are not transferred by the lessor to the Group, the total amount of operating lease payments is recorded in profit or loss for the year (as rental expense within administrative and other operating expenses) on a straight-line basis over the lease period.

Leases embedded in other agreements are separated if (a) fulfilment of the agreement is related to the use of a specific asset or assets and (b) the agreement provides for the transfer of a right to use the asset.

When assets are leased out under an operating lease, the lease payments to be received are recorded as rental income on a straight-line basis over the lease term.

Due to banks. Funds Due to banks are recognised when the counterparty banks provide funds or other assets to the Group. Non-derivative liability is carried at amortised cost.

3 Significant Accounting Policies (Continued)

Customer Accounts. Customer accounts are non-derivative financial liabilities to legal entities and individuals and are carried at amortised cost.

Debt Securities in Issue. Debt securities are stated at amortised cost. If the Group purchases its own debt securities in issue, they are removed from the consolidated statement of financial position and the difference between the carrying amount of the liability and the amount paid is recorded in a separate line of consolidated statement of profit or loss as profit or loss from repurchase of debt securities in issue.

Subordinated Debt. A subordinated debt can only be repaid in the event of a liquidation after the claims of other higher priority creditors have been met. A subordinated debt is carried at AC.

Financial Derivatives. Financial derivatives, including forwards and foreign currency swaps, are carried at their fair value.

All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of financial derivatives are recorded in profit or loss within the Net (Losses)/Income from Financial Derivatives Revaluation. The Group does not apply hedge accounting.

Income Taxes. Income tax expenses are recorded in the consolidated financial statements in accordance with the rules of legislation enacted or substantively enacted by the end of the reporting period. The income tax charge comprises current tax and deferred tax and is recognised in profit or loss for the year except if it is not to be recognised in other comprehensive income or directly in equity because it relates to transactions that are also recorded, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is calculated on the basis of income tax amounts 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. Tax expenses other than income tax expenses are recorded within administrative and other operating expenses.

Deferred income tax is calculated 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 in the consolidated statement of financial position. 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 assets and liabilities 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 or the tax loss carry forwards will be realized. Deferred tax assets and liabilities are netted only within each individual company of the Group. Deferred tax assets for temporary differences decreasing the tax base and tax loss carry forwards are recorded only to the extent that it is probable that taxable profit will be available against which the taxable temporary differences 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 temporary differences will not be offset through dividends or otherwise in the foreseeable future.

3 Significant Accounting Policies (Continued)

Uncertain Tax Positions. The Group's uncertain tax positions are assessed by management at the end of each reporting period. Liabilities recorded for tax are accounted for when management believes that it is probable that additional tax liabilities would arise if the Group's tax position were challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted as at the end of 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.

Allowances for Liabilities and Charges. Allowances for liabilities and charges are non-financial liabilities of uncertain timing or amount. Provisions are recorded in the consolidated financial statements when the Group has a legal or constructive obligation arising from a past event. In this case, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Settlements with Suppliers and Other Payables. Payables are recognized when the counterparty fulfils its obligations and are carried at amortised cost.

Mandatory payments and contributions, such as taxes, other than income tax or levies imposed by regulators based on information relating to the period before the obligation to pay occurs, are recognized as liabilities when an obligating event occurs that gives rise to the mandatory payment and is defined by the legislation as resulting in the obligation to make a mandatory payment. If the mandatory payment is made before the obligating event occurs, such payment is recognized as a prepayment.

Share Capital. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are recorded in equity as a deduction from the profit after tax.

Share Premium. Share premium is the difference between the fair value of the consideration received for the issue of shares and the nominal value of the shares.

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 Note "Events after the End of the Reporting Period". Profit is distributed and otherwise expensed on the basis of accounting statements prepared in accordance with the requirements of the Russian legislation. In accordance with the requirements of the Russian legislation, the profit is distributed on the basis of the net profit of the current year according to the consolidated financial statements prepared in accordance with the requirements of the Russian legislation.

Interest Income and Expense Recognition. Interest income and expenses are recorded for all debt instruments, other than those at FVTPL, on an accrual basis using the effective interest rate method. Such calculation includes in interest income or expense all fees and levies 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.

3 Significant Accounting Policies (Continued)

Fees integral to the effective interest rate include fees received or paid in relation to the creation or acquisition of a financial asset or the issuance of a financial liability (e.g. interchange fee on credit card loans). Commitment fees (e.g. annual fee on credit cards) received by the Group to originate loans at market rates are an integral part of the effective interest rate if it is probable that the Group will enter into a specific lending arrangement and does not expect to sell the loan shortly after its origination. The Group does not designate loan commitments in profit or loss as financial liabilities at fair value.

Doubtful loans and other debt instruments are written off at the present value of expected cash flows and interest income is subsequently recorded at present discounted value based on the effective interest rate applied to the asset, which was used to measure the impairment loss.

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

Customer Acquisition Expense Recognition. Customer acquisition expenses are represented by the costs incurred on services related to attraction of borrowers and customers, mailing of advertising materials, processing of responses, etc. Costs directly attributed to the acquisition of a particular borrower or customer are included in the effective interest rate of the financial asset or liability; the remaining costs are expensed in the period when these services are provided.

Other Income and Expenses. All other income and expenses are generally recorded on an accrual basis by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Other Similar Income. Other similar income represents interest income and expense recorded for debt instruments measured at fair value through profit or loss (FVTPL) and is recognised on an accrual basis using nominal interest rate.

Other Similar Expenses. Other similar expenses represent financial expenses related to the discounted lease payments using the borrowing rate.

Fee and Commission Income and Expenses. Fee and commission income is recorded during the period on a straight-line basis as the services are rendered, when the customer simultaneously receives and consumes the benefits of the services provided by the Group. This is, e.g., SMS fee, part of IE and SME current account commission, which represents fixed monthly payments. Variable fees are recognised only to the extent that management determines that it is highly probable that a significant reversal will not occur.

Other fee and commission income is recognised at a point in time when the Group satisfies its performance obligation, usually upon execution of the respective transaction. The amount of fee or commission received or receivable represents the transaction price for the services identified as distinct performance obligations. Such income includes fee for selling credit protection, acquiring commission, part of IE and SME current account commission which represents payments for the completed transaction, interchange fee, cash withdrawal fee, foreign currency exchange transactions fee, card to card commission, mortgage agency fee, brokerage fee, etc.

3 Significant Accounting Policies (Continued)

All other fee and commission expenses are generally recorded on an accrual basis by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Customer Loyalty Programme. The group creates loyalty programmes where retail customers accumulate points, which entitle them to reimbursement of purchases made with credit and debit cards. A financial liability is recognised for the amount of fair value of points expected to be redeemed until they are actually redeemed or expire with the corresponding entries to interest income calculated using the effective interest rate method or fee and commission income depending on whether the points were accumulated by credit card customers or debit card customers respectively.

Insurance Premiums Earned. In cases when the Group acts as an agent and attracts customers for the Insurance Company that are not related to loan products, the Bank earns fee and commission income which is recognised in income from insurance operations in the consolidated statement of profit or loss. The insurance agent's fee is recognized at the inception of the insurance contract.

Foreign Currency Translation and Operations. The functional currency of the Group is the currency of the primary economic environment in which the entity operates. The Group's functional currency and the presentation currency of the Group's consolidated financial statements is the Russian Rouble ("RR"), the national currency of the Russian Federation.

Monetary assets and liabilities are translated into each entity's functional currency at the official exchange rate of the CBRF at the end of the respective reporting period. Foreign exchange gains and losses resulting 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 profit or loss for the year as Net gains/(Losses) from Translation of Foreign Exchange Balances.

Foreign exchange gains and losses resulting from the settlement of transactions with foreign currencies are recognised in profit or loss for the year as (Net Losses)/ Gains from Operations with Foreign Currencies (except for customers' foreign currency exchange transactions fee, which is recorded in profit or loss as fee and commission income).

Translation at year-end exchange rates does not apply to non-monetary items that are measured at initial cost.

As at 31 December 2019, the official exchange rate used for revaluation of foreign currency balances was USD 1 = RR 61.9057 (31 December 2018: USD 1 = RR 69,4706), in 2019, the average exchange rate was USD 1 = RR 64,7362 (2018: USD 1 = RR 62.7078).

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

Staff Costs and Related Contributions. Wages, salaries, insurance contributions to mandatory pension, medical 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 payments beyond the payments to the statutory defined contribution scheme.

3 Significant Accounting Policies (Continued)

Segment Reporting. Segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker. Segments whose revenue, financial result, or assets are ten percent or more of total revenue, total financial result or cumulative assets of all segments are disclosed separately.

Equity-Settled Share-Based Payments. The expense is recognized consistently over the vesting period and is measured at the fair value of the award determined at the vesting date, which is amortised over the employee's employment with the company (vesting) period. The fair value of the equity award is estimated only once at the vesting date and is adjusted by the estimated number of instruments that are expected to vest. Dividends declared to be paid during the vesting period accrue and are paid to the employee together with the sale proceeds of the invested shares upon a liquidity event. Expected dividends (including those expected during the vesting period) are included in the determination of the fair value of the share-based payment, accordingly.

Amendments to the Consolidated Financial Statements after Issue. The Group management has the right to amend these consolidated financial statements after issue.

Effective Interest Rate. During 2019, as a result of further development of its own database and IT systems, the Group identified a part of acquisition expenses that directly relate to the acquisition of a particular borrower and which are of an incremental nature, such as partner call centre expenses, expenses for acquisition via the Internet, and the amounts of VAT related to those expenses. Furthermore, the Group changed its recognition model for certain types of expenses that were included in the effective interest rate, such as fee and commission expenses under partner programmes (external customer acquisition channels) and expenses for credit cards issue.

Having obtained sufficient and representative statistical information, the Group's management changed the accounting policies for those expenses, allocated them directly to financial instruments provided and included them in the effective interest rate. The effect of that change in accounting policies on prior periods was recorded in the consolidated statement of profit or loss for the year ended 31 December 2019. The comparative periods were not changed as the changes do not have a material impact on each individual prior period.

Changes in Presentation. During 2019, the Group determined a part of acquisition and of fee and commission expenses that are directly related to the acquisition of a particular customer of debit products and that are of an incremental nature, such as expenses under partner programmes, expenses for acquisition via the Internet and for debit cards issue. The Group allocated them directly to the financial instruments provided and included them in the effective interest rate.

In 2019, the Group's management made a detailed analysis of VAT expenses recognised in administrative and other operating expenses and identified a part of VAT expenses that are related to customer acquisition expenses using improved technical reports. Management concluded that it is appropriate to reclassify those expenses from administrative and other operating expenses to customer acquisition expenses as such reclassification makes the presentation of VAT expenses more relevant and accurate.

In 2019, the Group's management made a detailed analysis of components that form interest income and determined the type of commission (payment channel fees) which is currently a service fee in itself rather than a part of the effective interest income on loans. Management believes that the reclassification of that commission to fee and commission expenses will result in a more reliable and up-to-date presentation of financial information and will be more consistent with market practice of many other banks. The reclassification does not result in any changes in the amount recognized for those commissions for any period.

3 Significant Accounting Policies (Continued)

In 2019, the Group's management made a detailed analysis of components that form fee and commission expenses and identified partner programmes expenses (acquisition channels of external partners) which have more characteristics of being customer acquisition expenses than fee and commission expenses. Management believes that reclassification of those expenses from fee and commission to customer acquisition expenses will result in a more reliable and up-to-date presentation of the financial information. Reclassification does not result in any changes in the amount of income or expenses recognized for any period.

In these consolidated financial statements, the management of the Group improved the presentation of the results of operations with foreign currencies, derivatives revaluation, and foreign currency translation and disclosed the following line items separately in the consolidated statement of profit or loss: (Net losses)/net gains from derivatives revaluation, Net gains/(net losses) from foreign exchange translation, (Net losses)/net gains from operations with foreign currencies.

The effect of changes described above on the consolidated statement of profit or loss for the year ended 31 December 2018 is shown in the table:

<i>(In millions of RR)</i>	As originally presented	Reclassification	As reclassified
Interest income calculated using the effective interest rate method	75,412	1,228	76,640
Interest expenses calculated using the effective interest rate method	(15,120)	(453)	(15,573)
Fee and commission expense	(10,473)	(1,019)	(11,492)
Customer acquisition expense	(12,461)	(1,122)	(13,583)
Administrative and other operating expenses	(21,201)	1,366	(19,835)
(Net losses)/net gains from derivatives revaluation	-	1,246	1,246
Net gains/(net losses) from foreign exchange translation	-	(1,587)	(1,587)
(Net losses)/net gains from operations with foreign currencies	(173)	341	168

The effect of changes described above on the consolidated statement of cash flows for the year ended 31 December 2018 is shown in the table:

<i>(In millions of RR)</i>	As originally presented	Reclassification	As reclassified
Interest income received calculated using the effective interest rate method	72,124	1,228	73,352
Interest expenses paid calculated using the effective interest rate method	(14,258)	(453)	(14,711)
Fees and commissions paid	(10,569)	(1,019)	(11,588)
Customer acquisition expenses paid	(14,131)	(1,122)	(15,253)
Administrative and other operating expenses paid	(20,957)	1,366	(19,591)
(Losses)/gains from operations with derivatives (paid)/received	-	2,581	2,581
(Losses)/gains from operations with foreign currencies (paid)/received	2,749	(2,581)	168

4 Critical Accounting Estimates and Judgements in Applying Accounting Policies

The Group makes estimates and assumptions that affect the amounts recognized in the consolidated financial statements and the carrying amounts of assets and liabilities 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, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognized 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 of significant judgement and involves methodology, models, and data inputs.

The following components of ECL calculation have a major impact on credit loss allowance: probability of default ("PD") (impacted by definition of default, SICR, forward-looking scenarios and their weights) and loss given default ("LGD"). The Group makes estimates and judgments, which are constantly analysed based on statistical data, actual and forecast information, as well as management experience, including expectations regarding future events that are considered reasonable in the current circumstances. Refer to Note 30 for information on ECL measurement.

If a 100% weight is applied to the optimistic macroeconomic forward-looking scenario, the ECL will be RR 2,772 million lower (2018: RR 816 million). If a 100% weight is applied to the pessimistic macroeconomic forward-looking scenario, the ECL will be RR 2,986 million higher (2018: RR 1,321 million).

An increase or decrease in PDs by 1% compared to PDs used in the ECL estimates calculated at 31 December 2019 would result in an increase or decrease in credit loss allowances of RR 2,054 million (2018: RR 1,575 million).

An increase or decrease in LGDs by 1% compared to LGDs used in the ECL estimates calculated at 31 December 2019 would result in an increase or decrease in credit loss allowances of RR 458 million (2018: RR 366 million).

During 2019, as a result of the accumulation of further statistics on the repayment of overdue loans in courts, the Group increased the period over which they are analysed for the purposes of LGD calculation for loans in courts. The Group recorded this change in 2019 as a decrease in the amount of credit loss allowances of RR 47 million.

During 2019, the Group made changes to the methodology for assessing the probability of default on credit cards issued to new borrowers and introduced a probability of default model at the application scoring stage instead of an assessment model based on the average default level calculated by historical data. The Group recorded that change in 2019 as a decrease in the amount of credit loss allowances of RR 212 million for credit cards and RR 163 million for unutilised credit limits.

During 2019, the Group improved the way how forward-looking information is incorporated in the ECL measurement models by adding an additional economic variable. The Group recorded this change in 2019 as a decrease in the amount of credit loss allowances of RR 200 million.

During 2018, as a result of the accumulation of reliable statistics on the repayment of overdue credit card, cash, and POS loans, the Group increased the period over which such repayments are analysed for the purposes of LGD calculation for those loans. The Group recorded those changes in 2018 as a decrease in the amount of credit loss allowances of RR 260 million.

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

Credit Exposure on Revolving Credit Facilities. For credit card loans, the Group's exposure to credit losses extends beyond the maximum contractual period of the facility. For such facilities the Group measures ECLs over the period that the Group is exposed to credit risk and ECLs are not mitigated by credit risk management actions. Application of this approach requires judgement: determining a period for measuring ECLs – the Group considers historical information and experience about: (a) the length of time for related defaults to occur on similar financial instruments following a SICR and (b) the credit risk management actions that the Group expects to take once the credit risk has increased (e.g. the reduction or removal of undrawn limits). For details of the period over which the Group is exposed to credit risk on revolving facilities and which is used as an approximation of lifetime period for ECL calculation for Stage 2 and Stage 3 loans and advances to customers, refer to Note 30.

Perpetual Subordinated Debt Participation Notes. A perpetual subordinated debt participation note issue in June 2017 was initially recognised in the amount of USD 295.8 million (RR 16.9 billion) represented by the funds received from investors less issuance costs. Subsequent measurement of the carrying amount of this instrument is consistent with the accounting policy for debt securities in issue. Interest expense on the instrument is calculated using the effective interest rate method and recognised in profit or loss for the year.

In the event the accrued interest is paid, the payment decreases the balance of the liability. A cancellation of accrued interest for a given period results in its conversion, at the Group's option, into equity and therefore the respective amount of the liability is reclassified to equity. Foreign exchange translation gains and losses on the bond are recognised in profit or loss for the period. The Group has taken into consideration that there are contingent settlement provisions that could genuinely arise and as such has classified the perpetual subordinated debt participation notes in its entirety as a liability rather than equity. Application of this approach requires judgement: if the Group had recognized this instrument as equity, then interest expense would only have been recognized when it was paid and treated as a distribution from equity rather than an expense in profit or loss.

The Group from time to time invests in perpetual subordinated debt participation notes issued by third parties. Due to the fact that there are contractual provisions under which the instrument is settled in cases not limited to the liquidation of the issuer, the Group has classified perpetual subordinated debt participation notes as debt instruments, but not as equity instruments.

The investments in these instruments are classified as debt investment securities measured at FVTPL since the analysis of the contractual cash flow characteristics resulted in acquired perpetual bonds not passing SPPI test. If the Group had recognized this instrument as equity instrument, then it could have been measured at FVTPL or FVOCI as the Group does not hold it for trading purposes.

Interest Income Recognition. The effective interest rate method incorporates significant assumptions around expected loan lives as well as judgements of type of fees and costs that are included in interest income within the effective interest rate method. Refer to Note 3.

Fair Value of Financial Derivatives. Information about the fair value of financial instruments measured on the basis of assumptions using observable market prices is disclosed in Note 36.

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

5 Adoption of New or Revised Standards and Interpretations

Adoption of IFRS 16 Leases (issued on 13 January 2016 and effective for annual periods beginning on or after 1 January 2019). The Group has adopted IFRS 16 with a date of transition of 1 January 2019 and applied the standard using the modified retrospective method, without restatement of comparatives (Note 3). The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing.

Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model.

The Group recognised a right of use asset of RR 1,671 million against a corresponding lease liability on 1 January 2019. Right-of-use assets are mainly represented by leases of office premises.

A reconciliation of the operating lease commitments is as follows:

<i>(In millions of RR)</i>	1 January 2019
Legally non-cancellable minimum operating lease commitments	770
Additional lease commitments which relate to the enforceable period of lease	1,285
Lease payments under operating lease (based on requirements of IFRS 16)*	2,055
Recognition exemption: the underlying asset is of low value	(216)
Future lease payments under IFRS 16	1,839
Effect of discounting (the weighted average incremental borrowing rate used 7.6%)	(235)
Lease liabilities under IFRS 16	1,604
Amount of prepayments and irrevocable security payments on agreements	6
Right-of-use assets under IFRS 16	1,610

* The amount of lease payments under operating lease as at 1 January 2019 presented above differs from the amount of operating lease commitments disclosed in the Note 33 to the consolidated financial statements of the Group for the year ended 31 December 2018 because the amount of operating lease commitments disclosed in the Note 33 to the consolidated financial statements of the Group for the year ended 31 December 2018 included only legally non-cancellable minimum operating lease commitments (based on termination notice in lease contracts), while the above table includes those lease commitments which relate to the enforceable period of lease based on the requirements of IFRS 16 and the IFRIC Agenda decision about the lease term.

