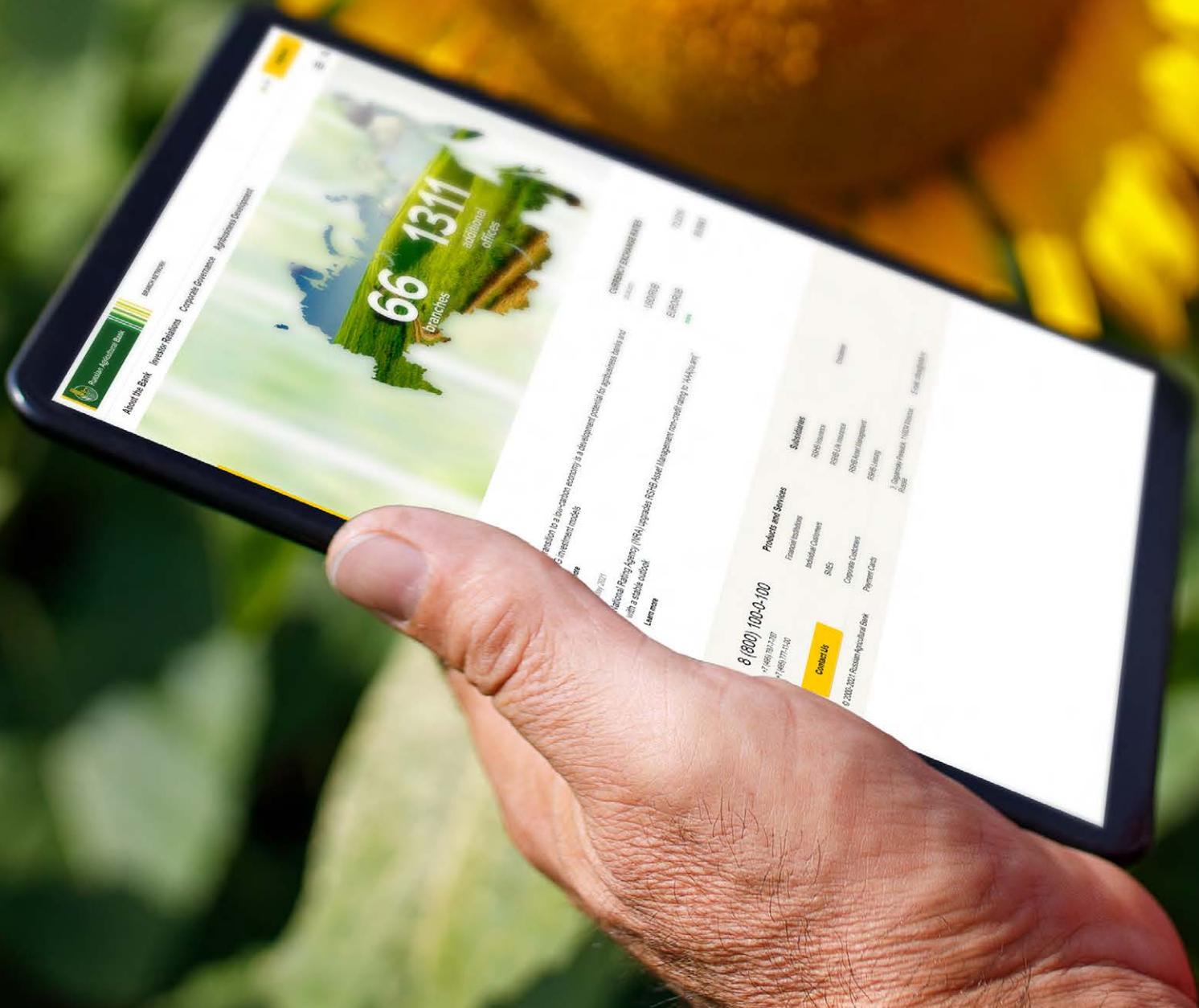




Russian Agricultural Bank

# ANNUAL REPORT 2020





## CHAIRMAN'S STATEMENT

Dear customers, partners and investors,

Year 2020, an anniversary for Russian Agricultural Bank (RusAg, the Bank), coincided with a most challenging time in recent history for our country and the whole world. Two grave, overlapping crises — economic and epidemiological — ushered in a new reality that reshaped every sphere of life and affected literally every person and every company, including RusAg. Working against the odds, the Bank retained its stability. As a systemically important financial institution, RusAg supplied continuous financing for agribusinesses, and ensured that millions of our clients could implement projects, attain goals and fulfil their dreams even with pandemic-related restrictions.

At the same time, during the past year we looked back at the 20 years of our history summing up the results and defining new horizons for development. Established in March 2000 by the order of President Vladimir Putin, as a key lender for agribusiness, RusAg maintains strong leadership in its financing.

Over these 20 years, the Bank invested in agribusiness more than RUB 10 trillion. In 2020 our investments in all agricultural segments amounted to **RUB 1.6 trillion** (up **26%** from 2019), including **RUB 261 billion** in SMEs (up **44%** from 2019). Today RusAg is the source of every third rouble lent to agribusiness. We have grown our share in seasonal works finance to **72%**, and, for many regions, RusAg is the only financial institution that provides funds for these purposes. More than half a trillion (502 billion) roubles were allocated for seasonal works, which is **32%** higher than the result of 2019.

In 2020, the Food Security Doctrine of Russia was approved by the Decree of the President of the Russian Federation. RusAg is making a significant contribution to the development of national food production. With the Bank's financial support, enterprises and farmers have carried out **5,300 investment projects** to build, reconstruct and upgrade their livestock, poultry complexes and other agricultural facilities. Not only do the projects we support aim to launch a new production facility or expand a business, they also aim to build up vertically integrated holding structures, including in knowledge-intensive sectors. Projects under way help make Russian agriculture more self-sufficient in terms of domestically available genetic material. The 'field to shop' model is now giving way to 'genetics to shop', which gives national agribusiness a great boost.

RusAg is closely involved with rural development, maintaining a presence in 82 regions of the country and operating 70% of its branches in rural areas and small towns. We continue to make financial services in rural

areas more readily available through opening new offices and points of sale, and have already attained 100% coverage in several regions. Russian Agricultural Bank is often referred to as 'the bank of the regions', which gives us a sense of pride.

We continue to work with a broad customer base. RusAg is one of the five largest credit institutions in Russia. In 2020 we had more than **6 million** retail clients with deposits of over **RUB 1.3 trillion**.

Special mention must be made of rural mortgage, launched last year as part of the state program 'Integrated Rural Development'. Making available over **RUB 79.4 billion** in mortgage loans and receiving **RUB 414.3 billion** worth of mortgage applications, RusAg became an undisputed leader of this effort. Seeing strong demand, we were able to double our mortgage lending to over **RUB 175 billion** last year.

2020 was the year when RusAg embarked on a digital transformation path, launching Svoe Fermerstvo (My Farming), a unique digital ecosystem for farmers, in summer of 2020. Russia's first digital platform for agriculture, Svoe Fermerstvo has created unlimited opportunities for farmers, from starting a business to producing and selling agricultural products to the end consumer.

Last September, as part of its digital ecosystem, RusAg launched Svoe Rodnoe (A World of My Own), a new platform for farmers that helps broaden sales channels, reach more clients and even offer tourist services.

Agricultural and rural development would be impossible without a new generation of professionals, and we continue to support specialised education, opening up opportunities for young people to fulfil their intellectual and creative potential. 2020 saw the graduation of the first class of trade attachés trained by RusAg in cooperation with the Russian Ministry for Agriculture and Moscow State Institute of International Relations. The Bank supports students from all **54** agricultural education institutions across the country. We have expanded the scholarship program and increased the amount of payments by **25%**. Last autumn, we launched Farmer's School, a major education project that helps people join this profession, start an agricultural business straight away or further improve their skills. Farmer's School is operating in four regions and will be joined this year by **15 more** Russian regions.

Thus, RusAg's team has reached several major objectives at a time, ramping up credit support for agribusiness, supporting a positive trend in the Bank's financial result and laying the groundwork for further meaningful growth.

In 2020, the Bank grew its total loan portfolio **20%** to **RUB 2.97 trillion**. Excellent quality of client work helped us to improve our performance indicators, both in corporate and retail segments.

Given that improving business indicators and delivering on agribusiness finance objectives (including for SMEs) requires a stronger capital base, RusAg had a **RUB 30.5 billion** share capital increase in 2020.

For 20 years, Russian Agricultural Bank, age mate of the 21st century, has passed through several important stages, helping to set up the national agribusiness and foster its dynamic growth. At this point, we are entering a new stage. The first objective set in the Bank's new Strategy is to relocate beyond the boundaries of traditional lending services. By 2025, we are expected to be offering unique non-financial mechanisms to comprehensively

support agriculture and rural areas, working under the 'More Than Just A Bank' concept. While remaining the mainstay of the agribusiness, RusAg will help its clients proactively use the new opportunities of digital technologies and respond optimally to internal and external challenges.

The Bank's second key objective is to ensure consistently high operational efficiency and financial sustainability through diversification of income and a high-quality loan portfolio. This will help us internally generate capital from profit on a sustainable basis.

I am positive that we can do more to develop agribusiness and the national economy and rise to new levels of efficiency and competitiveness.

As a state-owned bank, RusAg is part of this country, of its past, present and future, and this is exactly why we attach great importance to carrying out government policies.

We are changing with the country, in the interests of our nation, for the benefit of our fellow citizens.

Yours sincerely,

**Boris Listov**  
Chairman of the Board and CEO  
Russian Agricultural Bank

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## Disclaimer

*This report contains certain forward-looking statements with respect to financial conditions, results of operations, and businesses of Russian Agricultural Bank. These statements involve risk and uncertainty, because they relate to events and depend upon circumstances that will occur in the future. There are numerous factors which could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements. The statements are based on current expected market and economic conditions, the existing regulatory environment and IFRS interpretations that are applicable to past, current and future periods. Nothing in this report should be construed as a profit forecast.*



## BANK PROFILE

Russian Agricultural Bank (RusAg, the Bank) is one of the leading Russian financial institutions, established in 2000 to facilitate the development of the national credit and financial system for agribusiness and rural areas. 100% of the Bank's voting shares are owned by the Russian Federation represented by the Federal Agency for State Property Management.

RusAg is the key participant in the State Program for Agribusiness Development 2013-2025, including the mechanism of agribusiness subsidized lending, as the form of state support of the agricultural sector. The Bank also engages in other Government sustainability programs focused on social aspects and lending stimulation programs, which is in line with RusAg's strategic targets on diversifying its loan book while keeping focus on agribusiness.

Delivering its business model of the universal commercial bank, RusAg provides all types of banking services and holds the leading positions in agribusiness financing. The Bank's nation-wide branch network is the 3rd largest in Russia with over 13 thousand points of sale, which span all Russian agricultural regions. RusAg's representative offices operate in Armenia, Belarus, Kazakhstan and China.

RusAg is among the largest and most stable domestic banks in terms of capital and assets.

### 1.1. STRATEGIC FOCUS AREAS

Delivering the strategy and the business model of a universal commercial bank helps RusAg meeting state objectives in agribusiness and other priority sectors, to ensure the Bank's sustainable development and competitiveness, to comply with regulatory requirements and reach profitability targets.

### THE STRATEGY THROUGH 2020

In April 2016 RusAg's Supervisory Board approved an updated version of the Strategy through 2020 to reflect the significant macroeconomic changes.

The Strategy sets three core objectives for the Bank:

- Ensure leadership in lending and other financial services to agribusiness and related sectors, including a higher share in agribusiness lending and seasonal field works financing;
- Diversify income sources by cementing the Bank's position in lending and servicing priority sectors of Russian economy and population;
- Reinforce the standing of the Bank as an efficient, reliable and high-tech financial institution.

The key strategic lines of RusAg development include acting as an instrument of state support for agriculture; facilitating technological refurbishment and stepping up the export potential of agribusiness; developing small business in rural areas; providing residents and clients in the key sectors of the Russian economy with up-to-date, hi-tech financial and non-financial services and products.

RusAg is actively expanding its activities in the segments of large, small and medium-sized businesses (SME), taking into account the peculiarities and needs of corporate clients when forming a product offer. The Bank develops a universal and diversified product line based on a customer-oriented approach, covering the entire range of modern financial and banking products and services for business. Continuous development of specialized lending, settlement and savings products is carried out taking into account the existing instruments of state support (concessional lending, state guarantees, etc.).

The Bank continues the development of its retail business segment, which priority areas are mortgage and consumer lending, as well as extension of the card product line and the gradual transfer of services to the omnichannel mode. As a priority, it is planned to further develop transactional services in order to increase the availability of banking services for the population and businesses of small towns and rural areas, including through remote service channels.

In 2020, the Bank continued and accelerated the transformation of its IT infrastructure. RusAg expanded the range of remote banking services, providing sustainable financing to SMEs throughout the pandemic. The Bank launched its own ecosystem — Svoe Fermerstvo (My Farming) that made the relevant resources and technologies available to farmers for business development. RusAg have opened up new opportunities to help develop sales channels for farm products using its marketplace — Svoe Rodnoe (A World of My Own).

RusAg has formulated and set out to implement in 2020 its strategic concept — More Than Just A Bank, which is expected to create an all-embracing system for small agribusinesses and the people who work and live in the countryside. It will cover such areas as business development, employment, professional development, living conditions that have to be put in place and further improved, as well as training, self-development, social and practical day-to-day issues. All areas of support will be based on modern technological platforms.

The innovative development of the Bank in 2020 was accompanied by the loan portfolio growth, further improvement of its quality, strengthening of the resource base and capital, and high cost manageability.

**2020 highlights:**

- The Bank's loans to legal entities increased by 20.5%, against the growth of 10% on average in the market;
- The growth of the Bank's retail loan portfolio amounted to 19.1%, against the market's 14%;
- The Bank provided inflow of funds from individuals at a level above the market: 12.7% against 8%.

In October 2020, Supervisory Board of the Bank approved its Development Strategy through 2025.

**Key strategic objectives of the Bank for 2021:**

- Effective implementation of the task of the Bank's digital transformation;
- Development and expansion of the network of service channels. By the end of 2021, in terms of customer comfort, our network should become the best in rural areas and enter the TOP-3 in cities;
- Ensure 100% coverage of rural areas. This will be possible, among other things, through the development of a network of authorized representatives and an on-site service;
- Further scale projects within the framework of the More Than Just A Bank concept;
- Brisk growth of the Bank's digital platforms for agribusiness.

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## RUSAG LONG-TERM DEVELOPMENT PROGRAM

In December 2016, RusAg's Supervisory Board approved a new version of its Long-Term Development Program through 2020 (LTDP).

As LTDP is designed to deliver on RusAg's Strategy development targets, it decomposes the key provisions of the Strategy into a set of key actions to be taken over the period up to 2020 inclusive across all key business lines of the bank.

In 2020, the Bank, in accordance with the list of LTDP measures that ensure the achievement of strategic development goals, implemented following processes:

- Enhancement of the credit process and risk management system;
- Transformation of the operational model;
- Increasing customer management efficiency;
- Growing the volume of non-interest income.

The activities identified by the Bank's LTDP and scheduled for 2020 have been completed.

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## PRIORITY AREAS OF THE BANK'S ACTIVITY

Priority areas of the Bank's activity are determined by its Strategy and the Bank's LTDP:

**Implementation of the State's policy for development of agribusiness and rural territories**

In order to realize its status of the conductor of the State's policy for agribusiness and development of rural areas, RusAg sets the following objectives:

- maintain its position as the leading lender to agribusiness, including in concessional lending and seasonal field work financing, as part of the State Program on Agribusiness Development<sup>1</sup>;
- increase the financing of export-oriented agribusiness enterprises, including that effected under concessional lending programs;
- grow the small enterprises client base;
- expand financing of investment projects in agribusiness;
- contribute to the promotion and implementation of advanced agricultural technologies and technological upgrade of agribusiness;
- foster the development of rural territories within the framework of the State Program for Integrated Development of Rural Areas, including the provision of loans at preferential interest rate (rural mortgages, rural consumer loans, as well as lending and providing guarantees to developers / contractors / subcontractors).

**Implementation of the strategic concept 'More Than Just A Bank'**

Growing customer needs and high competitive level in the financial sector have driven the necessity for the Bank Group to go beyond the framework of the classic financial activity and develop specialized non-financial services and activity areas, which create favorable environment for the priority customer segments in agribusiness.

Projects and measures implemented as part of this approach intended to provide comprehensive assistance for businesses, and to support the strategic development of agribusiness and rural areas.

The Bank's key objective is to be the first-choice bank for agribusiness customers contributing to the implementation of the Agribusiness Strategy, the State Program for Integrated Development of Rural Territories, and realizing its social responsibility.

Among its priority segments, RusAg emphasizes SMEs engaged in agribusiness, farmers, exporters of agricultural products, rural residents and agrarian students.

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<sup>1</sup> Note: Russian Government Resolution No. 717, dated 14 July 2021, "On the State Program on Agribusiness Development and Market Regulation for Agricultural Products, Raw Materials and Foodstuffs".

Implementing the concept of creating a comfortable environment, the Bank has planned a range of measures to be taken in the following areas:

- ecosystem for SMEs in agribusiness;
- support and education of farmers;
- promotion of farm products;
- support of agricultural export;
- promoting advanced agricultural technologies;
- fostering cooperation;
- contributing to the development of rural areas;
- increasing the availability of financial services for the population;
- support of agrarian colleges and universities.

### Digitization

RusAg continues its digital transformation process in accordance with the IT-Strategy of the Bank Group to 2024. The implementation of the IT-Strategy should enable full-scale information support of the Bank's strategic business objectives, its competitiveness in the high-tech banking technology market and bringing its IT development metrics to the same level as the leaders of the Russian financial sector. The Bank's digital transformation is aimed at:

- ensuring 100% accessibility of target products in digital channels in retail and SME segments;
- creation and development of a data management system;
- rapid deployment of new products based on a modern technological platform;
- creation and promotion of digital services for the Bank employees;
- reduction of the Bank's operating expenses while developing and optimizing the brick-and-mortar branch network.

### Product line update and development

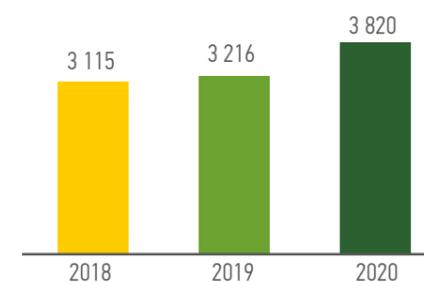
The Bank developed and implemented a product line consisting of versatile commercial banking products, as well as specialized products and services. Further development of the product line will be primarily associated with the development of cross sales, including the products and services offered by the Bank Group based on the new toolkit and new digital sales models. Another key area of that effort will be the creation of integrated offers for clients based on their digital profiles.

RusAg identifies the following areas of development of its product line:

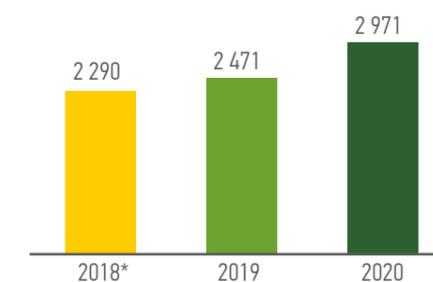
- optimization of the product line for all customer segments underlain by deep study of the customer behavior and quick response to external and internal challenges and opportunities;
- creating integrated product offers for all customer segments, including transactional, credit, deposit, investment products, and the products offered by the Bank Group;
- development and enhancement of banking products for foreign economic activities (hereinafter also referred to as FEA);
- implementation of a new toolkit to boost cross-sales in all customer segments;
- integration with customers' systems in order to improve the quality of financial solutions provided.

## 1.2. KEY FINANCIAL PERFORMANCE INDICATORS<sup>2</sup>

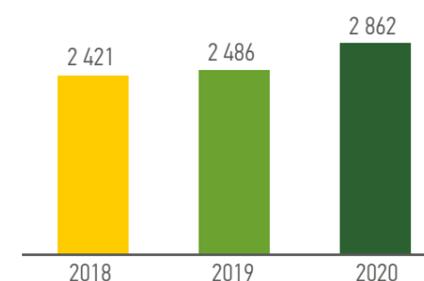
Assets, RUB billion



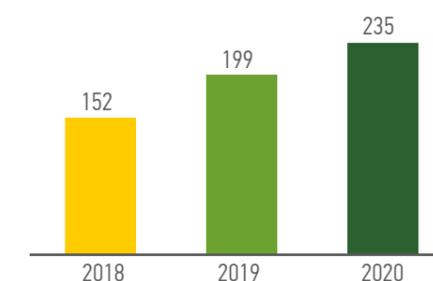
Gross Loan Portfolio, RUB billion



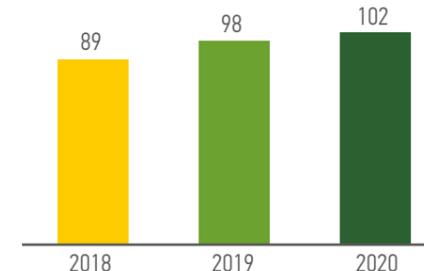
Customer Accounts, RUB billion



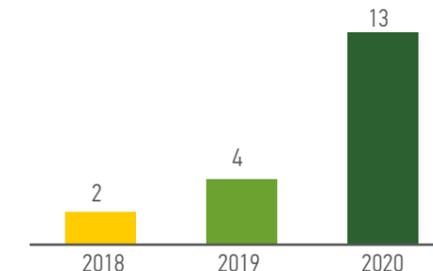
Equity, RUB billion



Net Interest and Fee & Commission Income, RUB billion



Net Profit, RUB billion



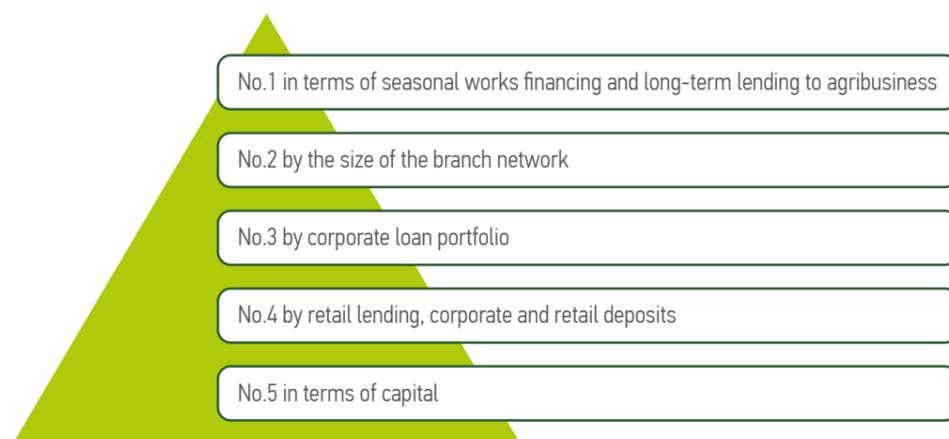
<sup>2</sup> Source: Audited Consolidated Financial Statements (IFRS) of Russian Agricultural Bank Group (Russian Agricultural Bank and its subsidiaries) as of corresponding dates.

\* Note: data reflects the impact of transition to IFRS 9.

### 1.3. MARKET POSITION<sup>3</sup>

Russian Agricultural bank is one of the most reliable Russian banks. It ranks among top national banking sector players by capital and assets size.

**RusAg ranks among the Top-5 largest financial institutions in Russia<sup>4</sup>:**



As the main lender to Russian agribusiness, RusAg possesses unparalleled knowledge of this specific market and one of the largest nation-wide branch networks with over 13 thousand points of sale, covering over 80% of the country's territory and ca. 100% of Russia's rural areas.

In 2020, the Bank maintained the leading positions<sup>4</sup> as a major lender to the key agribusiness sub-sectors (by the size of its loan portfolio):



<sup>3</sup> Source: RusAg IFRS as of 31 December 2020, the Bank calculation as of 1 January 2021 in accordance with Russian Accounting Standards (RAS) and the Bank of Russia algorithm for calculating indicators of the aggregated balance sheet of the 30 largest Russian banks, Bank of Russia, Ministry of Agriculture of Russia, Expert RA rankings under RAS as of 1 January 2021, and The Banker.

<sup>4</sup> Note: Data as of 1 January 2021.

The Bank offers a wide range of financial products and services oriented on the target market and its wide regional coverage. RusAg's local presence provides a significant market advantage, as well as ensures access to the regional client base. The Bank serves over 6.7 million customers nationwide.

RusAg's market share in key market segments as of 1 January 2021:

- **6.0%** — corporate loans (non-financial institutions);
- **4.3%** — corporate deposits and customer accounts;
- **3.8%** — retail deposits;
- **2.8%** — retail loans.

Russian Agricultural Bank is focused on maintaining a confident position on the international financial market by continuing to cooperate with its business partners, institutional investors, and credit rating agencies.

Russian Agricultural Bank ranked No. 224 among Top-1000 banks globally in terms of Tier 1 capital according to the July 2020 issue of The Banker magazine.

### CREDIT RATINGS<sup>5</sup>

## FitchRatings

Russian Agricultural Bank's ratings are as follows:

- Long-Term Foreign- and Local-Currency IDRs<sup>6</sup>: **'BBB-'**, Outlook Stable
- Short-Term Foreign-Currency IDR: **'F3'**
- Viability Rating: **'b-'**
- Support Rating: **'2'**
- Support Rating Floor: **'BBB-'**
- Senior unsecured debt: **'BBB-'**

## MOODY'S

Russian Agricultural Bank's ratings are as follows:

- Long-term foreign and local currency deposit ratings: **'Ba1'**, Outlook Stable
- Long-term local currency senior debt ratings: **'Ba1'**, Outlook Stable
- Baseline Credit Assessment: **'b3'**
- Short-term foreign and local currency deposit ratings: **'Not Prime'**
- Long-term counterparty risk rating (local and foreign currency): **'Ba1'**
- Short-term counterparty risk rating (local and foreign currency): **'Not Prime'**

<sup>5</sup> Note: Data as of April 2021.

<sup>6</sup> Note: IDRs — Issuer Default Ratings.

# ACRA

## Analytical Credit Rating Agency, Russia

Russian Agricultural Bank's rating is as follows:

— Credit rating (national scale): **'AA(RU)'**, Stable Outlook

## Membership and Cooperation

RusAg is an active member of the Association of Banks of Russia (Association "Russia"), National Finance Association (SRO NFA), FinTech Association, Cash and Valuables Management Association (ANDO), Russian-Chinese Business Council (RCBC), US-Russia Business Council (USRBC), the Canada Eurasia Russia Business Association (CERBA), the International Confederation of Agricultural Credit (CICA), and the Russian National SWIFT Association (ROSSWIFT), which underpins the Bank's potential to strengthen its positions in the Russian Federation and abroad, and to attract clients who carry out major projects in agribusiness and related industries.

The Bank's representatives are active participants in international forums and conferences to develop business relations with foreign financial institutions and to promote RusAg's competencies on the global banking market.

Representative offices in the countries of the Eurasian Economic Union and South-East Asia help the Bank maintain a presence on international target markets, raise RusAg brand awareness, broaden market access for companies participating in foreign economic activities and grow Russia's agricultural exports.

## 1.4. 2020 HIGHLIGHTS<sup>7</sup>

January	February	March
<ul style="list-style-type: none"> <li>'Best Deposit of the Year 2019' awarded by Vbr.ru (Выборы.ру) portal for 'Dokhodnyi' (High yield) retail deposit available for opening via remote service channels</li> <li>RusAg's loan book to agribusiness SME exporters <b>grew 65%</b></li> </ul>	<ul style="list-style-type: none"> <li>RusAg received a <b>J.P. Morgan Quality Recognition award</b> for U.S. dollar interbank payments processing in compliance with STP rules</li> <li>Boris Listov, CEO and Chairman of the Board of RusAg, held a working meeting with Alexander Brechalov, Head of Udmurtia. The parties discussed results of cooperation and plans to develop the regional agribusiness industry, including support of farmers' initiatives, prospects of the <b>Integrated Rural Areas Development Program</b> and building up the region's export capacity</li> </ul>	<ul style="list-style-type: none"> <li>RusAg issued about <b>100,000 loans to agribusiness borrowers</b> in the amount of RUB 251 billion, which is up 8.5% y-o-y. Of this amount over RUB 34 billion have been allocated to SMEs</li> <li>Retail customer accounts at the Bank added up to more than RUB 1.2 trillion, rising by RUB 13.6 billion in March</li> </ul>

<sup>7</sup> Note: More detailed information can be found at <https://www.rshb.ru/en/>

April
<ul style="list-style-type: none"> <li>RusAg was first to enter agreement with the Russian Ministry of Agriculture on issuing subsidized consumer loans to rural residents</li> <li>In Q1 2020 RusAg <b>earned RUB 3.2 billion</b> under Russian accounting standards (RAS)</li> <li>In 3 months of 2020 Russian Agricultural Bank issued RUB 394 billion to agribusiness borrowers, which is <b>up 12% y-o-y</b></li> </ul>

May
<ul style="list-style-type: none"> <li>In Q1 2020 the Bank earned a net profit of RUB 618 million according to 3M 2020 IFRS results</li> <li>'<b>RSHB Leasing' Limited Liability Company</b> has started its operations as part of Russian Agricultural Bank Group. RSHB Leasing is expected to become a platform where clients will be able to lease assets ranging from transport and machinery to equipment for various purposes.</li> </ul>

June
<ul style="list-style-type: none"> <li>According to 'Rusipoteka' analytical center, <b>RusAg was the only bank among top 10 in the mortgage segment which grew lending during the lockdown</b> period amid the coronavirus outbreak and overall drop in economic activity</li> <li>In 5M 2020 the Bank earned RUB 3 billion under RAS</li> <li>In 5 months of 2020 RusAg <b>extended RUB 148.4 billion in loans to export-oriented agribusiness companies</b> which is a 72% growth year-on-year</li> </ul>

July
<ul style="list-style-type: none"> <li>RusAg took the <b>1st place in the contest "Best SME Banking Programme 2020"</b> of the Chamber of Commerce and Industry of the Russian Federation. The Bank has also won in an additional special nomination — "The best friend of a Russian farmer"</li> <li>A <b>share capital increase</b> of RUB 20 billion</li> <li>Russian Agricultural Bank increased the volume of seasonal works financing by a quarter</li> </ul>

August
<ul style="list-style-type: none"> <li>Russian Agricultural Bank <b>won in two nominations of the Dealer of the Year award</b></li> <li>In H1 2020 the Bank earned a net profit of RUB 1.4 billion according to 6M 2020 IFRS results</li> <li><b>RSHB-Life insurance ranks in top 10 digital transformation leaders</b> among life insurance companies</li> </ul>

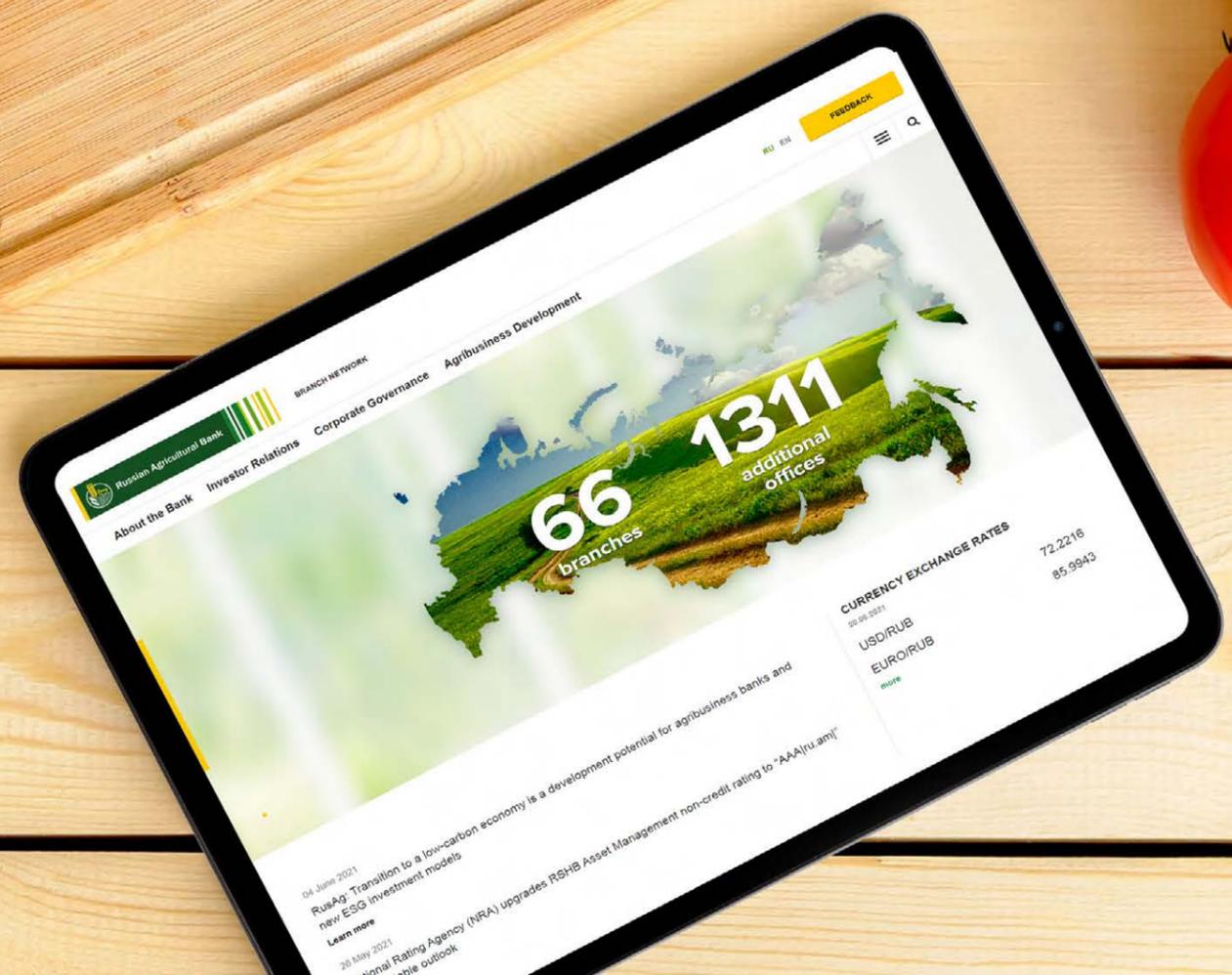
September
<ul style="list-style-type: none"> <li>RusAg received the <b>FINAWARD</b> prize for electronic signature technology</li> <li>In 8M 2020 RusAg <b>issued over RUB 1 trillion to agribusiness borrowers</b>, which is up 29.4% y-o-y</li> <li>The Bank's ecosystem "Svoje Fermerstvo" was included in the short-list of finalists of the <b>Eye on Innovation Award</b>, this is the first time a Russian company has entered the final of this prestigious international award</li> </ul>

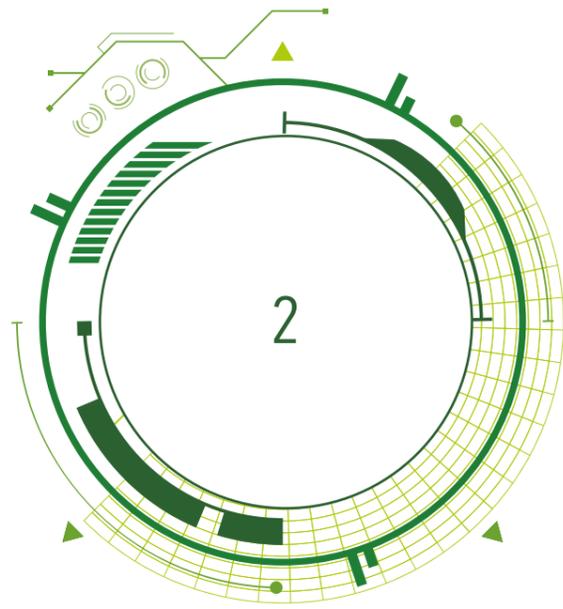
October
<ul style="list-style-type: none"> <li>Internet Bank of RusAg entered the <b>TOP-10 of the Markwebb Internet Banking Ranking 2020</b>, becoming one of the most effective for solving daily financial management tasks</li> <li>RusAg's ecosystem "Svoje Fermerstvo" was included in the shortlist of <b>finalists of the international competition Crop Science Forum &amp; Awards 2020</b> in the category "Best Innovation in Digital Farming Technology", the Bank was the only finalist from Russia</li> </ul>

November
<ul style="list-style-type: none"> <li>Ecosystem of Russian Agricultural Bank "<b>Svoje Fermerstvo</b>" became one of the winners of the prestigious international innovation competition Gartner Eye on Innovation Award <b>in the category "Financial Services 2020"</b>. It became the <b>first project from Russia</b> to win the final of the award for its entire existence</li> <li>In 9M 2020 the Bank earned a <b>net profit of RUB 9.9 billion (IFRS)</b> compared to RUB 4.3 billion for the same period in 2019</li> </ul>

December
<ul style="list-style-type: none"> <li>RusAg received the J.P. Morgan Bank annual Quality Recognition Award for the high level of standards for processing interbank transfers in US dollars in compliance with STP rules</li> <li>Website of the ecosystem "Svoje Fermerstvo" of the Bank was recognized as the <b>winner of the MobileWebAward Competition 2020</b> in the category "Best Mobile B2B Website"</li> <li>A <b>share capital increase</b> of RUB 10.5 billion</li> </ul>

**RUB 13 billion**  
**Net profit**  
(3.2 times growth y-o-y)





## MACROECONOMIC SURVEY<sup>8</sup>

### 2.1. RUSSIAN ECONOMY IN 2020

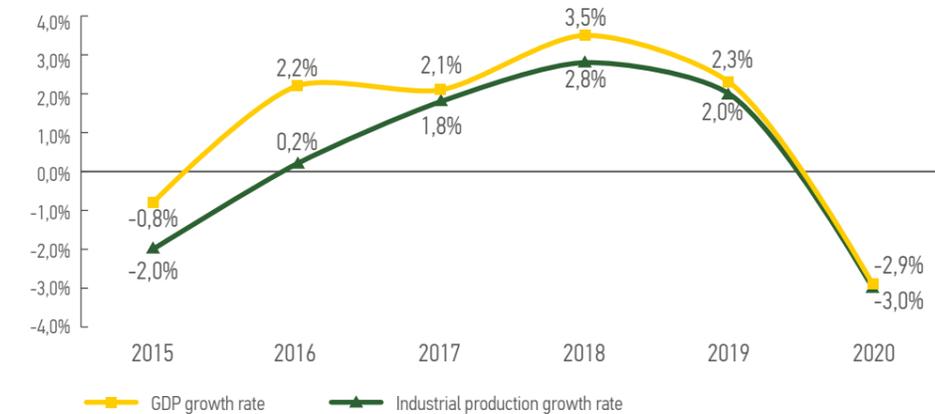
Since early 2020, the world economy has been in a crisis triggered by the coronavirus pandemic. By expert estimates, global GDP dipped about 4%, the steepest fall since the World War II. A persistently high level of uncertainty about the timing and pace of economic recovery in a context of recurring waves of infection is one of the hallmarks of this crisis. An economic decline has sent demand for commodities, including oil, tumbling.