The following amended standards became effective from 1 January 2019, but did not have any material impact on the Group:

- IFRIC 23 "Uncertainty over Income Tax Treatments" (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019).
- Prepayment Features with Negative Compensation – Amendments to IFRS 9 (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).

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

- Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures” (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).
- Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement” (issued on 7 February 2018 and effective for annual periods beginning on or after 1 January 2019).
- Annual Improvements to IFRSs 2015-2017 cycle – amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 (issued on 12 December 2017 and effective for annual periods beginning on or after 1 January 2019).

6 New Accounting Pronouncements

Certain new amendments have been issued that are mandatory for the annual periods beginning on or after 1 January 2020, which the Group has not early adopted:

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). The amendments were triggered by replacement of benchmark interest rates such as the London Interbank Offered Rate (LIBOR) and other interbank offered rates (IBORs). The proposed changes will apply to all hedging relations involving interest rate risk that are affected by the Reform.

IFRS 17 Insurance Contracts (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021). IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. As a consequence, it was difficult for investors to compare and contrast the financial performance of otherwise similar insurance companies. IFRS 17 is a single principle-based standard to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The standard requires recognition and measurement of groups of insurance contracts at: (i) a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset) (ii) an amount representing the unearned profit in the group of contracts (the contractual service margin). Insurers will be recognising the profit from a group of insurance contracts over the period they provide insurance coverage, and as they are released from risk. If a group of contracts is or becomes loss-making, an entity will be recognising the loss immediately. The Group is currently assessing the impact of the interpretation on its consolidated financial statements.

The following other new pronouncements are not expected to have any material impact on the Group when adopted:

- 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).
- Amendments to IFRS 3 Business Combinations (issued on 22 October 2018 and effective for annual periods beginning on or after 1 January 2020);
- Amendments to IAS 1 and IAS 8: Definition of materiality (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020).
- Amendments to IAS 1: Classification of liabilities as current or non-current (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2022).
- Amendments to IFRS 10 and IAS 28: Sale or contribution of assets between an investor and its associate or joint venture (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB).

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

7 Cash and Cash Equivalents

<i>(In millions of RR)</i>	31 December 2019	31 December 2018
Cash on hand	11,118	5,833
Cash balances with the CBRF (other than mandatory cash balances)	16,599	11,158
Placements with other banks with original maturities of less than three months, including:	2,302	1,130
- AA- to AA+ rated		
- A- to A+ rated	46	-
- BBB- to BBB+ rated	563	504
- BB- to BB+ rated	113	25
- B- to B+ rated	67	114
Non-bank credit organizations		
- BBB- to BBB+ rated	21,096	12,137
- unrated	4,080	986
Total cash and cash equivalents	55,984	31,887

Cash on hand includes cash balances in ATMs and cash balances in transit. Placements with other banks and organizations with original maturities of less than three months include placements under reverse sale and repurchase agreements in the amount of RR 20,681 million as at 31 December 2019 (31 December 2018: RR 11,147 million). The Group has a right to sell or repledge securities received under reverse sale and repurchase agreements.

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

<i>(In millions of RR)</i>	Cash balances with the CBRF including mandatory cash balances	Placements with other banks and non-bank credit organizations	Total
Excellent	-	2,348	2,348
Good	16,599	21,774	38,373
Monitor	-	4,145	4,145
Total cash and cash equivalents, excluding cash on hand	16,599	28,267	44,866

The table below discloses the analysis of credit quality of cash and cash equivalents balances based on credit risk grades as at 31 December 2018.

<i>(In millions of RR)</i>	Cash balances with the CBRF including mandatory cash balances	Placements with other banks and non-bank credit organizations	Total
Excellent	-	1,130	1,130
Good	11,158	12,643	23,801
Monitor	-	1,018	1,018
Sub-standard	-	105	105
Total cash and cash equivalents, excluding cash on hand	11,158	14,896	26,054

The carrying amount of cash and cash equivalents as at 31 December 2019 and 2018 also represents the Group's maximum exposure to credit risk on these assets. Refer to Note 30 for the description of the Group's credit risk grading system.

7 Cash and Cash Equivalents (Continued)

For the purpose of ECL measurement, cash and cash equivalents balances are included in Stage 1. The ECL for these balances represents an immaterial amount, therefore the Group did not recognise any credit loss allowance for cash and cash equivalents. Except for reverse sale and repurchase agreements, amounts of cash and cash equivalents are not collateralised. As at 31 December 2019, the fair value of collateral under reverse sale and repurchase agreements was RR 22,369 million (31 December 2018: RR 12,389 million). There is no material impact of collateral on credit loss allowance for cash and cash equivalents. Refer to Note 36 for the disclosure of the fair value of cash and cash equivalents. Interest rate, maturity, and geographical risk concentration analysis of cash and cash equivalents is disclosed in Note 30.

8 Due from Other Banks

<i>(In millions of RR)</i>	31 December 2019	31 December 2018
Placements with other banks with original maturities of more than three months, including:		
- BBB- to BBB+ rated	204	-
- BB- to BB+ rated	46	-
Total due from other banks	250	-

The table below discloses the analysis of credit quality of due from other banks based on credit risk grades.

<i>(In millions of RR)</i>	31 December 2019	31 December 2018
Good	204	-
Monitor	46	-
Total due from other banks	250	-

The carrying amount of due from other banks as at 31 December 2019 represents the Group's maximum exposure to credit risk on these assets. Refer to Note 30 for the description of the Group's credit risk grading system.

For the purpose of ECL measurement, due from other banks is included in Stage 1. The ECL for these balances represents an immaterial amount, therefore the Group did not recognise any credit loss allowance for cash and cash equivalents.

Refer to Note 36 for the disclosure of the fair value of due from other banks. Interest rate, maturity, and geographical risk concentration analysis is disclosed in Note 30.

9 Loans and Advances to Customers

	31 December 2019			31 December 2018		
	Gross carrying amount	Credit loss allowance	Carrying amount	Gross carrying amount	Credit loss allowance	Carrying amount
<i>(In millions of RR)</i>						
Loans to individuals:						
Credit card loans	244,937	44,129	200,808	177,990	(33,296)	144,694
Cash loans	62,264	(8,028)	54,236	35,472	(2,315)	33,157
Secured loans	29,601	(496)	29,105	2,644	(16)	2,628
Car loans	20,156	(913)	19,243	2,838	(85)	2,753
POS loans	19,062	(618)	18,444	11,964	(260)	11,704
Loans to IE and SME	1,013	(113)	900	363	(33)	330
Corporate loans	7,037	(1,472)	5,565	25,508	(668)	24,840
Total loans and advances to customers at AC	384,070	(55,769)	328,301	256,779	(36,673)	220,106

Credit cards are issued to customers for cash withdrawals or payment for goods or services, within the range of limits established by the Group. These limits may be increased or decreased from time-to-time based on management decision. Credit card loans are not collateralised.

Cash loans represent a product for the borrowers who have a positive credit history and who do not have overdue loans in other banks. Cash loans are loans provided to customers via the Bank's debit cards. These loans are available for withdrawal without commission.

Secured loans represent loans secured with a car or real estate.

Car loans represent loans for the purchase of a vehicle which is used as collateral under the loan.

POS ("Point of Sale") loans represent loans to fund online and offline purchases through internet and offline shops for individual borrowers.

Loans to IE and SME represent loans provided by the Bank to individual entrepreneurs and small and medium businesses for the purpose of working capital management.

The corporate loans are shown below:

<i>(In millions of RR)</i>	Date of maturity	Interest rate	31 December 2019	31 December 2018
Credit lines issued to other related parties	31 May 2019 to 4 September 2023	6.0%–8.8%	7,037	3,473
Credit lines issued to the Parent Company	-	-	-	22,035
Gross carrying amount			7,037	25,508
Credit loss allowance			(1,472)	(668)
Carrying amount			5,565	24,840

Corporate loans are not collateralised and not overdue.

9 Loans and Advances to Customers (Continued)

The credit loss allowance for loans and advances to customers recognised in the period is impacted by a variety of factors. The main movements in the tables presented below are described as follows:

- The “New Originated or Purchased” category represents the gross carrying amounts and the related ECL of purchased loans and loans issued during the reporting period (and withdrawals of limits of new credit card borrowers) as at the end of the reporting period or as at the date of transfer of loan out of Stage 1 (whichever date is earlier);
- Transfer 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. Transfers present the amount of credit loss allowance charged or recovered at the moment of transfer of a loan among the respective stages;
- Changes to ECL measurement model assumptions and estimates represent movements due to changes in PDs, EADs and LGDs models during the period;
- Movements other than transfers to other stages and new originated or purchased loans represent all other movements of credit loss allowance, in particular, related to changes in gross carrying amounts (including drawdowns, repayments, and accrued interest), as well as changes in assumptions of the credit loss allowance model, including those resulting from updates of inputs to the model in the period.
- Write-offs of allowances are related to assets that were written-off during the period.
- Unwinding of discount (for Stage 3) category represents adjustment to credit loss allowance and gross carrying amount for Stage 3 loans to increase it to discounted amount of the expected cash shortfalls to the reporting date using the effective interest rate.

The following tables disclose the changes in the credit loss allowance and gross carrying amount for loans and advances to customers between the beginning and the end of the reporting period.

9 Loans and Advances to Customers (Continued)

	Credit loss allowance			Gross carrying amount					
	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Purchased or originated credit impaired	Total
<i>(In millions of RR)</i>									
Credit card loans									
At 31 December 2018									
<i>Movements with impact on credit loss allowance charge for the year:</i>									
New originated or purchased	9,266	4,708	19,322	33,296	145,732	6,654	25,497	107	177,990
	5,356	-	-	5,356	63,177	-	-	241	63,418
Transfers:									
- to lifetime (from Stage 1 to Stage 2)	(2,478)	6,097	-	3,619	(11,142)	11,142	-	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(4,644)	(4,111)	21,348	12,593	(21,206)	(5,322)	26,528	-	-
- recovered (from Stage 3 to Stage 2 and from Stage 2 to Stage 1)	233	(756)	(21)	(544)	1,101	(1,077)	(24)	-	-
Changes to ECL measurement model assumptions and estimates	(387)	-	(26)	(413)	-	-	-	-	-
Movements other than transfers and new originated or purchased loans	4,358	915	(4,267)	1 006	20,134	35	(5,771)	(12)	14,386
Total movements with impact on credit loss allowance charge for the year	2,438	2,145	17,034	21,617	52,064	4,778	20,733	229	77,804
<i>Movements without impact on credit loss allowance charge for the year</i>									
Unwinding of discount (for Stage 3)	-	-	3,133	3,133	-	-	3,133	-	3,133
Write-offs	-	-	(10,999)	(10,999)	-	-	(10,999)	-	(10,999)
Sales	-	-	(986)	(986)	-	-	(1,059)	-	(1,059)
Modification of original cash flows without derecognition	-	-	(1,932)	(1,932)	-	-	(1,932)	-	(1,932)
At 31 December 2019	11,704	6,853	25,572	44,129	197,796	11,432	35,373	336	244,937

9 Loans and Advances to Customers (Continued)

	Credit loss allowance			Gross carrying amount					
	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Purchased for credit impaired	Total
(In millions of RR)									
Credit card loans									
At 1 January 2018									
<i>Movements with impact on credit loss allowance charge for the year:</i>									
New originated or purchased	9,064	5,319	21,689	36,072	121,988	6,958	25,598	42	154,586
	2,884	-	-	2,884	34,791	-	-	94	34,885
Transfers:									
- to lifetime (from Stage 1 to Stage 2)	(1,647)	4,319	-	2,672	(6,465)	6,465	-	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(3,063)	(4,636)	16,804	9,105	(13,933)	(5,569)	19,502	-	-
- recovered (from Stage 3 to Stage 2 and from Stage 2 to Stage 1)	295	(930)	(29)	(664)	1,216	(1,184)	(32)	-	-
Changes to ECL measurement model assumptions and estimates	(19)	(9)	(247)	(275)	-	-	-	-	-
Movements other than transfers and new originated or purchased loans	1,752	645	(3,255)	(858)	8,135	(16)	(3,902)	(29)	4,188
Total movements with impact on credit loss allowance charge for the year	202	(611)	13,273	12,864	23,744	(304)	15,568	65	39,073
<i>Movements without impact on credit loss allowance charge for the year</i>									
Unwinding of discount (for Stage 3)	-	-	3,098	3,098	-	-	3,098	-	3,098
Write-offs	-	-	(16,899)	(16,899)	-	-	(16,899)	-	(16,899)
Sales	-	-	(395)	(395)	-	-	(424)	-	(424)
Modification of original cash flows without derecognition	-	-	(1,444)	(1,444)	-	-	(1,444)	-	(1,444)
At 31 December 2018	9,266	4,708	19,322	33,296	145,732	6,654	25,497	107	177,990

9 Loans and Advances to Customers (Continued)

	Credit loss allowance			Gross carrying amount					
	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Purchased /originated credit impaired	Total
<i>(In millions of RR)</i>									
Cash loans									
At 31 December 2018	1,114	544	657	2,315	32,646	1,773	752	301	35,472
<i>Movements with impact on credit loss allowance charge for the year:</i>									
New originated or purchased	2,628	-	-	2,628	44,199	-	-	422	44,621
Transfers:									
- to lifetime (from Stage 1 to Stage 2)	(587)	2,960	-	2,373	(5,663)	5,663	-	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(897)	(528)	3,927	2,502	(3,536)	(699)	4,235	-	-
- recovered (from Stage 3 to Stage 2 and from Stage 2 to Stage 1)	14	(78)	-	(64)	408	(408)	-	-	-
Changes to ECL measurement model assumptions and estimates									
Movements other than transfers and new originated or purchased loans	107	(1,016)	203	(706)	(16,129)	(1,295)	689	(87)	(16,822)
Total movements with impact on credit loss allowance charge for the year	1,243	1,338	4,129	6,710	19,279	3,261	4,924	335	27,799
<i>Movements without impact on credit loss allowance charge for the year</i>									
Unwinding of discount (for Stage 3)	-	-	139	139	-	-	139	-	139
Write-offs	-	-	(523)	(523)	-	-	(524)	-	(524)
Sales	-	-	(113)	(113)	-	-	(122)	-	(122)
Modification of original cash flows without derecognition	-	-	(500)	(500)	-	-	(500)	-	(500)
At 31 December 2019	2,357	1,882	3,789	8,028	51,925	5,034	4,669	636	62,264

9 Loans and Advances to Customers (Continued)

	Credit loss allowance				Gross carrying amount			
	Stage 1 (12-months ECL)		Stage 2 (lifetime ECL for SICR)		Stage 3 (lifetime ECL for credit impaired)		Purchased/ originated credit impaired	Total
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)		
<i>(In millions of RR)</i>								
Cash loans								
At 1 January 2018	265	140	138	543	6,422	407	141	7,147
<i>Movements with impact on credit loss allowance charge for the year:</i>								
New originated or purchased	1,252	-	-	1,252	31,964	-	-	32,108
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	(162)	966	-	804	(1,948)	1,948	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(146)	(119)	658	393	(545)	(144)	689	-
- recovered (from Stage 3 to Stage 2 and from Stage 2 to Stage 1)	4	(22)	-	(18)	92	(92)	-	-
Changes to ECL measurement model assumptions and estimates	8	3	(2)	9	-	-	-	-
Movements other than transfers and new originated or purchased loans	(107)	(424)	153	(378)	(3,339)	(346)	212	(3,493)
Total movements with impact on credit loss allowance charge for the year	849	404	809	2,062	26,224	1,366	901	28,615
<i>Movements without impact on credit loss allowance charge for the year</i>								
Unwinding of discount (for Stage 3)	-	-	42	42	-	-	42	42
Write-offs	-	-	(233)	(233)	-	-	(233)	(233)
Sales	-	-	(18)	(18)	-	-	(18)	(18)
Modification of original cash flows without derecognition	-	-	(81)	(81)	-	-	(81)	(81)
At 31 December 2018	1,114	544	657	2,315	32,646	1,773	752	35,472

9 Loans and Advances to Customers (Continued)

	Credit loss allowance			Gross carrying amount			
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)
<i>(In millions of RR)</i>							
Secured loans							
At 31 December 2018	15	1	-	16	2,641	3	-
<i>Movements with impact on credit loss allowance charge for the year:</i>							
New originated or purchased	168	-	-	168	27,907	-	-
Transfers:							
- to lifetime (from Stage 1 to Stage 2)	(23)	499	-	476	(2,141)	2,141	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(6)	-	81	75	(203)	-	203
- recovered (from Stage 3 to Stage 2 and from Stage 2 to Stage 1)	-	-	-	-	1	(1)	-
Movements other than transfers and new originated or purchased loans	(4)	(236)	6	(234)	(839)	(106)	-
Total movements with impact on credit loss allowance charge for the year	135	263	87	485	24,725	2,034	203
<i>Movements without impact on credit loss allowance charge for the year</i>							
Unwinding of discount (for Stage 3)	-	-	3	3	-	-	3
Modification of original cash flows without derecognition	-	-	(8)	(8)	-	-	(8)
At 31 December 2019	150	264	82	496	27,366	2,037	198
							29,601

9 Loans and Advances to Customers (Continued)

	Credit loss allowance			Gross carrying amount				
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL)	Total
<i>(In millions of RR)</i>								
Secured loans								
At 1 January 2018	-	-	-	-	-	-	-	-
<i>Movements with impact on credit loss allowance charge for 2018:</i>								
New originated or purchased	15	-	-	15	2,644	-	-	2,644
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	-	1	-	1	(3)	3	-	-
Total movements with impact on credit loss allowance charge for the year	15	1	-	16	2,641	3	-	2,644
At 31 December 2018	15	1	-	16	2,641	3	-	2,644

9 Loans and Advances to Customers (Continued)

	Credit loss allowance			Gross carrying amount			
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)
<i>(In millions of RR)</i>							
Car loans							
At 31 December 2018	56	25	4	85	2,754	78	6
<i>Movements with impact on credit loss allowance charge for the year:</i>							
New originated or purchased	469	-	-	469	18,238	-	-
Transfers:							
- to lifetime (from Stage 1 to Stage 2)	(98)	466	-	368	(1,087)	1,087	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(72)	(23)	248	153	(320)	(34)	354
- recovered (from Stage 3 to Stage 2 and from Stage 2 to Stage 1)	1	(4)	-	(3)	24	(24)	-
Changes to ECL measurement model assumptions and estimates	(1)	-	-	(1)	-	-	-
Movements other than transfers and new originated or purchased loans	13	(179)	(1)	(167)	(884)	(47)	2
Total movements with impact on credit loss allowance charge for the year	312	260	247	819	15,971	982	356
<i>Movements without impact on credit loss allowance charge for the year</i>							
Unwinding of discount (for Stage 3)	-	-	12	12	-	-	12
Modification of original cash flows without derecognition	-	-	(3)	(3)	-	-	(3)
At 31 December 2019	368	285	260	913	18,725	1,060	371
							20,156

9 Loans and Advances to Customers (Continued)

	Credit loss allowance			Gross carrying amount			
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)
<i>(In millions of RRP)</i>							
Car loans							
At 1 January 2018							
<i>Movements with impact on credit loss allowance charge for the year:</i>							
New originated or purchased	64	-	-	64	2,839	-	-
Transfers:							
- to lifetime (from Stage 1 to Stage 2)	(7)	31	-	24	(80)	80	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(1)	-	4	3	(6)	-	6
Movements other than transfers and new originated or purchased loans	-	(6)	-	(6)	1	(2)	-
Total movements with impact on credit loss allowance charge for the year	56	25	4	85	2,754	78	6
At 31 December 2018	56	25	4	85	2,754	78	6
							2,838