A collapse in global prices triggered in March 2020, when the preceding OPEC+ deal disintegrated. Alongside gradual adaptation to the crisis, prices started to recover in the wake of new OPEC+ arrangements. The Urals price in 2020 averaged at USD 41.7 per bbl, but demand is still low.

With falling exports and contracting domestic demand during lockdown, Russia's GDP shrank 3.5%, displaying an extreme unevenness in performance indicators: a good start in Q1 2020 (1.6%) was followed by a dip of 8% in Q2 and 3.4% in Q3. Only five sectors showed growth — financial, public administration, agriculture (1.5%), real estate, and ICT, whereas four sectors cratered by more than 10%. Swift and efficient anti-crisis action taken by the Russian Government and the Bank of Russia helped put the economy back on track.

<sup>8</sup> Source: Bank of Russia, Ministry for Agriculture, Ministry for Economic Development.

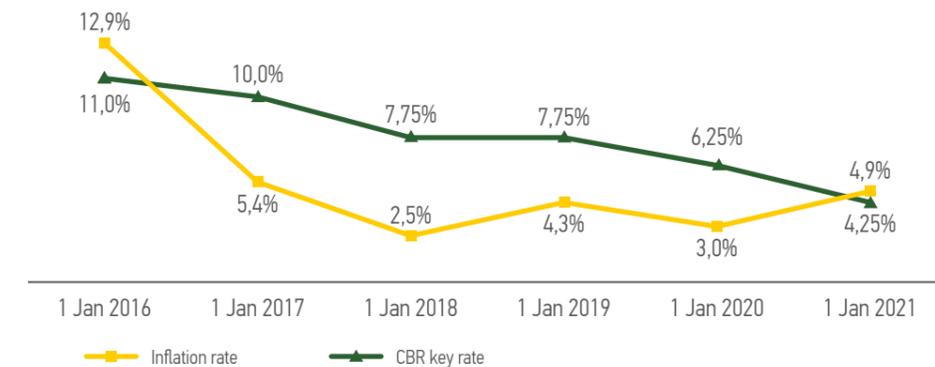
Russia GDP dynamics, in % to the previous year<sup>9</sup>



Changes in export and import streams put strong pressure on the Russian rouble that would at times fall as low as RUB 80 per 1 USD. However, the annual RUB / USD exchange rate averaged at 72.1, up 5% from 2019, whereas sanctions prevailed as an exchange rate driver.

According to the Russian Statistics Service (Rosstat), inflation for 2020 was 4.9%, wide of the Bank of Russia target of 4.0% and driven by an imbalance of short-term pro-inflationary and long-term disinflationary factors at the end of the year. Inflation is expected to go down as pro-inflationary factors weaken and bad Q1 2020 results no longer count for the purposes of annual inflation calculations. With relatively low inflation throughout the year, the Bank of Russia was able to embark on a soft monetary policy and cut the key rate from 6.5 to 4.25% (by 225 basis points) over the year.

Inflation and key rate dynamics<sup>10</sup>



<sup>9</sup> Source: Russian Statistics Service (Rosstat), verified data.

<sup>10</sup> Source: Bank of Russia, Rosstat.

## 2.2. RUSSIAN BANKING SECTOR IN 2020

In 2020 corporate lending by banks<sup>11</sup> grew 9.9% (notably higher than in 2019 — 5.8%), driven by working capital financing for several sectors faced with falling revenues. The annual rate of retail lending growth signals a steep slowdown, from 18.6% in 2019 to 13.5% in 2020, and is attributable to an almost complete cessation of lending in the spring of 2020.

Lending growth rates picked up after the Russian government put in place its incentive programs, the Bank of Russia eased its regulatory standards and loan pricing went rapidly down following a CBR key rate cut. As an example, mortgage loans that grew 17.2% in 2019 climbed up 20.7% in 2020 — in stark contrast with consumer loans that shrank by more than a half over the same periods (from 20.1% to 8.8%).

### Growth rates of the Russian Banking Sector key indicators, in % y-o-y<sup>12</sup>

	1 Jan 2016	1 Jan 2017	1 Jan 2018	1 Jan 2019	1 Jan 2020	1 Jan 2021
Assets	6.9%	-3.5%	7.9%	6.2%	5.9%	12.5%
Equity (Capital)	13.6%	4.2%	0.6%	9.1%	7.2%	3.9%
Corporate Loans	12.7%	-9.5%	1.1%	7.3%	5.8%	9.9%
Retail Loans	-5.7%	1.1%	1.1%	22.7%	18.6%	13.5%
Corporate Deposits	15.6%	-10.1%	4.9%	5.4%	4.7%	14.4%
Retail Deposits <sup>13</sup>	25.2%	4.2%	10.4%	6.3%	9.7%	4.2%

Retail accounts showed growth at 7.7% as at year-end, compared to 9.9% in 2019. However, net of growth in escrow accounts, this figure falls to just 4.2% for 2020, compared to 9.7% for 2019. Declining attractiveness of deposits in a context of shrinking rates, migration to other savings products and falling real disposable incomes amid the pandemic and growing unemployment may be given as possible reasons.

In volume terms, corporate deposits and accounts rose 15.9% over the last year against 7.0% in 2019. In 2020, the banking sector earned RUB 1.6 trillion in net profit (cf. RUB 1.7 trillion in 2019). The reason for such a slim decline lies in heavier provisioning: provisions against loan impairment stood at RUB 6.1 trillion as at 31 December 2020, compared to RUB 5.3 trillion as at 31 December 2019.

<sup>11</sup> Note: Growth figures are given excl. the effect of FX revaluation (the currency component having been translated into RUB at the exchange rate effective at the beginning of the period in review).

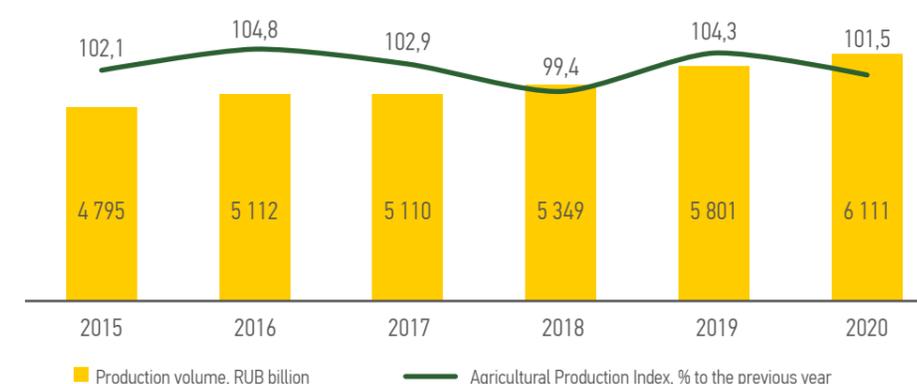
<sup>12</sup> Source: Bank of Russia. Figures are given excl. the effect of FX revaluation. Loans shown before provisions.

<sup>13</sup> Note: Excluding escrow accounts of individuals under shared-equity construction contracts.

## 2.3. RUSSIAN AGRIBUSINESS IN 2020

Russian agribusiness showed steady growth in 2020, regardless of adverse exchange rate movements and disruptions in logistics chains. According to Rosstat, agricultural production picked up 1.5% from last year, displaying the third largest increase across the basic sectors of the economy.

### Agribusiness Sector Output<sup>14</sup>

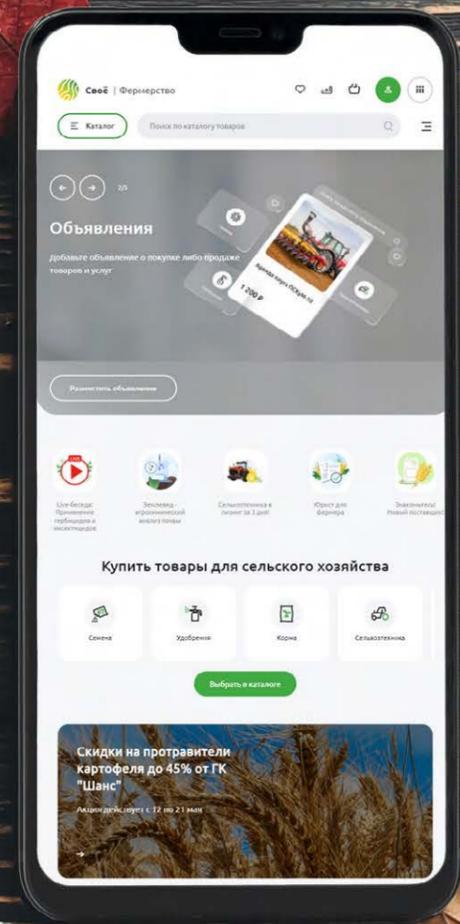


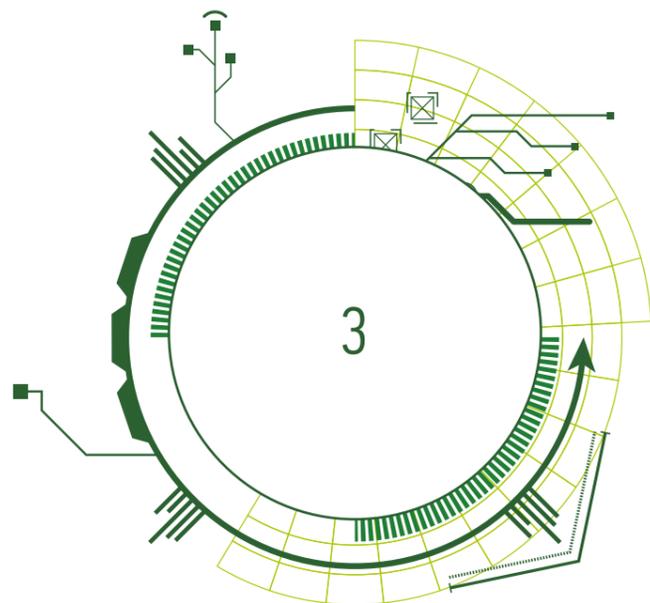
Growth in the agricultural sector was driven mainly by an ample grain harvest (133 million tones, up 9.8% from 2019), albeit the harvest of sunflower, sugar beets, vegetables and potatoes was down compared to an excellent 2019. Production of livestock and poultry for slaughter rose 1.9% and milk 2.2%; whereas eggs production reached 99.8% of 2019 output.

2020 exports of foods and agricultural raw materials amounted to USD 30.7 billion, 20% more than in 2019. Agriculture, forestry, hunting and fishing sectors earned RUB 543 billion in net profit, up 82% from 2019.

<sup>14</sup> Source: Rosstat.

**RUB 2.97 trillion**  
**Gross loan portfolio**  
**(+20% compared to 2019)**





## PERFORMANCE OVERVIEW

### 3.1. FINANCIAL AND OPERATING PERFORMANCE<sup>15</sup>

2020 is seen as one of the most demanding years in recent history for both Russia and the entire world. Operating in a new normal against unprecedented challenges of the COVID-19 pandemic and its consequences, Russian Agricultural Bank Group<sup>16</sup> (Russian Agricultural Bank and its subsidiaries; hereafter — the Bank, RusAg) maintained its stability, ensured the achievement of all key targets and even outperformed the market in terms of corporate and retail lending as well as retail accounts.

Following the results of 2020, RusAg increased its lending to the agricultural sector. The Bank's agribusiness loan portfolio increased by 22% and amounted to RUB 1.7 trillion. Maintaining a primary focus on small and medium businesses (SMEs), the Bank increased its lending to agribusiness SMEs by 24% to RUB 318 billion.

In 2020, RusAg made available more than RUB 79 billion in loans under a rural mortgage programme for rural housing construction and purchase, becoming a leader in rural mortgage lending by volume and helping more than 40,000 families improve their living conditions.

The Bank's 2020 gross loan portfolio grew 20% reaching over RUB 2.9 trillion. Within 2020, deposits and customer accounts grew by 15% to over RUB 2.8 trillion. Throughout the year in review, RusAg was successful in maintaining an optimal structure of liabilities and a comfortable liquidity position.

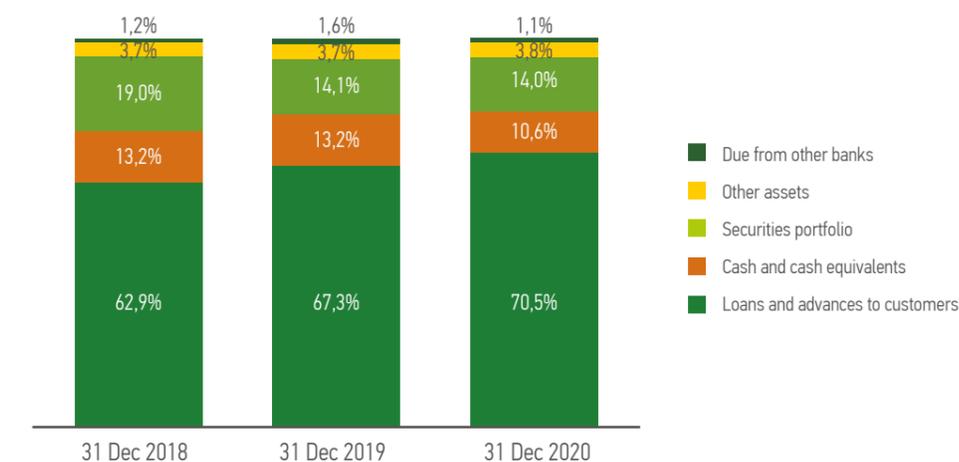
In 2020, RusAg earned a record RUB 13 billion in net profit (3.2 times compared to 2019), driven by ongoing improvements in asset quality, operating income growth and efficient cost management.

<sup>15</sup> Note: Financial data in this section is prepared under Audited Consolidated Financial Statements (IFRS) of Russian Agricultural Bank Group (Russian Agricultural Bank and its subsidiaries) as of 31 December 2020. All data in percentage (%) terms is calculated based on Russian ruble-denominated financial results. Some detailed information on Russian Agricultural Bank's business performance is prepared under RAS as of 1 January 2021.

<sup>16</sup> Note: Russian Agricultural Bank Group includes the Bank and its subsidiaries.

## ASSETS AND LIABILITIES

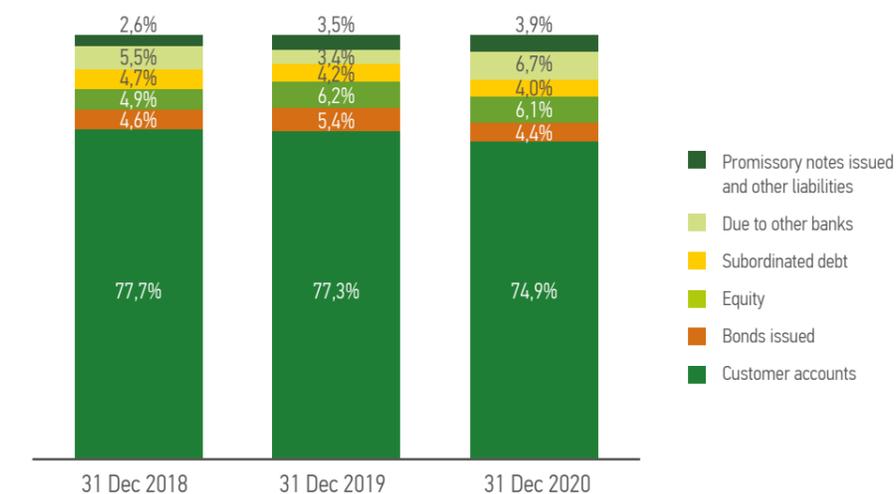
### Asset Structure



During 2020, RusAg's total assets grew RUB 604 billion (+18.8%) and totaled RUB 3.82 trillion. The Bank's assets pattern is biased toward corporate and retail loans (71%), which indicates a high degree of customer loyalty. As at 31 December 2020 the Bank's net loans and advances to customers amounted to RUB 2.69 trillion, which is 24.4% over the level of the previous year.

Net investments of the Bank in securities and other financial assets as of YE2020 amounted to RUB 535.6 billion or 14% of the total assets. Cash and cash equivalents accounted for 11%, other assets — 4% of the Bank's total assets.

### Funding Structure



Within 2020, RusAg maintained the balanced liabilities structure and comfortable liquidity cushion.

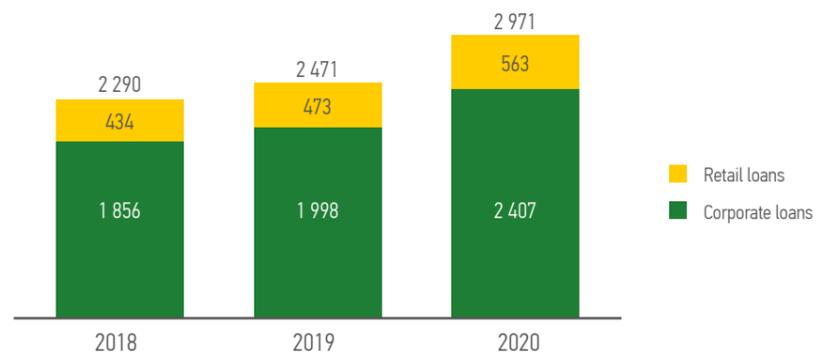
The share of customer funding in total liabilities amounted to 80%. In 2020 deposits and customer accounts grew by RUB 376 billion (+15%) and amounted to ca. RUB 2.9 trillion. The loan-to-deposit (LTD) ratio as at 31 December 2020 stood at 103.8%.

At YE2020, RusAg's equity (IFRS) amounted to about RUB 235 billion, showing an increase of 18% over the year and resulting from additional RUB 30.5 billion capitalization of RusAg in 2020.

### LOAN PORTFOLIO

In 2020, RusAg showed a sustainable upward trend in corporate lending while retaining high market shares in lending to agribusiness with a specific focus on enhanced asset quality. The Bank's gross loan portfolio grew 20.2% (+RUB 499.8 billion) reaching RUB 2.97 trillion.

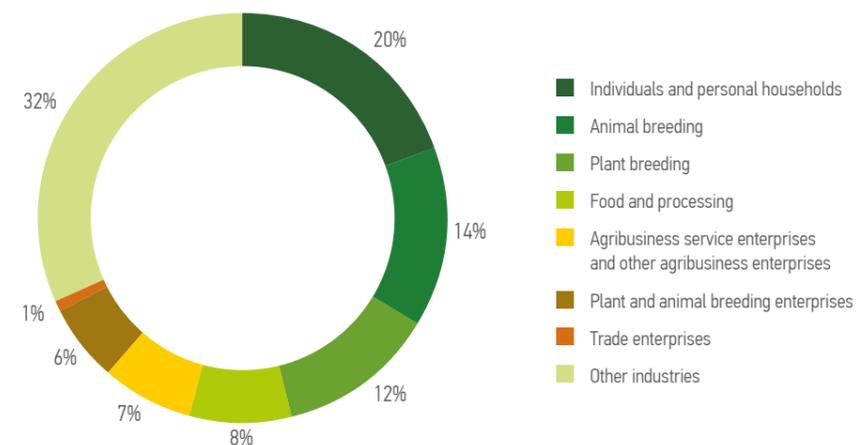
#### Loan Portfolio Structure



The bulk of the Bank's gross loan portfolio traditionally consists of corporate loans, which at the end of 2020 accounted for 81% of the total portfolio. Corporate loans (including loans to customers measured at fair value through profit or loss) rose by 20.5% (+RUB 409.5 billion) from YE2019 and totaled over RUB 2.4 trillion.

RusAg's loan portfolio is well diversified within the agribusiness sector (includes over 20 sub-sectors) and related industries, as well as in the sectors prioritized by the Russian government.

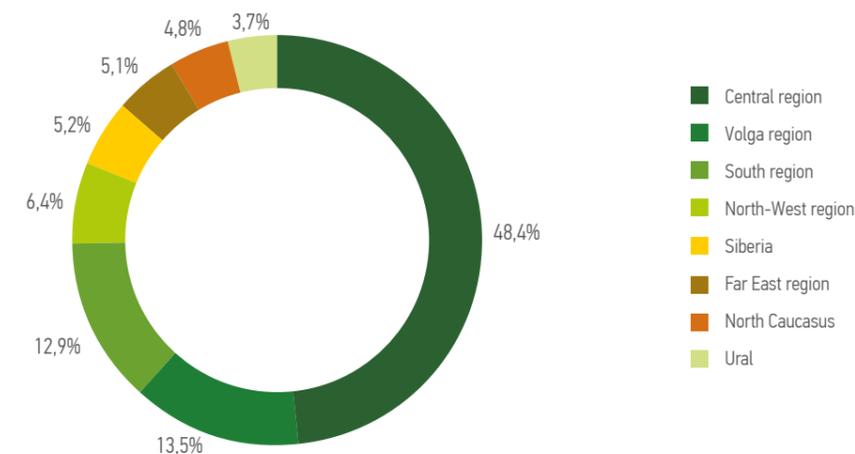
#### Loan Portfolio Diversification by Sector



The major share of RusAg's lending falls on borrowers of the agricultural sector. In 2020, the volume of the Bank's investments in the industry added up to RUB 1.67 billion (+22% y-o-y).

In 2020, the Bank issued ca. 400 thousand loans as part of the implementation of the State Program on Agribusiness Development, including loans to agricultural companies, farms, and personal households totaling over RUB 1.6 billion.

#### Loan Portfolio Diversification by Region



RusAg provides financial support to export-oriented agribusiness enterprises. As of 1 January 2021, the portfolio of such loans exceeded RUB 370 billion (+67% y-o-y).

Retail loans went up 19.1% (+RUB 90.4 billion) and amounted to RUB 563.4 billion as at YE2020. The Bank's market share in retail lending — 2.7%. In 2020, the Bank was one of the leaders in terms of mortgage lending — RUB 175.2 billion for such loans were issued.

As at 31 December 2020, the share of loans to ten largest borrowers (groups of borrowers) amounted to 29% of total loans and advances to customers before impairment.

### Loan Book Currency Structure



The current product line of special lending programs and universal credit products of the Bank is fully synchronized with government programs to support various sectors of the economy and allows meeting customers' needs in working capital and investment resources to ensure activities at all stages of production, processing and sales of products.

### LOAN BOOK QUALITY

Throughout 2020, RusAg systematically improved the quality of its assets. The result was a significant decrease of impaired loans both in corporate and retail portfolios.

The share of Stage 3 loans (including POCI<sup>17</sup>) in the Bank's gross loan portfolio as of 1 January 2021 was 9.7%, as compared to 14.7% at the beginning of 2020. The share of non-performing loans (overdue 90+) in the total loan portfolio was reduced to 8% from 11.7% at the beginning of 2020.

The Cost of Risk indicator stood at 1.1% on 1 January 2021, as compared to 1.7% a year before.

In 2020, the Bank decreased charges for loan impairment provisions to RUB 30.7 billion from RUB 39.6 billion a year earlier.

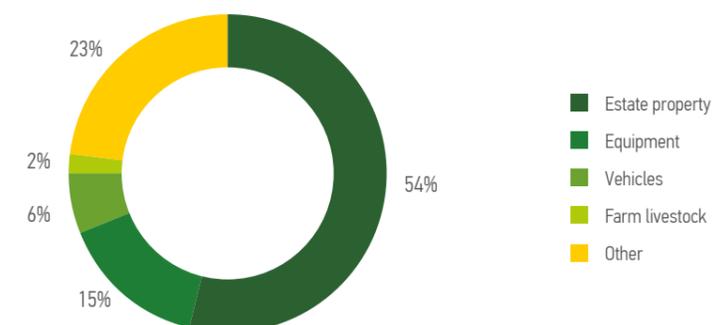
The Bank accepts different types of collateral, such as: real estate, land plots, equipment, including agricultural machinery, motor vehicles, inventories (finished products, raw materials, goods in turnover), construction in progress, sea and other vessels, farm animals, future crop, property acquired in the future, property rights, warranties, banking guarantees, government guarantees of Russian Federation and municipal guarantees.

<sup>17</sup> Note: Purchased or originated credit impaired loans.

Among other measures aimed at credit enhancement is the Bank's requirement to insure the subject of collateral. Property is insured by insurance companies that have accreditation with the Bank.

RusAg monitors the condition and reviews the structure of the collateral.

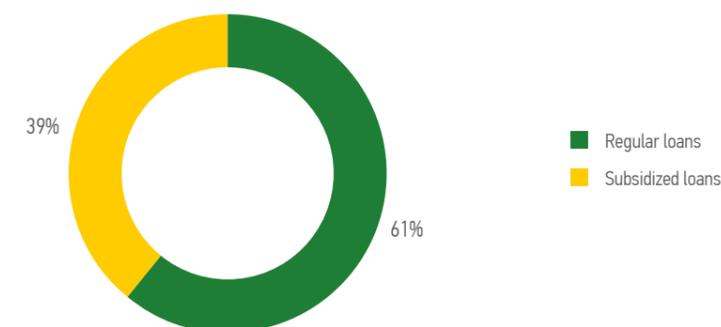
### Loan Portfolio Collateral Structure



### SUBSIDIZED LENDING

RusAg is a key participant in the mechanism of lending to agricultural producers at a reduced rate (concessional lending), implemented under the State Program on Agribusiness Development (Decree of the Government of the Russian Federation as of 29 December 2016 No. 1528), and maintains a leading position in the market.

### Share of Subsidized Loans in RusAg's Corporate Loan Portfolio

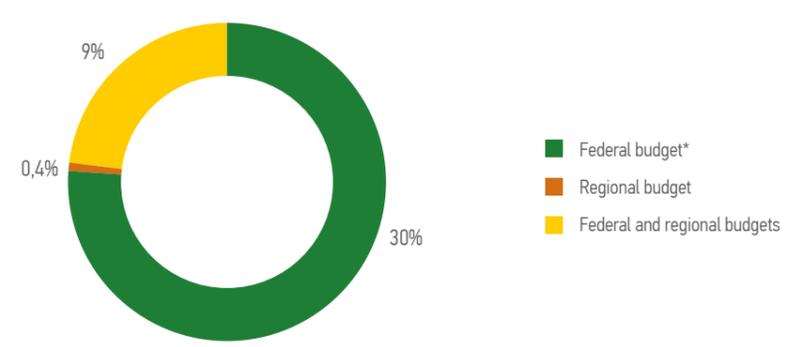


Within the framework of the concessional lending mechanism, subsidies are provided directly to authorized banks as a contribution for lost income (in the amount of 90% of the Bank of Russia key rate on loans issued in 2019 and subsequent years).

Starting 2020, the mechanism of state support for agricultural producers has changed significantly. State support is divided into 2 parts — compensating (to maintain the achieved results in the industry) and stimulating (for further targeted development of the production of specific products in priority sectors and the development of small businesses).

The program of concessional lending for 2020, approved by the Ministry of Agriculture, provides for the allocation of state support RUB 90.9 billion, which is 37.3% more than the amount of funds disbursed by farmers in 2019 — RUB 66.2 billion. Subsidies from the federal budget amounted to RUB 61.8 billion.

**Sources of Subsidies in RusAg's Corporate Loan Portfolio**



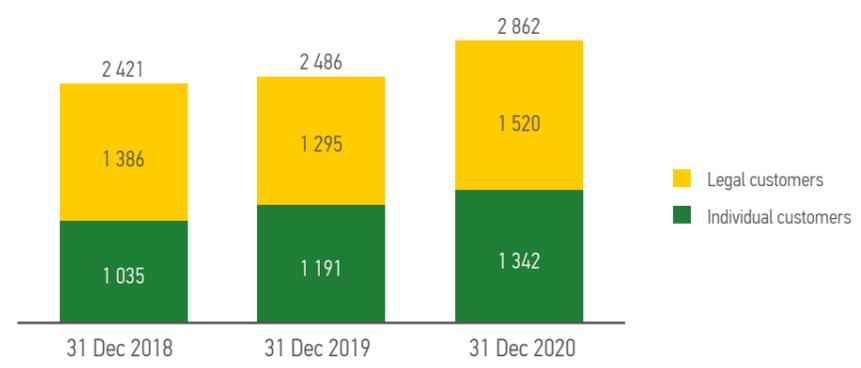
Overall, the Group reinforced both its capital and liquidity cushions, which created additional opportunities for expanding lending to national agribusiness and other prioritized sectors. RusAg will continue to grow financial support of agricultural producers, including in the framework of the new subsidized lending procedures, thereby promoting better efficiency and production capacity in agribusiness, and enhancing the country's export potential.

**CUSTOMER BASE**

In 2020, RusAg pursued a targeted policy to increase customer funds, which was aided by a competitive product line, as well as the reorientation of clients from private banks to banks with state participation. Taking into account customers' needs, in 2020 the Bank introduced new products and services that provide customers with profitability from placing funds.

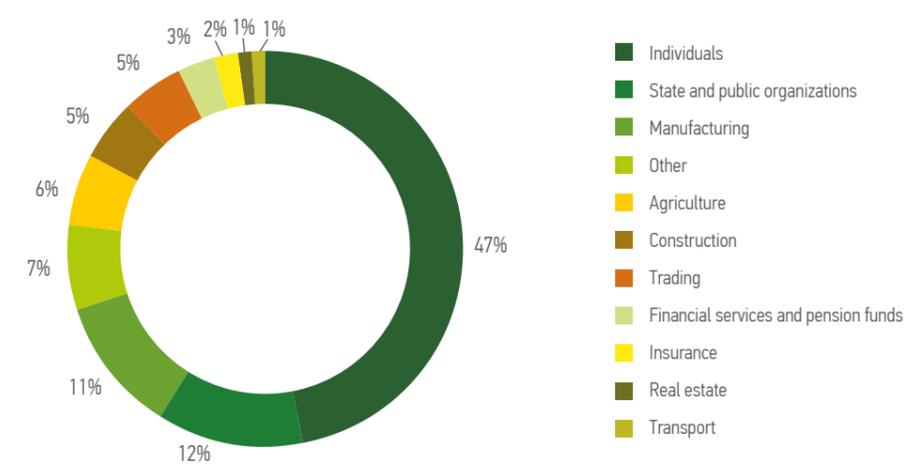
\* Note: Including 27.7% under Russian Ministry of Agriculture Program and 0.9% under Russian Ministry of Economic Development Program.

**Deposit Growth, RUB billion**



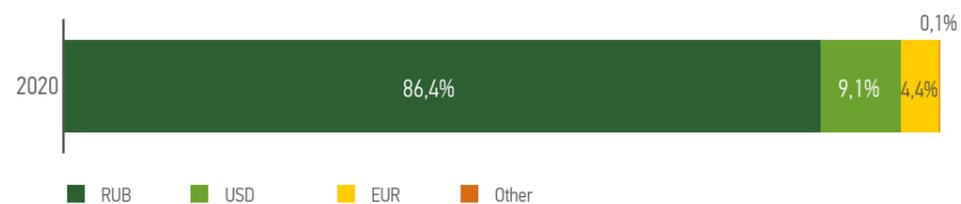
The Bank's deposits and customer accounts in 2020 grew by RUB 376.2 billion (+15.1%) and added up to RUB 2.86 trillion. As at YE2020, corporate customer accounts (excluding state and public organizations) came in at RUB 1.17 trillion, expanding by 27.8% (+RUB 253.6 billion). To maintain a stable and diversified funding base RusAg continued reducing funds attracted from state and public organizations down to RUB 354.8 billion (-7.4% y-o-y).

**Customer Accounts by Sector**



Retail deposits and customer accounts grew RUB 151 billion (+12.7%) from YE2019 and amounted to over RUB 1.342 trillion. Current and settlement accounts grew 59.3% up to RUB 544.8 billion.

### Customer Accounts Currency Composition



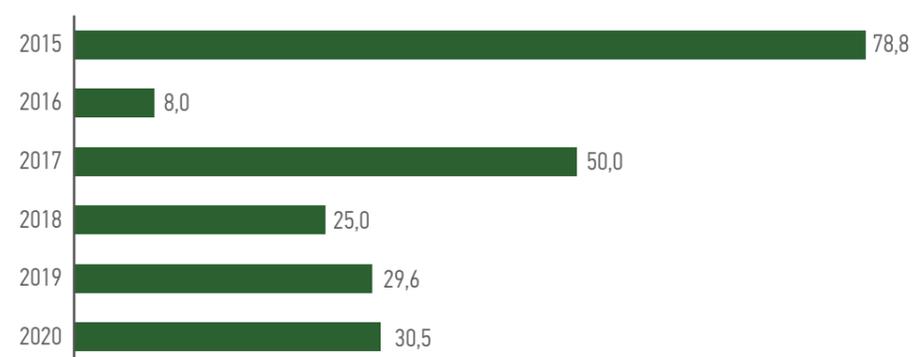
Active client services development, including Internet and Mobile banking, upgrade of existing and roll-out of new deposit, card and transaction products, supported an increase in the Bank's client and funding base. Adding modern competitive hi-tech products to the Bank's product suite underpinned a larger number of transactions carried out via remote banking channels and a rise in current and settlement account balances.

### CAPITAL

In 2020, RusAg has carried out all the measures to replenish its equity according to plan. As at 31 December 2020, the Bank's equity (IFRS) amounted to RUB 234.7 billion, showing an increase of 17.8% over the year and resulting from additional RUB 30.5 billion capital injection in 2020.

Consequently, the Bank's share capital amounted up to RUB 470 billion (nominal value) and total capital reached RUB 522.3 billion (in accordance with Basel III).

#### Share Capital Growth, RUB billion\*



\* Note: 19 capital injections in 2000-2014 for the total amount of RUB 248.05 billion; a total of 32 contributions to the Bank's capital from the date of its establishment to the present.

### Capital Adequacy Ratios

During 2020 the Bank's capital adequacy ratio exceeded the minimum level as required by the Bank of Russia Regulation № 646-P Methodology for Capital Adequacy Calculation by Credit Organizations (Basel III) and the Bank of Russia Instruction № 199-I Methodology for Mandatory Prudential Ratios Calculation by Banks.

Bank of Russia Basel III Capital Ratios	YE 2020 <sup>18</sup>	Min. Ratio	Extra buffers <sup>19</sup>	Min. incl. buffers
CET1 Ratio (N1.1)	9,8%	4,5%	3,5%	8,0%
Tier1 Ratio (N1.2)	11,2%	6,0%	3,5%	9,5%
Capital Adequacy Ratio (N1.0)	14,4%	8,0%	3,5%	11,5%

### INCOME AND EXPENSES

In 2020 RusAg earned a record RUB 13 billion in net profit (3.2 times compared to 2019), driven by ongoing improvements in asset quality, operating income growth and efficient cost management.

2020 net interest income was RUB 79.5 billion (up 3% from RUB 77.2 billion in 2019), while net fee and commission income (RUB 22.3 billion) grew 7.9% (from RUB 20.7 billion in 2019).

Net interest margin stood at 2.4%. The Bank's cost-to-income ratio (CIR<sup>20</sup>) as at 31 December 2020 stood at 55.7%.

<sup>18</sup> Note: Ratios calculated including Events after the Reporting Period.

<sup>19</sup> Note: Capital Conservation Buffer and Systematically Important Institution Buffer.

<sup>20</sup> Note: Operating expenses, not including expenses for deposit insurance, divided by net operating income (before allowance for credit losses).

## 3.2. CORPORATE BUSINESS DEVELOPMENT

RusAg is actively expanding its activities in the segments of large, small and medium-sized businesses, taking into account the peculiarities and needs of corporate clients when forming a product offer. The Bank develops a universal and diversified product line based on a customer-oriented approach, covering the entire range of modern financial and banking products and services for business. The continuous development of specialized lending, settlement and savings products is carried out taking into account the existing instruments of state support (concessional lending, state guarantees, etc.).

The Bank regularly implements measures to improve the product and price offer for corporate clients in order to ensure its compliance with business needs, market trends, changes in legislation, including within the framework of state support programs and the development of priority sectors of the economy.

RusAg continued to optimize its business processes aimed at improving the efficiency of lending procedures for corporate clients in the reporting period, which made it possible to maintain the availability of credit resources.

In 2020, the Bank introduced new package offers for corporate clients:

- in January 2020, service plan "Foreign Economic Activity" and service plan for export-oriented agribusiness companies became available to customers, offering favorable conditions for settlement and remote banking services, currency control operations, documentary operations, and consulting services for clients engaged in FEA<sup>21</sup>;
- in March 2020, cash and settlement services plans were introduced for new customers, in addition to preferential terms of cash and remote services, charge-free payroll program and a corporate payment cards;
- in May 2020 the Bank started selling of three more service plans for the developing business with increased transaction limits.

At the same time, within the framework of the maintenance the image of a client-oriented bank, improvement of quality of customer services, and in accordance with market trends RusAg carried out the following activities:

- optimization of the documentation package (reducing amount of documents) required for opening a current account for corporate clients, and automation of documents verification procedures made it possible to reduce the time for account opening;
- introduction of the "Field Service", which allows customers to submit documents for opening a current account without visiting the Bank's office that is especially important during the pandemic.

The main share of the Bank's gross loan portfolio consists of loans provided to corporate borrowers, which at the end of 2020 accounted for 81.0% (80.9% in 2019). Number of the Bank's corporate customers amounted to about 580 thousand as at 1 January 2021.

<sup>21</sup> Note: Foreign Economic Activities.

Corporate loan portfolio (including loans to customers measured at fair value through profit or loss) of RusAg totaled RUB 2.41 trillion, which is a 20.5% growth (+RUB 409.5 billion) compared to the end of 2019. Loans to SME amounted to RUB 389.5 billion as at 31 December 2020 (+3% y-o-y).

In 2020, the volume of the Bank's loans issued to the microbusiness clients<sup>22</sup> grew by RUB 4.8 billion (+17.5%) and reached RUB 32.5 billion. The number of microbusiness customers in 2020 totaled over 145 thousand. In 2021, due to the improvement of the sales model and customer service and the development of the product offering to microbusiness, the Bank plans to increase its active customer base by about 10%.

Within the overall epidemiological situation connected with the spread of coronavirus infection, RusAg correspondingly optimized its product line for to ensure its availability in the current environment. In 2020, the Bank contributed to the market special loan products for organizations operating in the affected industries.

Changes in certain lending procedures introduced by the Bank in 2020 made it possible to reduce the time and labor costs of the Bank's divisions at all stages of the credit process, as well as to simplify the procedure for obtaining a loan for its customers.

## 3.3. CONTRIBUTION TO AGRIBUSINESS DEVELOPMENT<sup>23</sup>

One of the Bank's strategic targets is to secure a leading position in lending and servicing agribusiness and related sectors, including a larger market share in seasonal field works and project finance.

Russian Agricultural Bank's business model of the universal commercial bank is aimed at ensuring sustainable balanced development, including through combination of customized loans for large business and standardized product offerings for micro, small, mid-sized business and retail customers.

The Bank puts priority on agribusiness and related sectors that are part of a value chain (from raw materials providers to the end consumer) as well as population and businesses operating in rural and semi-urban areas.

RusAg develops all areas of agribusiness industry, including:

- implementation of agribusiness investment projects;
- agribusiness concessional lending;
- financing of seasonal field works;
- development of small business in rural areas, including support for smallholder farming;

<sup>22</sup> Note: data as at 1 January 2021, under RAS.

<sup>23</sup> Note: Financial data in this section is prepared under RAS as of 1 January 2021.

- serving businesses and the population of rural areas, small and medium-sized cities;
- ensuring sustainable development of rural areas;
- development of non-resource exports, including agribusiness exports, and other national priorities for strategic development in accordance with the Presidential Decree “On the National goals and Strategic tasks of the Russian Federation through 2030.”

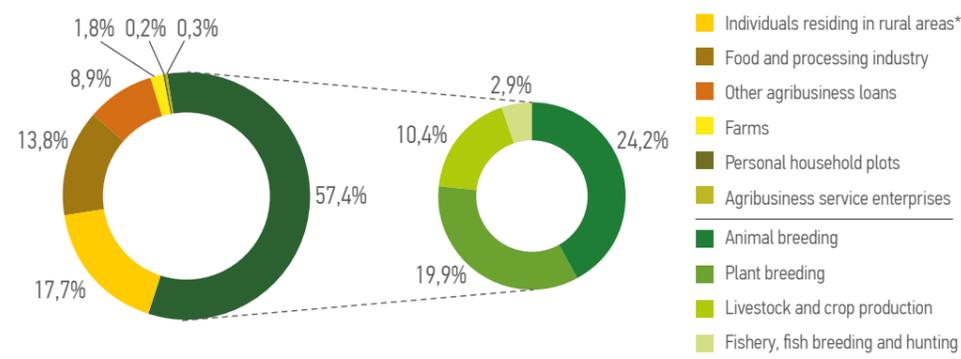
Major guidelines for the Bank’s lending support to the Russian agribusiness are determined by its active engagement in the implementation of the State Program<sup>24</sup>, which provides measures for the integrated development of agribusiness and related sectors.

The work done by the Bank in the sphere of financing long-term investment and seasonal field works financing, increasing the availability of lending in remote regions and within challenging climatic conditions, have secured sustainable growth rates in domestic agricultural production. In the framework of the State Program, from 2013 through 2020, RusAg has provided almost 3.8 million loans totaling RUB 7.9 trillion with RUB 1.6 trillion disbursed in 2020.

Agribusiness borrowers account for the major part of the Bank’s corporate loan book. In 2020, the Bank has increased its financing of this sector by 21.9% from RUB 1,373 billion up to RUB 1,673 billion. At YE2020, the share of agribusiness and related sectors in the Bank’s loan portfolio stood at 58.6%.

As shown in the chart below, as at 31 December 2020, agricultural producers (incl. animal breeding, plant breeding, livestock and crop production, and fisheries and hunting) accounted for 57.4% of the financial resources allocated to agribusiness. The share of loans to the food and processing industry accounted for 13.8%, and individuals residing in rural areas — 17.7%.

**Loans to Agribusiness by sub-sector<sup>25</sup>, %**

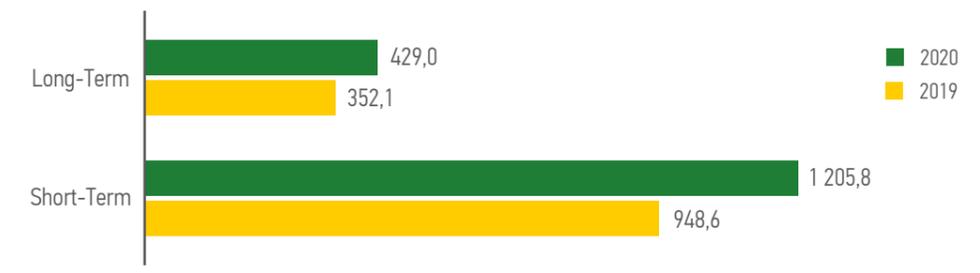


<sup>24</sup> Note: The State Program on Agribusiness Development and Market Regulation for Agricultural Products, Raw Materials and Foodstuffs.  
<sup>25</sup> Note: Data is prepared under RAS as of 1 January 2021.  
 \* Note: Settlements with population of up to 100,000.

In 2020, RusAg issued 397.6 thousand loans within the framework of the State Program on Agribusiness Development implementation, including loans to agribusiness enterprises, farmers and owners of individual household plots, for a total amount of RUB 1,635 billion (+25.7% compared to 2019).

The share of short-term loans in 2020 accounted for 73.8% of the total volume of loans, and the share of long-term loans — 26.2%.

**Volume of Loans to Agribusiness in 2019-2020, RUB billion**



One of the priority directions of the Bank’s agribusiness lending is the financing of seasonal works, thus in 2020 RusAg issued over RUB 502 billion for this purposes (+31.7% compared to 2019).

An important direction of the Bank’s activities in the framework of the State Program is financing investment projects for the construction, overhaul and upgrade of agricultural facilities (livestock complexes, greenhouses, vegetable stores, etc.). In 2020, RusAg issued RUB 122.0 billion for these purposes (11.9% more than in 2019).

Overall in 2006-2020, during the implementation of the ‘Agribusiness Development’ National Priority Project, which was later succeeded by the state programs for agribusiness development, the Bank provided financial support to enterprises, organizations and farms for the implementation of 5,298 investment projects (on construction, overhaul and upgrade of livestock (poultry) complexes and other agricultural facilities) with total investments of RUB 1,049 billion. Out of all projects financed by the Bank, 4,320 production facilities was put into operation as of 1 January 2021, including 29 projects in 2020.

In 2020, the Bank held the lead in the implementation of agribusiness lending facility at a preferential rate, providing RUB 502.1 billion.

The Bank provides financial support to export-oriented agribusiness companies. As of 1 January 2021, the portfolio of such loans amounted to RUB 377.4 billion (+67.2% y-o-y). In 2020, export-oriented agribusinesses received RUB 429.6 billion, which is RUB 188 billion or 77.8% more than the year before.

By 2024 the Bank expects to grow its share to 35%, reaching out to every third exporter. To this end, the Bank has built a streamlined business process to support export operations. The Bank’s product offering for exporters

includes programs for foreign trade support, FX conversion, cash and settlement services, documentary operations, letters of credit, FX risks hedging and bank guarantees.

To achieve the targets set forth by the State Program, the Bank has developed a wide product offering covering the needs of agribusiness producers for financing their working capital and investments at all stages of production, processing, and sales, as well as financing of facility upgrades, introduction of innovations and modern technologies.

In accordance with market trends in 2020 RusAg updated the terms of its specialized lending programs secured by the purchased machinery and / or equipment, for the purchase of young farm animals on its security, for the purpose of creating complexes / facilities for the production and processing of agricultural products, which provides for optimization of lending conditions and requirements for borrowers.

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### FINANCIAL REHABILITATION OF AGRIBUSINESS ENTERPRISES<sup>26</sup>

Since 2002, Russian Agricultural Bank has been implementing governmental policy on the financial rehabilitation of agricultural producers .

Along with the opening and maintenance of accounts with a special regime for agricultural producers, the Bank provides them with financial support.

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### NATIONAL PRIORITY PROJECTS<sup>27</sup>

RusAg engages in the implementation of Russia's National Priority Projects — Priority Areas of the Strategic Development of the Russian Federation — “International Cooperation and Exports”, “Housing and Urban Environment”, “Small and Medium Businesses and Support for Business Initiatives”.

#### The National Project “International Cooperation and Exports”

The International Cooperation and Exports national project is intended to expand the presence of Russian goods and services on global markets with the help of state regulatory instruments and industry and corporate programs, including export financing, equity financing, leasing, and long-term support measures. The government is planning to ensure competitiveness of Russian goods on foreign markets through special investment contracts and the mechanism of “first delivery support”. In the service sector, Russia will compete in IT, construction, financial services, and tourism. Bureaucratic barriers will be eliminated by updating rules for direct, mixed, and combined cargo and introducing electronic workflows.

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<sup>26</sup> Note: Federal Law dated 9 July 2002 No. 83-FZ

<sup>27</sup> Note: National Priority Projects developed according to the Presidential Order No. 204 dated 7 May 2018 “On the National Goals and Strategic Tasks of Development of the Russian Federation for the period up to 2024”.

#### The National Project “Small and Medium-Sized Businesses and Support for Individual Entrepreneurs”

The Small and Medium-Sized Businesses and Support for Individual Entrepreneurs national project includes five main lines of effort: improving conditions for doing business, providing access to concessional financing, accelerating SMEs, supporting farmers and agricultural cooperatives, promoting entrepreneurship as an activity. In particular, the state is planning to simplify access to financial resources for small businesses and expand the list of SMEs which provide goods and services for state-owned companies. Special attention will be given to high-tech companies, startups, and social entrepreneurs. Specialized informational services will make entrepreneurs aware about available measures of state support and will give them access to educational platforms.

#### The National Project “Housing and Urban Environment”

The Housing and Urban Environment national project is designed to increase residential construction, to improve the mechanisms for financing this sector, to enable people to move from old inadequate accommodations to modern comfortable apartments and houses, and to carry out urban landscaping measures on a massive scale. Also, mortgage loans must become much more accessible. The project places special emphasis on managing urban environment in small towns and historical settlements.

#### 2021 objectives:

Supporting farmers is one of the most important tasks of RusAg. The Bank understands that entrepreneurs need affordable products and services for business development that can be obtained quickly and at an affordable price. To this end, the Bank plans to introduce in 2021 a new line of service plans for cash settlement services for agribusiness companies, including the most demanded services of the Bank and products / services of the Bank's partners.

At the same time, RusAg plans to modernize the existing line of service plans for cash settlement services in accordance with the needs of customers and constantly changing market trends.

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### 3.4. RETAIL BANKING<sup>28</sup>

Russian Agricultural Bank offers a wide range of high quality retail products and services, which are available via multiple distribution channels, accompanied by professional advice and effective management.

In 2020, the Bank continued to develop in the retail business segment, the priority areas of which remain mortgage and consumer lending, the development of card products line and the gradual transfer of services to an omnichannel mode.

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<sup>28</sup> Note: Some detailed information in this section is prepared under RAS as at 1 January 2021.

## LOANS

RusAg's retail loan portfolio as at 31 December 2020 amounted to RUB 563.4 billion, a growth by RUB 90.4 billion from the beginning of 2020. In terms of retail lending, the Bank ensured an increase of the portfolio by 19.1%, as compared to 2019. The Bank's market share in the retail lending is 2.7%.

Based on 2020 results, Russian Agricultural Bank ranks 5th by retail loan portfolio in Russia according to Expert RA.

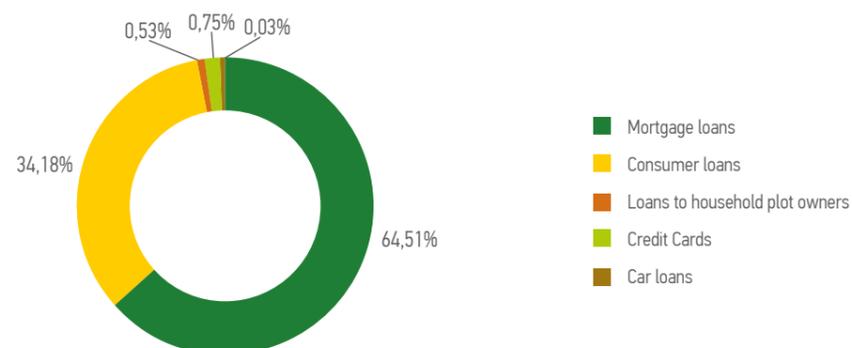
Major part of the retail portfolio — 64.5%, are mortgage loans, which amounted to RUB 358.2 billion in 2020, having increased by RUB 85 billion or 31.1%. In 2020, RusAg was one of the leaders in terms of the volume of mortgage lending. During the reporting year, the Bank provided RUB 175.2 billion for such loans or 58.9% of all retail loans issued in 2020.

As part of government programs implementation in 2020, the Bank took part in the provision of mortgage loans under the following ones:

- Mortgage with State Support Program, approved by the decree of the Government of the Russian Federation of 23 April 2020 No. 566;
- Far Eastern Mortgage Program, approved by the decree of the Government of the Russian Federation of 7 December 2019 No. 1609;
- Child Mortgage Program, approved by the decree of the Government of the Russian Federation of 30 December 2017 No. 1711;
- Rural Mortgage Program, approved by the decree of the Government of the Russian Federation of 30 November 2019 No. 1567.

The total volume of mortgage loans provided by RusAg under government programs amounted to more than RUB 120 billion.

### Retail Loan Book Composition



In accordance with priorities of the adopted credit policy, the Bank offers loan products designed for personal household owners and individuals residing in rural areas. Loans to this segment comprised about 1% of the retail loan portfolio. For the most part, this type of loans is used to purchase livestock. A smaller share of loans is intended for social rural development, setting up businesses not directly related to agriculture, such as rural tourism and trade, folk arts, and crafts. Consumer loans adapted for members of Non-profit organization "Gardeners' Union".

Consumer lending continues to be the most in-demand product in rural areas. In 2020, RusAg issued over 273.5 thousand consumer loans for the total amount of RUB 105.7 billion, which represented 36% of total retail loan issuance for the year.

Mortgage and consumer loans accounted for 95.8% of total retail loans extended in 2020.

By the YE2020, the Bank increased its portfolio of payment cards by 4.4%, the volume of which reached 4.5 million units as of 1 January 2021. The balances on cards accounts in 2020 reached RUB 85.9 billion, which is 35.4% over the level of 2019.

The volume of non-performing loans of retail customers amounted to RUB 24.5 billion as at 1 January 2021, their level in the retail portfolio — 4.4%.

### Retail Loan Portfolio Dynamics, RUB billion

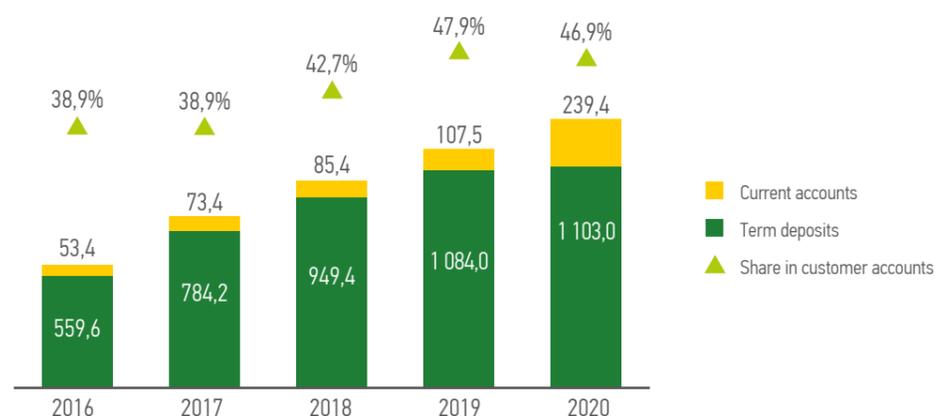


## DEPOSITS

Russian Agricultural Bank's wide territorial coverage makes it possible for the Bank's branches and POS to effectively raise deposits from retail customers residing in rural areas. Based on 2020 results, RusAg ranked 5th by retail deposits in Russia.

During the reporting period, amount of the Bank's retail deposits and customer accounts increased by RUB 151 billion or 12.7% and amounted to RUB 1.342 trillion, due to the attraction of new funds, while the market grew by only 11.3%. The share of retail deposits in total customer accounts stood at 47% at YE2020. The Bank's market share added up 0.2 percentage points and reached 3.8%.

#### Retail Customer Accounts Dynamics, RUB billion



In 2020, RusAg continued to make changes in business processes, which made it possible to improve the quality of services provided and optimize existing processes in the field of lending, as well as to develop savings and commission products:

- implemented the possibility of processing and submitting an application by individuals on the Bank's website, including for customers who are not registered on the Unified Portal of State and Municipal Services and are not connected to the remote banking services system (RBS system);
- ensured the process of preliminary loan approval on the Bank's website (shortened questionnaire — online solution for the client);
- introduced the process of concluding a loan agreement in the remote banking services system and obtaining credit funds without contacting the Bank's offline office;
- incorporated an automated calculation of cross-offers (when making an application for a consumer loan, information on possible loans for refinancing is provided);
- introduced a service of pension transfer to a client's account opened with the Bank without visiting a branch of the Pension Fund of the Russian Federation;
- implemented the possibility of receiving certain services using the 'Light Front' technology (applying for a consumer loan; opening a savings account; issuing personalized debit cards; issuing boxed insurance products; connection to cards of the "Urozhai" (Harvest) loyalty program, notifications service, 3-D password, etc.), in order to expand the list of products and services of the Bank that customers can receive without visiting the Bank's offline office.

## BANK CARDS

Russian Agricultural Bank is a member of all major international payment systems (Visa, MasterCard, UnionPay, and JCB) and the national payment cards system MIR. The Bank issues debit and credit cards for a wide range of customers residing in both rural areas and small towns, as well as megalopolises, taking into account regional specifics. The product line includes cards of various categories, from unnamed to premium cards.

Offices of the Bank operate in 82 constituents of Russia, including remote, rural communities, where it is especially important to promote cashless settlements. To attain this goal the Bank offers such privileges to cardholders as loyalty programs and customized lending products. The Bank's cards are customized for personal use, for payroll projects, covering the needs of SMEs and large businesses; for taking out a loan, including special loans for household plot owners; for payroll clients and clients with a positive credit track record; for pensioners; for charitable donations.

In 2020, RusAg launched a new locomotive card product "SVOYA" (My Own) Card (both credit and debit). This type of card has become the main card product of the Bank in the market, combining key advantages and loyalty programs for clients.

During 2020 the Bank actively developed the "Urozhai" (Harvest) loyalty program launched at the end of 2018. In 2020, the number of program participants doubled compared to the previous year, and the turnover of bonus points in the program showcase increased 2.3 times. The new card product "SVOYA" provided a significant influx of participants in the "Urozhai" loyalty program in 2020.

Also in the reporting period, the Bank introduced a new product — "Digital Card", which is issued based on the MasterCard Worldwide payment system in digital form (without issuing a plastic card) online through the Bank's RBS system.

In 2020, RusAg issued more than 2 million payment cards, including 105 thousand credit and 1,950 thousand — debit cards.

In order to develop and promote the product line of corporate cards, in 2020 the Bank:

- introduced the service of depositing cash to the customers' current account (retail / corporate) through ATMs and terminals using a Business Card (i.e. "Self-collection" service);
- implemented the process of automatic reissuance of the Business Card, if the client does not submit to the Bank an application for refusal to its reissue for a new term;
- ensured the acceptance of applications for the issue of Business Cards, activation of "Corporate SMS service", and "Self-collection" service through the legal entities RBS system;
- launched a new card product "Business Card for Current Account";
- and held 6-month campaigns for customers: "Unlimited cashback on Business Card" — 0.5%, "Cashback without borders with Business Cards MasterCard" — 3%.

Within the framework of the Concept and approaches for working with agricultural universities adopted in 2019, 17 educational institutions issued campus cards in 2020 (work on the implementation / modernization of access control systems was completed in 5 universities). More than 35 thousand campus cards issued. The total annual volume of enrollments to accounts in these universities (2020 to 2019) increased by 30%.

The Bank started issuance of cards with the non-financial MIR application, which allows to offer customers the most high-tech solutions for the implementation of non-financial card services in the campus environment of educational institutions (a higher level of protection, implementation of an electronic digital signature, recording a photo in electronic form on the card). In 2020, the Bank issued more than 4 thousand cards with non-financial MIR application. In all universities, the implementation of campus projects is carried out based on individually designed cards in a single concept.

In 2020, to develop the cards product range, the Bank implemented the following initiatives:

- credit card for installment purchases;
- pre-approved credit card for mortgage borrowers;
- credit card with a single document.

The high consumer properties of RusAg's card products encourage customers to increasingly use them as the main payment instrument, which is confirmed by the growth in the volume of transactions for payment for goods and services using the Bank's cards. The trade turnover for 2020 amounted to RUB 105.8 billion, which is 25.7% more than in the same period last year.

Loan portfolio for plastic cards amounted to RUB 4.2 billion.

Card accounts balances amounted to RUB 91.8 billion, which is 37% higher than the result of the previous year (an increase by RUB 24.7 billion).

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## REMOTE SERVICE CHANNELS

In 2020, Russian Agricultural Bank continued the program for the renovation and development of its ATM network, including the replacement of worn-out ATMs with new devices, as well as the installation of ATMs in new locations. During 2020, under this program, 1,138 new ATMs were installed. All newly purchased ATMs have the function of accepting cash. In addition, the Bank is actively commissioning ATMs with a recycling function, which allows dispensing funds previously received from another customer.

The total volume of cash withdrawal and receipt transactions in self-service devices in 2020 amounted to RUB 502.4 billion, which is 4.9% more than in 2019. Fee and commission income at the Bank's ATMs increased by RUB 16.4 million (+4.1%) in 2020 compared to 2019.

Within the framework of the Program "Development of the Retail RBS Channels: Mobile Bank, Internet Bank", RusAg launched a number of projects aimed at increasing the stability, accessibility and speed of the retail RBS system, as well as developing functionality and improving the usability of the system.

Within the framework of technological development, the Bank has implemented the following initiatives:

- Acceptance of an application for a change in the method of delivery of a pension in retail RBS system and the Bank's divisions;
- Improved matrix of the credit card product offer. Offer the Bank's credit card to clients with the minimum approved limit;
- The "Biometric System" platform was introduced by RusAg, which is a revolutionary solution in today's IT market, as it not only ensures the collection and transfer of biometric samples to the USIA<sup>29</sup> and UBS<sup>30</sup>, but at the same time is open for integration with other systems of the Bank and allows the simultaneous use of biometric technologies in any business processes;
- Implemented the possibility of obtaining a loan and credit card without visiting the office;
- Simplified the process of registration and first login to the RBS system using a card;
- Implemented the ability to create and confirm an account on State Services;
- The share of self-service devices supporting NFC technology increased from 20% to 50%.

In 2020, the share of transactions carried out in the retail RBS system reached 51% (against 35% in 2019), which is more than half of all transactions made by the Bank's customers in the system. The number of users of remote banking systems (Internet Bank and Mobile Bank) exceeded 2.9 million (an increase of 68% compared to the end of 2019). For 2021, the Bank aims to increase the number of customers — users of the retail RBS system to 3.3 million.

In 2021, the Bank will continue to work on the development of the retail RBS system, aimed at developing functionality and improving user-friendliness.

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## 3.5. FINANCIAL INSTITUTIONS AND INTERNATIONAL OPERATIONS

Russian Agricultural Bank holds a leading position in the banking sector of Russia, being a core bank for servicing agribusiness exports and a number of other significant export-oriented industries. The Bank is actively strengthening its image as an open, fair and reliable partner on international markets. The Bank constantly interacts with key financial market participants, including international and local rating agencies, institutional investors, and foreign counterparties, and participates in the activities of interstate business councils and intergovernmental commissions.

<sup>29</sup> Note: Unified System of Identification and Authentication.

<sup>30</sup> Note: Unified Biometric System.

RusAg's transparency has been acknowledged by leading global rating agencies and national rating agencies accredited by the Bank of Russia.

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## DEVELOPMENT OF CORRESPONDENT RELATIONS AND INTERBANK COOPERATION

In 2020, Russian Agricultural Bank actively strengthened and expanded its Loro and Nostro correspondent network. At the end of 2020, the Bank had 277 Loro accounts opened for Russian and foreign banks. In order to expand services offered to correspondent banks, in the reporting period, the Bank has registered its own Payment System, which was joined by Russian correspondent banks.

The Bank continues to perform settlement operations for its customers in all principal currencies. For foreign currency settlements, the Bank uses direct correspondent accounts opened with leading American, European and Asian financial institutions.

In the reporting period, RusAg's effort on expanding its correspondent network and optimizing settlements brought an increase in the number of Nostro accounts opened with Russian and foreign banks to 85. The number of the Nostro account currencies reached 17.

The Bank also consistently implemented SWIFT-alternative communication channels enabling information exchange with financial institutions. FMS (Financial Messaging System of the Bank of Russia) and RBS (Remote Banking Services) channels were established with over 50 financial institutions.

In addition to that, in 2020, RusAg actively expanded its cooperation with counterparts in financial markets. As at the end of 2020, the total number of presently valid General Agreements exceeded 600, which includes agreements on the general conditions of executing inter-bank and FX market transaction, on fixed-term transactions in financial markets, on credit support, on stock market operations, on executing transactions with banknotes, as well as the agreements on general conditions of precious metal transactions and sale and purchase of precious metal coins.

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## SETTLEMENT TRANSACTIONS

In 2020, RusAg continued its development as a competitive modern universal commercial bank.

In December 2020, the Bank of Russia registered Russian Agricultural Bank as an operator of its own Payment System (in accordance with Federal Law No. 161-FZ as of 27 June 2011 "On the National Payment System"; registration number 0052).

Under its Payment System, RusAg carries out intra-bank transfers of funds between the correspondent Loro accounts of banks — participants of the Payment System, which have joined the Bank's Payment System rules.

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## SERVICING AND FINANCING OF FOREIGN ECONOMIC ACTIVITIES<sup>31</sup>

One of the focus areas of the Bank's activity is the development of services supporting foreign economic activity and foreign trade finance for its clients. In order to expand its activities in this area, in April 2020, RusAg opened a specialized program "Best FEA service Bank", aimed at increasing sales of FEA products and services, enhancement of products and processes, settlement system, implementation of government support measures.

In the reporting year, the Bank implemented a range of efforts as part of this program:

- conducted the audit of its product offer, developed and implemented an action plan for the enhancement of the Bank's products, processes and operating systems, including the Remote Banking Services system (RBS system);
- implemented the functional and role-based sales model for the products of FEA, trade finance and government support of export, conducted training for its employees;
- doubled the number of participants of the Bank's export accelerator — a service by the Russian Export Center Group on the assessment of a company's export potential, training and incubating exporters for successful entry to international markets;
- placed offers for the Bank Group companies and popular non-banking services on its marketplace — Svoe Fermerstvo (My Farming) ecosystem for agribusiness companies;
- significantly expanded its limit framework for new correspondent banks from both CIS and non-CIS countries;
- opened Nostro accounts in 4 more foreign currencies (Turkish liras, Canadian dollars, Australian dollars and New Zealand dollars). The total number of foreign currencies, in which the Bank has Nostro accounts, reached 17;
- organized and held workshops and conferences on pressing issues of the FEA domain attended by trade and manufacturing companies, Russian agricultural product exporters, involving, among others, government authorities, development institutions and the International Trade Chamber;
- considerably increased mentioning of RusAg in mass media (as a result of a significant expansion of the Bank's expertise in the field of FEA).

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## FOREIGN TRADE FINANCE AND RELATED LENDING

In 2020, the Bank intensified sales of its trade finance products: it advised and confirmed export letters of credit for a total of USD 579.3 million, set up import letters of credit for USD 136.6 million, advised guarantees of foreign banks for USD 81.1 million, and issued guarantees on behalf of third-party banks for USD 0.6 million. In addition, in the reporting period, the Bank made reimbursement on letters of credit issued by counterparty banks for USD 1.4 million, performed documentary collection operations for USD 24.1 million.

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<sup>31</sup> Note: FEA - Foreign Economic Activity.

In order to support the export of Russian products, the Bank actively financed resident banks of the Eurasian Economic Union countries:

- in the framework of documentary credit operations, financing was provided in Russian rubles, US dollars and Euros for a total amount equivalent to RUB 7.1 billion;
- in the framework of bilateral interbank credit agreements, credit funds were provided in Russian rubles, US dollars and Euros for a total amount equivalent to RUB 50.4 billion.

The Bank actively participates in the implementation of the Decree of the President of the Russian Federation No. 204, dated 7 May 2018, "On national goals and strategic objectives of the development of the Russian Federation for the period up to 2024" in terms of enabling the growth of Russian exports.

The total volume of loans issued to export-oriented agribusinesses reached RUB 429.6 billion as at the end of 2020, of which short-term loans totaled RUB 353 billion, and investment loans to RUB 76.6 billion.

In 2020, the Bank met the annual targets set by its Supervisory Board in terms of financing and servicing export-oriented agribusiness companies.

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## CAPITAL MARKETS OPERATIONS

RusAg offers a comprehensive range of debt instruments to reduce risks by placing funds in the market and by raising additional funds, via: REPO operations, ruble-denominated bonds, loan participation notes, government and municipal debt securities, corporate debt securities, and promissory notes and equities.

As part of the formation of its resource base for long-term lending, the Bank placed the following bond issues in 2020:

- in February — issue of exchange-traded ruble bonds in the amount of RUB 2.5 billion, circulation period of 1,085 days, and a coupon rate of 6.05% per annum;
- in July — issue of exchange-traded ruble bonds in the amount of RUB 3.5 billion, circulation period of 1,085 days, and a coupon rate of 5.25% per annum;
- in October — issue of exchange-traded ruble bonds totaling RUB 4.02 billion, with circulation period of 1,085 days, and a coupon rate of 5.4% per annum;
- in December — issue of short-term exchange-traded ruble bonds in the amount of RUB 10 billion, circulation period of 90 days, and a coupon rate of 5.15% per annum;
- in December — issue of exchange-traded ruble bonds for the total amount of RUB 38.2 million, with circulation period of 1,095 days, and 1st to 3rd coupon periods rate of 0.01% per annum (terms of the issue provide for the payment of additional income);
- in December — issue of exchange-traded ruble bonds for the total amount of RUB 4.7 million, with circulation period of 1,095 days, and 1st to 3rd coupon periods rate of 0.01% per annum (terms of the issue provide for the payment of additional income).