9 Loans and Advances to Customers (Continued)

	Credit loss allowance			Gross carrying amount					
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Purchased/ originated credit impaired	Total
<i>(In millions of RR)</i>									
POS loans									
At 31 December 2018									
<i>Movements with impact on credit loss allowance charge for the year:</i>									
New originated or purchased	49	38	173	260	11,363	310	186	105	11,964
	213	-	-	213	17,647	-	-	145	17,792
Transfers:									
- to lifetime (from Stage 1 to Stage 2)	(33)	318	-	285	(1,200)	1,200	-	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(36)	(41)	355	278	(315)	(64)	379	-	-
- recovered (from Stage 3 to Stage 2 and from Stage 2 to Stage 1)	1	(4)	-	(3)	75	(75)	-	-	-
Changes to ECL measurement model assumptions and estimates	(14)	(7)	(1)	(22)	-	-	-	-	-
Movements other than transfers and new originated or purchased loans	-	(203)	(1)	(204)	(9,868)	(631)	28	(52)	(10,523)
Total movements with impact on credit loss allowance charge for the year	131	63	353	547	6,339	430	407	93	7,269
<i>Movements without impact on credit loss allowance charge for the year</i>									
Unwinding of discount (for Stage 3)	-	-	11	11	-	-	11	-	11
Write-offs	-	-	(150)	(150)	-	-	(131)	-	(131)
Sales	-	-	(13)	(13)	-	-	(14)	-	(14)
Modification of original cash flows without derecognition	-	-	(37)	(37)	-	-	(37)	-	(37)
At 31 December 2019	180	101	337	618	17,702	740	422	198	19,062

(In millions of RR)

F-580

9 Loans and Advances to Customers (Continued)

	Credit loss allowance			Gross carrying amount			
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)	Total (12-months ECL)	Stage 1 (lifetime ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)
<i>(In millions of R\$)</i>							
Loans to IE and SME							
At 31 December 2018	13	10	10	33	332	21	10
<i>Movements with impact on credit loss allowance charge for the year:</i>							
New originated or purchased	13	-	-	13	301	-	-
Transfers:							
- to lifetime (from Stage 1 to Stage 2)	(4)	26	-	22	(58)	58	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(8)	(7)	44	29	(39)	(8)	47
- recovered (from Stage 3 to Stage 2 and from Stage 2 to Stage 1)	-	-	-	-	1	(1)	-
Movements other than transfers and new originated or purchased loans	43	(19)	(13)	11	403	(49)	(10)
Total movements with impact on credit loss allowance charge for the year	44	-	31	75	608	-	37
<i>Movements without impact on credit loss allowance charge for the year</i>							
Unwinding of discount (for Stage 3)	-	-	5	5	-	-	5
Modification of original cash flows without derecognition	-	-	-	-	-	-	-
At 31 December 2019	57	10	46	113	940	21	52
							1,013

9 Loans and Advances to Customers (Continued)

	Credit loss allowance			Gross carrying amount			
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)
<i>(In millions of R\$)</i>							
Loans to IE and SME							
At 1 January 2018	-	-	-	-	-	-	-
<i>Movements with impact on credit loss allowance charge for the year:</i>							
New originated or purchased	8	-	-	8	155	-	-
							155
Transfers:							
- to lifetime (from Stage 1 to Stage 2)	(3)	11	-	8	(25)	25	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	-	-	10	10	(10)	-	10
Movements other than transfers and new originated or purchased loans	8	(1)	-	7	212	(4)	-
Total movements with impact on credit loss allowance charge for the year	13	10	10	33	332	21	10
At 31 December 2018	13	10	10	33	332	21	10
							363

9 Loans and Advances to Customers (Continued)

	Credit loss allowance			Gross carrying amount				
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
<i>(In millions of RR)</i>								
Corporate loans								
At 31 December 2018								
Movements other than transfers and new originated or purchased loans	-	668	-	668	22,035	3,473	-	25,508
	-	804	-	804	(22,035)	3,564	-	(18,471)
Total movements with impact on credit loss allowance charge for the year	-	804	-	804	(22,035)	3,564	-	(18,471)
At 31 December 2019	-	1,472	-	1,472	-	7,037	-	7,037
At 1 January 2018	-	-	-	-	6,974	754	-	7,728
New originated or purchased	-	-	-	-	228	-	-	228
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	-	-	-	-	(228)	228	-	-
Movements other than transfers and new originated or purchased loans	-	668	-	668	15,061	2,491	-	17,552
Total movements with impact on credit loss allowance charge for the year	-	668	-	668	15,061	2,719	-	17,780
At 31 December 2018	-	668	-	668	22,035	3,473	-	25,508

9 Loans and Advances to Customers (Continued)

The credit loss allowance charge during the year ended 31 December 2019 presented in the tables above differs from the amount presented in the consolidated statement of profit or loss and other comprehensive income for the year due to RR 3,415 million (2018: RR 4,083 million), due to recovery of amounts previously written off as uncollectible, as well as RR 201 million due to credit loss allowance on unutilised limits for the year ended 31 December 2019 (2018: RR 318 million).

The amounts of recovery received from written-off loans during the year were recorded directly to decrease the "Credit Loss Allowance on Loans and Advances to Customers" line.

The amount of the credit loss allowance on unused limits is accounted separately from the credit loss allowance for credit cards loans and is included in other financial liabilities in the consolidated statement of financial position.

The contractual amounts outstanding of loans which were written off later but are still subject to enforcement activity is equal to RR 10,093 million as at 31 December 2019 (2018: RR 16,288 million).

In 2019, the Group sold uncollectible debts totalling RR 1,195 million (2018: RR 446 million) with credit loss allowance of RR 1,112 million (2018: RR 417 million) without recourse to third parties (external debt collection agencies).

The difference between the carrying amount of these loans and the consideration received was recognised as losses in the amount of RR 72 million in the consolidated statement of profit or loss within credit loss allowance for loans and advances to customers and credit related commitments (2018: losses in the amount of RR 5 million).

Presented below is an analysis of issued, activated, and utilised cards based on their credit card limits as at the end of the reporting period:

<i>(In units)</i>	31 December 2019	31 December 2018
Credit card limits		
Up to RR 20 thousand	781,128	651,290
RR 20–40 thousand	482,343	443,659
RR 40–60 thousand	451,425	423,030
RR 60–80 thousand	455,978	427,986
RR 80–100 thousand	440,139	361,803
RR 100–120 thousand	322,726	285,574
RR 120–140 thousand	365,750	341,017
RR 140–200 thousand	772,992	402,002
More than RR 200 thousand	180,731	109,482
Total number of cards (in units)	4,253,212	3,445,843

Table above only includes credit cards less than 180 days overdue.

The following table contains an analysis of the credit risk exposure of loans and advances to customers measured at AC and for which an ECL allowance is recognised. The carrying amount of loans and advances to customers in the table below also represents the Group's maximum exposure to credit risk on these loans.

9 Loans and Advances to Customers (Continued)

Credit quality of loans to customers as at 31 December 2019 is disclosed in the tables below:

<i>(In millions of RR)</i>	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)	Purchased/originated credit impaired	Total
<i>Credit card loans</i>					
- Excellent	87,716	-	-	-	87,716
- Good	102,020	1,582	-	-	103,602
- Monitor	8,060	3,722	-	-	11,782
- Sub-standard	-	6,128	6,661	-	12,789
- NPL	-	-	28,712	336	29,048
Gross carrying amount	197,796	11,432	35,373	336	244,937
Credit loss allowance	(11,704)	(6,853)	(25,572)	-	(44,129)
Carrying amount	186,092	4,579	9,801	336	200,808
<i>Cash loans</i>					
- Excellent	34,258	-	-	-	34,258
- Good	17,321	3,315	-	-	20,636
- Monitor	346	585	-	-	931
- Sub-standard	-	1,134	758	-	1,892
- NPL	-	-	3,911	636	4,547
Gross carrying amount	51,925	5,034	4,669	636	62,264
Credit loss allowance	(2,357)	(1,882)	(3,789)	-	(8,028)
Carrying amount	49,568	3,152	880	636	54,236
<i>Secured loans</i>					
- Excellent	19,941	-	-	-	19,941
- Good	7,319	1,496	-	-	8,815
- Monitor	106	322	-	-	428
- Sub-standard	-	219	-	-	219
- NPL	-	-	198	-	198
Gross carrying amount	27,366	2,037	198	-	29,601
Credit loss allowance	(150)	(264)	(82)	-	(496)
Carrying amount	27,216	1,773	116	-	29,105

9 Loans and Advances to Customers (Continued)

<i>(In millions of RR)</i>	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL)	Purchased/originated credit impaired	Total
<i>Car loans</i>					
- Excellent	15,581	-	-	-	15,581
- Good	3,051	702	-	-	3,753
- Monitor	93	157	-	-	250
- Sub-standard	-	201	-	-	201
- NPL	-	-	371	-	371
Gross carrying amount	18,725	1,060	371	-	20,156
Credit loss allowance	(368)	(285)	(260)	-	(913)
Carrying amount	18,357	775	111	-	19,243
<i>POS loans</i>					
- Excellent	14,745	-	-	-	14,745
- Good	2,896	558	-	-	3,454
- Monitor	61	77	-	-	138
- Sub-standard	-	105	26	-	131
- NPL	-	-	396	198	594
Gross carrying amount	17,702	740	422	198	19,062
Credit loss allowance	(180)	(101)	(337)	-	(618)
Carrying amount	17,522	639	85	198	18,444
<i>Loans to IE and SME</i>					
- Excellent	622	-	-	-	622
- Good	314	6	-	-	320
- Monitor	4	6	-	-	10
- Sub-standard	-	9	-	-	9
- NPL	-	-	52	-	52
Gross carrying amount	940	21	52	-	1,013
Credit loss allowance	(57)	(10)	(46)	-	(113)
Carrying amount	883	11	6	-	900

9 Loans and Advances to Customers (Continued)

Credit quality of loans to customers as at 31 December 2018 is disclosed in the table below:

<i>(In millions of RR)</i>	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)	Purchased/originated credit impaired	Total
<i>Credit card loans</i>					
- Excellent	74,078	-	-	-	74,078
- Good	64,388	974	-	-	65,362
- Monitor	7,266	2,212	-	-	9,478
- Sub-standard	-	3,468	4,774	-	8,242
- NPL	-	-	20,723	107	20,830
Gross carrying amount	145,732	6,654	25,497	107	177,990
Credit loss allowance	(9,266)	(4,708)	(19,322)	-	(33,296)
Carrying amount	136,466	1,946	6,175	107	144,694
<i>Cash loans</i>					
- Excellent	22,234	-	-	-	22,234
- Good	10,265	1,272	-	-	11,537
- Monitor	147	206	-	-	353
- Sub-standard	-	295	74	-	369
- NPL	-	-	678	301	979
Gross carrying amount	32,646	1,773	752	301	35,472
Credit loss allowance	(1,114)	(544)	(657)	-	(2,315)
Carrying amount	31,532	1,229	95	301	33,157
<i>Secured loans</i>					
- Excellent	1,805	-	-	-	1,805
- Good	833	1	-	-	834
- Monitor	3	2	-	-	5
Gross carrying amount	2,641	3	-	-	2,644
Credit loss allowance	(15)	(1)	-	-	(16)
Carrying amount	2,626	2	-	-	2,628

9 Loans and Advances to Customers (Continued)

<i>(In millions of RR)</i>	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL)	Purchased/originated credit impaired	Total
Car loans					
- Excellent	1,876	-	-	-	1,876
- Good	866	42	-	-	908
- Monitor	12	16	-	-	28
- Sub-standard	-	20	-	-	20
- NPL	-	-	6	-	6
Gross carrying amount	2,754	78	6	-	2,838
Credit loss allowance	(56)	(25)	(4)	-	(85)
Carrying amount	2,698	53	2	-	2,753
POS loans					
- Excellent	8,040	-	-	-	8,040
- Good	3,285	250	-	-	3,535
- Monitor	38	32	-	-	70
- Sub-standard	-	28	5	-	33
- NPL	-	-	181	105	286
Gross carrying amount	11,363	310	186	105	11,964
Credit loss allowance	(49)	(38)	(173)	-	(260)
Carrying amount	11,314	272	13	105	11,704
Loans to IE and SME					
- Excellent	224	-	-	-	224
- Good	103	6	-	-	109
- Monitor	5	9	-	-	14
- Sub-standard	-	6	-	-	6
- NPL	-	-	10	-	10
Gross carrying amount	332	21	10	-	363
Credit loss allowance	(13)	(10)	(10)	-	(33)
Carrying amount	319	11	-	-	330

9 Loans and Advances to Customers (Continued)

Credit quality of corporate loans as at 31 December 2019 is disclosed in the table below:

<i>(In millions of RR)</i>	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)	Total
Corporate loans				
- Sub-standard	-	7,037	-	7,037
Gross carrying amount	-	7,037	-	7,037
Credit loss allowance	-	(1,472)	-	(1,472)
Carrying amount	-	5,565	-	5,565

Credit quality of corporate loans as at 31 December 2018 is disclosed in the table below:

<i>(In millions of RR)</i>	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)	Total
Corporate loans				
- Current	22,035	-	-	22,035
- Sub-standard	-	3,473	-	3,473
Gross carrying amount	22,035	3,473	-	25,508
Credit loss allowance	-	(668)	-	(668)
Carrying amount	22,035	2,805	-	24,840

Stage 3 includes restructured loans that are less than 90 days overdue which are not considered as NPL according to the Group's credit risk grading master scale.

Refer to Note 30 for the description of credit risk grading system used by the Group.

Loans in courts are included in Stage 3 and are loans to delinquent borrowers, against which the Group has filed claims to courts in order to recover outstanding balances. As at 31 December 2019, the gross carrying amount of the loans in courts was RR 22,218 million (31 December 2018: RR 15,390 million).

9 Loans and Advances to Customers (Continued)

Description of collateral held for loans to individuals carried at amortised cost is as follows as at 31 December 2019:

<i>(In millions of RR)</i>	Secured loans	Car loans	Total
Loans collateralised by:			
- residential real estate	27,437	-	27,437
- cars	1,904	15,256	17,160
Total	29,341	15,256	44,597
Unsecured exposures	260	4,900	5,160
Total gross carrying amount (representing exposure to credit risk for each class of loans at AC)	29,601	20,156	49,757

Description of collateral held for loans to individuals carried at amortised cost is as follows as at 31 December 2018:

<i>(In millions of RR)</i>	Secured loans	Car loans	Total
Loans collateralised by:			
- residential real estate	2,449	-	2,449
- cars	189	2,095	2,284
Total	2,638	2,095	4,733
Unsecured exposures	6	743	749
Total gross carrying amount (representing exposure to credit risk for each class of loans at AC)	2,644	2,838	5,482

The disclosure above represents the lower of the carrying amount of the loan or collateral taken; the remaining part is disclosed within the unsecured exposures which arise mainly due to application of a discount in determining the carrying amount of collateral.

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 (a) those assets where collateral and other credit enhancements are equal to or exceed carrying amount of the asset ("over-collateralised assets") and (b) those assets where collateral and other credit enhancements are less than the carrying amount of the asset ("under-collateralised assets").

9 Loans and Advances to Customers (Continued)

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

(In millions of RR)	Over-collateralised assets		Under-collateralised assets	
	Gross carrying amount of the assets	Value of collateral	Gross carrying amount of the assets	Value of collateral
Credit impaired assets:				
Secured loans	194	442	4	2
Car loans	25	31	346	208

The effect of collateral on credit impaired assets as at 31 December 2018 is as follows.

(In millions of RR)	Over-collateralised assets		Under-collateralised assets	
	Gross carrying amount of the assets	Value of collateral	Gross carrying amount of the assets	Value of collateral
Credit impaired assets:				
Secured loans	-	-	-	-
Car loans	-	-	6	4

The values of collateral considered in this disclosure are after a valuation haircut of 20% (2018: 20%) for secured loans and 30% (2018: 30%) for car loans applied to consider liquidity level and quality of the pledged assets.

All contractual modifications of loans with the lifetime ECL that did not lead to derecognition did not have an impact on gains less losses on modification recognised in profit or loss for the year ended 31 December 2019 (2018: same).

Refer to Note 36 for the disclosure of the fair value of loans and advances to customers. Information on related party balances is disclosed in Note 38.

10 Investments in Debt Securities

(In millions of RR)	31 December 2019	31 December 2018
Debt securities measured at fair value through other comprehensive income	132,355	93,090
Securities measured at fair value through profit or loss	-	5,255
Total investments in debt securities	132,355	98,345

10 Investments in Debt Securities (Continued)

The table below discloses investments in debt securities measured at FVOCI by classes:¹

<i>(In millions of RR)</i>	31 December 2019	31 December 2018
Corporate bonds	69,622	63,756
Russian government bonds	56,382	23,560
Municipal bonds	6,351	5,774
Total debt securities measured at FVOCI	132,355	93,090
Including credit loss allowance	337	477

The tables below contain an analysis of the credit risk exposure of investments in debt securities measured at FVOCI for which an ECL allowance is recognised, based on credit risk grades. Refer to Note 30 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 debt securities at FVOCI.

Analysis of the credit risk exposure of debt securities measured at FVOCI as at 31 December 2019:

<i>(In millions of RR)</i>	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
Corporate bonds				
Excellent	324	-	-	324
Good	59,250	-	-	59,250
Monitor	7,684	-	-	7,684
Total AC gross carrying amount	67,258	-	-	67,258
Credit loss allowance	(217)	-	-	(217)
Fair value adjustment from AC to FV	2,581	-	-	2,581
Carrying amount	69,622	-	-	69,622

10 Investments in Debt Securities (Continued)

<i>(In millions of RR)</i>	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
<i>Russian government bonds</i>				
Good	54,471	-	-	54,471
Total AC gross carrying amount	54,471	-	-	54,471
Credit loss allowance	(99)	-	-	(99)
Fair value adjustment from AC to FV	2,010	-	-	2,010
Carrying amount	56,382	-	-	56,382
<i>Municipal bonds</i>				
Good	5,663	-	-	5,663
Monitor	422	-	-	422
Total AC gross carrying amount	6,085	-	-	6,085
Credit loss allowance	(21)	-	-	(21)
Fair value adjustment from AC to FV	287	-	-	287
Carrying amount	6,351	-	-	6,351

10 Investments in Debt Securities (Continued)

Analysis of the credit risk exposure of debt securities measured at FVOCI as at 31 December 2018:

<i>(In millions of RR)</i>	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
Corporate bonds				
Good	53,162	-	-	53,162
Monitor	10,304	1,413	-	11,717
Doubtful	-	194	-	194
Total AC gross carrying amount	63,466	1,607	-	65,073
Credit loss allowance	(251)	(128)	-	(379)
Fair value adjustment from AC to FV	(487)	(451)	-	(938)
Carrying amount	62,728	1,028	-	63,756
Russian government bonds				
Good	24,021	-	-	24,021
Total AC gross carrying amount	24,021	-	-	24,021
Credit loss allowance	(63)	-	-	(63)
Fair value adjustment from AC to FV	(398)	-	-	(398)
Carrying amount	23,560	-	-	23,560
Municipal bonds				
Good	4,325	-	-	4,325
Monitor	1,508	-	-	1,508
Total AC gross carrying amount	5,833	-	-	5,833
Credit loss allowance	(35)	-	-	(35)
Fair value adjustment from AC to FV	(24)	-	-	(24)
Carrying amount	5,774	-	-	5,774

10 Investments in Debt Securities (Continued)

The tables below represent changes in the credit loss allowance and gross amortised cost for debt securities at FVOCI:

	Credit loss allowance				Gross carrying amount			
	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
<i>(In millions of RR)</i>								
Corporate bonds								
At 31 December 2018	251	128	-	379	63,539	1,607	-	65,146
Movements with impact on credit loss allowance charge for the year:								
New originated or purchased	84	-	-	84	24,945	-	-	24,945
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	24	(26)	-	(2)	1,318	(1,318)	-	-
Foreign exchange losses	(12)	(6)	-	(18)	(2,699)	(99)	-	(2,798)
Redemption during the year	(12)	-	-	(12)	(3,609)	-	-	(3,609)
Disposal during the year	(90)	(40)	-	(130)	(16,338)	(190)	-	(16,528)
Interest income accrued	12	4	-	16	3,925	43	-	3,968
Interest received	(12)	(4)	-	(16)	(3,823)	(43)	-	(3,866)
Other movements	(28)	(56)	-	(84)	-	-	-	-
Total movements with impact on credit loss allowance charge for the year	(34)	(128)	-	(162)	3,719	(1,607)	-	2,112
As at 31 December 2019	217	-	-	217	67,258	-	-	67,258