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## INTERNATIONAL OPERATIONS

The sectoral sanctions applied by the US and EU, as well as other governments, in respect of Russian Agricultural Bank are not blocking and do not provide for any measures to block payments or assets of the Bank abroad.

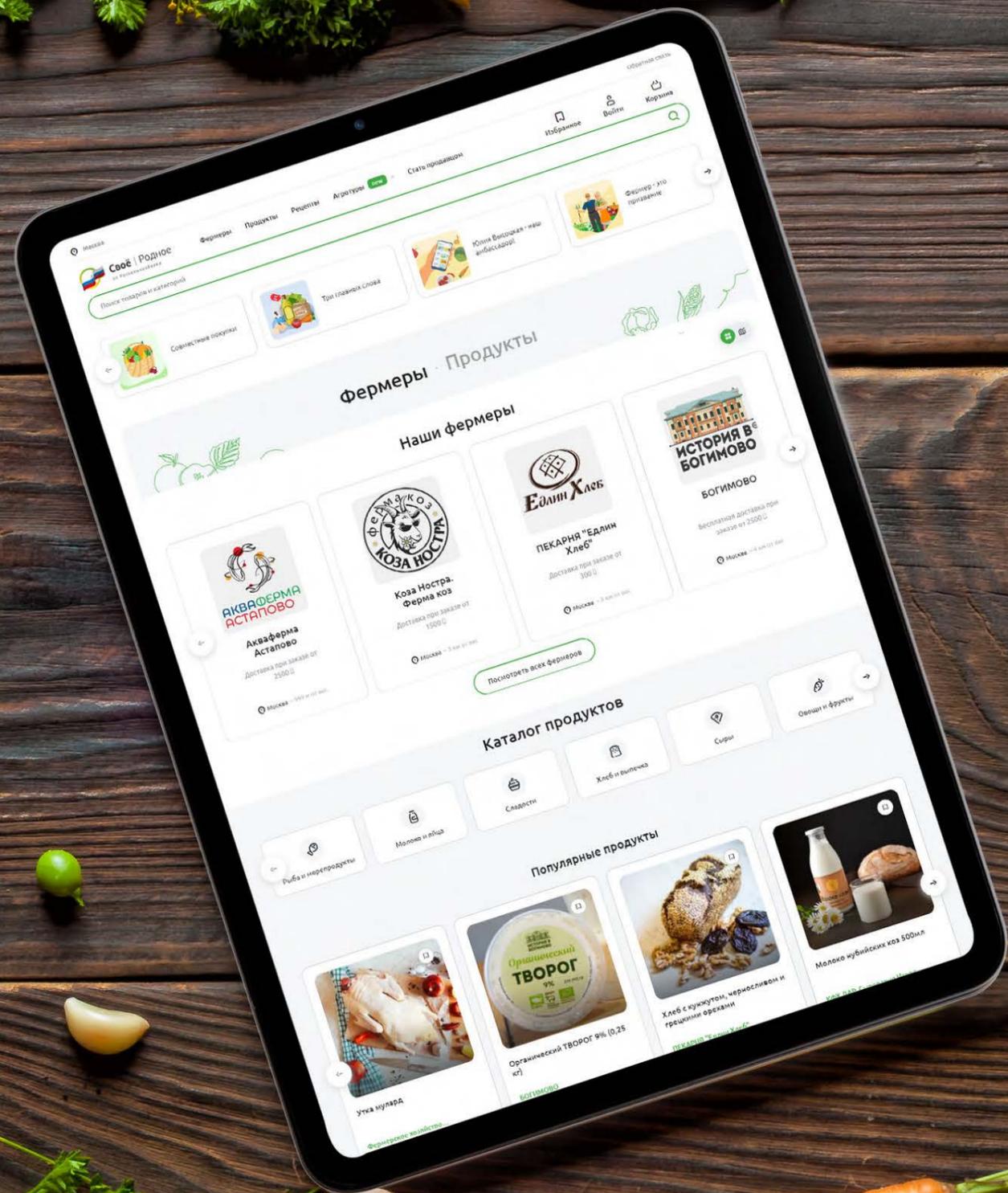
The Bank continues to carry out settlement operations for customers in all major currencies. For settlements in foreign currencies, the Bank uses direct correspondent accounts opened in leading US, European and Asian financial institutions.

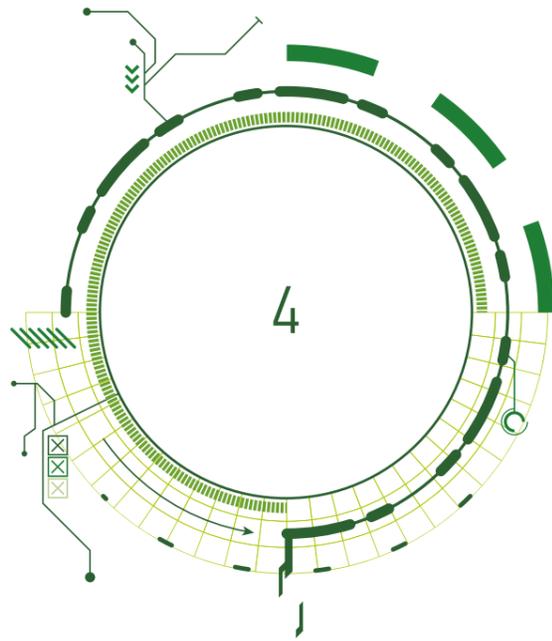
In order to maintain the interest and trust in RusAg on the part of the investment and banking community, as well as the investment attractiveness of the Bank's debt instruments, the target audience is regularly informed on the Bank's financial and operational results and its strategic development plans. Round tables, conferences and meetings are organized, and specialized events are held to maintain relationships with a wide range of counterparties and investors in the traditional capital markets and markets of Southeast Asia and the Middle East. The Bank maintains up-to-date information on its website, which is specially designed for an international audience.

RusAg's representatives regularly participate in international conferences, financial conventions, forums and meetings, which allows the Bank to get information on various innovations and best practices in the banking sector, international business practices, as well as to establish and develop bilateral relations of the Bank with counterparties. This work also contributes to the search for new solutions for the export of Russian agricultural products.

Activities of RusAg's representative offices in the countries of the Eurasian Economic Union and Southeast Asia ensure the Bank's presence in the target international markets, increase its brand awareness, improve the access of foreign trade companies to sales markets and expand exports of Russian agricultural products. The Bank's representative offices operate in three former Soviet republics (the Republic of Belarus, the Republic of Kazakhstan, and the Republic of Armenia) and in the People's Republic of China.

**RUB 2.4 trillion**  
**Corporate loans**  
(accounted for 81% of the total portfolio)





## CONTROLS AND PROCEDURES

### 4.1. RISK MANAGEMENT

Russian Agricultural Bank is the core financial institution providing financial and credit services to agribusiness and related industries, which determines the specifics of the sectoral structure of the Bank's loan portfolio. The goals associated with agribusiness lending from additional credit risks, which are due to the specifics of the industry, primarily related to the influence of agro-climatic factors. The Bank's financial performance is highly dependent on seasonal and cyclical changes in agriculture. In addition, unfavorable weather conditions, natural disasters and other climatic events may affect the ability of borrowers to service loans. RusAg assumes all the risks of the industry as a key lender to agribusiness.

The Bank's nationwide branch network, covering most of the Russian regions, determines the possibility of realizing risks associated with objective agro-climatic conditions of economic activity. The territories of 37 regions are classified as unfavorable for agricultural production<sup>32</sup>.

In addition, the financial and economic stability of agribusiness and, therefore, the Bank's activities are influenced by natural environment and climatic events of a natural phenomena.

Agro-climatic conditions in 2020 turned out to be more favorable for Russian agricultural producers than the year before. However, throughout the year, a state of emergency was introduced in certain territories of 12 regions of Russia in connection with forest fires (Sverdlovsk Region, Trans-Baikal Territory, Chukotka Autonomous Region, the Republics of Buryatia and Sakha (Yakutia)), drought (Novosibirsk, Omsk and Chelyabinsk regions), frost (Krasnodar and Primorsky Territories), floods (Perm Region, the Komi Republic and Sakha (Yakutia)). According to estimates of the Ministry of Agriculture of Russia the total damage from emergencies amounted to about RUB 8 billion.

Low coverage of agricultural insurance aggravates the situation: according to the National Association of Agricultural Insurers only 8% (3.4 million hectares) of sown area was insured in Russia in 2020, which increases credit risks of the industry and the Bank.

<sup>32</sup> Note: Order of the Government of the Russian Federation dated 26 January 2017 No. 104-r.

Risk management at RusAg is regulated by the following internal documents approved by the Bank's Supervisory Board:

- The Risk and Capital Management Strategy, which sets out the basic principles for capital adequacy internal assessment procedures;
- The Risk Management Policy, which establishes the Bank's key risk management principles;
- The RusAg's Group Risk and Capital Management Strategy;
- The RusAg's Group Risk Management Policy.

RusAg's Supervisory Board has compiled a list of risk appetite indicators for the Bank and the Group and set maximum values for these indicators.

Aiming to further develop its risk and capital management system, the Bank has established the Risk Management Committee to:

- control the Bank's target risk appetite and aggregated risk profile, including whether the levels of risks taken on exceed the operating limits and restrictions;
- monitor the key risk factors that affect the Bank's aggregated risk profile;
- maintain operational efficiency and regularly enhance the risk management system (including risk identification, assessment, management, monitoring and control);
- monitor how the risk management system complies with the regulatory requirements, including the Basel standards adopted by Russia.

All significant banking risks and any actions taken by the Bank's Management Board in their regard are reported to each member of the Supervisory Board. RusAg shareholder did not make any demands on the Bank to bring its return on capital to a point where the maximum permissible aggregate risk threshold would be exceeded. RusAg has in place a unit responsible for bank-wide coordination of risk management.

Internally-approved procedures for managing all significant banking risks (including interbank limits and approaches to assessing the quality of corporate governance at the Bank's counterparties) are currently recognised as optimal. The Supervisory Board regularly reviews the effectiveness of these procedures with regard to the changing levels of risk materiality.

In 2020, RusAg delivered significant improvements to its risk management system on the aggregate level:

- reviewed risk appetite indicators for the Bank and the Group;
- updated the risk management policy for the Bank and the Group;
- updated RusAg and RusAg Group capital management regulations No. 541-P.

In developing and reviewing these documents, the Bank relies on the Bank of Russia Directive No. 3624-U (Credit institutions and banking groups: requirements for a risk and capital management system, dated 15 April 2015) and is successful in:

- managing the Bank's and the Group's capital adequacy with regard to business strategy and the pre-set risk appetite;
- planning for multiple business lines with regard to their risk levels;
- assessing return on operations, with regard to the risk assumed;
- stress-testing financial stability indicators using macro scenarios.

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## CREDIT RISK

RusAg manages credit risk, i.e. the risk of a loss owing to a default or a delayed or partial performance of financial obligations (including in financial markets transactions) by a counterparty or a third party. Counterparty credit risk, i.e. the risk that the counterparty may default before it makes the payment under a derivative or repo transaction, is also part of credit risk.

For the purposes of credit risk management, the Bank:

- assumes credit risk following an assessment of the transaction structure and all information available on the credit quality of the counterparty / counterparty group;
- uses the tools that reduce credit risk (including liquid collateral, sureties and guarantees) and the pricing informed by credit risk;
- limits credit exposures to individual counterparties and counterparty groups that are economically or legally related;
- monitors the levels of credit risk assumed on an ongoing basis.

The Bank's authorised bodies have approved internal regulations with a formalised description of credit risk assessment procedures and methodologies. They also set out procedures for making available and supporting the bank's credit products.

The Bank takes risk of credit concentration related to lending to the core market niche (agribusiness and related industries) and manages it by:

- financing a full cycle of production and sales of agricultural produce (including production, storage, processing and sales to the end consumer);
- lending borrowers with broad product range;
- diversifying loan book by region;
- diversifying loan book by lending to other sectors of the economy.

The Bank continues to develop approaches to utilising internal credit ratings in its decision-making, including rules for credit products, authorities for credit risk taking as well as exposure quantification methodologies, such as models to assess PD, LGD and EAD.

In the existing macroeconomic environment, RusAg takes measures to keep corporate credit risks under control, especially:

- by applying stricter requirements to the financial stability of its borrowers and the level and quality of collateral;
- by using an inclusive set of standard covenants to mitigate the risk at the time of transaction structuring;
- by prioritizing RUB-denominated financing;

Decision-making on all retail loan products is centralised at the head office level, standardised and automated using a conveyor technology under which loans must meet a predetermined level of quality. The Bank improves its decision-making process on a continual basis. As an example, in 2020 it introduced the relevant amendments to its internal regulations:

- credit policies were streamlined with regard to stop factors and with stricter client check rules, subject to the scoring model;
- approaches were modified to calculating customer solvency and credit exposures on consumer and mortgage loans.

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## LIQUIDITY RISK

The Bank manages its liquidity loss risk to ensure that it is able to fulfil its financial obligations to customers and counterparties in a full and timely manner.

The Bank is exposed to liquidity risk because it has to use available funds on a daily basis to make payments on customer accounts, demand deposits, maturing interbank loans, term deposits and issued securities, loan drawdowns, and guarantees, as well as from margin and other calls on cash settled derivative instruments.

The main methods of analysis and assessment of liquidity risk are:

- daily cash-flow-based analysis of its payment position;
- daily analysis of asset and liability maturities mismatch (GAP-analysis);
- an analysis and evaluation of the actual values and movements of internal indicators of liquidity risk;
- analysis and control of the Bank's liquidity ratios set by the Bank of Russia;
- stress-testing.

The Bank manages liquidity risk by planning its assets and liabilities structure, setting and controlling limits and indicators of liquidity loss risk (both external set by the Bank of Russia and calculated by RusAg), maintaining liquidity cushion, engaging in prior planning and preparing measures aimed at maintaining and restoring liquidity in unfavorable conditions.

In 2020 RusAg adjusted its approaches to forecasting mandatory liquidity ratios and building liquidity reserves. Sanctions against the Bank that restrict its access to long-term funding in foreign currencies further exacerbated the risk of liquidity loss in 2020.

Stress testing helps the Bank assess the impact of significant macroeconomic deterioration on its liquidity.

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## MARKET RISK

Market risk is a risk that the Bank may incur a loss through changes in the current (fair) value of financial instruments, foreign exchange rates and/or reference metal prices. RusAg manages its market risk to keep its level within the established limits and to minimize financial loss in adverse events.

In order to analyze and assess market risk, the Bank uses quantitative assessment under VaR (Value-at-Risk) methodology, a statistical assessment of maximum loss over a certain period of time at a given level of probability. In addition to VAR, the Bank also calculates the ES (Expected Shortfall), which shows the value of expected loss that the Bank would sustain if losses exceeded VaR.

Market risk is managed by:

- setting and controlling structural and position limits, as well as stop-loss limits;
- diversifying and hedging risk exposures;
- advance planning and preparing steps to minimize financial loss in adverse circumstances.

A mechanism for stock market risk mitigation includes limits on the securities portfolio, individual sub-portfolios, issuers in the portfolio, sensitivity indicators as well as resulting limits on the trading securities portfolio, primarily stop loss on the financial result.

To deal with the currency risk, the Bank keep controls of its net position in foreign currency under the Bank of Russia Instruction No. 178-I (establishing open currency position size/limits, a methodology of calculation and monitoring compliance by credit institutions, dated 28 December 2016) at the levels of 10% of equity (capital) for each currency and 20% of equity (capital) for the aggregate position.

Currency risk is assessed and controlled in an aggregated form and by currency type.

The bank uses multiple tools to manage its currency risk, such as:

- forward contracts;
- options;
- swaps.

To enhance market risk management and control over financial market operations, in 2020 the Bank amended its regulatory documents, introduced new types of limits and refined its control systems.

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## INTEREST RISK

Interest rate risk is the risk that the Bank's financial position may deteriorate owing to a decrease in capital size, income or asset value as a result of change in interest rates on the market.

The Bank manages interest risk using the following basic methods:

- an analysis and assessment of gaps in maturities/forthcoming interest rate revisions for those of the bank's claims and liabilities that are sensitive to interest rate changes (GAP method);
- an assessment of how sensitive net interest income in the bank's ledger is to interest rate changes on the market.

The Bank assesses its interest rate risk by major currencies and by individual transactions by analysing potential changes in the payment flow triggered by changes on the market, in the financial position and/or actions by the Bank's customers and counterparties.

In 2020 RusAg has computerised and improved its system insofar as it relates to controlling the level of its interest rate risk.

In 2020, the Bank's interest rate risk was significantly shaped by declining RUB-denominated interest rates.

To mitigate its interest rate risk, in 2020 RusAg took steps to strike a balance between those of its assets and liabilities that are sensitive to interest rate changes.

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## OPERATIONAL RISK

Operational risk is a risk of loss arising because the Bank's internal or transactional procedures are incompatible with the nature and scope of its operations; or because the Bank employees and / or other persons fail to comply with these procedures owing to incompetence, unintended or intended acts or omission to act; or because functionalities of the Bank's information, technological and other systems are disproportionate or insufficient; or because external events make these systems fail or malfunction.

RusAg manages its operational risk to ensure that it transacts its core business and delivers on its strategic goals and objectives in a sustainable and reliable manner. To reach its operational risk management targets, the Bank is building an operational risk management system (ORMS) — a set of measures, procedures (incl. computerised) and processes implemented by the units involved in operational risk management under a shared methodology for efficient operational risk management.

To enhance operational risk management efficiency, the Bank has split responsibilities between its authorised bodies and independent units / branches engaged in operational risk management. These units identify operational risk inherent to the Bank's business as they perform their functions within their remits and generate proposals for determining / selecting methodologies to manage the operational risk they have identified.

The key principles of operational risk management, as well as ORMS and its components, are described in the Bank's internal documents.

To ensure that its operational risk is managed in an efficient way, the Bank:

- identifies and assesses operational risk across all its business lines, products, processes and systems, including new business lines, products, processes and systems;
- captures data on operational risk events and related losses within special-purpose databases of operational risks;
- develops and implements measures to reduce the likelihood of operational risk materialising and to minimize related consequences / losses;
- insures buildings, structures, vehicles, equipment, cash stored on the premises for transactions with valuables, at ATMs, information and payment terminals and other devices, as well as the life and health of those staff who are subject to heightened risk;
- supports action plans to ensure continuity of its operations and / or recovery in extraordinary events or in emergency situations (CR Plans); tests them to limit losses in any adverse circumstances that may affect the Bank's business.

The Bank uses the following operational risk management methodologies:

- taking on operational risk — an informed decision to engage in actions that increase operational risk;
- not taking on operational risk — an informed decision not to engage in actions or business that may increase operational risk;
- minimizing operational risk — an informed decision to engage in actions that reduce operational risk to a level acceptable to the bank or eliminate the risk altogether;
- allocating / transferring operational risk — an informed decision to engage in actions that help fully or partially transfer the risk or potential loss from materialised risk to other person / persons, specifically, through insurance or outsourcing.

To develop operational risk management and enhance its efficiency in 2020, the Bank:

- adopted the Risk Analysis Methodology for the RusAg Payment System, because the Bank was registered as a Payment System operator;
- enabled amendments to its CR Plan, as approved by the Bank's Supervisory Board, and updated its CR Plans at regional branch levels;
- enabled CR Plan modules for critical processes;
- updated the format of management reports on operational risks (modifying the approach and expanding the list of issues to be reviewed).

In 2020, in pursuance of its internal documents, the Bank continued to phase in enhanced procedures to identify and collect data on operational risks / operational risk events.

In 2021 RusAg intends to take steps that will ensure it complies with the new requirements of the Bank of Russia Regulation No. 716-P (Credit institutions and banking groups: requirements for an operational risk management system).

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## 4.2. THE INTERNAL AUDIT SERVICE

The Internal Audit Service (IAS, the Service) in Russian Agricultural Bank is an independent structural body, which functions in accordance with the Russian legislation, the Bank's Articles of Association, the IAS Provision adopted by the Supervisory Board and other internal regulations.

Supervisory Board appoints the head of the Service. Size of staff and technical infrastructure of IAS are closely monitored and kept on sufficient levels to enable the unit to perform with maximum effectiveness based on scale of its activity. The character of risks taken by IAS defines high standards of expertise, integrity and perseverance of its staff.

The Service provides independent advice, opinion and recommendations on the quality and functioning of internal control systems inside the Bank. While the IAS's responsibilities cover a wide range of tasks, its general mission is to make reports and recommendations to the Bank's management on how other units can improve their internal processes and raise performance in the field of risk management, controls and governance.

The key functions of IAS are the following:

- supervision and general assessment of internal control; monitoring of execution status of decrees issued by the Bank's governing bodies (General Shareholders Meeting, Management Board, Chairman of the Management Board);
- efficiency control of risk management methodology and risk management procedures; general audit of internal procedures, programs, instructions in terms of integrity and applicability;
- assessment of reliability of internal control in the field of IT systems, cyber security, data protection, combating of unauthorized access attempts and other related activities in accordance with protocols adopted for emergency events to secure a continuity and / or recovery of Bank's operations;
- testing of integrity, completeness and promptness of accounting and financial reporting, including process of information collection for these purposes;
- review of employed protocols and procedures aimed to secure safety of Bank's property;
- assessment of economic viability and efficiency of Bank's operation and financial deals;
- examination of certain internal control processes and procedures;
- other functions that may be in demand temporarily or for certain cases.

The IAS is under direct control of RusAg's Supervisory Board and reporting to Supervisory Board no less than two times a year. It reports on inspection results every half a year, which includes information on flaws revealed, recommendations made and measures taken. This information is also reported to the Management Board and the Chairman of the Management Board of the Bank.

The activities of the Bank's IAS are assessed by an outsourced audit company no less than once in five years, with independent judgment reported to the Supervisory Board.

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## MAIN RESULTS OF THE IAS ACTIVITIES

As the IAS is authorized to verify inspections of other internal units and divisions, it acts under quarterly schedule endorsed by the IAS head officer.

In 2020, the IAS officers held 78 internal inspections, including:

- 21 comprehensive inspections of financial and operational activities of regional branches;
- 21 inspections of the Bank's HQ units;
- 36 inspections of affiliate entities of the Bank (in the framework of the Checkup committee / exercising auditor functions)

IAS officers operating in RusAg's regional branches accomplished another 645 inspections in 2020. They carry out inspections of various formats including all-round audit of regional branches and their internal structural units.

In view of the results of inspections, the IAS designs new actions aimed at developing the internal control system. New forms of inspections and excises promote modernization of business processes, actualization of internal protocols, staff training and better awareness of professional standards and practices throughout the Bank.

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## DEVELOPMENT OF IAS IN RUSAG

In accordance with the requirements of external regulators and shareholders, the IAS constantly upgrades its protocols to provide management bodies of the Bank with an expert judgment in line with the best international practices. This work secures efficient and flexible functioning not only of the Bank itself but the Russian Agricultural Bank's Group overall.

To improve activities of the IAS and fulfill its tasks in 2020, RusAg continued to improve the effectiveness of risk-oriented approaches in planning and conducting inspections, including the development of methods and tools for preliminary analysis of business processes and their results.

The Russian Agricultural Bank Group has a solid record of internal audit system development and is committed to implement both evolitional and innovative approaches in this field in a decade to come.

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## 4.3.1 INTERNAL CONTROL

Russian Agricultural Bank has built its Internal Control System (ICS, the System) in accordance with the legislation of the Russian Federation and requirements of the Bank of Russia. The System functions at all levels of the Bank's management. To make it highly efficient in responding to specific challenges, RusAg maintains ICS finely tuned to business environment and emerging risks. A special focus is made on its flexibility and resilience.

According to the Bank of Russia Regulation dated 16 December 2003 No. 242-P "On the Organization of Internal Control in Credit Institutions and Banking Groups", RusAg's internal control system comprised the following bodies and units in 2020:

— **Governing Bodies:**

- General Shareholders' Meeting;
- Supervisory Board;
- Management Board.

— **Responsible Executives:**

- Chairman of the Management Board;
- Chief Accountant;
- Directors and Chief Accountants of Branches.

— **Other Units and Responsible Employees:**

- The Revision Commission;
- The Internal Audit Service;
- The Internal Control Service;
- Responsible officer for anti-money laundering and combating the financing of terrorism;
- Controller for professional securities market participant;
- Other units and officers involved.

RusAg's Articles of Association regulates division of authorities on every level of the Bank's structure. An effective distribution of authorities between governing bodies is an essential factor for the whole system performance.

The competence of the Supervisory Board of RusAg in the field of internal control includes:

- establishment and operation of effective internal control;
- regular review at its meetings of the effectiveness of internal control and discussion with the executive bodies of the Bank on the organization of internal control and measures to improve its effectiveness;
- review of documents on the Bank's internal control system, the Internal Audit Service, and other structural divisions of the Bank or responsible employees of the Bank, and the external auditor;
- ensure the prompt implementation by the Bank's executive bodies of recommendations of the Internal Audit Service, the external auditor, and supervisory authorities;
- timely verification of compliance of internal control with the nature and scale of operations, the level and combination of risks assumed.

The Management Board's responsibilities are:

- controlling the implementation of the Bank's strategy in the field of internal control;
- delegating responsibilities to work out rules and procedures of internal control to other units involved in the process;
- analyzing compliance to rules of the internal control in the Bank;
- verification of compliance of the Bank's activities with internal documents regulating internal control;
- analyzing of internal control efficiency based on audit results;
- establishing of an effective data systems to allow fast information availability for all Bank's units involved in internal control process;
- establishing of a resilient system to expose and eliminate violations of internal control protocols.

The Chairman of the Management Board is involved in internal control when exercising the powers of the Bank's sole executive body on:

- issuing orders, decrees, and instructions on the current activities of the Bank;
- approval of the internal units' statutes, the Bank's working schedule, staff hiring procedures in the headquarters, regional branches and representative offices;
- decision on incentives and penalties for the Bank employees
- distribution of responsibilities among the members of the Management Board;
- review of information based on results of the control measures carried out by independent structural divisions of the Bank, external auditor, and supervisory authorities.

RusAg's organizational structure is formed taking into account the need of ensuring the effectiveness of the Bank activities, and avoiding conflicts of interest, both at the level of the division and of particular employees.

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#### 4.3.2. COMPLIANCE CONTROL

Russian Agricultural Bank is a dynamically and rapidly developing financial institution with an important mission and ambitious goals. To the only way for the Bank to secure the accomplishment of its targets is to hold leading positions on the focus market and expand its business to other sectors of the economy. However, the process of growth always goes along with new risks that threaten both business performance and brand's perception. It is highly ineffective or even dangerous to react to emerging risks after they have already started realizing.

The Compliance Control Department (hereafter also mentioned as the Department) in RusAg exercises certain functions related to regulatory risk (compliance risk) management, which defined by the regulatory act of the Bank of Russia. The Department also acts as an internal control service alongside with other departments according to their fields of concern.

The Department is regularly reporting to RusAg's governing bodies on the state of regulatory risk management and general compliance discipline in the Bank. The regulatory risk under the procedures built into the most banking processes ensures their comprehensive and mandatory compliance.

In addition to the internal control functions set by the regulatory act of the Bank of Russia, the Compliance Control Department is also involved in maintaining anti-corruption measures, monitoring compliance with international requirements, organizing and monitoring compliance with the requirements of legislation related to personal data security, organizing countering the illegal use of insider information and market manipulation.

The Department structure includes a Controller for professional securities market participant. This officer supervises compliance with relevant legislation of the Russian Federation in the field of securities trading, investor rights protection, and correlation of internal protocols with external requirements.

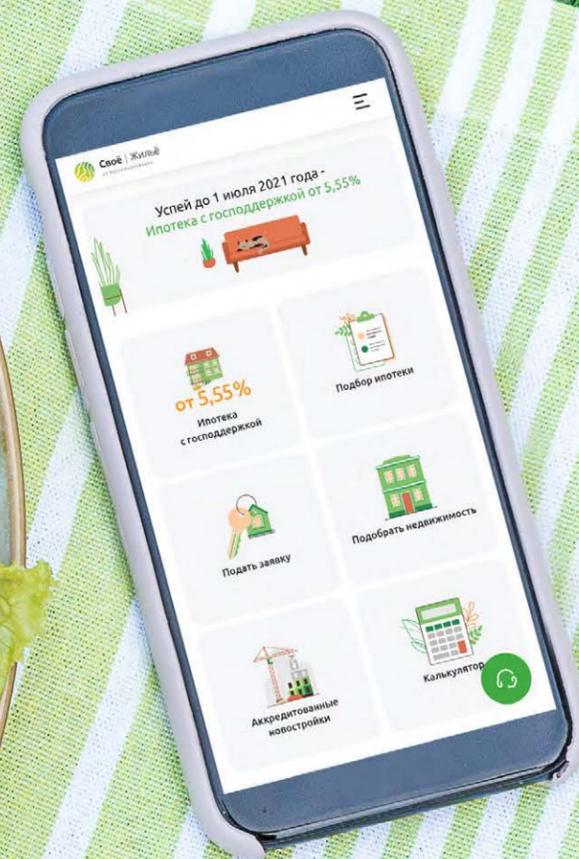
In 2020, the system of internal control in Russian Agricultural Bank continued its evolution in line with best international practices. Adopting innovative approaches and modified procedures, the Bank closely monitors their compatibility with existing system to avoid structural conflicts. Such policy makes the complete internal control system integral, viable and effective.

The major upgrades in 2020 were the following:

- development and introduction of compliance control policy on prevention, detection and prevention of illegal use of insider information and (or) market manipulation according to changes in legislation and the Bank of Russia regulation;
- adoption of effective processes to comply with legislation related to foreign tax residents;
- maintenance of development and improvement of compliance risk monitoring of the Bank and the Bank Group;
- completion of the list of measures by the 2018-2020 National Anti-corruption Plan and the Bank's anti-corruption plan for the same period.

In 2021, RusAg will focus on further introduction of compliance control best practices on the level of the Bank and the Group.

**RUB 1.67 billion**  
**Agribusiness loans**  
**in 2020**  
(+22% y-o-y)



### 4.3.3. FINANCIAL MONITORING SERVICE

In 2020, Russian Agricultural Bank continued its sound record of strict compliance with the legislation of the Russian Federation in the sphere of anti-money laundering and combating the financing of terrorism.

In accordance with Federal Law as of 7 August 2001 No. 115-FZ "On Countermeasures to Combat Legalization (Laundering) of Illegally Obtained Proceeds and Financing of Terrorism", RusAg approved an updated Rules of Internal Control in order to counteract the legalization (laundering) of proceeds from crime and the financing of terrorism (hereafter — the Rules). The dedicated officer in the HQ<sup>33</sup> and authorized officers in regional branches assigned for the implementation of the Rules.

The 'Know-Your-Customer' (KYC) principle is a cornerstone for any financial operation in the Bank. It stipulates profound knowledge and reliable verification of customers' information and profile, data on their representatives, beneficiary owners, financial operations and other transactions, including corresponding counter-parties.

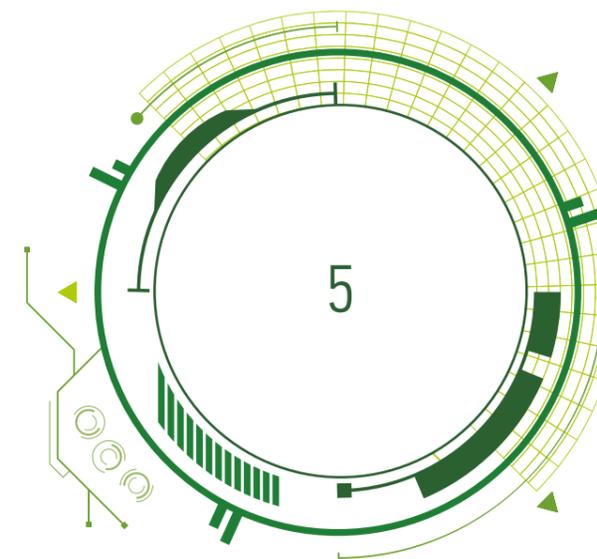
For better compliance with the Rules, the Bank conducts regular trainings for its employees. Every officer in Russian Agricultural Bank passes special tests aimed to enhance awareness of rules and procedures in the field of anti-money laundering and combating the financing of terrorism. It results in high standards and security of all financing operations processed by the Bank.

The Bank does not open and run accounts for anonymous individuals and entities. Every client is required to provide the Bank with identification information that verifies by the Bank strictly. In case of incomplete information, the Bank does not sign customer agreements on any banking products and services.

The Bank also does not open current and savings accounts for private individuals or legal entities without client's personal presence.

Russian Agricultural Bank is an active player on the interbank market with many non-resident counterparties. This business requires comprehensive knowledge of international law and practices in addition to home legislation. The Bank does not establish business relations with counterparties without permanent bodies on soil where they are legally incorporated. The Bank also does not maintain accounts with those counterparties that may be transit for third-party entities with no physical presence in their country of registration.

<sup>33</sup> Note: Headquarters of RusAg.



## CORPORATE GOVERNANCE

Russian Agricultural Bank follows the best practices of corporate governance system. Efficient corporate governance practices underpin the successful operations of the Bank, its sustainable development, risk management, ensuring a balance of the rights and interests of the shareholders, management and other stakeholders. Pursuing the best corporate governance standards also positively impacts the company's operating results, internal efficiency, investors' valuation of the Bank's securities and ability to raise capital needed for further development.

The foundation of the Bank's corporate governance system was guided by requirements of the State as the shareholder, the Bank of Russia requirements, applicable Russian legislation, the Corporate Governance Code recommended<sup>34</sup> for application by the Bank of Russia (hereinafter, the Corporate Governance Code), best Russian and international practices in corporate governance.

Corporate governance in the Bank is a system of relations between the shareholder, the Supervisory Board (SB), the Management Board (MB), federal executive power authorities and other stakeholders; its objectives are to realize the rights of the shareholder, achieve the Bank's goals, increase transparency of the Bank's operational activity and create efficient risk assessment instruments.

The allocation of authority between the sole executive body and the collective executive body set forth in the Bank's Charter is in line with the principle of collective decision making about the execution of operations and other transactions that are non-standard for a credit institution.

The preparation procedure and the content of the reports provided by the Bank's executive management bodies to its Supervisory Board are determined on an annual basis by a special resolution of the SB, and decided upon at the meetings of the Bank's Supervisory Board. Throughout 2020, the Bank was providing its SB members with information, analytical and expert support for their activities.

The structure of the management bodies of the Bank Group members enables efficient control over them. In 2020, the Bank continued its effort on streamlining the activity of the Bank Group members in the corporate governance sphere. This work made it possible to implement unified standards on basic documents regulating the activity of the Bank Group members.

<sup>34</sup> Note: Approved by the Board of Directors of the Bank of Russia on 21 March 2014.

The performed standardization made the Bank's control over the activity of the Bank Group members becoming more efficient and functional.

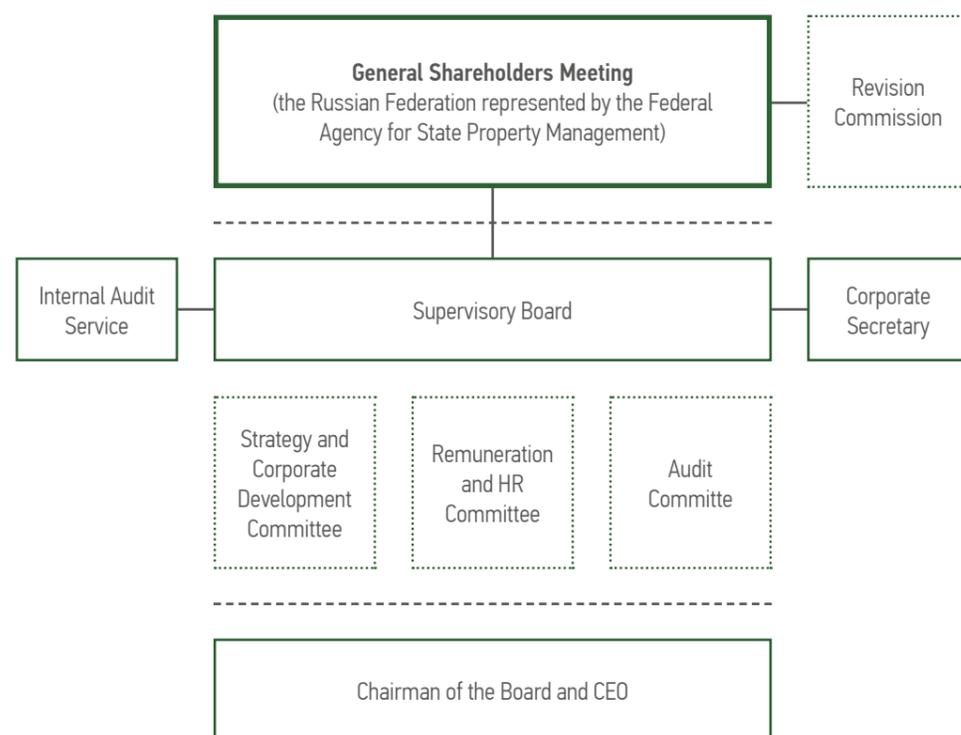
In 2020, the Directives of the Russian Government applicable to the Bank Group members were executed in a timely and a complete manner.

No member of the Bank Group is a credit institution.

### CORPORATE GOVERNANCE SYSTEM

Corporate governance structure ensures a proper balance of governing bodies, leverages authority, and distinguishes between general management process carried out by the General Shareholders Meeting and operations management by executive bodies — the Chairman of the Management Board and the Management Board.

The chart below shows the Bank's top-level organizational chart comprising four tiers, named the General Shareholders Meeting, the SB, the Chairman of the MB and the MB.



### GENERAL SHAREHOLDERS MEETING

General Shareholders Meeting is a top management body of the Bank.

The sole owner of the Bank's voting stock is the Russian Federation represented by the Federal Agency for State Property Management (Rosimushchestvo).

Pursuant to the Provision on Management of Federally Owned Shares in Joint Stock Companies and Exercise of the Special Right of the Russian Federation to Participate in Joint Stock Company Management ("Golden Share") approved by the Resolution of the Russian Government No. 738 dated 3 December 2004, the powers of the General Shareholders Meeting are exercised by Rosimushchestvo.

The shareholder's position when exercising the powers of the General Shareholders Meeting is decided by the Government of the Russian Federation, the Chairman of the Russian Government, or, on his assignment, by the First Deputy Chairman of the Russian Government or a Deputy Chairman of the Russian Government and is executed in the form of an order of Rosimushchestvo.

Four General Shareholders Meeting were held in 2020.

### SUPERVISORY BOARD

The Bank's Charter approved by extraordinary General Shareholders Meeting determines the competences of Supervisory Board (SB).

The SB organizes its activity in accordance with the Provision on the Supervisory Board approved by an extraordinary General Shareholders Meeting (hereinafter, the Provision on the SB of the Bank).

The competence of the SB includes issues concerning general management of the Bank's activity, except for issues attributed to the competence of the General Shareholders Meeting by the Federal Law No. 208-FZ, dated 26 December 1995, "On Joint-Stock Companies".

The Supervisory Board is informed about the most efficient practices in terms of identification of issues falling within its competence.

At present, the list of issues falling within the competence of RusAg's SB is optimal and is in line with the Bank's objectives in the current macroeconomic environment.

The General Shareholders Meeting determines the authority and composition of the SB. The criteria for selecting the members of the Bank's Supervisory Board are determined during the preparation for the General Shareholders Meeting.

There were no changes to the authorities of the Bank's Supervisory Board in 2020.

RusAg distributes authorities via special SB committees:

- The Strategic Planning and Development Committee;
- The Audit Committee;
- The Human Resources and Remuneration Committee.

In order to achieve their objectives and implement their functions, all the Supervisory Board committees are entitled to:

- request the necessary information from the Bank's executive bodies and departments;
- invite the Bank employees and consultants (experts) engaged by a decision of the Bank's SB, to participate in the committee meetings, as well as to require their qualified opinion on the issues falling within the competence of the respective committee.

The meetings of RusAg's Supervisory Board held in the form of the joint presence and by absentee voting with voting ballots. The established procedure for convening the SB meetings enables timely decision making on issues having strategic importance for the Bank.

The Supervisory Board liaises with the Bank employees, auditors, the Revision Commission and other parties in order to verify the accuracy of information provided by the executive bodies. The validity of approaches used by the Bank's executive bodies for the assessment of its current performance, and the compliance with the requirements of Russian legislation, including regulatory acts of the Bank of Russia, business customs and professional ethics principles.

**As at 1 January 2021, the Supervisory Board of Russian Agricultural Bank comprised eight members:**

Dmitry N. Patrushev (Chairman)	Minister of Agriculture, Government of Russia Re-elected on September 30, 2020
Oleg A. Bogomolov (Member of the SB)	Advisor to Chairman of the Management Board, Russian Agricultural Bank Re-elected on September 30, 2020
Alexander S. Galushka (Member of the SB)	Deputy Secretary, The Civic Chamber of the Russian Federation Re-elected on September 30, 2020
Arkady V. Dvorkovich (Member of the SB)	Chairman of the Non-Profit Organization The Fund for Development of the Center for Elaboration and Commercialization of New Technologies (Skolkovo Foundation) Re-elected on September 30, 2020
Andrey Y. Ivanov (Member of the SB)	First Deputy Minister of Economic Development, Government of Russia Re-elected on September 30, 2020

Boris P. Listov (Member of the SB)	Chairman of the Management Board, Russian Agricultural Bank Re-elected on September, 2020
Vladimir I. Strzhalkovsky (Member of the SB)	CEO of Atmosphaera Autonomous Non-Profit Organization for National Environmental Project Support Re-elected on September 30, 2020
Oksana V. Tarasenko (Member of the SB)	Deputy Minister of Economic Development, Government of Russia Re-elected on September 30, 2020

**THE REVISION COMMISSION**

The Revision Commission is the body responsible for controlling the Bank's financial and business activity. It carries out the revision of compliance of current operations with the financial plan, analyzes the Bank's financial performance, evaluates the functioning of internal control and risk management Systems, and checks the legitimacy of selected transactions.

Rosimushchestvo appoints members of the Revision Commission according to its order.

The Revision Commission of the Bank as at 31 December 2020 comprises of five members and currently includes representatives of Rosimushchestvo, the Ministry of Agriculture and the Ministry of Finance of the Russian Federation.

**THE CORPORATE SECRETARY**

The Corporate Secretary is responsible for ensuring procedures aimed at protecting the rights and interests of the Bank's shareholders and support the efficient work Supervisory Board. The Secretary participates in arranging the General Shareholders Meeting and Supervisory Board meetings and works out resolutions that need the approval of the Bank's shareholder. The Corporate Secretary secures effective cooperation between the shareholder and the Bank's management team.

The Corporate Secretary reported to the RusAg's Supervisory Board and appointed by its decision.

**THE MANAGEMENT BOARD**

The Management Board and the Chairman of the Management Board are Russian Agricultural Bank's executive bodies, which perform general duties related to achieving the Bank's key business goals: accomplishing long-term targets set forth by the shareholder; supervising the compliance of the Bank operations with all relevant laws and regulations; overseeing the introduction and functioning of appropriate risk management systems (including

defining the Bank's risk appetite); monitoring the environment in which the Bank operates, and strengthening the Bank's corporate culture.

#### Management Board Composition as at 1 January 2021

Boris P. Listov	Chairman and CEO
Irina V. Zhachkina	Board Member, First Deputy Chairman
Kirill Y. Levin	Board Member, First Deputy Chairman
Andrei N. Barabanov	Board Member, Deputy Chairman
Aleksei Y. Zhdanov	Board Member, Deputy Chairman of the Board (since June 1, 2020, Mr. Zhdanov is the Advisor to the Chairman of the Board)
Pavel D. Markov	Board Member, Deputy Chairman of the Board
Ekaterina A. Romankova	Board Member, Deputy Chairman of the Board, Chief Accountant
Olga S. Suvorova	Board Member, Deputy Chairman of the Board
Elena A. Lesina	Board Member, Deputy Chairman of the Board

A number of specialized committees and commissions support the Management Board:

#### > The Strategy and Corporate Development Committee

The Committee develops proposals and recommendations for the Management Board and its Chairman, and makes decisions to enhance governance at the Bank and across the Group in the following areas:

- Strategic development;
- Corporate governance;
- Development of the functional model and organization structure;
- Project management and business process optimization;
- General approach to segmentation and customer relations;
- Communications and brand management;
- Document flow management.

#### > The Credit Committee

The Committee considers issues related to lending, setting credit risk for corporate clients limits. The Credit Committee has no authority to take decisions regarding the settlement of corporate problem loans.

#### > The Junior Credit Committee

The Committee engages in the implementation of the Bank's credit policy and its enhancement, as well as the minimization of credit risks. It ensures that lending transactions yield a return and are effective, by introducing improved quality and faster decision making, and standardized credit processes.

#### > The Finance Committee

The Finance Committee coordinates multiple aspects of business planning, cost management, pricing, and profitability analysis of banking operations. It is also involved in improving the management of the Bank's financial and business activities.

#### > The Asset and Liabilities Management Committee (ALCO)

ALCO develops and makes decisions on asset and liability management related issues including: operations to raise funding or allocate funds on the financial markets (securities and derivatives market, FX and money market, stock market and OTC market, where the Bank raises funding and allocates its funds or currency assets, engages in securities transactions, issues or redeems its debt obligations). ALCO is also tasked with decision-making on distributing funds amongst the Bank units, managing market risk (including interest and currency risks) and liquidity risk; and developing the Bank's tariff and interest policy; approving internal accounting and tax regulations.

#### > The Risk Management Committee

The Risk Management Committee controls the target risk appetite and the aggregated risk profile of the Bank and the Group, making sure that the risk taken falls within the existing limits and thresholds. It monitors the key risk factors that affect the aggregated risk profile of the Bank and the Group, and takes action so that the risk management system (including risk identification, assessment, monitoring, and control processes) functions efficiently and is improved on an ongoing basis; control of the risk management framework compliance with the regulatory requirements, including in view of the introduction of standards of the Basel Committee.

#### > The Problem Loan Management Committee

The Problem Loan Management Committee considers and resolves issues of settling corporate problem loans / debts and assets / non-core assets recorded on the Bank's or its subsidiaries' balance sheet as part of settlement procedures.

The Problem Loan Management Committee implements the Bank's policy in problem loan management and develops proposals for the Bank's Management Board to improve policy, the quality of the Bank's loan portfolio, and the efficiency in settling distressed assets. The Committee ensures that uniform approaches implemented in the problem loan management policy and non-core assets that the Bank may receive in the course of problem

loan settlement. The Committee takes part in decision-making on settlement of problem / overdue loans; approval of general principles how to interact with the Bank's subsidiaries and third parties outsourced for problem loans work-out.

> **The Branch Network Committee**

The key functions of the Branch Network Committee include elaboration and decision-making related to enhancing the efficiency of regional branch network's operation, development, and manageability (including internal units). Moreover, the Committee assesses the performance and takes action to enhance the efficiency of the regional branch network. The Committee works on improving branch network management, early identification of negative trends in branch workflow, and selecting measures to increase the efficiency; coordination of branch liaisons with local authorities and the Bank of Russia territorial divisions; coordination of the course of action in case of emergencies within the branch / points-of-sale locations.

> **The Technology Committee**

The Technology Committee reviews, coordinates and settles disagreements related to the development and implementation of IT employed in the roll-out and support of the Bank products, services and transactions, including the building of software and IT platforms of the Bank, the development of the Bank's information security system; developing internal regulations setting forth the procedure for IT support, including information security, banking products, services and operations; improving of existing and developing new banking IT, including information security system; taking part in planning purchases, development and installation of new software and IT infrastructure and information security tools.

> **The Corporate Ethics and Discipline Committee**

The Corporate Ethics and Discipline Committee exercises overall control of the implementation of shared corporate values and ethical norms, and facilitates the development of a unified corporate culture, including in the sphere of preventing corruption.

> **The Compliance Committee**

The Committee engages in enhancing internal control efficiency including regulatory risk management; working out decisions related to internal control framework.

> **The Retail Business Development Committee**

The major tasks of the Retail Business Development Committee include working out proposals and decisions on enhancing efficiency and demand for retail product range, monitoring yield and profitability of retail products; terms of retail loan and fee-based products, lending and sales procedures and pricing; control of elaboration and launch of retail products; settling problem / overdue retail loans.

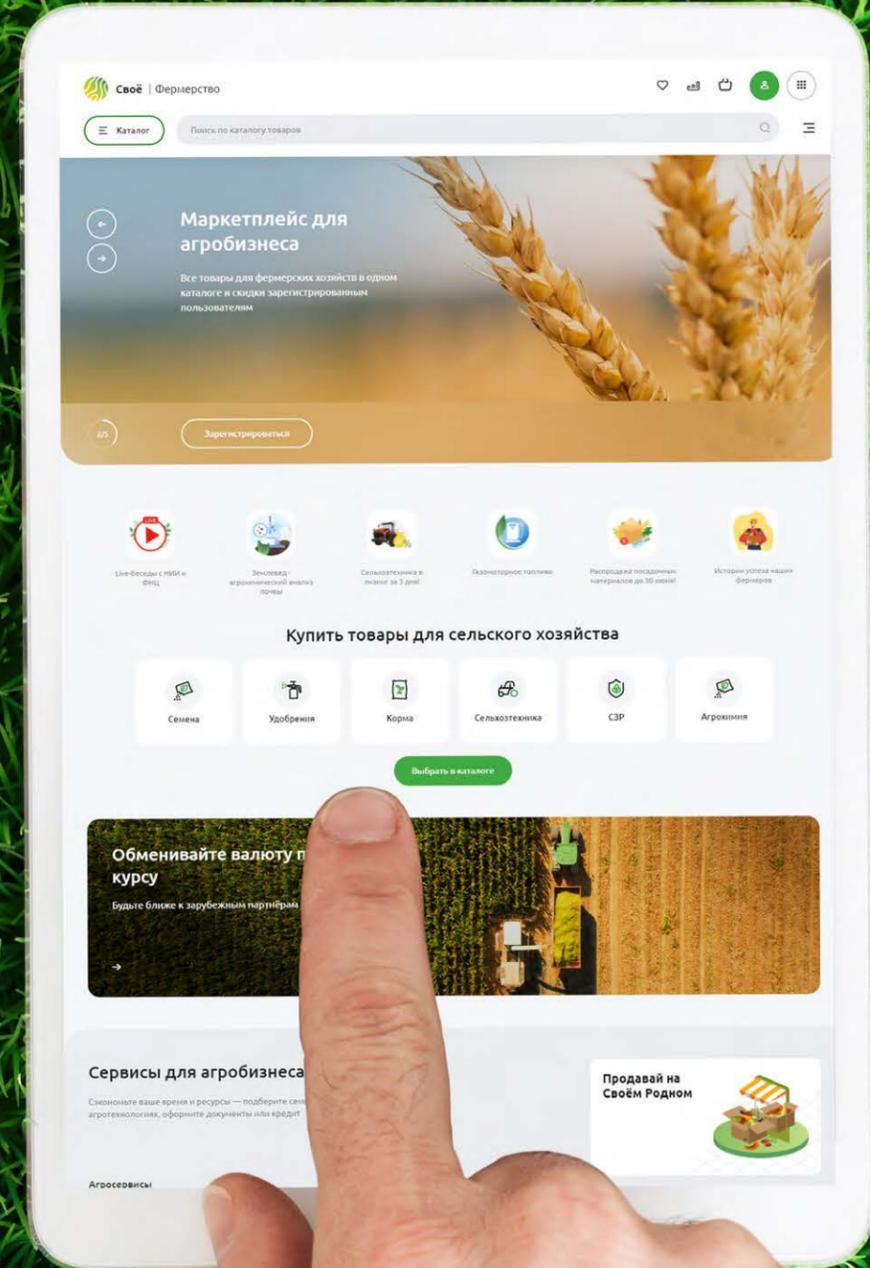
The Retail Business Development Committee implements the Bank's credit policy / policy in problem loan management, minimizing credit risks and ensuring yields on retail loans, ensuring efficiency through higher quality and speed of decision-making, introduction of unified retail service standards.

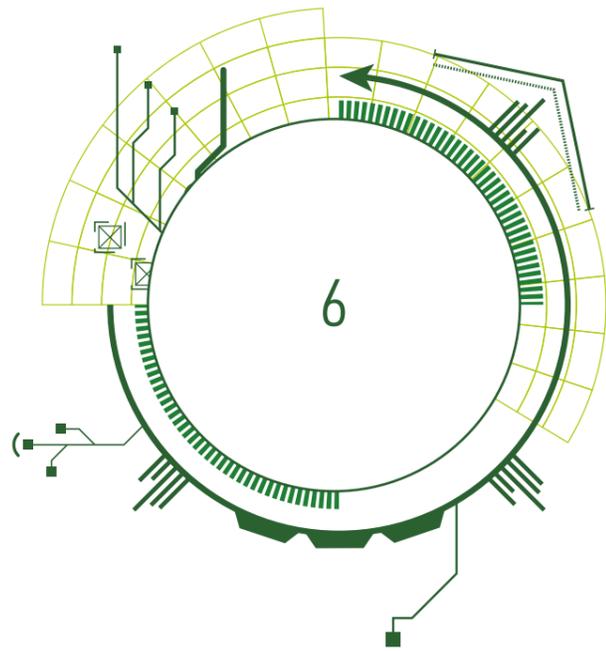
> **The Quality Management Committee**

The key tasks of the Quality Management Committee are:

- Quality management system policy principles implementation;
- Management and monitoring of customer service;
- Development of quality management system in the Bank.

**RUB 563.4 billion**  
**Retail loan portfolio**  
(went up 19% compared to 2019)





## INFORMATION TECHNOLOGY

Russian Agricultural Bank considers cutting-edge IT solutions as an important competitive advantage allowing businesses to keep pace with Russia's fast-changing banking landscape. In 2020, the situation was developing with significant deviations from the base scenario. This is related to the change of external conditions: proliferation of coronavirus infection, sharp decline in oil prices, high volatility in financial markets, and weaker exchange rate of the national currency.

Despite the complicated environment of 2020, RusAg took timely and comprehensive actions related to the change of the market situation. The bank will continue to monitor external conditions, review the influence of the current situation on an end-to-end basis, and incorporate the monitoring results in its 2021 activity.

The Bank serves more than 6 million clients across Russia using a wide distribution network and remote banking channels. RusAg's consistent and thorough approach to IT systems secured the level of technological development that enabled access of millions of people and companies to financial services improving the banking sector penetration in Russia.

Pursuant to its Strategy through 2020, the Bank carries out a number of strategic projects targeting an increase in business efficiency and stipulating, in the first place, operating model transformation and lending process improvement.

RusAg follows trends of financial sector digitalization and transformation. Business priorities and external challenges require a fundamentally new level of IT competence of the Bank. In 2020, the Bank developed and approved its IT Strategy through 2024 (IT Strategy), which includes a portfolio of initiatives comprising 61 business tasks and 21 technological development initiatives.

In the reporting period, the following systems were put into production within the strategy:

- Automated banking system CFT-Bank successfully runs at all branches of the Bank. The system features centralized settlements, back-office processes unification, multi-channel and end-to-end customer service that enables customers to use POS across the Bank's network;
- Voice technology at the Bank's Contact Center;
- RSHB-Dealing 2.0;

- IT system Unified Front-End Solution in all branches. Within the system was also implemented a function for issuing consumer loans and debit cards;
- Corporate data lake under the Data Quality Management Program;
- The Bank's financial portal ([www.finradar.ru](http://www.finradar.ru));
- The ecosystem for senior citizens;
- C2B (Consumer to Business) payment functionality in the Unified Payment Acceptance System as part of the implementation of the Bank of Russia's requirements for connecting RusAg to the Fast Payment System;
- Automated Remote Banking Services (RBS) system for corporate customers;
- A relevant document management system implemented as part of the automation of lending process;
- Business system of legally binding document exchange flow implemented as part of the credit process and products automation;
- New contact centers launched in Voronezh and Chelyabinsk.

These initiatives will enhance the Bank's lending technologies, product suite, sales and service channels, incl. digital and remote channels, IT, higher management systems efficiency.

In 2020, RusAg continues its digital transformation process in accordance with its IT Strategy, the implementation of which should enable full-scale information support of the Bank's strategic business objectives, its competitiveness in the high-tech banking technology market and bringing its IT development metrics to the same level as the leaders of the Russian financial sector. The Bank's digital transformation is aimed at:

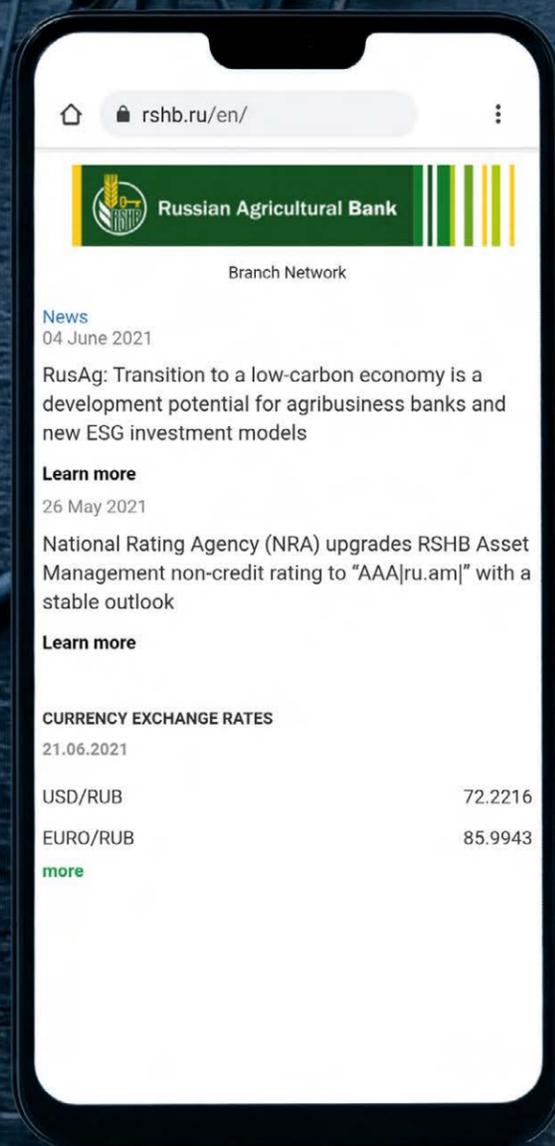
- 100% accessibility of target products in digital channels in retail and SME segments;
- development of a data management system;
- rapid deployment of new products based on a modern technological platform;
- promotion of digital services for employees;
- reduction of operating expenses while developing and optimizing the brick-and-mortar branch network.

### 2020 KEY FOCUS AREAS

RusAg's Internet Bank was ranked No. 9 in the Marksw Webb agency rating. In addition, the Bank's retail RBS system received the FinAward prize by the Banking Review magazine — the 1st place in the nomination "Implementation in the field of information security or anti-fraud service".

In order to develop the acquiring network in 2020, the Bank implemented American Express cards acceptance in terminal equipment and ATMs, support of cash withdrawal operations in a merchant when paying with MIR payment system cards, and launched services for accepting C2B (Consumer to Business) money transfers in fast payment system.

In 2020, the Bank developed the Internet acquiring service for its customers with an acceptance of American Express payment system cards, and launched the certification process in the Union Pay International payment system. The Bank provided Internet acquiring services in all digital channels: Mobile bank for retail customers, ecosystems and portals.



**RUB 358.2 billion**  
**Mortgage loan portfolio**  
(RusAg is among leaders in terms  
of mortgage lending)

RusAg one of the first in the market started servicing citizens of Russia using remote identification via Unified Biometric System, which allows customers to become the Bank's client without leaving home. The use of biometric data made it possible to create a fundamentally new and more convenient user path.

In 2020, ecosystem showcase for the older generation "My Time" was put into commercial operation in order to remotely attract customers and distantly sell retail banking products. In addition, "Financial Radar" ecosystem showcase started operating widely.

The Bank's ecosystem Svoe Fermerstvo (My Farming) for the digitalization of small and medium-sized farms was among the winners of the prestigious international innovation competition Gartner Eye on Innovation Award in the category "Financial Services 2020" and became the first project from Russia to win the final of the award for the entire time of its existence.

The platform for supporting farmers Svoe Rodnoe (A World of My Own) has been put into commercial operation.

Digital processes for issuing debit and credit cards, coins, bullion, and foreign currency cash were implemented and displayed on the Bank's website.

RusAg implemented the processes of applying for a debit and credit card, consumer and mortgage loan in social networks and messengers (VKontakte, Odnoklassniki, Facebook, WhatsApp, Viber, Telegram).

A digital profile of the retail customer was created, including propensity models based on the digital profile of the retail customer using advanced analytics tools.

The Bank launched the process of applying for a mortgage loan with the selection of a property in a digital channel on the resource [www.svoedom.ru](http://www.svoedom.ru).

Agrotech startups are connected to the ecosystem for agricultural enterprises: a tele-veterinary bot developed by the Moscow Institute of Physics and Technology, Intterra (digital service for satellite monitoring of fields), Vetexpert (digital service for the provision of tele-veterinary and tele-zootechnical services), Connectom (digital service for monitoring the birth of calves and sanitary control of production).

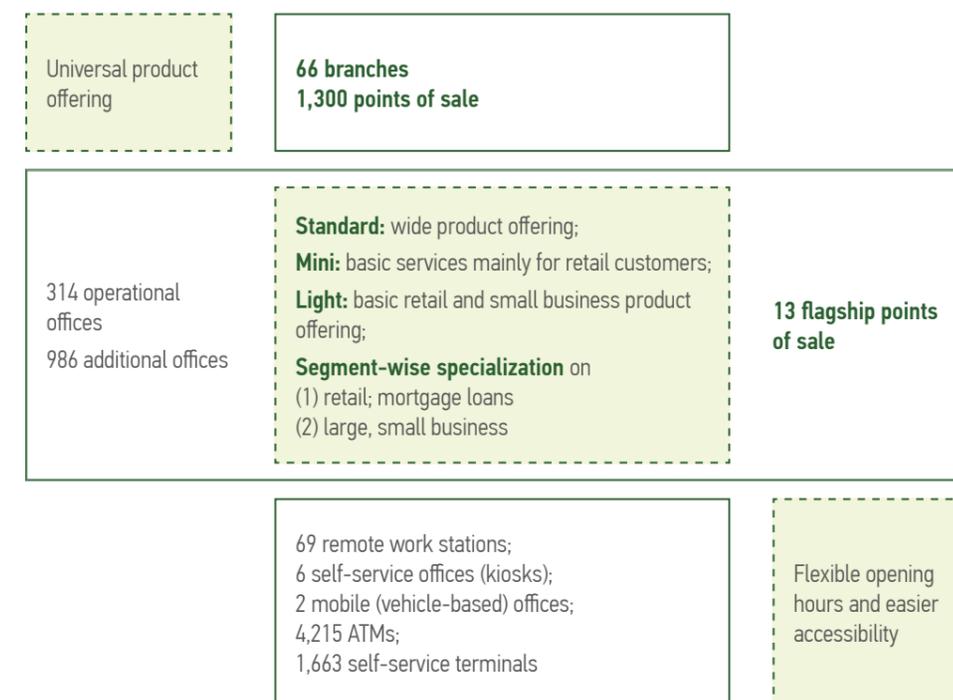
Pursuant to its Strategy, in 2021, the Bank will carry out a number of strategic projects targeting an increase in business efficiency and stipulating, in the first place, operating model transformation and lending process improvement.

The Bank will also take actions aimed at the development of lending technologies, digitization of customer support, enhancement of the product line, sales and service channels (including remote channels), information technology, boosting the efficiency of the Bank's governance systems and cybersecurity systems. The Bank will also continue developing the system of counteracting fraudulent transactions in its retail RBS channels and with bank cards.



Russian Agricultural Bank leverages its strong territorial presence, and sales and service channels to support its long-term sustainable business growth, diversify income sources, and make financial products available to various client segments. With 66 branches and over 13 thousand access points, the Bank securely holds the third position among largest bank POS networks in Russia. The Bank operates in 82 constituents of the Russian Federation (the territorial coverage of constituents was 86.8%). This solid foundation underlies the Bank's strong regional franchise in rural territories, towns, mid-sized and large cities, including areas in which no other banks are present. More than 73% of the Bank's branches are located in communities with less than 100,000 residents.

The following chart shows the Bank's branch network structure as of January 1, 2021.



In addition, 1,339 authorized representatives provide access to the Bank's services in mid-sized cities not covered by the Bank's distribution network. The level of coverage of rural areas of Russia with the account of the Bank's representatives stood at 98.1% as of 31 December 2020.

RusAg's representative offices operate in China, Belarus, Kazakhstan, and Armenia. The Bank leverages its presence in the Eurasian Economic Union and South-East Asia to reach out to new clients, increase the efficiency of communications with interbank counterparts, and improve the access of the existing clients to consumer markets and the Bank's brand awareness in the countries of presence.

In 2020, the Bank continued to develop its ATM and self-service terminals (SST) network. As of 1 January 2021, it comprised 4,215 ATMs and 1,663 SST terminals.

The total number of ATMs in a network arranged through partnership with Alfa-Bank, Promsvyazbank, Rosbank, and RaiffeisenBank stood at 11,610 as at YE2020.

In 2020, the Bank continued to renovate the ATM network with new devices to improve the quality of customer service. All newly purchased ATMs support cash acceptance service. Besides, the Bank actively installs cash recirculation feature. Such devices can disburse cash earlier accepted from clients.

In 2020, cash withdrawal through RusAg's ATM network totalled RUB 416 billion, which is a 4% growth as compared to 2019. Cash withdrawal from cards issued by RusAg at the Bank's ATMs was up by 4% and totaled RUB 301.4 billion. Cash withdrawal from third-party banks' cards at the Bank's ATMs rose 3.4% up to RUB 114.7 billion.

The amount of cash accepted via self-service network (ATMs and SST) of the Bank reached RUB 86.4 billion, a rise of 3.4% y-o-y.

Pursuing higher service standards Russian Agricultural Bank has expanded its Mobile and Internet Bank functionality for retail customers. The current functionality and features are in line with the best market standards.

The Bank has seriously reworked the user interface of its Mobile Bank. RusAg's retail remote banking channels were awarded as the best bank in "Cyber-security and anti-fraud introduction" FinAward by Banking Review Journal.

The Bank's Internet and Mobile Bank solutions comply with modern security standards and work in conjunction with a new anti-fraud system in remote retail service channels.

Within the strategic timeframe, the Bank proposes to enhance efficiency of its POS network by a balanced development of types and formats of points of access to the Bank's products and services, including direct and remote channels.

Remote bank functionality improvement underpinned a 68% increase in the number of users in 2020 and amounted to 2.9 million users (2019: 1.7 million users). Share of online transactions increased to 51% in 2020 in comparison with 35% in 2019. The most popular online service is payments and transactions where share of

transactions increased by 75%. Then operations with current accounts and deposits with an increase by 32%. Share of customers' current accounts and deposits increased by 69%. The Bank's customers have deposited RUB 115 billion via remote channels (2019: RUB 75.7 billion).

According to Rank&Report by Markswebb, which assesses functionality and user convenience, RusAg's remote bank was Top-9 in 2020 (Top-15 in 2019).

In 2021, the Bank will further work on developing its remote channels and deployment of modern solutions in cards and payments. These measures will help to enhance attractiveness, technological and competitive advantages of the Bank's products in the market of remote retail services and settlements.

In 2020, the Bank strengthened service quality for customers, improving the efficiency of solving issues and quickly eliminating emerging problems / barriers. The special Operational HQ for working with the Bank's regional network systematically considered all incoming appeals and identified problems. Already, more than 50% of incoming appeals and customer questions are resolved within 3 days, and more than 70% of appeals considered within a week.

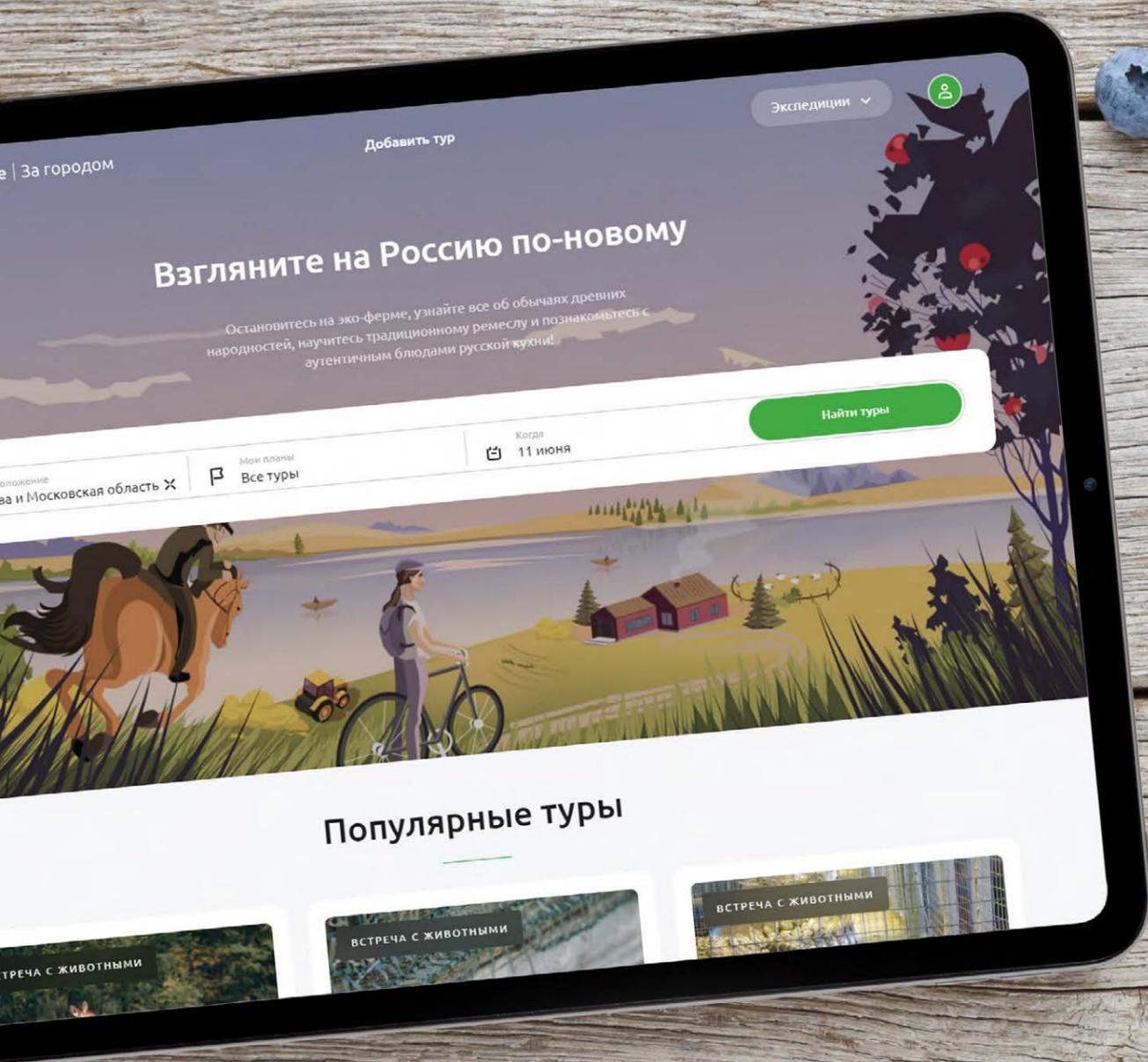
Expanding the possibilities to build effective communications between the Bank and its customers, in 2020, RusAg implemented an interactive service for managing the Bank's details in online sources and local search services. Now the Bank can promptly react to online customer feedback posted on such high-traffic resources as Yandex. Maps, 2GIS, Google Maps, Flamp, Foursquare, Zoom, Yell, Irecommend, Otvovik, banki.ru. The list of resources are to be significantly expanded in 2021. In the online sources, the customers have access to extended up-to-date details of the Bank, its sales offices (regional branches, ATMs, terminals, etc.), as well as to the unified system for resolving their issues on these platforms.