10 Investments in Debt Securities (Continued)

	Credit loss allowance				Gross carrying amount			
	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
<i>(In millions of RR)</i>								
Corporate bonds								
As at 1 January 2018	215	17	-	232	46,283	270	-	46,553
Movements with impact on credit loss allowance charge for the year:								
New originated or purchased	179	-	-	179	26,147	-	-	26,147
Transfers:								
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	(15)	71	-	56	(1,082)	1,082	-	-
Foreign exchange gains	12	17	-	29	3,017	228	-	3,245
Redemption during the year	(6)	-	-	(6)	(1,041)	-	-	(1,041)
Disposal during the year	(40)	-	-	(40)	(9,797)	-	-	(9,797)
Interest income accrued	15	9	-	24	3,820	80	-	3,900
Interest received	(16)	(7)	-	(23)	(3,808)	(53)	-	(3,861)
Other movements	(93)	21	-	(72)	-	-	-	-
Total movements with impact on credit loss allowance charge for the year	36	111	-	147	17,256	1,337	-	18,593
At 31 December 2018	251	128	-	379	63,539	1,607	-	65,146

10 Investments in Debt Securities (Continued)

(In millions of RR)	Credit loss allowance				Gross carrying amount			
	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
Russian government bonds								
At 31 December 2018	66	-	-	66	25,190	-	-	25,190
Movements with impact on credit loss allowance charge for the year:								
New originated or purchased	167	-	-	167	81,179	-	-	81,179
Foreign exchange gains	(2)	-	-	(2)	(833)	-	-	(833)
Redemption during the year	(63)	-	-	(63)	(30,858)	-	-	(30,858)
Disposal during the year	(53)	-	-	(53)	(20,414)	-	-	(20,414)
Interest income accrued	4	-	-	4	2,119	-	-	2,119
Interest received	(4)	-	-	(4)	(1,912)	-	-	(1,912)
Other movements	(16)	-	-	(16)	-	-	-	-
Total movements with impact on credit loss allowance charge for the year	33	-	-	33	29,281	-	-	29,281
As at 31 December 2019	99	-	-	99	54,471	-	-	54,471

10 Investments in Debt Securities (Continued)

(In millions of RR)	Credit loss allowance				Gross carrying amount			
	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
Russian government bonds								
As at 1 January 2018	36	-	-	36	13,686	-	-	13,686
Movements with impact on credit loss allowance charge for the year:								
New originated or purchased	158	-	-	158	60,673	-	-	60,673
Foreign exchange gains	3	-	-	3	1,039	-	-	1,039
Redemption during the year	(130)	-	-	(130)	(49,829)	-	-	(49,829)
Interest income accrued	4	-	-	4	1,362	-	-	1,362
Interest received	(5)	-	-	(5)	(1,741)	-	-	(1,741)
Total movements with impact on credit loss allowance charge for the year	30	-	-	30	11,504	-	-	11,504
At 31 December 2018	66	-	-	66	25,190	-	-	25,190

10 Investments in Debt Securities (Continued)

	Credit loss allowance				Gross carrying amount			
	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
<i>(In millions of RR)</i>								
Municipal bonds								
At 31 December 2018	35	-	-	35	5,833	-	-	5,833
Movements with impact on credit loss allowance charge for the year:								
New originated or purchased	3	-	-	3	968	-	-	968
Redemption during the year	(1)	-	-	(1)	(482)	-	-	(482)
Disposal during the year	(4)	-	-	(4)	(216)	-	-	(216)
Interest income accrued	2	-	-	2	469	-	-	469
Interest received	(3)	-	-	(3)	(487)	-	-	(487)
Other movements	(11)	-	-	(11)	-	-	-	-
Total movements with impact on credit loss allowance charge for the year	(14)	-	-	(14)	252	-	-	252
As at 31 December 2019	21	-	-	21	6,085	-	-	6,085

10 Investments in Debt Securities (Continued)

	Credit loss allowance				Gross carrying amount			
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for impaired assets)	Total	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for impaired assets)	Total
<i>(In millions of RR)</i>								
Municipal bonds								
As at 1 January 2018	23	-	-	23	4,308	-	-	4,308
<i>Movements with impact on credit loss allowance charge for the year:</i>								
New originated or purchased	16	-	-	16	1,752	-	-	1,752
Disposal during the year	(1)	-	-	(1)	(240)	-	-	(240)
Interest income accrued	2	-	-	2	382	-	-	382
Interest received	(2)	-	-	(2)	(369)	-	-	(369)
Other movements	(3)	-	-	(3)	-	-	-	-
Total movements with impact on credit loss allowance charge for the year	12	-	-	12	1,525	-	-	1,525
At 31 December 2018	35	-	-	35	5,833	-	-	5,833

Interest rate, maturity, and geographical risk concentration analysis of investments in debt securities are disclosed in Note 30.

11 Investments in Equity Securities

The table below discloses investments in equity securities at FVOCI:

<i>(In millions of RR)</i>	31 December 2019	31 December 2018
Investments in ordinary shares of «Tinkoff Insurance» JSC	385	280
Total investments in equity securities	385	280

Equity securities at fair value through other comprehensive income are not freely traded as at 31 December 2019 (2018: same). For these investments, the fair value is determined based on the net asset value of investees. Refer to Note 36.

In December 2018, the Group sold a 10% stake in investments in shares of JSC «Tinkoff Insurance» with a fair value of RR 206 million as a result of changes in the Group's strategy. There were no sales during 2019.

12 Guarantee Deposits with Payment Systems

As at 31 December 2019 and 2018, a guarantee deposit was placed in favour of the MasterCard payment system with Barclays Bank Plc London (A rated). As at 31 December 2019 and 2018, a guarantee deposit was placed in favour of the Visa payment system with United Overseas Bank Ltd. Singapore (AA-rated), and a guarantee deposit was placed in favour of the Mir payment system with National Payment Card System (NSPK).

The table below discloses the credit quality of guarantee deposits with payment systems balances based on credit risk grades:

<i>(In millions of RR)</i>	31 December 2019	31 December 2018
Excellent	8,376	4,435
Good	501	168
Total guarantee deposits with payment systems	8,877	4,603

The carrying amount of guarantee deposits with payment systems as at 31 December 2019 and 2018 also represents the Group's maximum exposure to credit risk on these assets. Refer to Note 30 for the description of the Group's credit risk grading system.

Guarantee deposits with payment systems represent funds reserved by the Group to secure its obligations.

For the purpose of ECL measurement guarantee deposits with payment systems balances are included in Stage 1. Guarantee deposits with payment systems are unsecured financial assets. The ECL for these balances represents an immaterial amount, therefore the Group did not create any credit loss allowance for guarantee deposits with payment systems. Refer to Note 30 for the ECL measurement approach.

13 Tangible Fixed Assets, Intangible Assets, and Right-of-Use Assets

	Land	Buildings and structures	Equipment	Leasehold improvements	Vehicles	Total tangible fixed assets	Intangible assets
<i>(In millions of RR)</i>							
Cost							
At 31 December 2017	396	4,088	2,378	716	39	7,617	3,657
Additions	-	131	2,020	789	1	2,941	1,770
Disposals/transfer to another category	-	-	(210)	-	-	(210)	-
At 31 December 2018	396	4,219	4,188	1,505	40	10,348	5,427
Additions	-	-	1,740	86	46	1,872	2,337
Disposals/transfer to another category	-	-	(59)	(2)	-	(61)	(72)
At 31 December 2019	396	4,219	5,869	1,589	86	12,159	7,692
Amortisation and depreciation							
At 31 December 2017	-	(48)	(1,001)	(409)	(27)	(1,485)	(1,342)
Charge for the year (Note 24)	-	(42)	(679)	(81)	(5)	(807)	(774)
Disposals/transfer to another category	-	-	210	-	-	210	-
At 31 December 2018	-	(90)	(1,470)	(490)	(32)	(2,082)	(2,116)
Charge for the year (Note 24)	-	(43)	(1,029)	(160)	(8)	(1,240)	(1,095)
Disposals/transfer to another category	-	-	9	2	-	11	51
At 31 December 2019	-	(133)	(2,490)	(648)	(40)	(3,311)	(3,160)
Net book value							
At 31 December 2018	396	4,129	2,718	1,015	8	8,266	3,311
At 31 December 2019	396	4,086	3,379	941	46	8,848	4,532

Intangible asset additions in the amount of RR 1,212 million are related to the capitalised software developments by Tinkoff Software DC during the year ended 31 December 2019 (2018: RR 774 million).

Other intangible assets acquired during 2019 and 2018 mainly represent accounting software, retail banking software, insurance software, licenses and development of software.

During 2019, the Group did not acquire any additional office premises (2018: RR 131 million, VAT included).

Right-of-Use Assets. Right-of-use-assets relate to the office premises leased by the Group. Rental contracts are typically for fixed periods from 1 to 5 years.

The Group does not have extension or termination options of its lease agreements other than lease agreements of low value items. The right of use assets by class of leased assets is analysed as follows:

<i>(In millions of RR)</i>	Office premises
Carrying amount at 1 January 2019	1,610
Additions	895
Depreciation charge (Note 24)	(929)
Carrying amount at 31 December 2019	1,576

13 Fixed Assets, Intangible Assets, and Right-of-Use Assets (Continued)

Prior to 1 January 2019, Group's leases of premises and equipment were classified as operating leases. 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.

Expenses relating to leases of low-value assets in the amount of RR 390 million are included in administrative and other operating expenses (Note 24). Repayment of the principal amount of lease liabilities for the year ended 31 December 2019 amounted to RR 884 million.

14 Other Financial and Non-Financial Assets

<i>(In millions of RR)</i>	31 December 2019	31 December 2018
Other financial assets		
Settlement of operations with plastic cards	16,384	12,694
Other	3,870	2,567
Total other financial assets	20,254	15,261
Other non-financial assets		
Prepaid expenses	1,588	2,160
Other	483	182
Total other non-financial assets	2,071	2,342

Outstanding settlement of operations with plastic cards represents amounts payable by payment channels in respect of payments made by borrowers to repay credit card loans and to be settled within 3 days. This amount includes prepayment to the payment systems for operations during weekends and holidays.

As at 31 December 2019, included in other financial assets are receivables and investments in associates (2018: same).

The table below discloses the credit quality of other financial assets based on credit risk grades:

<i>(In millions of RR)</i>	31 December 2019	31 December 2018
Excellent	9,219	7,430
Good	11,035	7,831
Total other financial assets	20,254	15,261

Refer to Note 30 for the description of the Group's credit risk grading system.

For the purpose of ECL measurement, settlement of operations with plastic cards balances and other receivables is included in Stage 1. The ECL for these balances represents an immaterial amount, therefore the Group did not recognise any credit loss allowance. Refer to Note 30 for the ECL measurement approach.

As at 31 December 2019, prepaid expenses consist of prepayments for marketing, IT systems support, security, TV advertisement, and ATM-service (2018: same).

Refer to Note 36 for the disclosure of the fair value of other financial assets. The maturity and geographical risk concentration analysis of other financial assets is disclosed in Note 30.

15 Due to banks

<i>(In millions of RR)</i>	31 December 2019	31 December 2018
Sale and repurchase agreements with other banks	640	1,111
Correspondent accounts and overnight placements of other banks	23	1,597
Total Due to banks	663	2,708

Refer to Note 36 for the disclosure of the fair value of amounts due to banks. Interest rate, maturity, and geographical risk concentration analysis of due to banks is disclosed in Note 30.

Refer to Notes 33 and 34 for information on the amounts included in due to banks received under sale and repurchase agreements and fair value of securities pledged.

16 Customer Accounts

<i>(In millions of RR)</i>	Note	31 December 2019	31 December 2018
Individuals			
- Current/demand accounts		211,661	137,637
-Term deposits		137,292	100,227
IE and SME			
- Current/demand accounts	29	60,174	41,702
-Term deposits	29	1,880	-
Other legal entities			
- Deposits and current accounts of the Parent Company		5,594	379
- Current/demand accounts		3,226	3,044
-Term deposits		254	110
Total customer accounts		420,081	283,099

Refer to Note 30 for the interest rate, maturity and geographical risk concentration analysis of customer accounts. Interest rate, maturity, and geographical risk concentration analysis of customer accounts amounts is disclosed in Note 36. Information on related party balances is disclosed in Note 38.

17 Debt Securities in Issue

<i>(In millions of RR)</i>	Date of maturity	31 December 2019	31 December 2018
RR denominated bonds issued in April 2019	21.03.2029	10,158	-
RR denominated bonds issued in September 2019	12.09.2029	10,157	-
RR denominated bonds issued in April 2017	22.04.2022	2,468	5,067
RR denominated bonds issued in June 2016	24.06.2021	835	784
Total debt securities in issue		23,618	5,851

On 3 April 2019, the Group issued RR denominated bonds with a nominal value of RR 10,000 million at 9.25% p.a. coupon rate maturing on 21 March 2029.

On 25 September 2019, the Group issued RR denominated bonds with a nominal value of RR 10,000 million at 8.25% p.a. coupon rate maturing on 12 September 2029.

On 28 April 2017, the Group issued RR denominated bonds with a nominal value of RR 5,000 million at 9.65% p.a. coupon rate maturing on 22 April 2022.

On 30 June 2016, the Group issued RR denominated bonds with a nominal value of RR 3,000 million at 11.7% p.a. coupon rate maturing on 24 June 2021.

All bonds issued by the Group are freely traded on the Moscow Exchange. Refer to Note 36 for the disclosure of the fair value of debt securities in issue. The financial risk management is disclosed in Note 30.

18 Subordinated Debt

As at 31 December 2019, the carrying value of the subordinated debt was RR 18,487 million (31 December 2018: RR 20,644 million).

On 15 June 2017, the Group issued perpetual subordinated debt participation notes with a nominal value of USD 300 million with zero premium. The notes have no stated maturity. The Group has a right to repay the notes at its discretion starting 15 September 2022 and they are repayable in case of certain events other than liquidation. The notes bear a fixed interest rate of 9.25% p.a. payable quarterly starting from 15 September 2017. Interest payments may be cancelled by the Group at any time.

The claims of lenders against the Group in respect of the principal and interest on these subordinated debt participation notes are subordinated to the claims of other creditors in accordance with the legislation of the Russian Federation.

The perpetual subordinated debt participation notes are traded on the Global Exchange Market.

Interest rate, maturity, and geographical risk concentration analysis of subordinated debt is disclosed in Note 30. Refer to Note 36 for the disclosure of the fair value of subordinated debts.

19 Other Financial and Non-financial Liabilities

<i>(In millions of RR)</i>	31 December 2019	31 December 2018
Other financial liabilities		
Settlement of operations with plastic cards	6,427	4,904
Trade payables	5,141	3,873
Credit related commitments (Note 32)	2,242	2,041
Other	705	917
Total other financial liabilities	14,515	11,735
Other non-financial liabilities		
Lease liabilities	1,652	-
Taxes payable other than income tax	1,292	1,190
Accrued administrative expenses	1,112	1,224
Total other non-financial liabilities	4,056	2,414

19 Other Financial and Non-financial Liabilities (Continued)

Outstanding settlements under operations with plastic cards include funds that were spent by customers of the Bank by usage of plastic cards but have not yet been compensated to payment systems by the Group. Accrued administrative expenses are mainly represented by accrued staff costs. Interest expense on lease liabilities amounted to RR 129 million for the year ended 31 December 2019 (Note 21).

Movements in the credit loss allowance for credit related commitments were as follows for the year ended 31 December 2019:

<i>(In millions of RR)</i>	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	Total
At 31 December 2018	2,024	17	-	2,041
<i>Movements with impact on provision for credit related commitments charge for the year:</i>				
New originated or purchased	840	-	-	840
Transfers:				
- to lifetime (from Stage 1 to Stage 2)	(23)	9	-	(14)
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(45)	(7)	-	(52)
- recovered (from Stage 3 to Stage 2 and from Stage 2 to Stage 1)	5	(15)	-	(10)
Changes to ECL measurement model assumptions and estimates	(163)	-	-	(163)
Movements other than transfers and new originated or purchased loans	(410)	10	-	(400)
Total movements with impact on credit loss allowance for credit related commitments charge for the year	204	(3)	-	201
At 31 December 2019	2,228	14	-	2,242

Movements in the credit loss allowance for credit related commitments were as follows for the year ended 31 December 2018:

<i>(In millions of RR)</i>	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	Total
At 1 January 2018	1,701	22	-	1,723
<i>Movements with impact on provision for credit related commitments charge for the year:</i>				
New originated or purchased	893	-	-	893
Transfers:				
- to lifetime (from Stage 1 to Stage 2)	(23)	18	-	(5)
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(53)	(7)	-	(60)
- recovered (from Stage 3 to Stage 2 and from Stage 2 to Stage 1)	5	(16)	-	(11)
Movements other than transfers and new originated or purchased loans	(499)	-	-	(499)
Total movements with impact on credit loss allowance for credit related commitments charge for the year	323	(5)	-	318
At 31 December 2018	2,024	17	-	2,041

19 Other Financial and Non-financial Liabilities (Continued)

The credit loss allowance for credit related commitments recognised in the period is impacted by a variety of factors. Refer to Note 30 for information about ECL measurement. The main movements in the table presented above are described as follows:

- new originated or purchased category represents the day one 12-month ECL for the undrawn part of the purchased loans and loans to new borrowers (for this particular product) before the first payment became due;
- transfers between Stage 1, 2 and 3 due to undrawn limits 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. Transfers present the amount of credit loss allowance for loan commitments charged or recovered at the moment of transfer of a loan commitment among the respective stages;
- movements other than transfers and new originated or purchased loans category represents all other movements of ECL for loan commitments in particular related to changes in gross carrying amounts of associated loans, ECL model assumptions and other.

Interest rate, maturity and geographical risk concentration analysis of other financial liabilities is disclosed in Note 30. Refer to Note 36 for disclosure of fair value of other financial liabilities

20 Share Capital

<i>(In millions of RR except for the number of shares)</i>	Number of authorised shares	Ordinary shares	Total
At 31 December 2017	2,147,200,000	6,816	6,816
At 31 December 2018	2,147,200,000	6,816	6,816
At 31 December 2019	2,147,200,000	6,816	6,816

The nominal registered issued share capital of the Group is RR 1,472 million before restatement of capital contributions made before the end of the hyperinflationary period in the Russian Federation to the equivalent purchasing power of the Russian ruble as at 31 December 2002. On 26 March 2014, the Bank issued 530 million shares with a nominal value of RR 10 per share. The shares were placed by closed subscription in favour of the Bank's shareholder, TCS Group Holding PLC. As a result of the additional issue, the amount of the share capital increased by RR 5,300 million.

As of 31 December 2019 and 31 December 2018, all the issued ordinary shares are fully paid. All the ordinary shares have a nominal value of RR 10 per share (2018: RR 10 per share) and entitle to one vote per share.

21 Net Margin

<i>(In millions of RR)</i>	Note	2019	2018
Interest income calculated using the effective interest rate method			
Loans and advances to customers:			
<i>Credit card loans</i>		83,352	64,446
<i>Cash loans</i>		11,877	4,025
<i>Secured loans</i>		2,285	41
<i>POS loans</i>		1,825	583
<i>Car loans</i>		1,512	38
<i>Loans to IE and SME</i>		325	68
<i>Corporate loans</i>		1,092	1,456
Debt securities and repurchase receivables at FVOCI		6,514	5,644
Placements with other banks and non-bank credit organizations with original maturities of less than three months		193	339
Total interest incomes calculated using the effective interest rate method		108,975	76,640
Other similar income			
Debt securities and repurchase receivables at FVTPL		90	371
Total interest income		109,065	77,011
Interest expenses calculated using the effective interest rate method			
Customer accounts:			
<i>Individuals</i>			
- Current/demand accounts		8,988	5,963
-Term deposits		7,006	5,283
<i>IE and SME</i>	29	1,421	1,212
<i>Other legal entities</i>		106	139
Subordinated debt		1,846	2,122
RR denominated bonds		1,282	706
Due to banks		634	102
Parent company's deposits		228	46
Total interest expense calculated using the effective interest rate method		21,511	15,573
Other similar expense			
Lease liabilities		129	-
Total interest expense		21,640	15,573
Expenses on deposit insurance		1,870	1,174
Net margin		85,555	60,264

22 Fee and commission income and expenses

<i>(In millions of RR)</i>	2019	2018
Fee and commission income		
IE and SME current accounts commission	8,483	6,943
Acquiring commission	6,191	3,985
Fee for selling credit protection	5,458	5,541
Interchange fee	3,473	3,046
SMS fee	3,244	2,256
Foreign currency exchange transactions fee	3,024	1,785
Card to card commission	1,980	1,279
Brokerage operations	819	210
Cash withdrawal fee	720	885
Marketing services fee	340	108
Replenishment fee	141	167
Mortgage agency fee	136	419
Other fees receivable	717	442
Total fee and commission income	34,726	27,066

IE and SME current accounts commission represents commission for services to individual entrepreneurs and small to medium businesses. Fee for selling credit protection represents fee which the Bank receives for selling voluntary credit insurance to borrowers of the Group. Acquiring commission represents commission for processing card payments from online and offline points of sale.

Refer to Note 3 that describes the types of revenues recognized on a point in time basis and on the over time basis.

<i>(In millions of RR)</i>	2019	2018
Fee and commission expense		
Payment systems	12,745	8,430
Service fees	1,954	1,404
Payment channels	1,327	1,209
Banking and other fees	397	449
Total fee and commission expense	16,423	11,492

Payment systems fees represent fees for MasterCard, Visa and other payment systems' services.

Service fees represent fees for statement printing, mailing service, sms services and others.

Payment channels represent fees paid to third parties through whom borrowers make loan repayments.

23 Customer Acquisition Expenses

<i>(In millions of RR)</i>	2019	2018
Marketing and advertising	7,961	5,624
Staff costs	5,510	5,401
Taxes other than income tax	1,355	1,107
Credit bureaux	697	535
Cards issuing expenses	411	260
Telecommunication expenses	326	285
Partnership expenses	272	343
Other acquisition	3	28
Total customer acquisition expenses	16,535	13,583

Customer acquisition expenses represent expenses paid by the Group on services related to origination of customers which are not directly attributable to the recognised assets and are not incremental. The Group

uses a variety of different channels for the acquisition of new customers.

Staff costs represent salary expenses and related costs of employees directly involved in customer acquisition. Included in staff costs are statutory social contributions to the state non-budgetary funds in the amount of RR 1,511 million for the year ended 31 December 2019 (2018: RR 1,320 million).

24 Administrative and Other Operating Expenses

<i>(In millions of RR)</i>	Note	2019	2018
Staff costs		18,024	14,745
Taxes other than income tax		1,357	1,040
Depreciation of fixed assets	13	1,240	807
Amortization of intangible assets	13	1,095	774
Depreciation of right-of-use assets	13	929	-
Information services		639	478
Professional services		615	212
Operating lease expense		399	708
Office maintenance and office supplies		375	263
Communication services		279	253
Security expenses		167	171
Collection expenses		163	168
Other provisions		60	-
Other administrative expenses		220	216
Total administrative and other operating expenses		25,562	19,835

Included in staff costs are statutory social contributions to the non-budget funds of the Russian Federation and share-based remuneration:

<i>(In millions of RR)</i>	2019	2018
Statutory social contribution to the non-budget funds	3,305	2,489
Share-based payments	469	630

The average number of employees employed by the Group during the reporting year, including those who are working under civil contracts, was 25,304 (2018: 20,423).

25 Other Operating Income

<i>(In millions of RR)</i>	2019	2018
Income from payment systems under marketing agreement	3,298	2,060
Dividend income	540	149
Other	1,000	914
Total other operating income	4,838	3,123

26 Income Tax

Income tax expense comprises the following:

<i>(In millions of RR)</i>	2019	2018
Current tax	11,134	3,740
Deferred tax	(3,457)	2,893
Total income tax expense	7,677	6,633

The income tax rate applicable to the Group's income in 2019 is 20% (2018: 20%).

A reconciliation between the expected and the actual taxation charge is provided below.

<i>(In millions of RR)</i>	2019	2018
Profit before tax	38,670	33,047
Theoretical tax expense at statutory rate of 20% (2018: 20%)	7,734	6,609
Tax effect of items, which are not deductible or assessable for taxation purposes:		
- Non-deductible expenses	95	243
- Income on government securities taxed at different rates	(214)	(165)
- Other	62	(54)
Income tax expenses for the year	7,677	6,633

Differences between IFRS and taxation regulations in Russia and other countries give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases.

As all of the Group's temporary differences arise in Russia, the tax effect of the movements in these temporary differences is detailed below and is recorded at the rate of 20% (2018: 20%).

26 Income Tax (Continued)

The tax effect of movement in temporary differences for the year ended 31 December 2019 is shown in the table below:

	31 December 2018	1 January 2019 (IFRS 16 adoption)	Credited/ (charged) to profit or loss	Charged to OCI	31 December 2019
<i>(In millions of RR)</i>					
Tax effect of deductible and taxable temporary differences					
Loans and advances to customers	722	-	2,851	-	3,573
Tangible fixed assets	(596)	-	(1)	-	(597)
Right-of-use assets	-	(322)	-	-	(322)
Intangible assets	(208)	-	13	-	(195)
Revaluation of debt investment at FVOCI	(487)	-	789	(1,318)	(1,016)
Accrued expenses	417	-	(536)	-	(119)
Lease liabilities		321	18	-	339
Customer accounts	(21)	-	(23)	-	(44)
Debt securities in issue	(4)	-	(13)	-	(17)
Subordinated debt	(40)	-	(5)	-	(45)
Financial derivatives	(324)	-	364	-	40
Net deferred tax liabilities	(541)	(1)	3,457	(1,318)	1,597

The tax effect of movement in temporary differences for the year ended 31 December 2018 is shown in the table below:

	31 December 2017	(Charged)/credited to profit or loss	Credited directly to equity	Credited to OCI	31 December 2018
<i>(In millions of RR)</i>					
Tax effect of deductible and taxable temporary differences					
Loans and advances to customers	284	(1,662)	2,100	-	722
Tangible fixed assets and Intangible assets	(621)	(183)	-	-	(804)
Revaluation of debt investment at FVOCI	(343)	(800)	-	656	(487)
Accrued expenses	451	(379)	345	-	417
Customer accounts	(30)	9	-	-	(21)
Debt securities in issue	(8)	4	-	-	(4)
Subordinated debt	(47)	7	-	-	(40)
Financial derivatives	(435)	111	-	-	(324)
Net deferred tax liabilities	(749)	(2,893)	2,445	656	(541)

27 Dividends

On 9 January 2019, the Board of Directors declared the payment of dividends in the amount of RR 9,501 million. The declared dividends were paid on 21 January 2019.

On 12 April 2019, the Board of Directors declared the payment of dividends in the amount of RR 3,196 million. The declared dividends were paid on 23 April 2019.

28 Net Debt Reconciliation

The table below sets out an analysis of the debt amount and its movements for each of the periods presented. The debt items are those that are reported as cash from financing activities in the consolidated statement of cash flows.

	Liabilities arising from financing activities				
	Debt securities in issue	Perpetual subordinated bonds	Other subordinated debts	Lease liabilities	Total
(In millions of RR)					
At 31 December 2017	8,050	17,115	5,336	-	30,501
Cash flows	(2,214)	(49)	(5,659)	-	(7,922)
Foreign exchange adjustments	-	3,553	382	-	3,935
Other non-cash movements	15	25	(59)	-	(19)
At 31 December 2018	5,851	20,644	-	-	26,495
Adoption of IFRS 16	-	-	-	1,604	1,604
Cash flows	17,562	46	-	(884)	16,724
Foreign exchange adjustments	-	(2,267)	-	-	(2,267)
Other non-cash movements	205	64	-	932	1,201
At 31 December 2019	23,618	18,487	-	1,652	43,757

29 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 Group. The functions of CODM are performed by the Board of Directors 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 2 main business segments:

Retail banking – representing customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans, car loans, secured loans and brokerage services to individuals.

IE and SME accounts services – representing customer current accounts, savings, deposits services and providing loans to individual entrepreneurs and small to medium businesses.

(b) Factors that the Management Used to Identify the Reportable Segments

The Group's segments are strategic business units that focus on different services to the customers of the Group. They are managed separately because each business unit requires its own marketing strategies and different types of business.

(c) Measurement of Operating Segment Profit or Loss, Assets and Liabilities

The CODM reviews financial information prepared based on International financial reporting standards adjusted to meet the requirements of internal reporting. The CODM evaluates performance of each segment based on profit before tax.

(d) Information about Reportable Segment Profit or Loss, Assets and Liabilities

Segment reporting of the Group's assets and liabilities as at 31 December 2019 is set out below:

<i>(In millions of RR)</i>	Retail banking and related party transactions	IE and SME Services	Total
Cash and cash equivalents	30,460	25,524	55,984
Mandatory cash balances with the CBRF	3,448	-	3,448
Due from other banks	250	-	250
Loans and advances to customers	327,401	900	328,301
Financial derivatives	390	-	390
Investment in debt securities	90,405	41,950	132,355
Repurchase receivables	-	-	-
Investment in equity securities	385	-	385
Guarantee deposits with payment systems	8,877	-	8,877
Current income tax assets	723	-	723
Deferred income tax assets	1,606	-	1,606
Tangible fixed assets and right-of-use assets	10,424	-	10,424
Intangible assets	3,709	823	4,532
Other financial assets	19,810	444	20,254
Other non-financial assets	2,071	-	2,071
Total reportable segment assets	499,959	69,641	569,600
Due to banks	663	-	663
Customer accounts	358,027	62,054	420,081
Debt securities in issue	23,618	-	23,618
Financial derivatives	590	-	590
Deferred tax liability	9	-	9
Subordinated debt	18,487	-	18,487
Other financial liabilities	14,515	-	14,515
Other non-financial liabilities	4,056	-	4,056
Total reportable segment liabilities	419,965	62,054	482,019

29 Segment Analysis (Continued)

(d) Information about Reportable Segment Profit or Loss, Assets and Liabilities (Continued)

Segment reporting of the Group's income and expenses for the year ended 31 December 2019 is set out in the table below:

<i>(In millions of RR)</i>	Retail banking and related party transactions	IE and SME Services	Total
Revenue			
Interest income calculated using the effective interest rate method	106,346	2,629	108,975
Other similar income	90	-	90
Fee and commission income:			
- <i>IE and SME current accounts commission</i>	-	8,483	8,483
- <i>Acquiring commission</i>	6,191	-	6,191
- <i>Fee for selling credit protection</i>	5,239	219	5,458
- <i>Interchange fee</i>	3,473	-	3,473
- <i>SMS fee</i>	2,445	799	3,244
- <i>Foreign currency exchange transactions fee</i>	2,713	311	3,024
- <i>Card to card commission</i>	1,980	-	1,980
- <i>Brokerage operations</i>	819	-	819
- <i>Cash withdrawal fee</i>	720	-	720
- <i>Marketing services fee</i>	340	-	340
- <i>Placement fee</i>	141	-	141
- <i>Mortgage agency fee</i>	136	-	136
- <i>Other fees receivable</i>	717	-	717
Timing of revenue recognition			
- At point in time	21,441	9,726	31,167
- Over time	3,473	86	3,559
Total fee and commission income	24,914	9,812	34,726
Credit loss allowance for debt securities at FVOCI	143	-	143
Net gains from foreign exchange translation	1,758	-	1,758
Net gains from disposals of debt securities at FVOCI	301	-	301
Net gains from debt instruments at FVTPL	359	-	359
Insurance premiums earned	317	-	317
Other operating income	4,769	69	4,838
Total revenue	138,997	12,510	151,507
Interest expenses calculated using the effective interest rate method	(20,090)	(1,421)	(21,511)
Other similar expense	(129)	-	(129)
Expenses on deposit insurance	(1,659)	(211)	(1,870)
Credit loss allowance for loans and advances to customers and credit related commitments	(27,768)	(75)	(27,843)
Fee and commission expense	(14,401)	(2,022)	(16,423)
Customer acquisition expense	(15,263)	(1,272)	(16,535)
Net losses from derivative revaluation	(1,885)	-	(1,885)
Net losses from operations with foreign currencies	(1,079)	-	(1,079)
Administrative and other operating expenses	(22,788)	(2,774)	(25,562)
Segment result	33,935	4,735	38,670

29 Segment Analysis (Continued)

(d) Information about Reportable Segment Profit or Loss, Assets and Liabilities (Continued)

Segment reporting of the Group's assets and liabilities as at 31 December 2018 is set out below:

(In millions of RR)

	Retail banking and related party transactions	IE and SME Services	Total
Cash and cash equivalents	18,777	13,110	31,887
Mandatory cash balances with the CBRF	2,435	-	2,435
Loans and advances to customers	219,776	330	220,106
Financial derivatives	1,711	-	1,711
Investment in debt securities	67,951	30,394	98,345
Investment in equity securities	280	-	280
Repurchase receivables	1,182	-	1,182
Guarantee deposits with payment systems	4,603	-	4,603
Current income tax assets	1,146	-	1,146
Tangible fixed assets	8,266	-	8,266
Intangible assets	2,764	547	3,311
Other financial assets	15,088	173	15,261
Other non-financial assets	2,342	-	2,342
Total reportable segment assets	346,321	44,554	390,875
Due to banks	2,708	-	2,708
Customer accounts	241,397	41,702	283,099
Debt securities in issue	5,851	-	5,851
Financial derivatives	89	-	89
Current income tax liability	180	-	180
Deferred tax liability	541	-	541
Subordinated debt	20,644	-	20,644
Other financial liabilities	11,735	-	11,735
Other non-financial liabilities	2,414	-	2,414
Total reportable segment liabilities	285,559	41,702	327,261

29 Segment Analysis (Continued)

(d) Information about Reportable Segment Profit or Loss, Assets and Liabilities (Continued)

Segment reporting of the Group's income and expenses for the year ended 31 December 2018 is set out in the table below:

<i>(In millions of RR)</i>	Retail banking and related party transactions	IE and SME Services	Total
Revenue			
Interest income calculated using the effective interest rate method	74,833	1,807	76,640
Other similar income	371	-	371
Fee and commission income:			
- IE and SME current accounts commission	-	6,943	6,943
- Credit protection fee	5,541	-	5,541
- Acquiring commission	3,985	-	3,985
- Interchange fee	2,595	451	3,046
- SMS fee	2,256	-	2,256
- Foreign currency exchange transactions fee	1,576	209	1,785
- Card to card commission	1,279	-	1,279
- Cash withdrawal fee	885	-	885
- Mortgage agency fee	419	-	419
- Brokerage operations	210	-	210
- Placement fee	167	-	167
- Marketing services fee	108	-	108
- Other fees receivable	442	-	442
Timing of revenue recognition			
- At point in time	17,207	7,385	24,592
- Over time	2,256	218	2,474
Total fee and commission income	19,463	7,603	27,066
Net gains losses from derivative revaluation	1,246	-	1,246
Net gains from operations with foreign currencies	168	-	168
Net gains from disposals of debt securities at FVOCI	289	-	289
Insurance premiums earned	320	-	320
Other operating income	3,085	39	3,124
Total revenue	99,775	9,449	109,224
Interest expenses calculated using the effective interest rate method	(14,361)	(1,212)	(15,573)
Expenses on deposit insurance	(1,090)	(84)	(1,174)
Credit loss allowance for loans and advances to customers and credit related commitments	(12,014)	(33)	(12,047)
Credit loss allowance for debt securities at FVOCI	(189)	-	(189)
Fee and commission expense	(10,367)	(1,125)	(11,492)
Customer acquisition expense	(11,209)	(2,374)	(13,583)
Net losses from foreign exchange translation	(1,587)	-	(1,587)
Net losses from debt instruments at FVTPL	(697)	-	(697)
Administrative and other operating expenses	(17,465)	(2,370)	(19,835)
Segment result	30,796	2,251	33,047

29 Segment Analysis (Continued)

(e) Reconciliation of Reportable Segment Revenues, Profit or Loss, Assets and Liabilities

The total amounts for income and expenses, assets and liabilities lines of the reportable segments are fully the same as the respective items of the consolidated statement of financial position and consolidated statement of profit or loss, as the same accounting policies are applied for the purposes of segment analysis as for the specified statements, and there are no intersegment transactions and balances.

30 Financial Risk Management

Credit Risk. The Group exposes itself to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to meet an obligation. Exposure to credit risk arises as a result of the Group's lending and other transactions with counterparties giving rise to financial assets. The Group grants retail loans and IE and SME loans to customers across all regions of Russia, therefore its credit risk is broadly diversified.

30 Financial and Insurance Risk Management (Continued)

The management of the Group takes special measures to mitigate growing credit risk such as decreasing of credit limits for unreliable clients, diversifying of modes of work with overdue borrowers, toughening of scoring for the new borrowers etc., giving rise to financial assets and off-balance sheet credit-related commitments. 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 financial guarantees issued, commitments to extend credit, undrawn credit lines, the maximum exposure to credit risk is the amount of the commitment (Note 32). The Bank created a credit committee, which establishes general principles for lending to individual borrowers. According to these principles, the minimum requirements for potential customers are listed below:

- Citizenship of the Russian Federation;
- Age from 18 to 70 y.o., but not older than 70 y.o. at the time of loan repayment;
- Availability of a cell-phone;
- Permanent employment;
- Permanent income.

For cash loans, minimum requirements are listed below:

- The requested loan term is from 3 to 36 months;
- Cash loan volumes range between RR 50 thousand and RR 2,000 thousand.

For POS loans minimum requirements are listed below:

- The requested loan amount should exceed RR 3 thousand;
- The requested loan term is from 3 to 36 months;
- The amount of one POS loan does not exceed RR 200 thousand.

For secured loans minimum requirements are listed below:

- The requested loan secured with a car amount should be between RR 100 thousand and RR 3,000 thousand, loan term is from 3 months to 5 years. The requirement for the car is in good condition of driving with an age not more than 15 years;
- The requested loan secured with a real estate amount should be between RR 200 thousand and RR 15,000 thousand, loan term is from 3 months to 15 years. The requirement for the real estate is an apartment in the apartment building within the Russian Federation, which is free from any encumbrances.

30 Financial Risk Management (Continued)

For car loans minimum requirements are listed below:

- The requested loan term is from 1 to 5 years;
- Car loan volumes up to RR 2,000 thousand;
- The requirement for the car is with an age not more than 18 years.

For loans to IE and SME, the minimum requirements are listed below:

- Working capital loan: loan volumes up to RR 10,000 thousand and loan term to 6 months;
- Credit for individual entrepreneurs for any purpose: loan volumes up to RR 2,000 thousand and loan term to 36 months;
- Credit for individual entrepreneurs secured by real estate: loan volumes up to RR 15,000 thousand and loan term to 15 years. The requirement for the real estate is an apartment in the apartment building within the Russian Federation, which is free from any encumbrances;
- Investment credit line secured with real estate: loan volumes up to RR 15 million and loan term to 5 years. The requirement for the real estate is an apartment in an apartment building within the Russian Federation, which is free from any encumbrances.

A credit decision process includes:

- Validation of the application data. The system checks the validity of the data provided (addresses, telephone numbers, age, if the applicant already uses any other products of the Bank);
- Phone verification of the application information about the potential customer, his/her employment, social and property status, etc. This step may be omitted for POS loans;
- Requesting of the previous credit history of the applicant from the three largest credit bureaus in Russia – Equifax, UCB (United Credit Bureau) and NBCH (National Bureau of Credit Histories).
- Based on all available information, the credit score of the applicant is calculated and a final decision is made about the approval of the credit product;
- The approved loan amount, loan term and tariff plan are calculated depending on the score and declared income.