The Bank for all types of channels, products, segments, improved consistency and system-based approach: in particular, an assessment of customers' services quality was built in all sides of contact with the Bank (points of sale, contact centre, site, mobile banking).

The major direction of the development is effective customer service in the regional network. Employees of the new Customer Service located in regional branches ensured compliance with all standards adopted by the Bank for its sales points, solving both customer problems on a 'here and now' basis through direct communications with customers, and handling day-to-day problems of regional branches in this area.

The introduction of an automated remote control of front-line sales and services started in 2020. All measures taken in 2020 are directed to perform a strategic objective — the achievement of leading positions in client service quality and development of long-term competitive advantage due to ensuring high customer service quality.

**RUB 2.86 trillion**  
**Customer accounts**  
(growth by 15%)



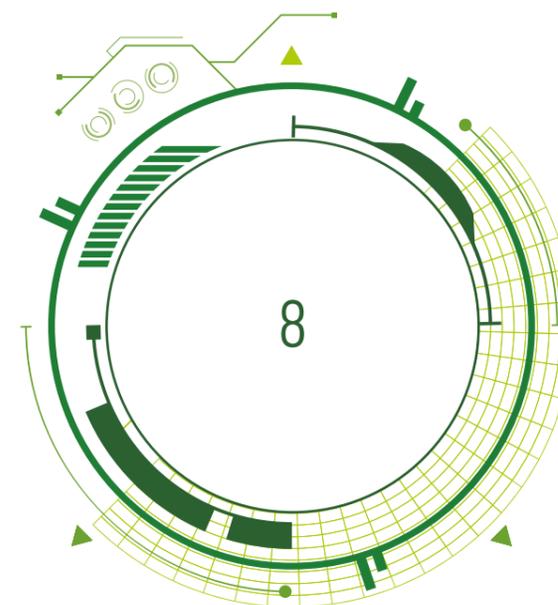
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## 2021 FOCUS AREAS

In 2021, Russian Agricultural Bank will work towards the targets set by its distribution network development program. The program stipulates opening 65 POS, 54 remote workstations, coordinating 10 authorized representatives, and renovation (change in location) of 25 POS.

Pursuant to the 2020 Strategy the Bank enhances efficiency of its branch network by a balanced roll-out of layouts and types of points-of-access (incl. renovation and redesign), including direct and remote channels, by optimizing the office locations while maintaining the territorial coverage. Diversification with a clearer focus on less capital-intensive formats and remote access channels will help to boost cost efficiency of the network without compromising on territorial coverage and availability of the product offering.

Russian Agricultural Bank's strong regional footprint, profound expertise in agribusiness financing and close liaisons with regional governments as well as large mass market customer base are the key competitive advantages in growing client base and increasing customers' loyalty throughout Russia.



## HUMAN RESOURCES MANAGEMENT

Human resource management (HRM) in RusAg is effected in compliance with its Strategy. The Bank's HRM is aimed at building a team that ensures the effective implementation of the Bank's strategic goals, active mentoring development and training in working groups, regional rotation and functional role models to improve human resources capacity, implementation of specialized educational programs for farmers, and student support in Russian regions (within the framework of the Bank's scholarship program).

The Bank in 2020 pursued the following tasks: upgrading staff professional expertise and professional standards implementation; corporate culture development targeting teamwork, joint performance and encouraging personal accomplishments; systematic approach to implementing anti-corruption measures and improving their effectiveness; supporting the Bank's employer brand attractiveness; enhancing employees' engagement and loyalty.

Effective HRM at Russian Agricultural Bank is solidly underpinned by sound financial and non-financial motivation, consistent recruitment, appraisal and training, and strong internal social policies.

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## PERSONNEL OVERVIEW<sup>35</sup>

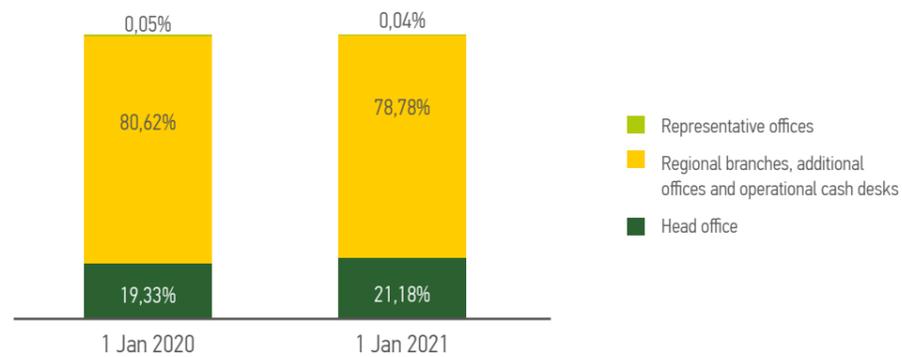
Russian Agricultural Bank is one of the largest employers in the Russian banking sector. In 2020, actual number of the Bank's employees reached 29,373<sup>36</sup>.

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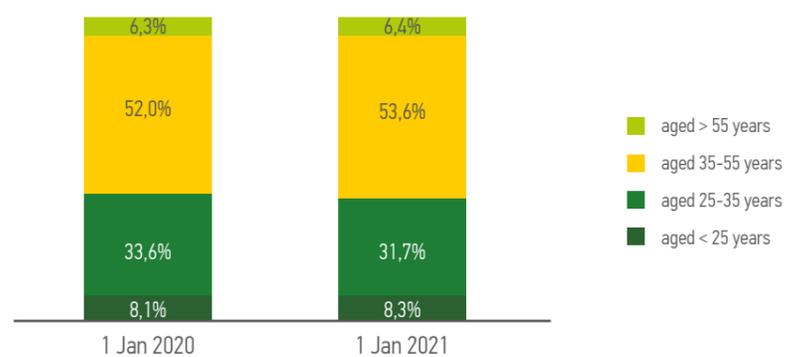
<sup>35</sup> Source: Bank information as of 1 January 2021.

<sup>36</sup> Note: Total number of personnel for Russian Agricultural Bank on a standalone basis. The number does not include contract employees.

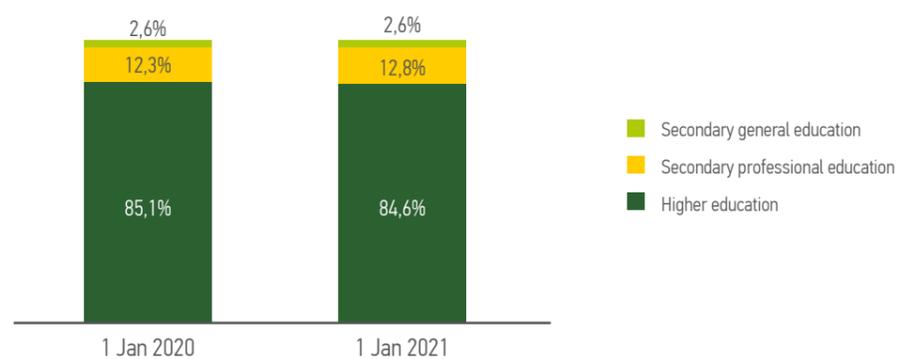
**Staff Composition by Location**



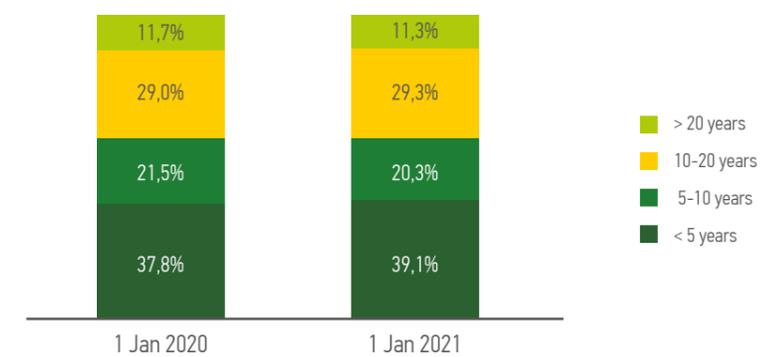
**Staff Composition by Age**



**Staff Composition by Education**



**Staff Composition by Work Experience in the Banking Sector**



For the most part, the Bank's staff has higher education and considerable prior banking industry experience. The average age of the Bank's workforce is 38.

**PERSONNEL RECRUITING, ASSESSING AND RETAINING**

When recruiting new staff, the Bank is guided by non-discrimination and fairness principles as well as professional expertise criteria. The Bank's focus on agribusiness makes it desirable that future staff possess both professional banking knowledge and knowledge of the core borrowers' industry. Newly recruited employees pass adaptation trainings.

The recruitment process solidly rests upon the following principles:

- Building internal and external succession pools;
- All candidates for vacant positions treated equally without any discrimination on any ground;
- The Bank applies identical requirements to nominees that apply at the same time for the same position;
- The Bank seeks to employ high-potential candidates to ensure their future successful work and advancement within the Bank.

In 2020, to ensure the required level of personnel qualifications, the Bank carried out various assessment and recruitment procedures, including skills tests; standardized personality and motivation questionnaires; professional testing (knowledge assessment); certification (qualification assessment); comprehensive assessment (assessment of performance and competencies); 360-degree assessment (competency assessment); verifying the key motivation factors and the level of satisfaction.

Additionally, in 2020, the Bank introduced face-to-face assessment of competencies using assessment center methods and competency based interviews (CBI).

651 candidates for managerial and linear staff positions took the potential assessment incorporating skills tests, personal and motivational questionnaires, comprehensive assessment was taken by 91 employees, 360-degree assessment — by 110 employees, evaluation of labour motivation factors — by 395 employees, and testing using the assessment center methods — by 11 employees.

The results of the assessment are instrumental in increasing management efficiency, candidate selection, planning and implementation of training and personnel development programs, internal reserve pool replenishment, rotation, and rewarding highly effective and qualified employees.

The Bank maintains its internal succession pool, ensuring timely and effective filling of vacant executive positions. In 2020, the internal pool comprised of 1,516 employees.

The Bank has in place a thoroughly elaborated internal succession planning process, which comprises 'talent reviews' and ongoing development at all levels. The internal talent pool ensures timely recruiting for vacant management positions. This mechanism also mitigates HR risks and shortens the employee adaptation period when appointed to management positions, provides career growth opportunities and motivates the staff to upgrade their qualification. This approach ensures the development, progress and mitigates employee turnover risks.

Operating in an environment of the knowledge-intensive economy and accelerating technological change, the Bank contemplates the introduction of professional standards as another priority area for ensuring the personnel qualification.

To comply with regulatory requirements the Bank introduced the following professional standards in its HR processes: accountant, internal auditor, compliance officer, risk manager, financial monitoring specialist, payment services specialist, HR specialist, occupational safety specialist, corporate secretary, process management specialist, marketing manager.

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## COOPERATION WITH HIGHER EDUCATIONAL INSTITUTIONS

One of the priority areas for the development of the Bank's human capital is the formation and development of an external succession pool from among students, graduates and young professionals.

As part of an interaction with educational institutions and students, the Bank implements a system of effective practical measures, including:

- internship for students enrolled in higher and secondary vocational education programs;
- payments of personal scholarships to students of universities under the jurisdiction of the Ministry of Agriculture of the Russian Federation;
- organization of work of financial student teams (FST) during the summer holidays on the basis of regional branches of RusAg;

- implementation of measures to improve the financial literacy of the Bank's customers, entrepreneurship and local governments, employees of agribusiness enterprises, students, schoolchildren, as well as farmers and owners of individual household plots;
- creation of scientific and educational laboratories;
- opening of new branded audiences;
- RusAg's participation in state programs to support talented young people and provide opportunities for social elevators: the All-Russian Olympiad "I am a Professional" and WorldSkills.

Russian Agricultural Bank's scholarship program is a flagship educational project, within the framework of which students of higher educational institutions under the jurisdiction of the Ministry of Agriculture of the Russian Federation have the opportunity to receive a fixed monthly scholarship throughout the academic year.

The Management Board of RusAg approved the Scholarship Program for the 2020-2021 academic year, which is intended for 396 fellows. In 2020, 388 students from 54 universities enrolled in the Bank's scholarship program. Throughout the entire period of the Scholarship Program implementation (September 2020 — August 2021), despite the epidemiological situation, financial support was provided to all students, payments are made on an ongoing basis.

The Bank's representatives took part in "Career days" hosted by the Russian State Agrarian University — Moscow Timiryazev Agricultural Academy, Financial University under the Government of the Russian Federation, Lomonosov Moscow State University, The Russian Presidential Academy of National Economy and Public Administration (RANEPA), Bauman Moscow State Technical University, The Moscow Institute of Physics and Technology (MIPT) and HSE University,

RusAg's experience in implementing the Scholarship Program shows the significant role of supporting talented students and forming an external succession pool for agribusiness from among the most successful graduates.

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## PERSONNEL TRAINING AND DEVELOPMENT

Russian Agricultural Bank's human capital management aims at increasing engagement of every employee, and fully equipping all business units with highly qualified staff. This approach contributes to preserving and accumulating the Bank expertise, and limits the risk of a shortage of talent. The Bank has a well-developed training system, which comprises both external and internal trainings customized for all employee grades.

Since 2008, the Bank has been operating its own Corporate University.

The task of the Corporate University is to create a single educational space available to all employees of the Bank, which fosters their professional and personal development, and contributes to the formation of a highly professional team of like-minded people.

The structure of the Bank's Corporate University includes five training centers: a training center for employees of the Head Office and managerial staff of regional branches, and four regional training centers, which serve as a training base for employees working at all regional branches, customer service centers and unified service centers of the Bank.

Currently, the Corporate University portfolio includes more than 100 programs of on-site education and more than 1,000 distance-learning resources: courses, tests and training tools across various specializations for all functional roles.

On-site education programs include professional retraining and advanced training programs; educative and practical workshops; seminars, panels and alignment meetings; training and post-training sessions; webinars, mobile training sessions, hands-on lessons; team-building events, quests; master classes, conferences, forums, and round tables. The distance-learning format consists of remote and interactive courses and tests; educational video remote (interactive video, video clips, movies); training tools (for learning and testing), etc.

In 2020, the Bank's Corporate University organized and held 2,946 training events (1,506 — on-site educational sessions and 1,440 remote learning and testing sessions using the resources of the Bank's Learning Internet Portal) aimed at developing the Bank's personnel (professional development, personal efficiency, management skills and competencies, etc.).

Also in 2020, the employee training practice was enriched with a new interactive learning form — webinars, which are held on the site of the Learning Internet Portal using Cisco Webex platform. Over 500 webinars were held in 2020 with more than 21,000 participants.

Starting 2019, the Bank has an electronic library of business literature library (Alpina Digital). In 2020, the access to the library was granted to 10,000 users.

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## INTERNAL SOCIAL POLICIES AND WORKING ENVIRONMENT

Russian Agricultural Bank's corporate culture is undergoing gradual transformation; the Bank is developing traditions and adopting new values, with a particular effort made to develop and support teamwork, encourage personal achievements and increase engagement, ensure social protection for employees.

For its employees, the Bank holds various corporate events aimed at increasing engagement, team building, career development, as well as creative and professional contests.

As part of the comprehensive approach to the corporate culture development, the Bank has devised and implements action plans aimed at increasing the engagement level of its employees. In 2020, RusAg performed an employee engagement study, which showed that the employee engagement index grew compared to the previous study results.

The priority area in the Bank's HR policy is the appreciation of merits of its employees, a fair assessment of their contribution in the achievement by the Bank of the objectives set by its shareholder. For their prominent achievements and significant contribution in the Bank development, accomplishment of business plans, and their high performance, the most efficient employees and regional branches were awarded with Honorary Certificates, Acknowledgements and Acknowledgement Letters, as well as institutional awards.

In 2020, key importance was assigned to the Bank's activities aimed at protecting employees' health, strengthening their immunity, and promoting healthy lifestyle.

Amid the pandemic, as part of the measures aimed at countering the spread of the coronavirus infection, RusAg held a comprehensive campaign including:

- awareness-raising efforts (newsletters, publicly accessible expert lectures, reminders and COVID-19 protection algorithms);
- a series of cultural and sports events held online (lectures, master classes, tournaments);
- providing employees with personal protective equipment and organization of work in remote and on-site formats).

Offline sport training and tournaments were organized with all necessary precautions taken and in strict compliance with the requirements of the Federal Service for Surveillance on Consumer Rights (Rospotrebnadzor).

As a non-financial incentive measure and in order to emphasize the Bank's identity, the Head Office organized 'Delicious Friday' events involving representatives of the Russian farmer community, where farming goods produced by the Bank's partners and clients were available for viewing, tasting and purchasing.

Socially important projects — Donors Day, Volunteer Descent, and Financial Literacy Lessons — make an essential contribution to cementing the Bank's corporate values.

The Bank's policy is aimed at ensuring social protection, continuous improvement and expansion of social support programs for its employees. The core of the package of social benefits offered by RusAg is voluntary health insurance, accident insurance, corporate retirement plan, financial support provided in case of a severe disease or a difficult family situation, as well as corporate discounts offered by partner companies widely presented in 'Social Atlas' — a dedicated program of social preferences. At present, the Head Office has about 60 partners, with about 180 partners in regional branches.

5,960 employees of the Head Office and 24,521 employees of regional branches were insured under voluntary health insurance programs in 2020. Since the 1st day of their employment, all the Bank employees are insured under life insurance programs, accident and disease insurance programs; that includes 5,774 Head Office employees and 25,638 employees of regional branches, as well as accident insurance (Head Office — 5,769 and 25,533 — in regional network).

RusAg's corporate retirement plan (started in 2018) is implemented jointly with a leading Russian non-state pension fund (NSPF) and aimed at providing employees, who spent three or more years with the Bank, with an

additional financial and social benefits upon their retirement. The Bank makes annual contributions to individual accounts with the non-state pension fund, their amount depending on the employee salary.

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## ANTI-CORRUPTION POLICIES

Guided by the principle of non-admission of corruption in all its forms and manifestations, and complying with the requirements of anti-corruption legislation, RusAg systematically implements anti-corruption measures, as well as works to improve the effectiveness of such measures, including:

- implements comprehensive organizational, explanatory and other measures aimed at ensuring compliance by the Bank's employees with the prohibitions, restrictions and requirements established for the purpose of combating corruption;
- conducts analysis of employees compliance of prohibitions, restrictions and requirements established for the purpose of combating corruption;
- carries out work on the formation of a negative attitude towards corruption among the Bank's employees.

In accordance with the Bank's Anti-Corruption Policy, the prevention of corruption offenses carried out on a regular basis in the following key areas:

1. Regulatory support and consolidation of standards of conduct.
2. Development and introduction of special anti-corruption procedures.
3. Evaluation of work in the field of anti-corruption and submission of reports.
4. Training and informing the employees of the Bank.
5. Informing the related parties on the Bank's intolerant attitude towards corruption.

Results of the Bank's activities in the field of prevention of corruption offenses are considered on a semi-annual basis at a meeting of the Commission on Personnel, Remuneration and Social Issues.

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## 2021 FOCUS AREAS

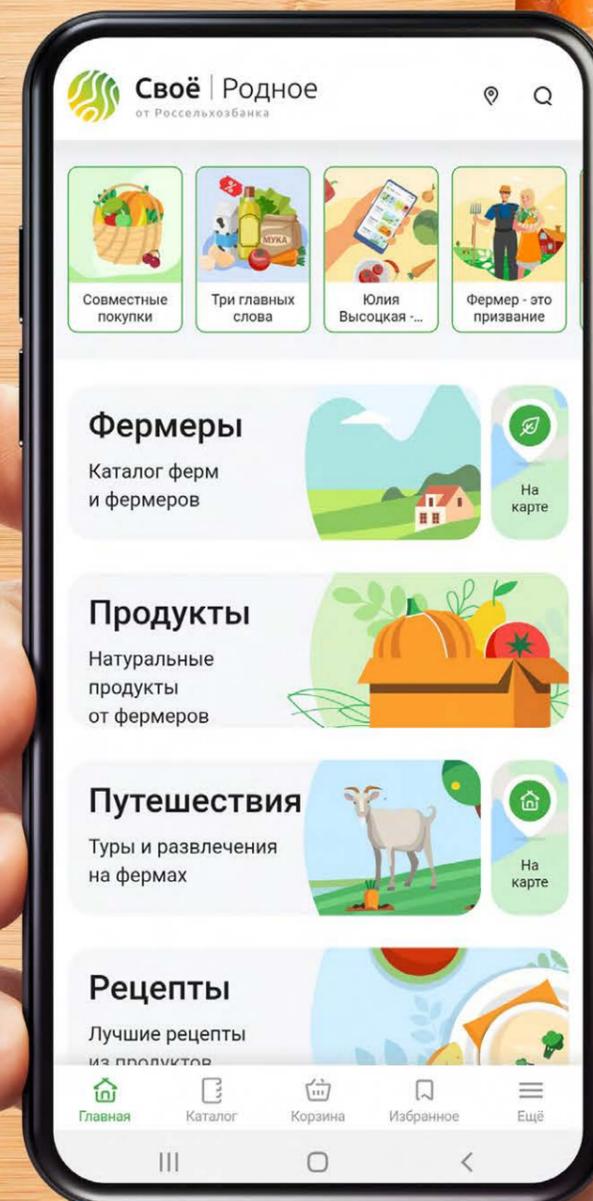
In 2020, the Bank worked in line with its long-term strategic goals in the sphere of human capital development. In particular, the Bank made progress in strengthening its corporate culture, enhancing employee engagement and creating a rewarding and motivating environment.

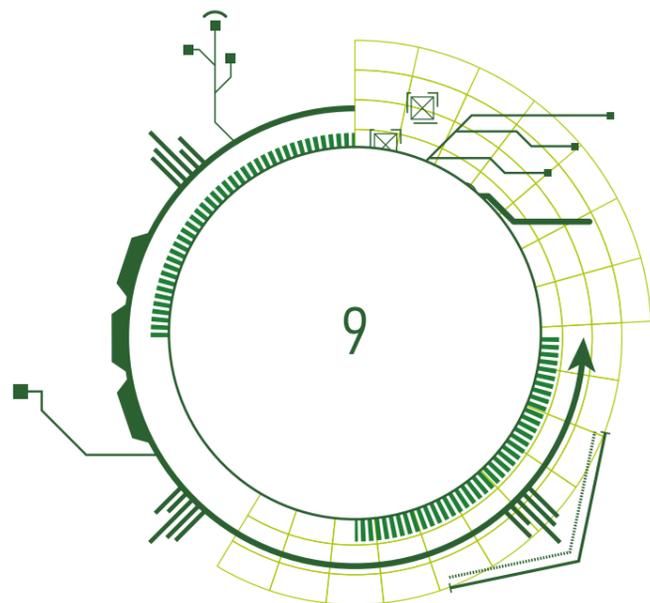
In 2021, RusAg looks to further implement measures aimed at ensuring social benefits for its employees, building a strong corporate culture and enhancing loyalty. Social benefits package will be expanded in line with the existing market trends.

As part of the activities of the Corporate University in 2021, the Bank plans to implement a set of tasks.

1. Development of the corporate training system through:
  - development of a procedure for material motivation of front-line mentors in regional branches in order to increase the efficiency of new employees adaptation at the stage of probation, and employees transferred to new positions;
  - creation of a multimedia lab;
  - expansion of cooperation with leading universities and business schools.
2. Implementation of a mobile Learning Portal.
3. Increasing the coverage of employees with training at the Corporate University, including through the creation of training classes / training places at the sites of the Bank's regional branches.

**RUB 502 billion**  
Financing seasonal  
works —  
one of the priority directions  
of the Bank's agribusiness  
lending





## CORPORATE SOCIAL RESPONSIBILITY

Long-term values creation for any organization, especially one of systemic importance and whose work in many ways impacts the stakeholders and broader communities, solidly rests upon sustainable business practices. Russian Agricultural Bank since its inception has year over year adopted Corporate Social Responsibility (CSR) principles that helped to pursue sustainable business practices. Given they are consistently pursued and upheld, such principles will inevitably be translated into a sustainable future for customers, shareholders and the wider community.

Sustainability approach is organically integrated in Russian Agricultural Bank's core business and operations. The Bank's sustainable business practices link back to its mission, vision, and values and are targeted at ensuring national agribusiness development, the country's food security, achieving the status of Russia as the world's leading food producer and exporter, increasing financial literacy and upgrading the overall welfare of the rural population.

### CORPORATE ETHICS CODE

Approved by the Bank's Management Board the Corporate Ethics Code of Russian Agricultural Bank (hereafter — the Code or CEC) has been in effect since 2012. It contributes to maintaining the good business image of the Bank, respecting the interests of the its customers, business partners and employees, as well as shaping a single corporate culture based on strict observance by all employees of the current legislation and high ethical standards adopted in RusAg.

The Code regulates behavior standards to be followed by the Bank's employees in their teamwork, when communicating with customers and counterparties, as well as when liaising with government and local authorities, political, religious, and public and other organizations.

The principles set forth in the Code are incorporated in the Bank's internal documents and serve as guidelines for the employees in their activities. All employees of the Bank have been familiarized with CEC and adhere to its provisions.

The Bank also has a Corporate Ethics and Discipline Committee, which monitors the compliance with the Corporate Ethics Code.

Information concerning the Code application is communicated to the Bank's creditors, depositors, and other customers, as well as to its stockholders, by posting the document on the official website of RusAg on the Internet at [www.rshb.ru](http://www.rshb.ru).

### ENVIRONMENTAL RESPONSIBILITY

Russian Agricultural Bank has adopted and implements voluntary environmental responsibility principles to preserve and restore natural resources, and to reduce the environmental footprint from the Bank's activities, as well as to raise social responsibility awareness. When implementing voluntary ecological responsibility mechanisms, the Bank complies with local and international ecological standards and norms.

As part of enhancing its environmental and social responsibility, the Bank implements the following voluntary mechanisms:

- continuous control and assessment of the Bank's activities related to input(s) (raw materials, energy, and water) and output(s) (emissions, release, waste), among other things, by developing a system for standardizing and monitoring relevant metrics;
- minimizing direct environmental impact, including actions of the Bank's personnel and its business processes, use of natural and energy resources, among other things, due to the better consumption management, standards of production of goods and services by the Bank's suppliers and contractors (electricity (light, premise heating / cooling, elevators and equipment), water, waste removal / disposal (industrial, household, food waste));
- strengthening the Bank's role in the development of environmental responsibility mechanisms for its customers, among other things, due to participation in financing environment preservation and recovery projects, development and use of recoverable energy sources;
- promotion of environmental responsibility mechanisms by holding socially important actions aimed at environment protection, preservation, and recovery;
- introducing standards and rules of environmental responsibility of the Bank's personnel into its corporate culture, including the understanding of purposes and methods of work incorporating the mechanisms of environmental responsibility and commitment to environment preservation.

**Data on the Bank's resource consumption in 2020**

Resource type	Natural equivalent	Monetary equivalent, RUB mln
Electricity, kW/h	48,192,402.82	322.07
Thermal power, Gcal	57,148.52	120.67
Water, cubic metres	214,371.36	12.01
Natural gas, cubic metres	1,590,600.00	10.29
Firewood, cubic metres	219.75	0.34
Coal, tonnes	60.00	0.27
Petrol, tonnes	304.33	14.83
Diesel fuel, tonnes	809.72	39.28

The key principles of applying voluntary environmental responsibility mechanisms of the Bank are:

- meeting national and international environmental standards and policies;
- planning events and expenses related to ecological aspects of the Bank's activity, including environmental protection;
- standardization and control of the Bank's performance indicators related to the use of material resources (input(s) (raw materials, energy, and water) and output(s) (emissions, release, waste), resource consumption per employee / per unit of usable space);
- optimal use of the Bank's resources in order to achieve the expected result, among other things, by reducing the consumption of electricity, heating, and water due to application of resource-saving and innovative technologies, and automated control of resource consumption and savings ('smart office' principles);
- most efficient allocation of responsibility and empowerment between the Bank's authorized bodies / officers / employees for compliance with the established policies and standards of the Bank's environmental protection activity;
- informing the Bank personnel, counterparties and customers about the environmental responsibility principles adopted by RusAg and the tools used for their realization;
- openness, transparency and adoption of voluntary mechanisms of the Bank's environmental responsibility.

The Bank employees take part in regional, federal, all-Russia campaigns on environment protection in where they are joined by industry-specific enterprises, including the Agricultural Ministry, forest and nature protection companies, Russian Geographical Society. Special focus is placed on cleaning and planting trees / greenery on the territories adjacent to the Bank's premises.

Russian Agricultural Bank as the key lender to Russian agribusiness supports projects targeted at resource conservation, energy efficiency and support of nature conservation activities. Projects in plant breeding are aimed at increasing the efficient use of land, water and other natural resources. Projects in livestock breeding

(structured as investments and project finance) comply with the latest environmental safety standards, comprise waste recycling and utilization stages while minimizing the negative impact on environment.

Russian Agricultural Bank teamed up with MasterCard in a program to engage its clients in a large-scale ecological mission. In December 2019, the Bank launched a campaign "Bet on forest protection through your card" for debit and credit card holders, designed to recover Siberia taiga. The outcome is planting 30,000 young trees in taiga. During the campaign from 1 December 2019 to 31 March 2020, RusAg and MasterCard retained RUB 5 from each RUB 500 spent by customers to restore the forest. The territory of the future cedar forest will be more than 7 hectares. Siberian cedar stands out with frost resistance, as well as the intensive release into the air of phytocides. According to scientists, 7 hectares of cedar plantations are capable to hold about 245 thousand tons of dust.

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## SOCIAL RESPONSIBILITY

Socially important projects make an essential contribution to cementing the Bank's corporate values.

In order to implement measures in the corporate and social responsibility domain, the Bank's employees organize and hold volunteering campaigns and events.

Volunteer projects evidence that the Bank's staff upholds and embraces the Bank's commitment to socially responsible practices. The Bank actively engages its staff in volunteer projects benefiting local communities. The key projects that have helped enhance the Bank's corporate values are the Donor's Day, Volunteer Descent and Financial Literacy. The Volunteer Descent project supports socially-oriented organizations such as orphanages, II WW veterans, elderly people, children without parental custody, Donor Days and ecology related initiatives.

The Head Office of the Bank regularly holds the Blood Donor Day involving professionals of the Blood Transfusion Station of the Moscow Health Ministry.

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## THE BANK'S SPONSORSHIP ACTIVITY

As a corporate citizen committed to meeting societal needs and expectations, Russian Agricultural Bank extends tangible help to local communities via charitable activities, sponsorships and donations. The Bank promotes philanthropic activities with emphasis on key priorities of Russia's social and economic development and defined by the Bank shareholder.

### > Federal Events, Including the Events Held Outside of the Russian Federation

In 2020, the Bank sponsored the following agribusiness events and projects: the 31st Congress of the Association of Family-Operated Farms and Agricultural Cooperatives of Russia; the AgroCode Hackatone; the exhibition National Field Day 2020; the nationwide special project Seed the Good; the project Wine Guide of Russia 2020;

Inter-regional conference Role and Importance of Farms in Modern Economic Conditions; Second Multisector Exhibition and Conference PROYABLOKO 2020; Milk Sessions conference; the 29th International Agricultural Exhibition AGRORUS-2020; the 22nd Russian Agricultural Exhibition Golden Autumn 2020; Tastes of Russia — First National Competition for Regional Food Brands; the online conference Agribusiness and International Trade: Export Opportunities in 2021; the 12th International Scientific and Practical Conference PIG FARMING 2020 — Russian Pig Farming 2020-2025: looking into the future, etc.

Being one of Russia's largest financial organizations, in 2020, the Bank also sponsored such notable industry events as the 12th International Banking Conference, the 3rd Inter-Regional Investment and Finance Forum, the 15th International Forum Russian Market of Derivatives, the 18th Russian Bond Congress, etc.

Making due emphasis on the implementation of digital technologies, RusAg also supported events focused on further IT development, including the Fifth Annual Conference Digital Sector of Industrial Russia, and the Accelerator project by Skolkovo Foundation, which is focused on the search of innovation banking technologies.

#### > **Regional Events**

In 2020, the Bank supported annual regional competition Best Ploughman of the Smolensk Region 2020. To foster rural tourism, the Bank sponsored the 7th Russian North Expedition.

In 2020, RusAg also sponsored such regional sports projects as the performance of the Leningrad Region biathlon team at the National Biathlon contest in the second demi-season 2019-2020; the 10th Summer Russian Student Olympics for girl teams of the Volga Federal District (volleyball competition); Russian Volleyball Championship; sports competitions in ski and ski-rolling in the Kursk Region held by the Regional Association for Fitness and Sports Ski Race Federation of the Kursk region.

#### > **Regional Media Support**

During 2020, RusAg sponsored the implementation of the Rural Life project by Auto Plus TV Channel; Agrarian Russia section in the Komsomolskaya Pravda newspaper and on kp.ru website; the project THIS IS YOURS. FARMERS OF RUSSIA, broadcasted by VESTI FM, MAYAK and on radiovesti.ru and radiomayak.ru websites, as well as in social media accounts of the respective radio stations; the Pride of Russian Agribusiness project implemented jointly with the Rural Life newspaper, etc.

## THE BANK'S CHARITABLE ACTIVITY

The Charitable Activity Program 2020 was approved by the Supervisory Board of the Bank and implemented in five areas.

#### > **Education**

In 2020, the Bank incorporated its proprietary Scholarship Program for students of colleges and universities functioning under the Ministry of Agriculture of the Russian Federation into its Charitable Activity Program. In addition to that, in order to foster educational activity, RusAg provided charitable aid to higher education institutions, non-governmental charitable foundation, an educational academy and a university alumni association.

The Bank also supported the implementation by a number of agrarian colleges of projects aimed at developing the educational sphere and preparing talents for various industries of the Russian economy and agriculture.

Russian Agricultural Bank's initiatives facilitate the education of highly qualified professionals in key rural specializations and the retention of young specialists in rural areas, since these are key prerequisites for Russian agribusiness development.

#### > **Social Support of Individuals and Non-Profit Organizations**

In 2020, the Bank provided financial support to individuals who suffered from emergency situations, to healthcare institutions, charitable foundations and public organizations.

#### > **Spiritual and Moral Education**

In 2020, RusAg allocated charitable funds to religious organizations, charitable foundations, and other non-profit organizations.

#### > **Sports and Fitness**

To promote popular sports in Russia, in 2020, the Bank provided financial aid to 2 non-profit sports organizations and a charity foundation.