Management of the Group manages the credit risk on unused limits on credit cards in the following way:

- if the credit card debt is overdue for more than 7 days, its account will be blocked till repayment;
- if the borrower had lost his/her source of income, then the borrower's account might be blocked till verification of his/her new source of income;
- if the borrower's loan debt burden in other banks is substantially bigger than at the time of loan origination or the credit quality of the borrower decreases significantly then the borrower's limit for credit might be reduced accordingly.

When loans become unrecoverable or not economically viable to pursue further collection efforts, the Collection Department may decide to sell these loans to a debt collection agency.

30 Financial Risk Management (Continued)

The Collection Department considers the following criteria for credit-impaired loans qualifying for sale to external debt collection agencies:

- a) loans remain unpaid after all collection procedures were performed (no payment during last 4-6 months);
- b) the debtor cannot be either reached or found for the previous 4 months;
- c) the debtor has no assets and there is no expectation he/she will have any in the future;
- d) the debtor has died and there is no known estate or guarantor;
- e) it is determined that it is not cost effective to continue collection efforts.

The management of the Bank manages the credit risk on unused limits on credit cards in the following way:

- a) if the credit card loan is overdue for more than 7 days, its account will be blocked till repayment;
- b) if the borrower had lost his/her source of income, then borrower account might be blocked till verification of his/her new employment;
- c) if borrower's loan debt burden in other banks is substantially bigger than at the time of loan origination or the credit quality of the borrower decreases significantly then the borrower's limit for credit might be reduced accordingly.

When a customer experiences serious difficulties with his/her current debt servicing, he/she may be offered loan restructuring. In this case the Bank stops accrual of interest, commissions and fines and the debt amount is restructured according to a fixed instalment payment plan with not more than 36 equal monthly payments.

Another way of working with overdue loans is initiation of the state court process. This collection option statistically gives greater recovery than the sale of credit-impaired loans. Defaulted clients that could be subject to the court process are chosen by the Bank's Collection Department considering the following criteria:

- a) the client's account balance was fixed, accrual of interest stopped;
- b) information about the client is considered to be up to date;
- c) the client denied restructuring program;
- d) term of limitation of court actions has not expired;
- e) court process is economically justified.

Credit Risk Grading System. For measuring credit risk and grading financial instruments except for loans and advances to customers by the level of credit risk, the Group applies risk grades estimated by external international rating agencies in case these financial instruments have risk grades estimated by external international rating agencies (using Fitch ratings and in case of their absence - Moody's or Standard & Poor's ratings adjusting them to Fitch's categories using a reconciliation table):

Master scale credit risk grade	Corresponding ratings of external international rating agency (Fitch)
Excellent	AAA, AA+ to AA-, A+ to A-
Good	BBB+ to BBB-, BB+
Monitor	BB to B+
Sub-standard	B, B-
Doubtful	CCC+ to CC-
NPL	C, D

30 Financial Risk Management (Continued)

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

- *Excellent* – high credit quality with lowest or very low expected credit risk;
- *Good* - good credit quality with currently low expected credit risk;
- *Monitor* – adequate credit quality with a moderate credit risk;
- *Sub-standard* – moderate credit quality with a satisfactory credit risk;
- *Doubtful* – facilities that require closer monitoring and remedial management; and
- *Default* – facilities in which a default has occurred.

For measuring credit risk and grading loans and advances to customers, unused credit limits on credit cards and those financial instruments which do not have risk grades estimated by external international rating agencies, the Group applies its internal risk grades and the corresponding range of probabilities of default:

Master scale credit risk grade	Corresponding interval
Excellent	For credit cards: non-overdue with PD < 5%; for other types of loans: non-overdue for the last 12 months with PD < 5% or with early repayments
Good	All other non-overdue loans
Monitor	1–30 days overdue for all types of loans or without first due date for credit card loans
Sub-standard	31–90 days overdue or restructured loans 0–90 days overdue
NPL	90+ days overdue

The condition of early repayments is satisfied, as described in the table above, if cumulative amount of early repayments exceed 5% of the gross carrying amount at the date of recognition of the loan

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

- *Excellent* – strong credit quality with minimum expected credit risk;
- *Good* – adequate credit quality with low expected credit risk;
- *Monitor* – adequate credit quality with a moderate credit risk and credit cards loans before the first due date;
- *Sub-standard* – low credit quality with a substantial credit risk, includes restructured loans that are less than 90 days overdue;
- *NPL* – non-performing loans, credit-impaired loans more than 90 days overdue.

The rating models are regularly reviewed by the Credit Risk Department, backtested on actual default data and updated if necessary. Despite the method used, the Group regularly validates the accuracy of ratings estimates and appraises the predictive power of the models.

30 Financial Risk Management (Continued)

Expected Credit Loss (ECL) Measurement – Definitions and Description of Estimation Techniques

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).

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

Default occurs when a financial asset is 90 days past due or less than 90 days overdue but with the final statement issued, i.e. the limit is closed, the balance is fixed, interest and commissions are no longer accrued.

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

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

Loss Given Default (LGD) – an estimate of the loss arising on default as a percentage of the EAD. It is based on the difference between the contractual cash flows due and those that the Group would expect to receive.

Discount Rate – a rate to discount an expected loss to its present value at the reporting date. The discount rate represents the effective interest rate (EIR) for the financial instrument or an approximation thereof.

Lifetime period – the maximum period over which ECL should be measured. For loans with fixed maturity, the lifetime period is equal to 20 months. For revolving facilities, it is based on statistics of the average period between the moment of the loan falling into the Stage 2 until the write-off or attrition. Currently the Group estimates that this period equals to 4 years, though it is subject to periodical reassessment.

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

12-month ECL – the portion of lifetime ECLs that represent the ECLs resulting from default events on a financial instrument that are possible within 12 months after the reporting date that are limited by the remaining contractual life of the financial instrument.

Forward looking information – the information that includes the key macroeconomic variables impacting credit risk and expected credit losses for each portfolio segment. A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information.

Credit Conversion Factor (CCF) – a coefficient that shows that the probability of conversion of an off-balance sheet amount to exposure on the consolidated statement of financial position within a defined period. It can be calculated for a 12-month or lifetime period. Based on the analysis performed, the Group considers that 12-month and lifetime CCFs are the same.

Purchased or originated credit-impaired (POCI) financial assets - financial assets that are credit-impaired upon initial recognition.

Default and credit-impaired assets – assets for which a default event has occurred.

30 Financial Risk Management (Continued)

The default definition stated above should be applied to all types of financial assets of the Group.

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria.

Significant Increase in Credit Risk (SICR) — the SICR assessment is performed on an individual basis for all financial assets by regular monitoring of applicability by the Group Risk Management Department.

The Group considers a financial instrument to have experienced a SICR when one or more of the following quantitative, qualitative or backstop criteria have been met.

For interbank operations, bonds issued by banks and bonds issued by corporates and sovereigns:

- 30 days past due;
- award of risk grade "Doubtful";
- decrease of assigned external rating by 2 notches, which corresponds to an approximate increase of PD by 2.5 times.

For credit card loans:

- 30 days past due; or
- threshold defined on an individual basis using existing scoring models: increase of the 12-month PD compared to 12-month PD estimated 18 months ago or as of the date of initial recognition (if it occurred less than 18 months ago) by 3 times or PD reaching 50% and above. 18-month period was determined as the weighted average period of the most recent date where the credit limit was revised by at least 25%, which is considered to be a substantial revision.

For all other loans:

- 30 days past due; or
- if the loans were past due for more than 30 days during the last 6 months or if the loans fell past due during the last 4 months more than once.

If the SICR criteria are no longer met, the instrument will be transferred back to Stage 1.

General principle of techniques applied

For non-POCI financial assets, ECLs are generally measured based on the risk of default over one of two different time periods, depending on whether or not the credit risk of the borrower has increased significantly since initial recognition.

This approach can be summarised in a three-stage model for ECL measurement:

- Stage 1 – a financial instrument that is not credit-impaired on initial recognition and its credit risk has not increased significantly since initial recognition, the loss allowance is based on 12-month ECLs;
- Stage 2 – if since the date, which was assumed to be the date of initial recognition is identified a SICR, the financial instrument is moved to Stage 2 but is not yet deemed to be credit-impaired, the loss allowance is based on lifetime ECLs;

30 Financial Risk Management (Continued)

- Stage 3 – if the financial instrument is credit-impaired or restructured, the financial instrument is then moved to Stage 3 and the loss allowance is based on lifetime ECLs.

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:

- for loans and advances to customers: assessment on a portfolio basis: internal ratings are estimated on an individual basis but the same credit risk parameters (e.g. PD, LGD) are applied during the process of ECL calculations for the same credit risk ratings and homogeneous segments of the loan portfolio;
- for all other financial assets except FVTPL: assessment based on external ratings.

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

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.

Examples of shared characteristics include type of customer, product type, credit risk rating, date of initial recognition, overdue level and repayment statistics.

The different segments reflect differences in PD. The appropriateness of groupings is monitored and reviewed on a periodic basis by the Risk Management Department.

In general, ECL is the multiplication of the following credit risk parameters: EAD, PD and LGD (definitions of the parameters are provided above). The general approach used for ECL calculation is stated below.

$$ECL = PD_{t_i} \cdot EAD_{t_i} \sum_{i=0}^{N-1} \frac{LGD_{t_i}}{(1 + EIR)^{t_i}}$$

where:

$PD_{t_i+t_{i+1}}$ – probability of default in the period between t_i and t_{i+1} (can not exceed 100%)

EAD_{t_i} — exposure at default in moment

LGD_{t_i} — loss given default in moment

t_i – number of months in the loan's lifetime

EIR – effective interest rate

N – remaining amount of payments.

30 Financial Risk Management (Continued)

The ECL is determined by predicting credit risk parameters (EAD, PD and LGD) for each future month during the lifetime period for each exposure or segment. These three components are multiplied together. This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed up. The discount rate used in the ECL calculation is the effective interest rate or an approximation thereof.

The EADs are determined based on the expected payment profile, on an individual basis. For revolving products, the EAD is predicted by taking the current withdrawn balance and adding a “credit conversion factor” that accounts for the expected drawdown of the remaining limit of utilised loans by the time of default. These assumptions vary by product type, current limit utilisation and other borrower-specific behavioural characteristics. For other products EAD is equal to current exposure as there is no credit limit to utilize.

Two types of PDs are used for calculating ECLs: 12-month and lifetime PD:

- 12-month PDs – the estimated probability of a default occurring within the next 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 using borrower-specific behavioural characteristics and adjusted for forward-looking information when appropriate. Based on borrower-specific PDs the exposures are allocated to segments to which average PD for the segment is applied.
- 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 and Stage 3 exposures. An assessment of a lifetime PD is based on the latest available historic default data using product specific lifetime periods defined above. To calculate Lifetime PD, the Group developed lifetime PD curves based on the 12-month PD data.

LGD represents the Group's expectation of the extent of loss on a defaulted exposure. For credit card loans, cash loans and POS loans LGDs are calculated on portfolio basis based on recovery statistics of defaulted loans over the period of 24 or 36 months. For secured loans, car loans and loans to SME LGDs are calculated using current market data in relation to the expected recoveries.

ECL measurement for loan commitments. The ECL measurement for these instruments 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. CCF for undrawn credit limits of credit cards and overdrafts is defined based on statistical analysis of exposures at default.

Principles of assessment based on external ratings – the principles of ECL calculations based on external ratings are the same as for their assessment on a portfolio basis. Credit risk parameters (PD and LGD) are taken from the default and recovery statistics published by international rating agencies (Fitch and in case of their absence - Moody's or Standard & Poor's).

30 Financial Risk Management (Continued)

Forward-looking information incorporated in the ECL models. The calculation of ECLs incorporates forward-looking information. The Group has performed historical analysis and identified the key economic variables impacting credit risk and ECLs for each portfolio. The list of variables:

- Russian stock market index MOEX;
- Moscow Prime Offered Rate;
- Debt load of Russian population based on statistics from bureaus of credit history.

The impact of these economic variables on the ECL has been determined by performing statistical regression analysis in order to understand the way how changes in these variables historically impacted default rates.

Three different scenarios are used: base, optimistic and pessimistic. The scenarios are weighted accordingly with base scenario having the 90.8% weight, optimistic scenario having the 1.3% weight and pessimistic scenario having the 7.9% weight.

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 on a quarterly basis.

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

Market Risk. The Group takes on exposure to market risks. Market risks of the Group arise from open positions in (a) currency and (b) interest rate, both of which are exposed to general and specific market movements. The priority goal of market risk management is to maintain the risks assumed by the Group at a level determined by the Group in accordance with its own strategic objectives. Management sets limits on the value of risk that may be accepted, which is monitored on a daily basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

Currency Risk. The Bank uses limits of open currency positions established by the respective regulatory documents of the Bank of Russia.

The above analysis includes only monetary assets and liabilities. Non-monetary assets do not give rise to any material currency risk.

	At 31 December 2019				At 31 December 2018			
	Non- derivative monetary financial assets	Non- derivative monetary financial liabilities	Derivatives	Net position	Non- derivative monetary financial assets	Non- derivative monetary financial liabilities	Derivatives	Net position
<i>(In millions of RR)</i>								
RR	483,842	(396,002)	(12,995)	74,845	325,553	(266,306)	(1,025)	58,222
USD	46,374	(61,499)	13,422	(1,703)	36,364	(45,538)	5,310	(3,864)
Euro	18,489	(18,400)	(595)	(506)	11,318	(11,381)	(2,641)	(2,704)
GBP	677	(675)	(32)	(30)	571	(586)	(22)	(37)
Others	87	(788)	-	(701)	13	(226)	-	(213)
Total	549,469	(477,364)	(200)	71,905	373,819	(324,037)	1,622	51,404

30 Financial Risk Management (Continued)

Amounts disclosed in respect of derivatives represent the fair value, at the end of the reporting period, of the respective currency that the Group agreed to buy (positive amount) or sell (negative amount) before netting of positions and payments with the counterparty.

The amounts by currency are presented gross as stated in Note 35. The net total represents the fair value of the currency derivatives. The above analysis includes only monetary assets and liabilities.

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:

<i>(In millions of RR)</i>	At 31 December 2019		At 31 December 2018	
	Impact on profit for the year	Impact on total equity	Impact on profit for the year	Impact on total equity
USD strengthening by 20% (2018: by 20%)	(270)	(270)	(587)	(587)
USD weakening by 20% (2018: by 20%)	270	270	587	587
EUR strengthening by 20% (2018: by 20%)	(80)	(80)	(411)	(411)
EUR weakening by 20% (2018: by 20%)	80	80	411	411
GBP strengthening by 20% (2018: by 20%)	(5)	(5)	(5)	(5)
GBP weakening by 20% (2018: by 20%)	5	5	5	5

The exposure was calculated only for monetary assets and liabilities denominated in currencies other than the functional currency of the respective company 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 reduce or create losses in the event that unexpected movements arise.

The Group is exposed to prepayment risk through providing fixed rate loans, which give the borrower the right to repay the loans early. The Group's current year profit and equity at the end of the current reporting period would not have been significantly impacted by changes in prepayment rates because such loans are carried at amortised cost and the prepayment right is at or close to the amortised cost of the loans and advances to customers (2018: no material impact).

The priority goal of management of bank portfolio interest rate risk is to maintain the risks assumed by the Group at a level determined by the Group in accordance with its own strategic objectives.

The interest rate risk of the banking portfolio is managed by setting interest rates on raising and placing funds subject to the types and maturities (development of an interest rate policy) and by balancing assets and liabilities which are sensitive to interest rate changes for different maturities in order to mitigate the interest rate risk and to ensure the profitability of interest transactions.

30 Financial Risk Management (Continued)

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

	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 3 years	More than 3 years	Non- interest bearing financial instruments	Total
<i>(In millions of RR)</i>							
31 December 2019							
Total financial assets	131,546	150,177	65,166	122,852	79,639	864	550,244
Total financial liabilities	(207,751)	(153,968)	(62,627)	(41,421)	(12,187)	-	(477,954)
Net interest sensitivity gap at 31 December 2019	(76,205)	(3,791)	2,539	81,431	67,452	864	72,290
31 December 2018							
Total financial assets	100,392	123,361	35,073	54,952	61,752	280	375,810
Total financial liabilities	(202,911)	(55,661)	(35,865)	(3,652)	(26,037)	-	(324,126)
Net interest sensitivity gap at 31 December 2018	(102,519)	67,700	(792)	51,300	35,715	280	51,684

The Group has no significant risk associated with variable interest rates on loans and advances provided to customers or loans received.

The assessment of the interest rate risk of the bank portfolio is carried out using an approach based on changes in the expected net interest income and a simultaneous shift in interest rates by +/- 200 basis points. If as at 31 December 2019 interest rates had been 200 basis points lower/higher (2018: 200 basis points), with all other variables held the same, profit would have been RR 1,446 million (2018: RR 1,028 million) higher/lower.

The Group monitors interest rates for its financial instruments. The table below summarises interest rates set for 2019 and 2018 based on reports reviewed by key management personnel.

30 Financial Risk Management (Continued)

The sign “-” in the table below means that the Group does not have assets or liabilities in the respective currency.

<i>In % p.a.</i>	2019					2018			
	RR	USD	EURO	GPB	Other	RR	USD	EURO	GPB
Assets									
Cash and cash equivalents	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Due from other banks	6.5	1.6	-	-	-	-	-	-	-
Loans and advances to customers	35.7	-	-	-	-	39.9	-	-	-
Investment in debt securities	7.9	4.3	2.4	-	-	8.5	4.5	3.2	-
Repurchase receivables	-	-	-	-	-	7.4	4.3	-	-
Liabilities									
Due to banks	6.2	0.0	-	-	-	7.0	2.4	-	-
Customer accounts	5.1	1.0	0.1	0.1	0.0	5.1	1.0	0.4	0.3
Debt securities in issue	9.0	-	-	-	-	9.9	-	-	-
Subordinated debt	-	10.0	-	-	-	-	10.0	-	-

Other Price Risk. The Group is not exposed to the risk of changes in share prices as it does not carry out transactions with equity instruments.

Geographical Risk Concentrations. The geographical concentration of the Group’s financial assets and liabilities as at 31 December 2019 is set out below:

<i>(In millions of RR)</i>	Russia	OECD	Other non-OECD	Listed	Total
Financial assets					
Cash and cash equivalents	53,636	2,348	-	-	55,984
Mandatory cash balances with the CBRF	3,448	-	-	-	3,448
Due from other banks	250	-	-	-	250
Loans and advances to customers	328,301	-	-	-	328,301
Financial derivatives	390	-	-	-	390
Investment in debt securities	132,355	-	-	-	132,355
Investment in equity securities	385	-	-	-	385
Guarantee deposits with payment systems	501	8,376	-	-	8,877
Other financial assets	6,853	13,401	-	-	20,254
Total financial assets	526,119	24,125	-	-	550,244
Financial liabilities					
Due to banks	663	-	-	-	663
Customer accounts	414,377	-	5,704	-	420,081
Debt securities in issue	-	-	-	23,618	23,618
Financial derivatives	590	-	-	-	590
Subordinated debt	-	-	-	18,487	18,487
Other financial liabilities	14,456	59	-	-	14,515
Total financial liabilities	430,086	59	5,704	42,105	477,954
Credit related commitments (Note 32)	168,059	-	-	-	168,059

30 Financial Risk Management (Continued)

The geographical concentration of the Group's financial assets and liabilities as at 31 December 2018 is set out below:

<i>(In millions of RR)</i>	Russia	OECD	Other non-OECD	Listed	Total
Financial assets					
Cash and cash equivalents	30,756	1,131	-	-	31,887
Mandatory cash balances with the CBRF	2,435	-	-	-	2,435
Loans and advances to customers	220,106	-	-	-	220,106
Financial derivatives	1,711	-	-	-	1,711
Investment in debt securities	98,331	-	14	-	98,345
Repurchase receivables	1,182	-	-	-	1,182
Investment in equity securities	280	-	-	-	280
Guarantee deposits with payment systems	168	4,435	-	-	4,603
Other financial assets	7,831	7,430	-	-	15,261
Total financial assets	362,800	12,996	14	-	375,810
Financial liabilities					
Due to banks	2,708	-	-	-	2,708
Customer accounts	282,607	-	492	-	283,099
Debt securities in issue	-	-	-	5,851	5,851
Financial derivatives	89	-	-	-	89
Subordinated debt	-	-	-	20,644	20,644
Other financial liabilities	11,552	183	-	-	11,735
Total financial liabilities	296,956	183	492	26,495	324,126
Credit related commitments (Note 32)	110,654	-	-	-	110,654

Assets, liabilities, and credit related commitments have been based on the country in which the counterparty is located. Balances of Russian counterparties transactions actually outstanding to/from offshore companies of these Russian counterparties, are allocated to the caption "Russia". Cash on hand and fixed assets have been allocated based on the country in which it is physically held.