#### > **Environment Preservation and Protection of Animals**

In 2020, in cooperation with an autonomous non-commercial organization the "Amur Tiger Centre", RusAg continued carrying out a joint project on the research and preservation of the population of the rare animal listed in the Red Book. The Bank provided charity support to a non-profit organization engaged in preserving the population of Far East leopards, as well as to a non-profit organization for support of national environmental projects.

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## FINANCIAL LITERACY OF THE POPULATION

Russian Agricultural Bank consistently implements a set of educative measures to improve the financial literacy of rural population, including the Bank's customers, business representatives and local authorities, agribusiness employees, students, schoolchildren, farmers and personal household plots owners.

In 2020, front-line employees of the Bank's regional branches held 555 events on improving financial literacy of rural population attended by more than 20,700 participants.

Such projects in line with the Bank's core specialization have a positive impact on building the Bank's image among wider society and business and government elites.

Year after year Russian Agricultural Bank confirms its unwavering commitment to the CSR policies and performing its pivotal role of supporting prioritized economic sectors and various customer segments in urban and rural territories, thereby facilitating the resolution of broader social tasks leading to Russia's economic prosperity.

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## QUALITY MANAGEMENT

Despite the complicated environment of 2020, the year was dedicated to ensuring the high-quality service for RusAg's customers, increasing the efficiency of handling their questions and prompt resolution of arising problems / barriers both in terms of obtaining of products and services by customers and in their provision by the Bank.

Therefore, all received customer messages and the problems revealed were regularly (at least, two times a week) reviewed by a dedicated collective body, the Operational Command Center for Supporting the Regional Network of the Bank, which made management decisions on the subject matters of customer questions. This platform allowed making prompt and well-balanced decisions on how to eliminate weaknesses, improve the quality of services, of the product offering and of the product provision process, raise the qualification and quality of staff.

Now, over 50% of issues raised by customers during their contacts are resolved within 3 days, with 70% of issues being resolved within a week's time.

In order to further strengthen and improve the efficiency in this area, in 2020, the Bank launched a project dedicated to the automated handling of customer contacts, which, upon its implementation, will make it possible to comprehensively optimize this effort using a single automated platform, significantly compress the time frames of resolving the customer issues, and to reduce the labor input for the Bank. To a large extent, the Bank plans to achieve the goals set for the project due to the implementation of artificial / machine intelligence technologies.

In addition to that, as part of the effort dedicated to improving the quality of customer service, in 2020, the Bank started implementing a system, which will handle customer complaints and identify systemic problems using customer journey map tool. The scope of such efforts also envisages interactive personal communications with the customers aimed at implementing the system to assess customer satisfaction with the resolution of their problems within the framework of consideration of their contacts / complaints / claims.

In order to make a breakthrough in the development of this area, RusAg started implementing a system of remote automatic control over the observance of sales standards by its front-line staff. The system is self-learning due to the artificial / machine intelligence features and applies speech analysis technology to audio recording of the conversations between the Bank employees and customers. The implementation of the project will generally enable higher-than-expected growth of business due to high quality of consultations and boosting cross-sales, as well as due to higher qualification of front-line staff.

In general, the actions taken in 2020 are aimed at the achievement of the strategic goal — gaining leadership in terms of customer service quality and forming long-term competitive advantage due to a high level of customer support and service, efficient and comprehensive satisfaction of their needs and higher loyalty, which, in its turn, affects the preservation of the existing customer base, forms an additional customer inflow and, consequently, fosters business growth.

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## ANTI-CORRUPTION POLICY

Guided with the principle of aversion of any form and manifestation of corruption and in compliance with the requirements of anti-corruption legislation, and in accordance with the Bank's Anti-Corruption Policy, RusAg carries out systemic effort aimed at improving the efficiency of its anti-corruption activities.

A dedicated Anti-Corruption section on the Bank's official website ([www.rshb.ru](http://www.rshb.ru)) was introduced to inform stakeholders about the Bank's zero tolerance of corruption.

As part of its effort aimed at providing regulatory support of anti-corruption activities and setting forth the respective behavior standards for employees, RusAg has adopted, and regularly updates a Register (Map) of Corruption Risks and Measures Aimed at Their Mitigation by the Bank, and the List of Positions Associated with Corruption Risks.

In order to streamline its approaches to preventing and counteracting corruption, RusAg, as the parent credit institution of a banking group, executes control over the implementation of anti-corruption measures in subsidiary entities of the Bank (members of the banking group).

The Bank make an effort to inform and provide consultations to its employees, including, among other things:

- the Bank employees are familiarized with internal anti-corruption documents with written acknowledgement;
- the Bank employees must sign an obligation to discharge responsibilities and observe limitations, bans and requirements imposed in order to counter corruption;
- on-site and remote anti-corruption training for employees, with checking of their knowledge in the area.

Anti-corruption training sessions and consultations are organized for employees of the Bank's subsidiary entities.

Agreement and contracts entered into by the Bank have an anti-corruption clause.

In the framework of supporting special anti-corruption procedures, RusAg put in place a regular Hotline serving as a channel to receive information on possible manifestations of corruption in the activities of the Bank employees (doverie@rshb.ru).

To assess its effort in the field of preventing and countering corruption, in 2020, Russian Agricultural Bank implemented a number of measures that allow for an analysis of the bans observance by employees, limitations and requirements imposed in order to counteract corruption, evaluate the efficiency of risk management and internal control processes in terms of countering corruption.

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## RUSAG'S DEVELOPMENT OUTLOOK

In 2020, the situation was developing with significant deviations from the base scenario. This is related to the change of external conditions: proliferation of coronavirus infection, sharp decline in oil prices, high volatility in financial markets, and weaker exchange rate of the national currency.

The Bank took timely and comprehensive actions related to the change of the market situation. The bank will continue to monitor external conditions, review the influence of the current situation on an end-to-end basis, and incorporate the monitoring results in its 2021 activity.

At the same time, the Bank will ensure priority lending and continuous services to agribusiness companies, small enterprises, population and businesses located in rural areas and small and medium towns, and other segments of the economy prioritised by the Russian Government.

In 2021, the Bank, as one of the country's key financial institutions, will keep the focus on the assurance of uninterrupted internal processes and high quality customer service, improvement of risk assessment procedures taking into account the new external conditions.

RusAg follows the trends of financial sphere digitization and the transformation of the banking sector's business models. The priority business tasks and external challenges require the Bank to apply IT competences at a

principally new level. The accomplishment of digital transformation tasks will be continued in accordance with the IT strategy of the Bank Group up to 2024.

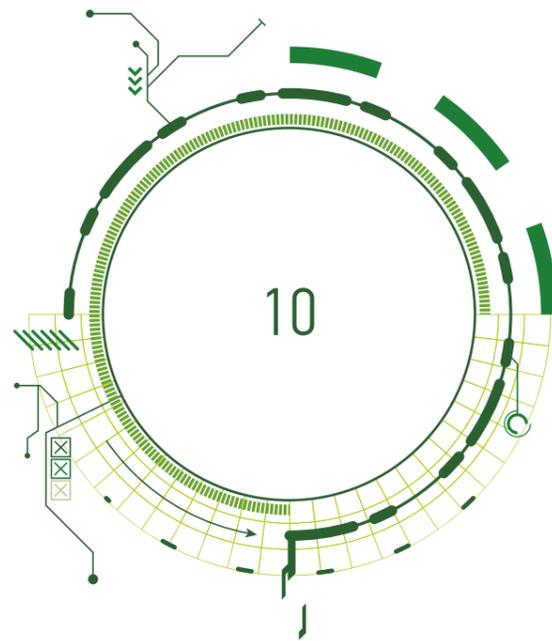
The Bank will also take actions aimed at the development of lending technologies, digitization of customer support, enhancement of the product line, sales and service channels (including remote channels), information technology, boosting the efficiency of the Bank's governance systems and cybersecurity systems. The Bank will continue to develop the system of counteracting fraudulent transactions in its retail RBS channels and with bank cards.

The list of particular projects and actions will be determined in accordance with their priority for the purposes of improving the Bank's performance.



**RUB 377.4 billion**

Financial support to export-oriented  
agribusiness companies  
(+67% y-o-y)



CONSOLIDATED  
FINANCIAL STATEMENTS  
IN ACCORDANCE WITH IFRS

INDEPENDENT AUDITOR'S REPORT  
ON THE CONSOLIDATED FINANCIAL STATEMENTS OF  
JOINT STOCK COMPANY RUSSIAN AGRICULTURAL BANK  
AND ITS SUBSIDIARIES  
FOR 2020

MARCH 2021

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## INDEPENDENT AUDITOR'S REPORT

To the shareholder and Supervisory Board of  
Joint stock company Russian Agricultural Bank

### Report on the audit of the consolidated financial statements

#### Opinion

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

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

#### Basis for opinion

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

#### Key audit matters

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

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

Key audit matter	How our audit addressed the key audit matter
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<p><b>Allowance for expected credit losses on loans and advances to customers</b></p> <p>The appropriateness of allowance for expected credit losses on loans and advances to customers in accordance with IFRS 9 Financial instruments ("IFRS 9") is a key area of judgment for the Group's management.</p> <p>The identification of impairment, significant increase in credit risk, determination of probability of default and loss given default, determination of the recoverable amount and forecast of macroeconomic variables require a high level of subjectivity.</p> <p>Assessment of expected credit losses (ECL) involves estimation techniques that use significant unobservable inputs including internal credit ratings for calculation probability of default and statistical modelling for determination of loss given default. Assessment of ECL involves forecasting of macroeconomic variables. Signs of significant increase in credit risk are also judgmental and are based on extent of downgrade in internal credit ratings, days overdue and other factors.</p> <p>ECL for individually impaired loans are based on analysis of financial and non-financial information including current and projected financial performance of borrower, collateral value and timeframe for its realization and estimation of probabilities of possible outcomes.</p> <p>The selection of different models and assumptions may significantly affect the estimates of allowance for expected credit losses on loans to customers. Due to the significance of the loans issued, which account for 70% of total assets, and to the significant judgement involved, the estimation of the impairment allowance is a key audit matter.</p> <p>Information on the allowance for expected credit losses on loans and advances to customers is included in Note 9 Loans and advances to customers, Note 22 Credit loss expense to the consolidated financial statements.</p>	<p>We focused on identifying signs of impairment, which may be different for the different types of borrowers. We analyzed the methodology for calculating the allowance for expected credit losses both for corporate and retail loans, due to the significant amounts and potential effect of changes in assumptions. We also focused on significant individually impaired loans, as well as on loans with the highest risk of individual impairment.</p> <p>We assessed credit risk factors used by the Group for determining significant increase in credit risk.</p> <p>For collectively assessed loans we analyzed rating models, key inputs and assumptions used for calculation of ECL.</p> <p>Our audit procedures included testing controls over estimation of allowances for both individuals and legal entities, testing of input data used in determining internal credit rating and probability of default, assessing loss statistics for prior periods together with testing of collateral used for assessing loss given default for collectively assessed loans, analyzing assumptions used by the Group for collective assessments of impairment, and assessing the allowances for individually impaired loans issued.</p> <p>In the course of our audit procedures we analyzed management's judgement used to assess economic factors and statistical information on losses incurred and amounts recovered, judgments used in determining of expected credit losses. For individually impaired loans we analyzed the expected future cash including those from current operations of the borrowers, as well as those from the foreclosure of collateral based on our professional judgment and information available.</p> <p>We performed procedures regarding the respective disclosures in the consolidated financial statements.</p>
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#### ***Other information included in the Russian Agricultural Bank Annual Report 2020***

Other information consists of the information included in the Russian Agricultural Bank Annual Report 2020 other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Russian Agricultural Bank Annual Report is expected to be made available to us after the date of this auditor's report.

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

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

#### ***Responsibilities of management and the Audit Committee for the consolidated financial statements***

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

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

The Audit Committee 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 judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

**Report in accordance with the requirements of Article 42 of the Federal Law of the Russian Federation No. 395-1 Concerning Banks and Banking Activities of 2 December 1990**

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

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

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

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

The findings from our work are provided below.

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

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

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

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

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

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

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

G.A. Shinin  
Partner  
Ernst & Young LLC

10 March 2021

**Details of the audited entity**

Name: Joint stock company Russian Agricultural Bank  
Record made in the State Register of Legal Entities on 22 October 2002, State Registration Number 1027700342890.  
Address: Russia 119034, Moscow, Gagarinsky pereulok, 3.

**Details of the auditor**

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

*Russian Agricultural Bank Group  
Consolidated Statement of Financial Position  
as at 31 December 2020*

<i>In millions of Russian Roubles</i>	<i>Note</i>	<i>31 December 2020</i>	<i>31 December 2019</i>
<b>Assets</b>			
Cash and cash equivalents	6	378 303	403 564
Mandatory cash balances with the Bank of Russia		24 999	22 334
Trading securities	7	42 756	21 974
Due from other banks	8	43 299	50 543
Derivative financial instruments	33	25 973	18 265
Loans and advances to customers	9	2 692 254	2 164 906
Investment securities	10	492 797	432 303
Current income tax assets		186	597
Deferred income tax asset	26	15 291	16 298
Intangible assets	11	10 825	7 423
Premises, equipment and right-of-use assets	11	56 681	51 470
Other assets	12	34 753	24 938
Assets classified as held for sale	36	1 671	1 134
<b>Total assets</b>		<b>3 819 788</b>	<b>3 215 749</b>
<b>Liabilities</b>			
Derivative financial instruments	33	5 416	4 782
Due to other banks	13	254 175	109 519
Customer accounts	14	2 862 321	2 486 108
Promissory notes issued	15	67 023	47 358
Bonds issued	16	168 988	174 954
Current income tax liability		24	469
Deferred income tax liability	26	1 915	2 221
Other liabilities	17	73 338	56 999
<b>Total liabilities before subordinated debts</b>		<b>3 433 200</b>	<b>2 882 410</b>
Subordinated debts	18	151 885	134 089
<b>Total liabilities</b>		<b>3 585 085</b>	<b>3 016 499</b>
<b>Equity</b>			
Share capital	20	470 733	440 233
Perpetual bonds	19	52 296	48 398
Revaluation reserve for premises		2 789	2 829
Revaluation reserve for investment securities at fair value through other comprehensive income		3 599	6 733
Accumulated loss		(294 591)	(298 842)
<b>Equity attributable to the Bank's shareholder</b>		<b>234 826</b>	<b>199 351</b>
Non-controlling interest		(123)	(101)
<b>Total equity</b>		<b>234 703</b>	<b>199 250</b>
<b>Total liabilities and equity</b>		<b>3 819 788</b>	<b>3 215 749</b>

Approved for issue and signed on behalf of the Management Board on 10 March 2021.

B.P. Listov  
Chairman of the Management Board

E.A. Romankova  
Deputy Chairman of the Management Board, Chief Accountant

Russian Agricultural Bank Group  
Consolidated Statement of Profit or Loss and Other Comprehensive Income  
for the year ended 31 December 2020

<i>In millions of Russian Roubles</i>	<i>Note</i>	<i>2020</i>	<i>2019</i>
Interest income at effective interest rate	21	224 282	243 561
Other interest income	21	9 991	4 968
Interest expense	21	(154 727)	(171 281)
<b>Net interest income</b>		<b>79 546</b>	<b>77 248</b>
Credit loss expense	22	(30 708)	(39 554)
<b>Net interest income after credit loss expense</b>		<b>48 838</b>	<b>37 694</b>
Fee and commission income	23	25 706	23 450
Fee and commission expense	23	(3 404)	(2 780)
(Losses net of gains)/gains less losses from trading securities		(164)	284
(Losses net of gains)/gains less losses from financial instruments and loans to customers at fair value through profit or loss		(1 987)	2 054
Gains less losses from investment securities at fair value through other comprehensive income		3 236	1 495
Foreign exchange translation gains less losses/(losses net of gains)		17 173	(10 352)
(Losses net of gains)/gains less losses from derivative financial instruments		(8 751)	16 120
Gains less losses from dealing in foreign currencies		1 831	4 108
Gains from non-banking activities		21 789	17 426
Losses from non-banking activities		(20 159)	(16 352)
Losses from disposal of subsidiaries		(977)	-
Other operating income		1 639	823
Administrative and other operating expenses	25	(66 915)	(65 529)
<b>Profit before tax</b>		<b>17 855</b>	<b>8 441</b>
Income tax expense	26	(4 841)	(4 424)
<b>Profit for the year</b>		<b>13 014</b>	<b>4 017</b>
<b>Loss is attributable to:</b>			
Shareholder of the Bank		13 025	4 015
Non-controlling interest		(11)	2
<b>Profit for the year</b>		<b>13 014</b>	<b>4 017</b>
<b>Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:</b>			
Debt securities at fair value through other comprehensive income:			
– Net gains on debt securities at fair value through other comprehensive income		20	15 160
– Realised revaluation reserve (at disposal)		(3 236)	(1 495)
– Changes in allowance for expected credit losses of debt securities at fair value through other comprehensive income		301	(532)
Income tax	26	(219)	(2 631)
<b>Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods, net of tax</b>		<b>(3 134)</b>	<b>10 502</b>
<b>Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods:</b>			
– Revaluation of premises		-	7
– Net gains on equity securities at fair value through other comprehensive income		-	24
– Income tax		-	(1)

Russian Agricultural Bank Group  
Consolidated Statement of Profit or Loss and Other Comprehensive Income  
for the year ended 31 December 2020 (continued)

<i>In millions of Russian Roubles</i>	<i>Note</i>	<i>2020</i>	<i>2019</i>
<b>Other comprehensive income not to be reclassified to profit or loss in subsequent periods, net of tax</b>		<b>-</b>	<b>30</b>
<b>Total other comprehensive (loss)/income</b>		<b>(3 134)</b>	<b>10 532</b>
<b>Total comprehensive income for the year</b>		<b>9 880</b>	<b>14 549</b>
<b>Total comprehensive income/(loss) is attributable to:</b>			
Shareholder of the Bank		9 891	14 547
Non-controlling interest		(11)	2
<b>Total comprehensive income for the year</b>		<b>9 880</b>	<b>14 549</b>

Russian Agricultural Bank Group  
Consolidated Statement of Changes in Equity  
for the year ended 31 December 2020

In millions of Russian Roubles	Note	Attributable to Shareholder of the Bank						Non-controlling interest	Total equity
		Share capital	Perpetual bonds	Revaluation reserve for premises	Revaluation reserve for investment securities	Accumulated loss	Total		
<b>Balance at 31 December 2018</b>		<b>410 598</b>	<b>38 376</b>	<b>2 890</b>	<b>(3 769)</b>	<b>(298 074)</b>	<b>150 021</b>	<b>1 700</b>	<b>151 721</b>
Profit for the year, net of tax		-	-	-	-	4 015	4 015	2	4 017
Other comprehensive income/(loss) for the year, net of tax		-	-	6	10 526	-	10 532	-	10 532
<b>Total comprehensive income/(loss) for the year, net of tax</b>		<b>-</b>	<b>-</b>	<b>6</b>	<b>10 526</b>	<b>4 015</b>	<b>14 547</b>	<b>2</b>	<b>14 549</b>
Share issue	20	29 635	-	-	-	-	29 635	-	29 635
Disposal of subsidiaries		-	-	-	-	-	-	(1 803)	(1 803)
Realised revaluation reserve for equity securities at fair value through other comprehensive income		-	-	-	(24)	24	-	-	-
Depreciation of revaluation reserve for premises		-	-	(67)	-	67	-	-	-
Dividends paid	27	-	-	-	-	(1 126)	(1 126)	-	(1 126)
Perpetual bonds issue		-	10 563	-	-	-	10 563	-	10 563
Foreign exchange translation of perpetual bonds		-	(541)	-	-	541	-	-	-
Coupon paid and due under perpetual bonds		-	-	-	-	(4 289)	(4 289)	-	(4 289)
<b>Balance at 31 December 2019</b>		<b>440 233</b>	<b>48 398</b>	<b>2 829</b>	<b>6 733</b>	<b>(298 842)</b>	<b>199 351</b>	<b>(101)</b>	<b>199 250</b>
Profit for the year, net of tax		-	-	-	-	13 025	13 025	(11)	13 014
Other comprehensive income for the year, net of tax		-	-	-	(3 134)	-	(3 134)	-	(3 134)
<b>Total comprehensive income for the year, net of tax</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>(3 134)</b>	<b>13 025</b>	<b>9 891</b>	<b>(11)</b>	<b>9 880</b>
Share issue	20	30 500	-	-	-	-	30 500	-	30 500
Disposal of subsidiaries		-	-	-	-	-	-	(11)	(11)
Depreciation of revaluation reserve for premises		-	-	(40)	-	40	-	-	-
Dividends paid	27	-	-	-	-	(114)	(114)	-	(114)
Perpetual bonds buy back		-	(9)	-	-	-	(9)	-	(9)
Secondary issue of perpetual bonds		-	107	-	-	-	107	-	107
Foreign exchange translation of perpetual bonds		-	3 800	-	-	(3 800)	-	-	-
Coupon paid and due under perpetual bonds		-	-	-	-	(4 900)	(4 900)	-	(4 900)
<b>Balance at 31 December 2020</b>		<b>470 733</b>	<b>52 296</b>	<b>2 789</b>	<b>3 599</b>	<b>(294 591)</b>	<b>234 826</b>	<b>(123)</b>	<b>234 703</b>

Russian Agricultural Bank Group  
Consolidated Statement of Cash Flows  
for the year ended 31 December 2020

In millions of Russian Roubles	Note	2020	2019
<b>Cash flows from operating activities</b>			
Interest received		247 301	266 010
Interest paid		(155 582)	(161 107)
Expenses incurred from trading in securities and financial instruments at fair value through profit or loss		(133)	(6)
(Expenses incurred)/income received from derivative financial instruments		(18 319)	12 840
Income received from dealing in foreign currencies		2 048	4 073
Fees and commissions received		25 727	23 481
Fees and commissions paid		(3 404)	(2 780)
Other operating income received		1 229	289
Net income received from insurance operations		14 607	10 787
Income received from non-banking activities		4 846	5 770
Expenses incurred from non-banking activities		(5 929)	(7 369)
Administrative and other operating expenses paid		(63 210)	(55 390)
Income tax paid		(4 748)	(4 918)
<b>Cash flows from operating activities before changes in operating assets and liabilities</b>		<b>44 433</b>	<b>91 680</b>
<b>Changes in operating assets and liabilities</b>			
<i>Net (increase)/decrease in operating assets</i>			
Mandatory cash balances with the Bank of Russia		(2 665)	(1 683)
Trading securities		(21 418)	(2 835)
Due from other banks		11 476	(14 881)
Loans and advances to customers		(499 012)	(291 360)
Other assets		(6 199)	526
<i>Net increase/(decrease) in operating liabilities</i>			
Due to other banks		143 277	(58 637)
Customer accounts		323 837	89 223
Promissory notes issued		17 834	5 921
Other liabilities		3 350	8 054
<b>Net cash from/(used in) operating activities</b>		<b>14 913</b>	<b>(173 992)</b>
<b>Cash flows from investing activities</b>			
Acquisition of premises and equipment	11	(9 590)	(2 964)
Proceeds from disposal of premises and equipment		931	164
Acquisition of intangible assets	11	(4 945)	(3 071)
Acquisition of investment securities at FVTPL		(519)	2 165
Acquisition of investment securities at FVTPL (mandatory)		(48 490)	(21 282)
Proceeds from sales of investment securities at FVTPL (mandatory)		9 004	2 436
Acquisition of investment securities at FVOCI		(371 843)	(391 035)
Proceeds from redemption and sales of investment securities at FVOCI		338 150	552 141
Acquisition of investment securities at amortised cost		(11 234)	(14 515)
Proceeds from redemption of investment securities at amortised cost		24 331	11 589
Dividends received		5	37
Proceeds from sale of subsidiaries		193	-
<b>Net cash (used in)/from investing activities</b>		<b>(74 007)</b>	<b>135 665</b>

In millions of Russian Roubles	Note	2020	2019
<b>Cash flows from financing activities</b>			
Dividends paid	27	(114)	(1 126)
Issue of ordinary shares	20	30 500	29 635
Perpetual bonds issue less transaction costs		-	10 490
Amounts paid on perpetual bonds		(4 938)	(4 286)
Buy back of perpetual bonds issued		(9)	-
Secondary issue of perpetual bonds		107	-
Buy back of subordinated debts		(5 681)	(1 269)
Proceeds from sale of previously bought back subordinated debt		4 308	820
Proceeds from bonds issue	16	20 074	30 000
Buy back of bonds issued at or prior to put option date		(7 475)	(8 834)
Proceeds from sale of previously bought back bonds issued on domestic market		8 576	15 803
Repayment of bonds and Eurobonds issued		(26 155)	(4 575)
Payments in respect of lease obligations (IFRS 16)		(2 386)	(1 501)
Proceeds from sale of non-controlling interests in consolidated mutual funds		158	67
Payments on disposal of non-controlling interests in consolidated mutual funds		(57)	(29)
<b>Net cash from / (used in) financing activities</b>		<b>16 908</b>	<b>65 195</b>
Effect of exchange rate changes on cash and cash equivalents		16 936	(13 892)
Effect of ECL on cash and cash equivalents		(11)	3
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(25 261)</b>	<b>12 979</b>
Cash and cash equivalents at the beginning of the period	6	403 564	390 585
Cash and cash equivalents at the end of the period	6	378 303	403 564

## 1. INTRODUCTION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (the "IASB") for the year ended 31 December 2020 for Joint stock company Russian Agricultural Bank (the "Bank") and its subsidiaries (together referred to as the "Group").

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

The Bank's only shareholder is the Russian Federation acting through the Federal Agency for Managing State Property which holds the Bank's issued and outstanding ordinary shares (80.04% from total share capital (31 December 2019: 78.66% from total share capital)), the Ministry of Finance of the Russian Federation which holds the Bank's issued and outstanding preference shares (5.32% from total share capital (31 December 2019: 5.69% from total share capital)) and the State Corporation "Deposit Insurance Agency" which holds the Bank's issued and outstanding preference shares (14.64% from total share capital (31 December 2019: 15.65% from total share capital)).

The Group's structure comprises of the Bank and its subsidiaries. Principal subsidiaries of the Bank are Joint-stock company "RSHB-Insurance" (ownership interest of the Bank is 100%), RSHB Capital S.A. (Luxembourg) (structured entity incorporated for Eurobonds issue for the Bank), "RSHB Asset Management" Limited Liability Company (ownership interest of the Bank is 100%), "RSHB Factoring" Limited Liability Company (ownership interest of the Bank is 100%), "RSHB Leasing" Limited Liability Company (ownership interest of the Bank is 100%) and 26 companies operating in agricultural and other industries and mutual funds.

**Principal activity.** The Bank's principal business activity is commercial and retail banking operations in the Russian Federation with emphasis on lending to agricultural enterprises. The main objectives of the Bank are:

- To participate in realisation of the monetary policy of the Russian Federation in the area of agricultural production;
- To develop within the agricultural industry a national system of lending to the domestic agricultural producers; and
- To maintain an effective and uninterrupted performance of the settlement system in the area of agricultural production across the Russian Federation.

The Bank has operated under a full banking license issued by the Bank of Russia since 13 June 2000. The Bank participates in the State deposit insurance scheme, which was introduced by Federal Law # 177-FZ *Deposits of Individuals Insurance in Russian Federation* dated 23 December 2003. The State Deposit Insurance Agency guarantees repayment of 100% of individual and/or individual entrepreneur current accounts and deposits up to RR 1 400 thousand per individual or individual entrepreneur. Since 2019, similar guarantees are applied to legal entities considered in accordance with the legislation of the Russian Federation to small and medium enterprises.

## 1. INTRODUCTION (CONTINUED)

Since 2020, the guaranteed reimbursement also applies to other individual cases, the maximum amount of payments for which is not more than RR 10 000 thousand.

The Bank has 66 (31 December 2019: 66) branches within the Russian Federation. The Bank's registered address is 119034 Russia, Moscow, Gagarinsky Pereulok, 3. The Bank's principal place of business is 123112 Russia, Moscow, Presnenskaya naberezhnaya, 10, bld. 2.

The number of the Group's employees as at 31 December 2020 was 31 900 (31 December 2019: 31 147).

**Presentation currency.** These consolidated financial statements are presented in Russian Roubles ("RR"). All amounts are expressed in RR millions unless otherwise stated.

## 2. OPERATING ENVIRONMENT OF THE GROUP

**Russian Federation.** The economy of the Russian Federation exhibits some characteristic features inherent in developing markets. Legal, tax and administrative systems are subject to frequent changes and allow various interpretations. The country's economy is especially sensitive to changes in oil and gas prices. In connection with the recent rapid progression of the coronavirus pandemic (COVID-19) at the beginning of 2020, many countries, including the Russian Federation, introduced various measures to fight the outbreak, including travel restrictions, quarantine, closure of business and other facilities and blocking of a certain zone. These measures affected the global supply chain, demand for goods and services, and also had a significant impact on the level and scale of business activity of market participants. Both the pandemic itself and measures to minimize its consequences affect the activities of companies from various industries.

On the basis of the available information the impact of this outbreak on the macroeconomic forecasts is incorporated into the Bank's IFRS 9 estimates of expected credit loss provisions in 2020, however, due to the high level of uncertainty, actual results may differ from expected forecast estimates.

In the context of evolving of the coronavirus infection pandemic in the second quarter of 2020, the Government of the Russian Federation and the Bank of Russia decided to implement a set of measures to support consumers of financial services, reduce risks for their financial well-being in the future, namely:

- Measures to protect the interests of citizens affected by the spread of the pandemic, and to ensure the availability of payments to the public;
- Measures to support lending to small and medium-sized businesses;
- Measures to support mortgage lending;
- Measures to support the capacity of the financial sector to provide financial resources to the economy;
- Measures to reduce the regulatory and supervisory burden on financial institutions.

These measures include, among other things, subsidized lending to clients from affected industries and individuals, vacation pay and certain regulatory easings to help the financial sector maintain its ability to provide resources and help clients avoid liquidity shortages as a result of containing the pandemic.

Since March 2020, there has been significant volatility in the stock, currency and commodity markets, including a decrease in the cost of oil, stock indices, as well as a decrease in the exchange rate of the rouble against the US Dollar and the Euro.

Continuing international sanctions against some Russian companies, including Joint stock company Russian Agricultural Bank, and citizens still have a negative impact on the Russian economy.

## 2. OPERATING ENVIRONMENT OF THE GROUP (CONTINUED)

The Group monitors its current liquidity position on a daily basis and considers it sufficient for the sustainable functioning of the Group. If necessary, the Group expects to use liquidity support instruments provided by the Bank of Russia.

Such economic environment has a significant impact on the Bank's operations and financial position. Management takes all necessary measures to ensure the sustainability of the Bank's operations. However, the future consequences of the current economic situation are difficult to predict, and current expectations and management estimates may differ from actual results.

During 2020, the following were the key changes in selected macro-economic indicators:

- The Bank of Russia exchange rate depreciated from RR 61.9057 to RR 73.8757 per US Dollar;
- The Bank of Russia key rate decreased from 6.25% p.a. to 4.25% p.a.;
- The RTS stock exchange index decreased from 1 548.9 to 1 387.5.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of preparation.** These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value, and by the revaluation of premises, investment securities at fair value through other comprehensive income, financial instruments categorised as at fair value through profit or loss and derivatives. 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.

**Amendments to IFRS 3 Definition of a Business.** In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, these amendments did not affect the Group on the date of transition.

**Amendments to IAS 1 and IAS 8 Definition of Material.** In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity'.

The amendments to the definition of material did not have a significant impact on the Group's consolidated financial statements.

**Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7.** Interest Rate Benchmark Reform Amendments to IFRS 9, IAS 39 and IFRS 7 includes a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. As a result of interest rate benchmark reform, there may be uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument during the period before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate (an RFR). This may lead to uncertainty whether a forecast transaction is highly probable and whether prospectively the hedging relationship is expected to be highly effective.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The amendments came into effect from 1 January 2020 and did not have a significant impact on the Group's consolidated financial statements.

**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, and are deconsolidated from the date on which control ceases.

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

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 interest that does not 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 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.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Bank 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 net assets of a subsidiary attributable to interests which are not owned, directly or indirectly, by the Bank. Non-controlling interest form a separate component of the Group's equity except for the non-controlling interests in mutual funds under the Group's control, which are accounted for within Group's liabilities.

**Structured entities.** Structured entities are designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. Judgement is also required to determine whether the substance of the relationship between the Group and a structured entity indicates that the structured entity is controlled by the Group.

The Group does not consolidate structured entities that it does not control. As it can sometimes be difficult to determine whether the Group does control a structured entity, management makes judgements about its exposure to the risks and rewards, as well as about its ability to make operational decisions for the structured entity in question. In many instances, elements are presented that, considered in isolation, indicate control or lack of control over a structured entity, but when considered together make it difficult to reach a clear conclusion.

Refer to Note 4 for the information about the Group's exposure to structured entities.

**Purchases and sales of non-controlling interest.** The Group applies the economic entity model to account for transactions with non-controlling shareholders. Any difference between the purchase consideration and the carrying amount of non-controlling interest acquired is recorded directly in equity.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**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 fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. Fair value is the current bid price for financial assets, current ask price for financial liabilities and the average of current bid and ask prices when the Group is both in short and long position for the financial instrument. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange or other institution and those prices represent actual and regularly occurring market transactions on an arm's length 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.

Valuation techniques are used to fair value certain financial instruments for which external market pricing information is not available. Such valuation techniques include discounted cash flows models, generally accepted option pricing models, models based on recent arm's length transactions or consideration of financial data of the investees. Valuation techniques may require assumptions not supported by observable market data.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A portfolio of financial derivatives or other financial assets and liabilities that are not traded in an active market is measured at the fair value of a group of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position (i.e. an asset) for a particular risk exposure or paid to transfer a net short position (i.e. a liability) for a particular risk exposure in an orderly transaction between market participants at the measurement date. 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 34.

**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** 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 incurred impairment 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.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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 (see accounting policy for income and expenses recognition).

#### Financial assets and liabilities

##### Initial recognition

###### (a) Classification and measurement

IFRS 9 includes three principal classification categories for financial assets: financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income (FVOCI) and financial assets measured at fair value through profit or loss (FVTPL).

###### Business model assessment

Under IFRS 9, all debt financial assets that do not meet a “solely payment of principal and interest” (SPPI) criterion, are classified at initial recognition at fair value through profit or loss (FVTPL). Under this criterion, debt instruments that do not correspond to a “basic lending arrangement”, such as instruments containing embedded conversion options or “non-recourse” loans, are measured at FVTPL. For debt financial assets that meet the SPPI criterion, classification at initial recognition is determined based on the business model, under which these instruments are managed:

- Instruments that are managed on a “hold to collect contractual cash flows” basis are measured at amortised cost;
- Instruments that are managed on a “hold to collect contractual cash flows and for sale” basis are measured at fair value through other comprehensive income (FVOCI);
- Instruments that are managed on other basis, including trading financial assets, are measured at FVTPL.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because it's the best way to reflect how the business is managed and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice, including whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of assets;
- How the performance of the portfolio is evaluated and reported to the Group's management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- How managers of the business are compensated — e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

All financial assets not classified as measured at amortised cost or at FVOCI as described above are measured at FVTPL. In addition, on initial recognition the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

###### Assessment whether contractual cash flows are solely payments of principal and interest

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

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

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

In making the assessment, the Group considers:

- Contingent events that would change the amount and timing of cash flows;
- Prepayment and extension terms;
- Terms that limit the Group's claim to cash flows from specified assets, e.g. non-recourse asset arrangements; and
- Features that modify consideration for the time value of money, e.g. periodic reset of interest rates.

All of the Group's retail loans and certain fixed-rate corporate loans contain prepayment features. A prepayment feature is consistent with the SPPI criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination of the contract.