Other Risk Concentrations. The management monitors and discloses concentrations of credit risk by obtaining reports listing exposures to borrowers with aggregated loan balances in excess of 10% of net assets. The Group did not have any significant risk concentration as at 31 December 2019 (31 December 2018: no significant risk concentration, except for credit lines extended to the Parent Company).

Liquidity Risk. Liquidity risk is the risk that the Bank will encounter difficulty in meeting its obligations associated with financial liabilities. The Group is exposed to daily calls on its available cash resources from unused limits on issued credit cards, retail deposits from customers, current accounts, and loans received. The Group does not accumulate cash for the need to meet all above obligations at the same time, as the experience shows that the amount of cash required to meet those obligations may be forecast with a reasonable degree of probability. The Finance Department analyses the liquidity position on an ongoing basis for the purpose of control. In case liquidity ratios deteriorate, the respective information is brought to the attention of the Chairman of the Management Board of the Bank. In the event of actual or expected (future) significant deterioration in liquidity ratios, the information is immediately communicated to the Board of Directors of the Bank.

30 Financial Risk Management (Continued)

The Group seeks to maintain a stable funding base primarily consisting of amounts due to institutional investors, corporate and retail customer deposits, and debt securities. The Group keeps its funds in diversified portfolios of liquid assets such as a correspondent account with the CBRF and overnight placements in high-rated commercial banks, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements. The available cash must at all times exceed all accrued financing costs falling due within half a year plus two months of regular operating costs. The Group's liquidity management stipulates an analysis of the level of liquid assets necessary to settle liabilities at maturity; ensuring access to various funding sources; having in place plans for resolving problems with financing and exercising control over the compliance of liquidity ratios with legal requirements. The liquidity analysis takes into account the contractual obligations and ability of the Group to waive any potential breaches within the grace period.

The Bank calculates liquidity ratios on a daily basis in accordance with the laws of the Russian Federation. In 2019 and 2018, the Bank's ratios met the requirements of the CBRF.

The CFO receives information about the liquidity of the financial assets and liabilities. This includes daily, weekly, monthly, and quarterly updates on the level of credit card transactions and repayments, statistics on credit card issuance and credit card limit utilisation, inflow and outflow of retail deposits, changes in the investment securities portfolio, level of expected outflows such as operating costs and financing transactions. The CFO then ensures the availability of an adequate portfolio of short-term liquid assets, made up of an amount on the correspondent account with the CBRF and overnight deposits with banks, to ensure that sufficient liquidity is maintained within the Bank as a whole. Regular liquidity stress testing under a variety of scenarios and credit card portfolio behaviour is reviewed by the CFO.

The table below shows liabilities as at 31 December 2019 by their remaining contractual maturity. The amounts of liabilities disclosed in the table are the contractual undiscounted cash flows and total loan commitments. Such undiscounted cash flows differ from the amount included in the consolidated statement of financial position because the consolidated statement of financial position amount 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 reporting date. Foreign currency payments are translated using the spot currency rate at the end of the reporting period.

	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Total
<i>(In millions of RR)</i>						
Liabilities						
Due to banks	663	-	-	-	-	663
Customer accounts	197,643	84,108	70,530	60,627	11,605	424,513
Debt securities in issue	167	336	485	1,038	23,795	25,821
Subordinated debt	149	291	440	891	18,541	20,312
Other financial liabilities	14,515	-	-	-	-	14,515
Financial derivatives	-	199	203	399	19,833	20,634
Unused credit limits (Note 32)	168,059	-	-	-	-	168,059
Total potential future payments for financial liabilities	381,196	84,934	71,658	62,955	73,774	674,517

30 Financial Risk Management (Continued)

The maturity analysis of financial liabilities as at 31 December 2018 is as follows:

<i>(In millions of RR)</i>	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Total
Liabilities						
Due to banks	2,708	-	-	-	-	2,708
Customer accounts	193,800	24,257	32,600	33,743	1,719	286,119
Debt securities in issue	47	90	138	280	5,906	6,461
Subordinated debt	167	320	493	998	20,865	22,843
Other financial liabilities	11,735	-	-	-	-	11,735
Financial derivatives	-	92	92	185	9,706	10,075
Unused credit limits (Note 32)	110,654	-	-	-	-	110,654
Total potential future payments for financial liabilities	319,111	24,759	33,323	35,206	38,196	450,595

Financial derivatives receivable and payable are disclosed in Note 35. The tables above present only the derivatives payable.

Customer accounts are classified in the above table based on their 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.

Perpetual subordinated debt participation notes are classified in the category of maturity of more than one year due to the fact that the Group has an option to redeem those notes.

The Group takes on exposure to liquidity risk, which is the risk of cash shortage in case the liability cash flow exceeds the asset cash flow. Exposure to liquidity risk arises as a result of the Group's borrowing and operational activities that imply cash payments.

The Group uses daily, short-term, and long-term reporting, stress-testing and forecasting practices to monitor and prevent potential liquidity problems. The Group is actively increasing the number of counterparties for interbank lending, looking for new markets, improving and creating additional debit and credit products to have more instruments of cash-flow management. The recent economic situation has resulted in an increased liquidity risk. In response, the management of the Group preserves cash safety cushions for possible cash outflows and has planned the Group's liquidity position for the next year to ensure it can cover all upcoming payment obligations.

30 Financial Risk Management (Continued)

The expected maturity analysis of financial assets and liabilities at their carrying amounts as analysed by management as at 31 December 2019 is presented in the table below.

<i>(In millions of RR)</i>	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years	Total
Assets							
Cash and cash equivalents	55,984	-	-	-	-	-	55,984
Mandatory cash balances with the CBRF	1 547	500	339	503	559	-	3,448
Due from other banks	-	-	46	-	204	-	250
Loans and advances to customers	47,443	62,395	62,225	60,674	83,123	12,441	328,301
Financial derivatives	-	-	-	-	390	-	390
Investment in debt securities	132,355	-	-	-	-	-	132,355
Investment in equity securities	-	-	-	-	-	385	385
Guarantee deposits with payment systems	1,282	1,687	1,683	1,641	2,248	336	8,877
Other financial assets	20,150	63	20	10	11	-	20,254
Total financial assets	258,761	64,645	64,313	62,828	86,535	13,162	550,244
Liabilities							
Due to banks	663	-	-	-	-	-	663
Customer accounts	188,484	60,879	41 259	61,298	68,161	-	420,081
Debt securities in issue	-	411	599	1,008	10,003	11,597	23,618
Financial derivatives	-	-	-	-	590	-	590
Subordinated debt	-	158	-	-	18,329	-	18,487
Other financial liabilities	14,515	-	-	-	-	-	14,515
Total financial liabilities	203,662	61,448	41,858	62 306	97,083	11,597	477,954
Net liquidity gap at 31 December 2019	55,099	3,197	22,455	522	(10,548)	1,565	72,290
Cumulative net liquidity gap as at 31 December 2019	55,099	58,296	80,751	81,273	70,725	72,290	-

30 Financial Risk Management (Continued)

The expected maturity analysis of financial assets and liabilities at their carrying amounts as analysed by management as at 31 December 2018 is presented in the table below.

<i>(In millions of RR)</i>	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years	Total
Assets							
Cash and cash equivalents	31,887	-	-	-	-	-	31,887
Mandatory cash balances with the CBRF	1,611	66	105	293	360	-	2,435
Loans and advances to customers	32,952	43,553	43,147	40,045	59,285	1,124	220,106
Financial derivatives	-	-	-	-	1,711	-	1,711
Investment in debt securities	98,345	-	-	-	-	-	98,345
Repurchase receivables	1,182	-	-	-	-	-	1,182
Investment in equity securities	-	-	-	-	-	280	280
Guarantee deposits with payment systems	1,084	1,463	1,138	735	183	-	4,603
Other financial assets	15,261	-	-	-	-	-	15,261
Total financial assets	182,322	45,082	44,390	41,073	61,539	1,404	375,810
Liabilities							
Due to banks	2,708	-	-	-	-	-	2,708
Customer accounts	121,903	42,478	28,554	43,351	45,723	1,090	283,099
Debt securities in issue	-	-	274	274	5,303	-	5,851
Financial derivatives	-	-	-	-	89	-	89
Subordinated debt	-	114	-	-	20,530	-	20,644
Other financial liabilities	11,735	-	-	-	-	-	11,735
Total financial liabilities	136,346	42,592	28,828	43,625	71,645	1,090	324,126
Net liquidity gap as at 31 December 2018	45,976	2,490	15,562	(2,552)	(10,106)	314	51,684
Cumulative net liquidity gap as at 31 December 2018	45,976	48,466	64,028	61,476	51,370	51,684	-

All investment in debt securities are classified within demand and less than one month as they are easy repayable in the CBRF or in the open securities market and can provide immediate liquidity to the Group. All current accounts of individuals are classified within demand and less than one month. The allocation of deposits of individuals considers the statistics of deposit auto prolongations. When the customers have more than one active deposit, the funds from shorter deposits are included in longer deposits until maturity. The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Bank. It is unusual for banks ever to be completely matched since transactions are often of an uncertain term and of different types. Those unmatched positions potentially enhance profitability but can also increase the risk of losses.

30 Financial Risk Management (Continued)

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 Bank and its exposure to changes in interest and exchange rates.

Management believes that in spite of a substantial portion of customer accounts being on demand, diversification of these deposits by number and type of depositors, and the past experience of the Group indicate that these customer accounts provide a long-term and stable source of funding for the Group.

31 Management of Capital

The Group's objectives when managing capital are (a) to comply with the capital requirements set by the CBRF; (b) for the Group to comply with the financial covenants set by the terms of RR and USD denominated securities issued; and (c) to safeguard the Group's ability to continue as a going concern.

The Group management considers total capital under management to be equal to equity attributable to shareholders of the Bank as shown in the consolidated statement of financial position. The capital managed by the Group as at 31 December 2019 amounted to RR 84,742 million (31 December 2018: RR 62,094 million).

Compliance with capital adequacy ratios set by the CBRF is monitored daily, and the Group submits to the CBRF on a monthly basis mandatory reports outlining the respective calculation reviewed and signed by the Bank's management. Other forms of capital management are evaluated annually. The amount of the Bank's capital calculated in accordance with the regulatory requirements of the CBRF was RR 99,731 million as at 31 December 2019, the equity capital adequacy ratio (N1.0) was 12.12% (2018: RR 74,375 million and 13.92%). The minimum required equity capital adequacy ratio (N1.0) was 8% as at 31 December 2019 (2018: 8%).

The Group and the Bank have complied with all externally imposed capital requirements during 2019 and 2018.

32 Contingencies and Commitments

Legal Proceedings. From time to time and in the normal course of business, claims against the Group may be received. On the basis of its own estimates and internal professional advice, the Group management is of the opinion that no material losses will be incurred by the Group in respect of claims in the consolidated financial statements.

Tax Contingencies. The 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 by tax authorities. The 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 noncompliant counterparties.

Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year when decision about review was made. 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.

32 Contingencies and Commitments (Continued)

This legislation provides for the possibility of additional tax assessment for controlled transactions (transactions between related parties and certain transactions between unrelated parties), if such transactions are not on an arm's length. 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.

The Group includes companies incorporated outside of the Russian Federation. The tax liabilities of the Group are determined on the assumption that these companies are not subject to Russian income tax, because they do not carry out their activities in the Russian Federation. The parent company is a tax resident of the Republic of Cyprus and the beneficial owner of the Bank. This interpretation of relevant legislation may be challenged but the impact of any such challenge cannot be reliably estimated currently; however, it may be significant to the financial position and/or the overall operations of the Group. The Controlled Foreign Company (CFC) legislation introduced Russian taxation of profits of foreign companies and non-corporate structures (including trusts) controlled by Russian tax residents (controlling parties). The CFC income is subject to a 20% tax rate if the CFC is controlled by a legal entity and a rate of 13% if it is controlled by an individual. As a result, management reassessed the Group's tax positions and recognised current tax expense as well as deferred taxes that arose from the expected taxable manner of recovery of the relevant Group's operations to which the CFC legislation applies to and to the extent that the Group (rather than its owners) is obliged to settle such taxes.

As Russian tax legislation does not provide definitive guidance in certain areas, the Group adopts, from time to time, interpretations of such uncertain areas that reduce the overall tax rate of the Group. While management currently estimates that the tax positions and interpretations that it has taken can probably be sustained, there is a possible risk that outflow of resources will be required should such tax positions and interpretations be challenged by the tax authorities. 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. As at 31 December 2019, the Group management did not identify any material tax risks (2018: same).

Future Lease Payments related to Leases of Low Value Assets as at 31 December 2019. The future cash outflows to which the Group is exposed and which are not reflected in the lease liabilities amounted to RR 59 million as at 31 December 2019 and relate primarily to leases of assets which are of low value.

Maturity Analysis of Lease Liabilities. The expected maturity analysis of lease liabilities at carrying amounts as at 31 December 2019 is presented in the table below.

Compliance with Covenants. The Group is subject to certain contractual obligations related primarily to its issued debt securities and perpetual subordinated debt. Non-compliance with such covenants may result in negative consequences for the Group. The management believes that the Group was in compliance with all such covenant as at 31 December 2019 (2018: same).

(In millions of RR)	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	Total
Lease liabilities	11	109	111	167	1,254	1,652

32 Contingencies and Commitments (Continued)

Credit Related Commitments and Performance Guarantees. The primary purpose of these instruments is to ensure that funds are available to a customer as required. Commitments to extend credit represent unused portions of authorizations to extend credit in the form of credit card loans and guarantees. 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 probable loss amount is less than the total amount of unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific creditworthiness standards.

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

Performance guarantees are contracts that provide compensation if the other party fails to perform a contractual obligation. Such contracts do not transfer the credit risk. The risk under performance guarantee contracts is the possibility that the insured event (i.e. the failure to perform the contractual obligation by the other party) occurs. The key risks the Group faces are significant fluctuations in the frequency and amount of payments incurred on such contracts relative to expectations. The Group uses a scoring model to predict levels of such payments. Claims must be made before the contract matures and most claims are settled within short term. This allows the Group to achieve a high degree of certainty about the estimated payments and therefore future cash flows.

Outstanding credit limits and related commitments are as follows:

<i>(In millions of RR)</i>	31 December 2019	31 December 2018
Unused limits on credit card loans	168,059	110,478
Unused limits on corporate loans	-	176
Credit loss allowance	(2,242)	(2,041)
Total credit related commitments, net of credit loss allowance	165,817	108,613
Performance guarantees issued	874	89
Provisions	(3)	-
Total performance guarantees issued, net of provisions	871	89

The total outstanding amount of unused limits on loans does not necessarily represent future cash requirements, as these obligations may expire or be cancelled without providing the borrower with funds and, therefore, their fair value is close to nil. In accordance with credit card service conditions the Group has a right to refuse the issuance, activation, reissuing or unblocking of a credit card, and is providing a credit card limit at its own discretion and without explaining its reasons.

32 Contingencies and Commitments (Continued)

The following table contains an analysis of credit related commitments by credit quality as at 31 December 2019 based on credit risk grades.

	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
<i>(In millions of RR)</i>				
Credit related commitments				
- Excellent	145,154	-	-	145,154
- Good	12,285	84	-	12,369
- Monitor	10,360	176	-	10,536
- Sub-standard	-	-	-	-
Unrecognised gross amount	167,799	260	-	168,059
Credit loss allowance	(2,228)	(14)	-	(2,242)
Unrecognised net amount	165,571	246	-	165,817

The following table contains an analysis of credit related commitments by credit quality at 31 December 2018 based on credit risk grades.

	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
<i>(In millions of RR)</i>				
Credit related commitments				
- Excellent	94,151	-	-	94,151
- Good	7,274	71	-	7,345
- Monitor	8,827	162	-	8,989
- Sub-standard	-	169	-	169
Unrecognised gross amount	110,252	402	-	110,654
Credit loss allowance	(2,024)	(17)	-	(2,041)
Unrecognised net amount	108,228	385	-	108,613

The Group may decide to increase or decrease a credit card limit using a scoring model, which is based on the customer's behaviour model. Credit related commitments are denominated in RR. Therefore, the fair value of the contractual amount of revocable unused limits on contingencies and commitments is close to zero.

The following table contains an analysis of performance guarantees issued by credit quality based on credit risk grades.

	31 December 2019	31 December 2018
<i>(In millions of RR)</i>		
	Stage 1 (12-months ECL)	Stage 1 (12-months ECL)
Performance guarantees issued		
- Excellent	564	89
- Good	310	-
Unrecognised gross amount	874	89
Provisions	(3)	-
Unrecognised net amount	871	89

Mandatory cash balances with the CBRF of RR 3,448 million as at 31 December 2019 (2018: RR 2,435 million) represent Mandatory cash balances which are not available to finance the Bank's day to day operations.

33 Offsetting Financial Assets and Financial Liabilities

Financial instruments subject to offsetting, enforceable master netting and similar arrangements are as follows as at 31 December 2019:

	Gross amounts before offsetting	Gross amounts offset in the consolidated statement of financial position	Net amount after offsetting in the consolidated statement of financial position	Amounts subject to master netting and similar arrangements not offset in the consolidated statement of financial position		Net amount of exposure
				Financial instruments	Cash collateral	
<i>(In millions of RR)</i>						
Assets						
Reverse repurchase agreements with other banks with original maturities of more than three months	20,681	-	20,681	22,369	-	(1,688)
Due from other banks	204	-	204	227	-	(23)
Financial derivatives	20	-	20	-	23	(3)
Total assets subject to offsetting, master netting, and similar arrangement	20,905	-	20,905	22,596	23	(1,714)
Liabilities						
Due to banks	663	-	663	20	-	643
Financial derivatives	227	-	227	-	204	23
Total liabilities subject to offsetting, master netting, and similar arrangement	890	-	890	20	204	666

33 Offsetting Financial Assets and Financial Liabilities (Continued)

Financial instruments subject to offsetting, enforceable master netting and similar arrangements are as follows as at 31 December 2018:

	Gross amounts before offsetting	Gross amounts offset in the consolidated statement of financial position	Net amount after offsetting in the consolidated statement of financial position	Amounts subject to master netting and similar arrangements not offset in the consolidated statement of financial position		Net amount of exposure
				Financial instruments	Cash collateral	
<i>(In millions of RR)</i>						
Assets						
Reverse repurchase agreements with other banks with original maturities of more than three months	11,147	-	11,147	12,389	-	(1,242)
Repurchase receivables	1,182	-	1,182	-	1,111	71
Financial derivatives	1,706	-	1,706	-	1,598	108
Total assets subject to offsetting, master netting, and similar arrangement	14,035	-	14,035	12,389	2,709	(1,063)
Liabilities						
Correspondent accounts and overnight placements of other banks	1,598	-	1,598	1,706	-	(108)
Repurchase receivables	1,111	-	1,111	1,182	-	(71)
Total liabilities subject to offsetting, master netting, and similar arrangement	2,709	-	2,709	2,888	-	(179)

As at 31 December 2019, the Group has master netting arrangements with counterparty banks, which are enforceable in case of default. The Group also made margin deposits with its clearing house counterparty as collateral for its outstanding derivative positions. The counterparty may offset the Group's liabilities with the margin deposit in case of default (2018: same). The disclosure does not apply to loans and advances to customers and related customer deposits.

34 Transfers of Financial Assets

The Group transferred financial assets in transactions that did not qualify for derecognition in the current periods.

The table below shows the amount of operations under sale and repurchase agreements which the Group enters into in the normal course of business:

	Note	31 December 2019		31 December 2018	
		Carrying amount of the assets	Carrying amount of the associated liabilities	Carrying amount of the assets	Carrying amount of the associated liabilities
<i>(In millions of RR)</i>					
Debt securities at FVOCI pledged under repurchase agreements	15	-	-	1,182	1,111
Securities of clients pledged under repurchase agreements	15	683	640	-	-
Total		683	640	1,182	1,111

In the normal course of business, the Group makes borrowings on interbank market using different financial instruments as collateral to support its everyday operations in terms of liquidity.

The Group also enters into reverse sale and repurchase agreements. The summary of such operations is provided in the table below:

	31 December 2019		31 December 2018	
	Amounts granted under repo agreements	Fair value of securities received as collateral	Amounts granted under repo agreements	Fair value of securities received as collateral
<i>(In millions of RR)</i>				
Cash and cash equivalents	20,681	22,369	11,147	12,389
Total	20,681	22,369	11,147	12,389

35 Financial Derivatives

The table below sets out fair values, as at the end of the reporting period, of receivables or payables under foreign exchange forwards and swap contracts entered into by the Group with a breakdown by currency. The table reflects gross positions before the netting of any counterparty positions (and payments) and covers the contracts with settlement dates after the end of the respective reporting period. The transactions are short-term.

	2019		2018	
	Contracts with positive fair value	Contracts with negative fair value	Contracts with positive fair value	Contracts with negative fair value
<i>(In millions of RR)</i>				
Foreign exchange forwards and swaps: discounted notional amounts, at the end of the reporting period, of				
- USD receivable on settlement (+)	8,768	8,888	9,373	-
- USD payable on settlement (-)	(1,570)	(2,664)	(1,632)	(2,431)
- RR receivable on settlement (+)	1,896	2,971	(7,666)	(596)
- RR payable on settlement (-)	(8,388)	(9,474)	2,106	5,131
- EUR receivable on settlement (+)	-	-	-	596
- EUR payable on settlement (-)	(301)	(294)	(459)	(2,778)
- GBP receivable on settlement (+)	-	-	-	-
- GBP payable on settlement (-)	(15)	(17)	(11)	(11)
Fair value of foreign exchange forwards and swaps	390	(590)	1,711	(89)

36 Fair Value of Financial Instruments

Fair value measurements are analysed by level in the fair value hierarchy as follows: (a) Level 1 are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (b) Level 2 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 (c) Level 3 measurements are valuations not based on observable market data (that is, unobservable inputs).

(a) Recurring Fair Value Measurements

Recurring fair value measurements are those that the accounting standards require or permit in the consolidated statement of financial position at the end of each reporting period.

36 Fair Value of Financial Instruments (Continued)

(a) Recurring Fair Value Measurements (continued)

The levels in the fair value hierarchy into which the recurring fair value measurements are categorised are as follows:

(In millions of RR)	31 December 2019				31 December 2018			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets at fair value								
Financial derivatives	-	390	-	390	-	1,711	-	1,711
Investment in debt securities	130,416	1,939	-	132,355	92,852	5,493	-	98,345
Investment in equity securities	-	-	385	385	-	-	280	280
Repurchase receivables	-	-	-	-	1,182	-	-	1,182
Total assets recurring fair value measurements	130,416	2,329	385	133,130	94,034	7,204	280	101,518
Liabilities at fair value								
Financial derivatives	-	590	-	590	-	89	-	89
Total liabilities recurring fair value measurements	-	590	-	590	-	89	-	89

Investments in debt securities categorised at Level 2 are represented by liquid debt securities classified in "Good" credit risk grade.

The description of valuation techniques and the description of the inputs used in the fair value measurement for Level 2 measurements as at 31 December 2019 are as follows:

(In millions of RR)	Fair value	Valuation technique	Inputs used
Assets at fair value			
Investment in debt securities	1,939	Observable quotes for comparable securities are adjusted by multiplier depending on the degree of the market activity.	Quotes from the automated fair value system for financial instruments of NSD Price Centre*
Foreign exchange swaps and forwards	390	Discounted cash flows adjusted for counterparty credit risk subject to embedded options	Russian rouble curve. USD dollar and Euro swaps curve CDS quotes assessment of counterparty credit risk
Total recurring fair value measurements at Level 2	2,329		

36 Fair Value of Financial Instruments (Continued)

(a) Recurring Fair Value Measurements (continued)

<i>(In millions of RR)</i>	Fair value	Valuation technique	Inputs used
Liabilities at fair value			
Foreign exchange swaps and forwards	590	Discounted cash flows adjusted for counterparty credit risk subject to embedded options	Russian rouble curve. USD dollar and Euro swaps curve CDS quotes assessment of counterparty credit risk
Total recurring fair value measurements at Level 2 (unaudited)	590		

The description of valuation techniques and the description of the inputs used in the fair value measurement for Level 2 measurements as at 31 December 2018 are as follows:

<i>(In millions of RR)</i>	Fair value	Valuation technique	Inputs used
Assets at fair value			
Investment in debt securities	5,493	Observable quotes for comparable securities are adjusted by multiplier depending on the degree of the market activity.	Quotes from the automated fair value system for financial instruments of NSD Price Centre*
Foreign exchange swaps and forwards	1,711	Discounted cash flows adjusted for counterparty credit risk subject to embedded options	Russian rouble curve. USD Dollar swaps curve. CDS quotes assessment of counterparty credit risk
Total recurring fair value measurements at Level 2	7,204		
Liabilities at fair value			
Foreign exchange swaps and forwards	89	Discounted cash flows adjusted for counterparty credit risk subject to embedded options	Russian rouble curve. USD Dollar swaps curve. CDS quotes assessment of counterparty credit risk
Total recurring fair value measurements at Level 2	89		

* NSD Valuation Center is a fair value measurement service for bonds and other financial instruments, accredited by the CBRF.

There were no changes in the valuation techniques for Level 2 recurring fair value measurements during the year ended 31 December 2019. Level 2 derivatives comprise foreign exchange forwards and swaps.

The foreign exchange forwards have been fair valued using forward exchange rates that are quoted in an active market. Foreign exchange swaps are fair valued using forward interest rates extracted from observable yield curves. The effects of discounting are generally insignificant for Level 2 derivatives.

36 Fair Value of Financial Instruments (Continued)

(a) Recurring Fair Value Measurements (continued)

The description of valuation techniques and the description of the inputs used in the fair value measurement for Level 3 measurements as at 31 December 2019 are as follows:

<i>(In millions of RR)</i>	Fair value	Valuation technique	Inputs used
Assets at fair value			
Investments in equity securities of the Insurance Company	385	Value of net assets of the Insurance Company attributable to the ownership ratio of the Bank	Cost of acquisition. Profit earned by the Insurance Company after the date of acquisition by the Bank of the Insurance Company shares.
Total recurring fair value measurements at Level 3 (unaudited)	385		

The description of valuation techniques and the description of the inputs used in the fair value measurement for Level 3 measurements as at 31 December 2018 are as follows:

<i>(In millions of RR)</i>	Fair value	Valuation technique	Inputs used
Assets at fair value			
Investments in equity securities of the Insurance Company	280	Value of net assets of the Insurance Company attributable to the ownership ratio of the Bank	Cost of acquisition. Profit earned by the Insurance Company after the date of acquisition by the Bank of the Insurance Company shares.
Total recurring fair value measurements at Level 3	280		

Analysis of changes in Level 3 fair value for the year ended 31 December 2019 is as follows:

<i>(In millions of RR)</i>	Investment in equity securities
Fair value at 31 December 2018	280
Revaluation of investments	105
Fair value at 31 December 2019 – Level 3	385

There were no changes in the valuation models for Level 3 recurring fair value measurements during the nine and three months ended 31 December 2019 (2018: none).

36 Fair Value of Financial Instruments (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 amount of assets not measured at fair value are as follows:

	31 December 2019				31 December 2018			
	Level 1	Level 2	Level 3	Carrying amount	Level 1	Level 2	Level 3	Carrying amount
Financial assets carried at amortised cost								
Cash and cash equivalents								
- Cash on hand	11,118	-	-	11,118	5,833	-	-	5,833
- Cash balances with the CBRF (other than Mandatory cash balances)	-	16,599	-	16,599	-	11,158	-	11,158
- Placements with other banks and non-bank credit organizations with original maturities of less than three months	-	28,267	-	28,267	-	14,896	-	14,896
Mandatory cash balances with the CBRF	-	3,448	-	3,448	-	2,435	-	2,435
Due from other banks	-	250	-	250	-	-	-	-
Loans and advances to customers	-	-	328,466	328,301	-	-	220,658	220,106
Guarantee deposits with payment systems	-	-	8,877	8,877	-	-	4,603	4,603
Other financial assets								
- Settlement of operations with plastic cards receivable	-	16,384	-	16,384	-	12,694	-	12,694
- Other receivables	-	3,870	-	3,870	-	2,567	-	2,567
Total financial assets carried at amortised cost	11,118	68,818	337,343	417,114	5,833	43,750	225,261	274,292

36 Fair Value of Financial Instruments (Continued)

(b) Assets and Liabilities not Measured at Fair Value but for which Fair Value is Disclosed (Continued)

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

	31 December 2019				31 December 2018			
	Level 1	Level 2	Level 3	Carrying amount	Level 1	Level 2	Level 3	Carrying amount
<i>(In millions of RR)</i>								
Financial liabilities carried at amortised cost								
Due to banks	-	663	-	663	-	2,708	-	2,708
Customer accounts								
Individuals								
- Current/demand accounts	-	211,661	-	211,661	-	137,637	-	137,637
- Term deposits	-	139,114	-	137,292	-	102,829	-	100,227
IE and SME								
- Current/demand accounts	-	60,174	-	60,174	-	41,702	-	41,702
- Term deposits	-	1,879	-	1,880	-	-	-	-
Other legal entities								
- Current/demand accounts	-	3,226	-	3,226	-	3,044	-	3,044
- Term deposits	-	254	-	254	-	113	-	110
- Deposits and current accounts of the Parent Company	-	5,594	-	5,594	-	411	-	379
Debt securities in issue								
RR bonds issued on the domestic market	24,442	-	-	23,618	5,919	-	-	5,851
Subordinated debt								
Perpetual subordinated debt participation notes	19,604	-	-	18,487	20,505	-	-	20,644
Other financial liabilities								
Settlement of operations with plastic cards	-	6,427	-	6,427	-	4,904	-	4,904
Trade payables	-	5,141	-	5,141	-	3,873	-	3,873
Credit related commitments	-	-	-	2,242	-	-	-	2,041
Other financial liabilities	-	705	-	705	-	917	-	917
Total financial liabilities carried at amortised cost	44,046	434,838	-	477,364	26,424	298,138	-	324,037

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by an active quoted market price. Where quoted market prices are not available, the Group used valuation techniques. 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.

As at 31 December 2019 and 31 December 2018, the fair value of commitments to extend credits is estimated to be approximately nil as they are in line with market rates. The fair value of the debt securities in issue and subordinated debt was calculated based on quoted prices from the Moscow Exchange MICEX-RTS and Global Exchange Market, where the Bank's debt securities are listed and traded.

36 Fair Value of Financial Instruments (Continued)

(b) Assets and Liabilities not Measured at Fair Value but for which Fair Value is Disclosed (Continued)

The average discount rates used depend on the instrument currency and are allocated as follows:

<i>(In % p.a.)</i>	31 December 2019	31 December 2018
Assets		
Cash and cash equivalents	0.0	0.0
Due from other banks	5.5	-
Loans and advances to customers	35.7	39.9
Investment in debt securities	4.8	5.4
Repurchase receivables	-	4.3
Liabilities		
Due to banks	0.2	6.0
Customer accounts	3.9	4.4
Debt securities in issue	7.5	7.3
Subordinated debt	6.8	9.8

37 Presentation of Financial Instruments by Measurement Category

In accordance with IFRS 9 Financial Instruments, the Group classifies/includes its financial assets into the following categories: (a) financial assets at FVTPL; (b) financial assets through OCI, and (c) financial assets at AC. The "Financial Assets at FVTPL" category have two sub-categories: (a) assets measured at FVTPL mandatorily, and (b) assets designated as such upon initial recognition. In addition, finance lease receivables form a separate category.

The following table provides an analysis of classes of financial assets with these measurement categories as at 31 December 2019:

<i>(In millions of RR)</i>	AC	FVTPL (mandatory)	Debt Instruments through OCI	Equity Instruments through OCI	Total
ASSETS					
Cash and cash equivalents					
- Cash on hand	11,118	-	-	-	11,118
- Cash balances with the CBRF (other than Mandatory cash balances)	16,599	-	-	-	16,599
- Placements with other banks and non-bank credit organizations with original maturities of less than three months	28,267	-	-	-	28,267
Mandatory cash balances with the CBRF	3,448	-	-	-	3,448
Due from other banks	250	-	-	-	250
Loans and advances to customers	328,301	-	-	-	328,301
Financial derivatives	-	390	-	-	390
Investment in debt securities	-	-	132,355	-	132,355
Investment in equity securities	-	-	-	385	385
Guarantee deposits with payment systems	8,877	-	-	-	8,877
Other financial assets					
- Settlement of operations with plastic cards receivable	16,384	-	-	-	16,384
- Other receivables	3,870	-	-	-	3,870
Total financial assets	417,114	390	132,355	385	550,244

37 Presentation of Financial Instruments by Measurement Category (Continued)

The following table provides an analysis of classes of financial assets with these measurement categories as at 31 December 2018:

	AC	FVTPL (mandatory)	Debt Instruments through OCI	Equity Instruments through OCI	Total
<i>(In millions of RR)</i>					
ASSETS					
Cash and cash equivalents					
- Cash on hand	5,833	-	-	-	5,833
- Cash balances with the CBRF (other than mandatory cash balances)	11,158	-	-	-	11,158
- Placements with other banks and non-bank credit organizations with original maturities of less than three months	14,896	-	-	-	14,896
Mandatory cash balances with the CBRF	2,435	-	-	-	2,435
Due from other banks	-	-	-	-	-
Loans and advances to customers	220,106	-	-	-	220,106
Financial derivatives	-	1,711	-	-	1,711
Investment in debt securities	-	5,255	93,090	-	98,345
Repurchase receivables	-	-	1,182	-	1,182
Investment in equity securities	-	-	-	280	280
Guarantee deposits with payment systems	4,603	-	-	-	4,603
Other financial assets					
- Settlement of operations with plastic cards receivable	12,694	-	-	-	12,694
- Other receivables	2,567	-	-	-	2,567
Total financial assets	274,292	6,966	94,272	280	375,810

38 Related Party Transactions

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

38 Related Party Transactions (Continued)

The outstanding balances with related parties were as follows:

	31 December 2019			31 December 2018		
	Parent company	Key management personnel	Other related parties	Parent company	Key management personnel	Other related parties
Assets						
Investment in equity securities	-	-	385	-	-	280
Gross amounts of loans and advances to customers (contractual interest rate: 5.5%–25.7% p.a. (31 December 2018: 6.0%–27.8% p.a.))	-	12	5,565	22,035	9	2,905
Other financial assets	-	-	484	-	-	34
Other non-financial assets	-	-	1	-	-	1
Total assets	-	12	6,435	22,035	9	3,220
Liabilities						
Customer accounts (contractual interest rate: 0.5–7.2% p.a. (31 December 2018: 4.2–13% p.a.))	5,594	1,779	3,054	379	1,349	2,583
Financial derivatives	-	-	-	86	-	-
Other financial liabilities	-	-	978	-	-	420
Total liabilities	5,594	1,779	4,032	465	1,349	3,003
Equity						
Long-term benefits:						
- Management long-term incentive programme	-	930	-	-	1,102	-
Total equity	-	930	-	-	1,102	-

Other related parties in the tables above are represented by entities which are under control of the Group's ultimate controlling party Oleg Tinkoff.

The credit-related commitments are as follows:

	31 December 2019			31 December 2018		
	Parent company	Key management personnel	Other related parties	Parent company	Key management personnel	Other related parties
Unutilised credit limits	-	-	-	7	-	169

38 Related Party Transactions (Continued)

The income and expense items with related parties were as follows:

	2019			2018		
	Parent company	Key management personnel	Other related parties	Parent company	Key management personnel	Other related parties
<i>(In millions of RR)</i>						
Interest income calculated using the effective interest rate method	713	2	379	1,253	3	203
Interest expense calculated using effective interest rate method	(228)	(64)	(66)	(78)	(46)	(41)
Credit loss allowance for loans and advances to customers	-	-	(804)	-	-	(668)
Fee and commission income	-	-	214	-	-	53
Fee and commission expense	-	-	(18)	-	-	-
Customer acquisition expense	-	-	(219)	-	-	(62)
Insurance premiums earned	-	-	301	-	-	319
Net gains/ (losses) from foreign exchange translation	94	-	31	(68)	-	(69)
Net losses from operations with foreign currencies	(111)	-	-	(195)	-	-
Net gains/ (losses) from derivatives revaluation	678	-	-	(538)	-	-
Administrative and other operating expenses	-	(1,582)	(174)	-	(2,047)	(89)
Other operating income	-	-	623	351	-	-

Key management compensation is presented below:

<i>(In millions of RR)</i>	2019	2018
<i>Short-term benefits:</i>		
- Salaries	889	774
- Short-term bonuses	586	709
<i>Long-term benefits:</i>		
- Management long-term incentive programme	107	564
Total	1,582	2,047

Management Long-Term Incentive Programme (MLTIP) On 31 March 2016 the Parent Company introduced a Management Long-Term Incentive Programme (MLTIP) as both a long-term incentive and a retention tool for the management of the Group.

On 15 January 2019, the Parent Company granted GDRs to new participants in MLTIP which resulted in an increase in the total number of GDRs granted under that programme to 9,940 thousand as at 30 June 2019 (31 December 2018: 9,849 thousand).

Programme participants receive respective parts of their benefits provided that they are employed by the Group during the vesting period of benefits. Participants are entitled to the dividends, if any. Participants who leave the Group lose their right for the not transferred parts of their benefits.

38 Related Party Transactions (Continued)

The fair value of the awards as at grant dates (31 March 2016, 8 February 2017, 22 February 2018, 15 January 2019) is determined on the basis of market quotes of GDRs as at those dates.

Each grant is divided into 4 equal awards. Each award vests over 4 years in equal tranches. The delivery dates as at which the GDRs are allowed to be sold by the participants correspond to the vesting dates being 14 April 2016, as well as each subsequent 31 March (with the exception of 2019 when the GDR vesting date for all participants was 31 January 2019) until 2022 for participants joining in 2016, until 2023 for participants joining in 2017, until 2024 for participants joining in 2018, until 2025 for participants joining in 2019.

The following table discloses the changes in the numbers of GDRs attributable to the MLTIP for the period from the Programme launch until the end of the reporting period:

<i>In thousands</i>	Number of GDRs attributable to the MLTIP
Granted	7,425
Vested	(464)
31 December 2016	6,961
Granted	2,270
Vested	(1,326)
Forfeited	(60)
31 December 2017	7,845
Granted	154
Vested	(1,805)
Forfeited	(16)
31 December 2018	6,178
Granted	91
Vested	(2,419)
Forfeited	(68)
31 December 2019	3,782

39 Events After the End of the Reporting Period

As at 31 December 2020, the Group sold 40% of its stake in LLC “CloudPayments”.

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