Equity financial assets are classified at initial recognition as FVTPL unless an irrevocable designation is made to classify the instrument as FVOCI. For equity investments classified as FVOCI, all realised and unrealised gains and losses, except for dividend income, are recognised in other comprehensive income with no subsequent reclassification to profit and loss.

Derivatives are measured at FVTPL. Embedded derivatives are not separated from a host financial asset.

#### (b) Impairment

The Group has been recording the allowance for expected credit losses for all loans and other debt financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts, in this section all referred to as 'financial instruments'. Equity instruments are not subject to impairment under IFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or lifetime ECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12-month ECL). The 12-month ECL is the portion of lifetime ECL that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both lifetime ECL and 12 month ECL are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments. Financial assets grouped on a collective basis according to the segments defined by the Group, industry sector, revenue size and other criteria.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

- *Stage 1:* When loans do not have factors that indicate a significant increase in credit risk and are not in default at the reporting date, Group recognises an allowance based on ECL over one year.
- *Stage 2:* When loans have factors that indicate a significant increase in credit risk, but are not in default at the reporting date, Group records an allowance for the lifetime ECL.
- *Stage 3:* When loans are considered credit-impaired (defaulted) at the reporting date, Group recognises an allowance based on ECL resulting from all possible cash flows arising from different recovery scenarios given default already happened.

For financial assets for which the Group has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset. Financial assets are written off by the Bank either partially or in their entirety only when they cannot be recovered.

#### Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses and measured as follows:

- Financial assets that are not credit-impaired at the reporting date: the present value of all cash shortfalls — i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive, where ECL from including undrawn loan commitments are estimated using credit conversion factor (CCF);
- Financial assets that are credit-impaired at the reporting date: the difference between the gross carrying amount and the present value of estimated future cash flows;
- Financial guarantee contracts: the present value of the expected payments to reimburse the holder less any amounts that the Group expects to recover.

#### Definition of default

Under IFRS 9, the Group considers a financial asset to be in default when there is available information that:

- The borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- The borrower is more than 90 days past due on the respective material credit obligation to the Group. Overdrafts are considered past due once the customer has breached an advised limit or been advised of a limit that is smaller than the current amount outstanding.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In assessing whether a borrower is in default, the Group considers indicators that are:

- Qualitative;
- Quantitative: e.g. overdue status; and
- Based on data developed internally and obtained from external sources (e.g. insolvency or bankruptcy loan registers).

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time in order to reflect changes in circumstances.

#### *Credit ratings and risk grades*

The Group allocates each exposure to a credit rating or a risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement.

Credit ratings and client's score are primary inputs into the determination of the probability of default (PD) estimation and development under IFRS 9 framework.

The Group also employs statistical models to analyze internal and external data to generate estimates lifetime PD-s and how these are expected to change as a result of the passage of time.

This analysis includes — where reasonable and supportable information is available — the identification and calibration of relationships between changes in default rates and changes in key macro-economic factors, as well as analysis of the impact of certain other factors (e.g. forbearance experience) on the risk of default. For most exposures, key macroeconomic indicators are likely to include variables such as GDP growth, benchmark interest rates and unemployment.

#### *Determining whether credit risk has increased significantly*

Under IFRS 9, when determining whether the credit risk (i.e. risk of default) on a financial instrument has increased significantly since initial recognition, the Group consider reasonable and supportable information that is relevant and available without undue costs or efforts, including both quantitative and qualitative information and analysis consisting — based on availability and complexity — of the Group's historical experience, expert credit assessment and forward-looking information.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The criteria may vary by portfolio and will include a backstop based on delinquency in accordance with IFRS 9. As a backstop, and as required by IFRS 9, the Group will presumptively consider that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. The Group determines days past due by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received.

The Group primarily identifies whether a significant increase in credit risk has occurred for an exposure by comparing:

- Credit rating as at the reporting date; with
- Credit rating that was estimated on initial recognition of the exposure.

The Group also may, using its expert credit judgement and, where possible, relevant historical experience, determine that an exposure has undergone a significant increase in credit risk if particular qualitative factors indicate so.

The Group monitors the suitability of the criteria used to identify significant increases in credit risk by regular reviews to confirm that results of assessment are compliant with IFRS 9 and internal guidelines.

#### *Modified assets and liabilities*

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value.

For the accounting purposes the Group defines significant and non-significant modification of financial assets. In case of significant modification the changing of contractual conditions (changing of currency of the financial instrument (besides conversion of the loan to roubles due to bankruptcy procedure/court decision), changing of interest rate from fix to float or float to fix and including/excluding conditions in the loan agreement which affect the SPPI test result) leads to derecognition of financial instrument.

In case of non-significant modification of financial assets or financial liabilities, the Group recalculates the gross carrying amount of a financial asset as the present value of the estimated future cash payments or receipts through the expected life of the renegotiated or modified financial asset using the original effective rate.

The contractual terms of a financial liabilities may be significantly modified in case of changes contractual conditions of present values of the estimated future cash flows, including commission payments after commission income received discounted on liabilities' original effective rate more than 10% of the discounted present value of the rest cash flows on original financial liability.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Under IFRS 9, when the terms of a financial asset are modified due to borrowers financial difficulties and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly should reflect comparison of:

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

The Group renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities') to maximise collection opportunities and minimise the risk of default. Under the Group's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants.

Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms. It is the Bank policy to monitor forborne loans to help ensure that future payments continue to be likely to occur.

Derecognition decisions and classification between Stage 2 and Stage 3 are determined on a case-by-case basis. If these procedures identify a loss in relation to a loan, it is disclosed and managed as an impaired Stage 3 forborne asset until it is collected or written off.

Following forbearance, a customer needs to demonstrate consistently good payment behaviour over a period of time or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECLs.

#### *Inputs into measurement of ECLs*

The key input variables into the measurement of ECLs are the following:

- Probability of default (PD) including lifetime PD-s;
- Loss given default (LGD);
- Credit conversion factor (CCF); and
- Exposure-at-default (EAD).

These parameters derived — alone or together — from internally developed statistical models based on own historical data or derived from available market data.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For portfolios in respect of which the Group has limited historical data, external benchmark information is used to supplement the internally available data.

#### *Forward-looking information*

Under IFRS 9, the Group incorporates forward-looking information as part of measurement of ECLs. External information used may include economic data and forecasts published by governmental bodies and monetary authorities in Russia.

The Group based on data availability and credibility of sources — using an analysis of historical data to estimate relationships between macro-economic variables and credit risk and credit losses. The key drivers include variables such as interest rates, unemployment rates, GDP forecasts and other.

#### *Measurement categories of financial assets and liabilities*

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

- Amortised cost;
- Fair value through other comprehensive income (FVOCI);
- Fair value through profit or loss (FVTPL).

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

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

#### *Amounts due from other banks, loans and advances to customers, investments securities at amortised cost*

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

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

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Debt instruments at FVOCI

In accordance with IFRS 9, the Group measures debt instruments at FVOCI when both of the following conditions are met:

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

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

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

#### Equity instruments at FVOCI

Upon initial recognition, the Group occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to profit or loss. Dividends are recognised in profit or loss as other income when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in other comprehensive income. Equity instruments at FVOCI are not subject to an impairment assessment. Upon disposal of these instruments, the accumulated revaluation reserve is transferred to retained earnings.

**Purchased or originated credit impaired assets.** Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest revenue is subsequently recognised based on a credit-adjusted EIR. ECL are only recognised or released to the extent that there is a subsequent change in the lifetime expected credit losses.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

**Derecognition of financial assets.** The Group derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise are 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 additional restrictions on the sale.

**Cash and cash equivalents.** Cash and cash equivalents are items which 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 interbank loans, deposits, reverse sale and repurchase agreements with other banks, and other cash equivalents with original maturity of less than one month. Amounts which relate to funds that are of a restricted nature are excluded from cash and cash equivalents.

**Precious metals.** Gold and other precious metals are recorded at the Bank of Russia bid prices, which approximate fair values and are quoted at a discount to London Bullion Market rates. Changes in the Bank of Russia bid prices are recorded as translation differences from precious metals.

**Mandatory cash balances with the Bank of Russia.** Mandatory cash balances with the Bank of Russia 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.

**Trading securities.** Trading securities are financial assets which are either acquired for generating a profit from short-term fluctuations in price or trader's margin, or are securities included in a portfolio in which a pattern of short-term trading exists. The Group classifies securities into trading securities if it has an intention to sell them within a short period after purchase.

Trading securities are carried at fair value. Interest earned on trading securities calculated using the contractual interest method is presented in the consolidated statement of profit or loss and other comprehensive income as interest income. All other elements of the changes in the fair value and gains or losses on derecognition are recorded in profit or loss as gains less losses from trading securities in the period in which they arise.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**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 Investment securities pledged under repurchase agreements. The corresponding liability is presented within amounts due to other banks or customer accounts.

Securities purchased under agreements to resell (“reverse repo agreements”) which effectively provide a lender’s return to the Group are recorded as cash and cash equivalents, due from other banks or loans and advances to customers, as appropriate. The difference between the sale and repurchase price is treated as interest income and accrued over the life of repo agreements using the effective interest method.

**Investment securities at fair value through other comprehensive income.** This classification includes investment securities which the Group intends to hold for an indefinite period of time and which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. The Group classifies investments as at fair value through other comprehensive income at the time of purchase.

**Investment securities at fair value through profit or loss at initial recognition on management decision.** Investment securities at fair value through profit or loss are financial assets designated irrevocably, at initial recognition, into this category by the Group, if such classification eliminates or significantly reduces inconsistency of measurement or recognition approaches (an accounting mismatch) that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them.

**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.

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

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

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Promissory notes purchased.** Promissory notes purchased are included in trading securities or investment securities at amortised cost or in due from other banks or in loans and advances to customers, depending on their substance and are recorded, subsequently remeasured and accounted for in accordance with the accounting policies for these categories of assets.

**Goodwill.** Goodwill is carried at cost less accumulated impairment losses, if any. The Group tests goodwill for impairment at least annually and whenever there are indications that goodwill may be impaired. Goodwill is allocated to the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the business combination. Such units or group of units represent the lowest level at which the Group monitors goodwill, and are not larger than an operating segment. Gains or losses on disposal of an operation within a cash generating unit to which goodwill has been allocated include the carrying amount of goodwill associated with the disposed operation, generally measured on the basis of the relative values of the disposed operation and the portion of the cash-generating unit which is retained.

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

Premises owned by the Group and used in a banking activity were for the first time revalued at fair value as at 31 December 2007 and are subject to regular subsequent revaluation. The frequency of revaluation depends upon the movements in the fair values of the premises being revalued. The revaluation is recognised by proportionally restating the gross carrying amount and accumulated depreciation of the revalued premises. These changes in values are shown separately in the reconciliation of movements in premises in Note 11. The revaluation reserve for premises included in equity is transferred directly to retained earnings when the surplus is realised, i.e. either on the retirement or disposal of the asset, or as the asset is used by the Group; in the latter case, the amount of the surplus realised is the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset’s original cost.

Premises owned by the Group and used in non-banking activities are stated at cost less accumulated depreciation and provision for impairment, where required.

Construction in progress is carried at historical cost less provision for impairment where required. Construction in progress is not depreciated until the asset is available for use.

Costs of minor repairs and maintenance are expensed when incurred. Cost of replacing major parts or components of premises and equipment items are capitalised and the replaced part is retired. Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in profit or loss.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

**Depreciation.** Land is not depreciated. Depreciation on other items of premises and equipment is calculated using the straight-line method to allocate cost or revalued amounts of premises and equipment to their residual values over the estimated remaining useful lives. The following useful lives in years are applied for the main categories of premises and equipment:

Useful lives in years	Used in banking activities	Used in non-banking activities
Premises	40-100	20-40
Equipment	5-20	5-20

The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Group expects to use the asset until the end of its physical 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 goodwill have definite useful life and primarily include capitalised computer software.

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Development costs that are directly associated with identifiable and unique software controlled by the Group are recorded as intangible assets if the inflow of incremental economic benefits exceeding costs is probable. Capitalised costs include staff costs of the software development team and an appropriate portion of relevant overheads. All other costs associated with computer software, e.g. its maintenance, are expensed when incurred. Capitalised computer software is amortised on a straight line basis over expected useful lives.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Inventory.** Inventories are stated at the lower of cost and net realisable value. The cost of inventories is determined using the first-in, first-out (FIFO) method. Net realisable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses. The cost of finished goods and work in progress comprises packaging costs, raw materials, direct labour, other direct costs and related production overheads.

**Non-current assets classified as held for sale.** Non-current assets and disposal groups, which may include both non-current and current assets, are classified in the statement of financial position as 'Assets classified as held for sale' if their carrying amount will be recovered principally through a sale transaction, including loss of control of a subsidiary holding the assets, within twelve months after the end of the reporting period. Assets are reclassified when all of the following conditions are met: (a) the assets are available for immediate sale in their present condition; (b) the Group's management approved and initiated an active programme to locate a buyer; (c) the assets are actively marketed for a sale at a reasonable price; (d) the sale is expected within one year and (e) it is unlikely that significant changes to the plan to sell will be made or that the plan will be withdrawn. Non-current assets or disposal groups classified as held for sale in the current period's statement of financial position are not reclassified or re-presented in the comparative consolidated statement of financial position to reflect the classification at the end of the current period.

A disposal group is a group of assets (current or non-current) to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction. Goodwill is included if the disposal group includes an operation within a cash-generating unit, to which goodwill has been allocated on acquisition. Non-current assets are assets that include amounts expected to be recovered or collected more than twelve months after the end of the reporting period. If reclassification is required, both the current and non-current portions of an asset are reclassified.

Held for sale disposal groups as a whole are measured at the lower of their carrying amount and fair value less costs to sell.

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

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

Financial guarantees are initially recognised in the financial statements at fair value, being the premium received. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the consolidated statement of profit or loss, and — under IFRS 9 — an ECL provision.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Group is required to provide a loan with pre-specified terms to the customer. Similar to financial guarantee contracts, these contracts are in the scope of the ECL requirements.

The Group occasionally issues loan commitments at below market interest rates drawdown. Such commitments are initially recognized at fair value and subsequently measured at the higher of the amount of the ECL allowance and the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

**Performance guarantees.** Performance guarantees are contracts that provide compensation if another party fails to perform a contractual obligation. Performance guarantees do not transfer credit risk. The risk under performance guarantee contracts is the possibility that the failure to perform the contractual obligation by another party occurs. Therefore, performance guarantees are not considered financial instruments and thus do not fall in scope of IFRS 9.

**Due to other banks.** Amounts due to other banks are recorded when money or other assets are advanced to the Group by counterparty banks and banking groups. The non-derivative liability is carried at amortised cost.

**Customer accounts.** Customer accounts are represented by current/settlement accounts and term deposits and are non-derivative financial liabilities to individuals, state or corporate customers and are carried at amortised cost.

**Promissory notes issued.** Promissory notes issued by the Group are carried at amortised cost. If the Group purchases its own promissory notes issued, they are removed from the consolidated statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in gains/(losses) arising from early retirement of debt.

**Bonds issued.** Bonds issued represent amounts attracted from Eurobonds issue and bonds issued on domestic market. Issued Eurobonds and bonds issued on domestic market carry a coupon and are redeemable on a specific date. Bonds issued are carried at amortised cost. If the Group repurchases its bonds issued, they are removed from the consolidated statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in gains/(losses) arising from early retirement of debt.

**Subordinated debts.** Subordinated debts are carried at amortised cost. Creditors' claims on subordinated debts will be considered only after all claims of other creditors of the Group are satisfied.

**Derivative financial instruments.** Derivative financial instruments (including forwards and swaps on currency, securities, precious metals and interest rates; options; futures on commodities, currency and indexes) are carried at their fair value. Non-derivative transactions are aggregated and treated as a derivative when the transaction result, in substance, is a derivative.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

An embedded derivative shall be separated from the host contract and accounted for as a derivative if, and only if:

- a) The economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;
- b) A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- c) The hybrid (combined) instrument is not measured at fair value with changes in fair value recognised in profit or loss (i.e. a derivative that is embedded in a financial asset or financial liability at fair value through profit or loss is not separated).

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

All derivative financial instruments are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of derivative financial instruments are included in gains less losses from derivative financial instruments. The Group does not apply hedge accounting.

**Regular way transactions.** Regular way transactions are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place. All regular way purchases and sales of financial assets are recognised or derecognised on the contractual settlement date which is the date when the asset is to be delivered to or by the Group. Regular way transactions are not recognised as derivatives because of the short duration of the commitment to deliver financial assets between the trade and settlement date.

Any changes in the fair value of the financial assets at fair value through profit and loss to be received during the period between the trade date and the settlement date is recognised in the income statement and for financial assets at fair value through other comprehensive income is recognised in other comprehensive income for financial assets purchased.

**Income taxes.** Income taxes have been provided for in the consolidated financial statements in accordance with 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 tax authorities in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if financial statements are authorised prior to filing relevant tax returns. Taxes other than on income are recorded within administrative and other operating expenses.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit.

Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets and liabilities are netted only within the individual companies of the Group. 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 provided on post-acquisition retained earnings and other post acquisition movements in reserves of subsidiaries, except 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.

**Insurance operations.** Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. As a general guideline, the Group defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur. Insurance risk exists when the Group has uncertainty in respect of the following matters at inception of the contract: the occurrence of the insurance event, the date of occurrence of the insurance event and the claim value in respect of it.

**Gross insurance premiums written.** Gross insurance premiums written, which the Group is contractually entitled to receive from the insured in relation to insurance contracts, are recognised when due from a policyholder. Specifically, the Group recognises premiums for the policies issued during the year and includes an estimate of premiums due but not yet received by the reporting date, less an allowance for cancellations. Premiums are shown before the deduction of commission. Gross insurance premiums written are recognised as result from insurance operations within losses net of gains from non-banking activities. Refer to Note 24.

**Provision for unearned premiums.** Unearned premiums represent the proportion of premiums written in the year that relate to the unexpired terms of policies in-force as at the reporting date, calculated on a time apportionment basis. Provisions for unearned premiums are recognised as result from insurance operations within losses net of gains from non-banking activities. Refer to Note 24.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Claims paid.** Claims and claims handling expenses are charged to the consolidated statement of profit or loss and other comprehensive income as incurred based on the evaluated liability for compensation payable to policy-holders or third parties.

**Loss provision.** The loss provision represents the accumulation of estimates for ultimate insurance losses and includes the outstanding claims reserve ("OCR") and provision for losses incurred but not yet reported ("IBNR"). Estimates of the claims handling expenses are included in both the OCR and the IBNR.

The OCR 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 investigation of insurance cases as at and after the reporting date. IBNR is actuarially determined by the Group.

**Deferred acquisition costs.** Deferred acquisition costs ("DAC") are calculated (for non-life insurance contracts) separately for each insurance product. Acquisition costs include commission to agents for concluding agreements with corporate clients and individuals, commission and brokerage fee 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.

**Liability adequacy test.** At each reporting date, liability adequacy tests are performed to ensure the adequacy of the contract liabilities net of related DAC. In performing these tests, the current best estimates of the future contractual cash flows and claims handling and maintenance expenses, as well as investment income from the assets backing such liabilities, are used. Any deficiency is immediately charged to the consolidated statement of comprehensive income, initially by writing off DAC and by subsequently establishing a provision for losses arising from the liability adequacy tests (the unexpired risk provision). When performing the liability adequacy test, the Group uses a combination of its own as well as externally available statistics and also includes a security margin. Insurance receivables are included as part of this test.

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

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**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.

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

**Perpetual bonds.** Due to undefined maturity and an option for non-cumulative cancellation of coupon payments (without occurrence of rights of investors for accumulation of unpaid coupons), the Group accounts for perpetual bonds as an equity instrument and as a Tier I eligible instrument for the purpose of Basel Capital Adequacy Ratio calculation. The Bank of Russia approved the inclusion of these subordinated bonds in the regulatory capital calculation of the Bank.

The Group accounts for perpetual bonds denominated in the foreign currency in the amount of RUR equivalent amount using the foreign exchange rate at the reporting date with foreign exchange translation effects recorded in Retained earnings.

Coupon payments may be cancelled or deferred in accordance with the terms of the notes. Transaction costs are recorded in retained earnings. At the moment the coupon under perpetual bonds becomes mandatory, it is recorded as a dividend declaration described below.

**Share capital.** Ordinary and preference shares, that are not redeemable and dividend payments are at the discretion of the management, 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.

**Dividends.** Dividends are recorded in equity in the period in which they are declared. Any dividends declared after the reporting period and before the financial statements are authorised for issue are disclosed in the subsequent events note. The statutory accounting reports of the Bank are the basis for profit distribution and other appropriations. Russian legislation identifies the basis of distribution as the current year net profit.

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

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Revenue recognition — sale of goods.** Revenue is recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct are separately recognised, and any discounts or rebates on the contract price are generally allocated to the separate elements. When the consideration varies for any reason, minimum amounts are recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed.

**Interest and similar revenue and expense.** The Group calculates interest revenue on debt financial assets measured at amortised cost or at FVOCI by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets.

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

When loans and other debt instruments become doubtful of collection, they are written down to the present value of expected cash inflows and interest income is thereafter recorded for the unwinding of the present value discount based on the asset's effective interest rate which was used to measure the impairment loss.

For purchased or originated credit-impaired (POCI) financial assets, the Group calculates interest revenue by calculating the credit-adjusted EIR and applying that rate to the amortised cost of the asset. The credit-adjusted EIR is the interest rate that, at original recognition, discounts the estimated future cash flows (including credit losses) to the amortised cost of the POCI assets.

Interest revenue on all financial assets at FVTPL is recognised using the contractual interest rate in "Other interest revenue" in the consolidated statement of profit or loss.

**Fee and commission income.** Fees integral to the effective interest rate include origination fees received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability, for example loan fees, credit rating, loan servicing.

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

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Fee income earned from services that are provided over a certain period of time.** Fees earned for the provision of services over a period of time are accrued over that period as respective performance obligations are satisfied. These fees include commission income and asset management, custody and other management and advisory fees. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the effective interest rate on the loan.

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

**Customer loyalty programs.** The Group offers a number customer loyalty programs. Accounting for such programs varies depending on who is identified as the customer, and whether the Group acts as an agent or as a principal under the contract. Cashbacks on plastic card transactions reduce fee and commission income.

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

Transactions in foreign currencies are initially recorded in the functional currency, translated into Russian Roubles at the rate of exchange at the date of the transaction.

Monetary assets and liabilities are translated into functional currency at the official exchange rate of the Bank of Russia at the end of the respective reporting period. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation of monetary assets and liabilities into functional currency at year-end official exchange rates of the Bank of Russia, are recognised in profit or loss for the year (as foreign exchange translation gains less losses). Translation at year-end rates does not apply to non-monetary items that are measured at historical cost.

As at 31 December 2020 the principal rates of exchange used for translating foreign currency balances were USD 1 = RR 73.8757 (31 December 2019: USD 1 = RR 61.9057), EUR 1 = RR 90.6824 (31 December 2019: EUR 1 = RR 69.3406).

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Fiduciary assets.** Assets and liabilities held by the Group in its own name, but on the account of third parties, are not reported in the consolidated statement of financial position. Commissions received from fiduciary activities are shown in fee and commission income.

**Offsetting.** Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to set off 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 of the entity or one of its counterparties. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statement of financial position.

**Staff costs and related contributions.** Wages, salaries, contributions to the Russian Federation state and non-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. These payments are included in staff expenses in consolidated profit or loss.

**Segment reporting.** IFRS 8 Operating Segments requires an entity to report financial and descriptive information about its operating segments, with segment information presented on a similar basis to that used for internal reporting purposes.

An operating segment is a component of the Group that engages in business activities from which it earns revenues and incurs expenses whose operating results are regularly reviewed by the Group's Chief Operating Decision Maker (CODM) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The Management Board has been identified as the CODM.

In these consolidated financial statements the Group defined operating segments on the basis of organizational structure and geographical areas.

**Government grants and government assistance.** Government grants are recognized where there is reasonable assurance that the grant will be received and all the related conditions will be complied with. Where the grant relates to an expense item, it is recognized as income in the same periods as the respective expenses it is intended to compensate on a systematic basis. Where the grant relates to an asset, it is recognized as deferred income and released to income in equal amounts over the expected useful life of the related asset.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government loans provided at below market interest rates are recognized in accordance with IFRS 9. The benefit of the government loan is measured at the inception of the loan as the difference between the cash received and the amount at which the loan is initially recognized in the consolidated statement of financial position. This benefit is accounted for in accordance with IAS 20.

A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs shall be recognized in profit or loss of the period in which it becomes receivable.

**Amendments of the financial statements after issue.** Any further changes to these consolidated financial statements require approval of the Group's Management who authorised these consolidated financial statements for issue.

### 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In the process of applying accounting policies, the management of the Group, in addition to accounting estimates, makes judgments and assumptions that affect the amounts reflected in the consolidated financial statements. Judgments and assumptions are made based on management experience and other factors, including expectations regarding future events that management believes are reasonable in the light of current circumstances.

In the process of applying the Group's accounting policies, management used its judgments and made estimates in determining the amounts recognized in the consolidated financial statements. Below are the most significant use of judgments and evaluations:

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

- The Group's internal credit grading model, which assigns PDs to the individual grades;
- The Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL (lifetime expected credit loss) basis and the qualitative assessment;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various formulae and the choice of inputs;
- Determination of associations between macroeconomic scenarios and, economic inputs, and the effect on PDs, EADs and LGDs. Thus, the functional dependence of the level of defaults on macroeconomic factors is determined by evaluating the regression between the values of the default level and various transformations of this indicator taking into account macroeconomic factors such as GDP growth rate, growth rate of the agro-industrial complex, oil prices, inflation rate, etc.;
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

More details are provided in Notes 9 and 29.

#### 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

**Fair value of financial instruments.** Where the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Additional details are provided in Note 34.

**Fair value of derivatives.** The fair values of financial derivatives that are not quoted in active markets are determined by using valuation techniques. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. To the extent practical, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect fair reported values. Refer to Note 33.

**Leases — estimating the incremental borrowing rate.** The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay'.

**Leases — estimating the lease term.** Some of the contracts are unlimited and are automatically prolonged if neither side sends a notice to the other party about the termination of the contract. Under certain lease agreements, the Group has an option to extend the lease of assets for an additional period of up to five years. The Group uses judgment to determine whether it has sufficient assurance that it will exercise the extension option. At the same time, the Group takes into account all relevant factors that give rise to an economic incentive to exercise the option to extend the lease.

**Deferred income tax asset recognition.** The recognised deferred tax asset represents income taxes recoverable through future deductions from taxable profits, and is recorded in the statement of financial position. Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable. The future taxable profits and the amount of tax benefits that are probable in the future are based on a medium term business plan prepared by management and extrapolated results thereafter.

The business plan is based on management expectations that are believed to be reasonable under the circumstances and approved by the management of the Bank. A key assumption in the business plan is to obtain profits in subsequent financial years through widening of product range and client base. Refer to Note 26.

#### 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

**Structured entities.** The Group considers RSHB Capital S.A. incorporated for Eurobonds issue for the Bank as consolidated structured entity under IFRS 12 requirements. As at 31 December 2020 the Group guarantees all obligations of the consolidated structured entity represented by subordinated debts in the amount of RR 27 869 million (31 December 2019: subordinated debts in the amount of RR 24 295 million). During 2020 and 2019 the Group did not provide any other financial support to the consolidated structured entity. The Group has no current obligation or intention neither to provide financial or other support to the consolidated structured entity nor to assist it in obtaining financial support.

## 5. 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 or later, and which the Group has not early adopted.

**IFRS 17 Insurance Contracts.** In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach);
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. In 2021, the Group will continue to assess the potential effect of IFRS 17 on its consolidated financial statements.

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

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

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

The amendment is not expected to have a significant impact on the Group's consolidated financial statements.

## 5. NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)

**IFRS 9 Financial Instruments — Fees in the '10 per cent' test for derecognition of financial liabilities.**

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

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The amendment is not expected to have a significant impact on the Group's consolidated financial statements.

## 6. CASH AND CASH EQUIVALENTS

<i>In millions of Russian Roubles</i>	<i>31 December 2020</i>	<i>31 December 2019</i>
Cash on hand	63 014	59 193
Cash balances (other than mandatory) with the Bank of Russia	201 455	74 594
Correspondent accounts and deposits with other banks with original maturities less than one month	102 505	263 800
Settlement accounts with stock and currency exchanges	1 571	1 561
Settlement accounts with clearing and brokerage organisations	3 039	2 832
Deals with securities pledged under repurchase agreements with original maturities of less than one month	6 732	1 586
Less: allowance for impairment	(13)	(2)
<b>Total cash and cash equivalents</b>	<b>378 303</b>	<b>403 564</b>

As at 31 December 2020, correspondent accounts and deposits with other banks with original maturities less than one month within cash and cash equivalents included balances with one Russian banking group with rating of the parent bank at Baa3 (Moody's), individually above 10% of the Group's equity, in the amount of RR 45 492 million, or 12% of total cash and cash equivalents (31 December 2019: balances with two Russian banking groups with rating of the parent bank at Baa3 (Moody's) and two OECD banking groups with rating of the parent bank not lower than A3 (Moody's), individually above 10% of the Group's equity, in the amount of RR 241 319 million, or 60% of total cash and cash equivalents).

Analysis by credit quality as at 31 December 2020 is as follows. Refer to Notes 3 and 29 for the description of credit risk grading system used by the Group and the approach to ECL measurement.

<i>In millions of Russian Roubles</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
Cash on hand	63 013	-	-	<b>63 013</b>
Cash balances (other than mandatory) with the Bank of Russia	201 455	-	-	<b>201 455</b>
Settlement accounts with clearing organisations	3 039	-	-	<b>3 039</b>
Settlement accounts with stock and currency exchanges	1 571	-	-	<b>1 571</b>
Low credit risk (internationally rated)	64 876	-	-	<b>64 876</b>
Moderate credit risk (internationally rated)	18 990	-	-	<b>18 990</b>
Increased credit risk (internationally rated)	25 368	-	-	<b>25 368</b>
High credit risk (internationally rated)	-	-	-	-
Default (internationally rated)	-	-	-	-
Not rated	4	-	-	<b>4</b>
<b>Total cash and cash equivalents (before impairment)</b>	<b>378 316</b>	-	-	<b>378 316</b>
Less: allowance for impairment	(13)	-	-	<b>(13)</b>
<b>Total cash and cash equivalents</b>	<b>378 303</b>	-	-	<b>378 303</b>

## 6. CASH AND CASH EQUIVALENTS (CONTINUED)

Analysis by credit quality of cash and cash equivalents as at 31 December 2019 is as follows:

<i>In millions of Russian Roubles</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
Cash on hand	59 192	-	-	<b>59 192</b>
Cash balances (other than mandatory) with the Bank of Russia	74 594	-	-	<b>74 594</b>
Settlement accounts with clearing organisations	2 832	-	-	<b>2 832</b>
Settlement accounts with stock and currency exchanges	1 561	-	-	<b>1 561</b>
Low credit risk (internationally rated)	255 436	-	-	<b>255 436</b>
Moderate credit risk (internationally rated)	4 409	-	-	<b>4 409</b>
Increased credit risk (internationally rated)	5 532	-	-	<b>5 532</b>
High credit risk (internationally rated)	7	-	-	<b>7</b>
Default (internationally rated)	-	-	-	-
Not rated	3	-	-	<b>3</b>
<b>Total cash and cash equivalents (before impairment)</b>	<b>403 566</b>	-	-	<b>403 566</b>
Less: allowance for impairment	(2)	-	-	<b>(2)</b>
<b>Total cash and cash equivalents</b>	<b>403 564</b>	-	-	<b>403 564</b>

As at 31 December 2020, cash and cash equivalents in the amount of RR 6 732 million were effectively collateralized by securities purchased under reverse repo agreements with a fair value of RR 6 739 million (31 December 2019: cash and cash equivalents in the amount of RR 1 586 million were effectively collateralized by securities purchased under reverse repo agreements with a fair value of RR 1 591 million). The Group had the right to sell or repledge securities.

Refer to Note 34 for the disclosure of fair value and fair value hierarchy for cash and cash equivalents. Geographical and liquidity analyses of cash and cash equivalents are disclosed in Note 29. The information on related party transactions is disclosed in Note 35.

## 7. TRADING SECURITIES

<i>In millions of Russian Roubles</i>	<i>31 December 2020</i>	<i>31 December 2019</i>
Federal loan bonds (OFZ)	35 397	16 839
Corporate bonds	7 359	4 949
Corporate shares	-	186
<b>Total trading securities</b>	<b>42 756</b>	<b>21 974</b>

Trading securities are carried at fair value which also reflects any credit risk related write-downs.

Federal loan bonds (OFZ) are represented by state securities denominated in Russian Roubles issued by the Ministry of Finance of the Russian Federation. Federal loan bonds (OFZ) are traded at a discount or premium to face value and carry a coupon payable quarterly or semi-annually. As at 31 December 2020, these bonds have maturity dates from April 2021 to March 2039 and coupon rates from 2.5% to 7.7% p.a. (31 December 2019: these bonds had maturity dates from January 2020 to March 2039 and coupon rates from 6.3% to 8.73% p.a.).

Corporate bonds in the Group's portfolio are represented by securities denominated in Russian Roubles issued by major Russian companies. Corporate bonds are traded at a discount or premium to face value and carry a coupon payable quarterly or semi-annually depending on the type of the bond issue and the issuer. As at 31 December 2020, these bonds have maturity dates from February 2021 to June 2048 and coupon rates from 5.6% to 12.6% p.a. (31 December 2019: these bonds had maturity dates from June 2020 to June 2048 and coupon rates from 6.7% to 12.6% p.a.), depending on the type of the bond issue, the issuer and the market conditions.

As at 31 December 2019, corporate shares in the Group's portfolio were represented by investments in shares issued by large Russian companies.

Refer to Note 34 for the disclosure of fair value hierarchy for trading securities. Geographical and liquidity analyses of trading securities are disclosed in Note 29.

## 8. DUE FROM OTHER BANKS

<i>In millions of Russian Roubles</i>	<i>31 December 2020</i>	<i>31 December 2019</i>
Current term placements with other banks	35 550	42 999
Promissory notes	7 795	7 579
Overdue placements with other banks	181	181
Less: provision for impairment	(227)	(216)
<b>Total due from other banks</b>	<b>43 299</b>	<b>50 543</b>

An analysis of changes in gross carrying value and corresponding ECL allowance on amounts due from other banks during the year ended 31 December 2020 is as follows:

<i>In millions of Russian Roubles</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
<b>Gross carrying value as at 1 January 2020</b>	<b>50 578</b>	<b>-</b>	<b>181</b>	<b>50 759</b>
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Change in gross carrying value (new issue and repayments)	(7 460)	-	-	(7 460)
Amounts written off	-	-	-	-
Foreign exchange adjustments	227	-	-	227
<b>Gross carrying value as at 31 December 2020</b>	<b>43 345</b>	<b>-</b>	<b>181</b>	<b>43 526</b>

<i>In millions of Russian Roubles</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
<b>ECL as at 1 January 2020</b>	<b>35</b>	<b>-</b>	<b>181</b>	<b>216</b>
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Impact on period end ECL of exposures transferred between stages during the period and changes to models and inputs used for ECL calculations (including expense on new issue and income from repayments)	11	-	-	11
Unwind of discount (recognised in interest income)	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	-	-	-	-
<b>ECL as at 31 December 2020</b>	<b>46</b>	<b>-</b>	<b>181</b>	<b>227</b>

## 8. DUE FROM OTHER BANKS (CONTINUED)

An analysis of changes in gross carrying value and corresponding ECL allowance on amounts due from other banks during the year ended 31 December 2019 is as follows:

<i>In millions of Russian Roubles</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
<b>Gross carrying value as at 1 January 2019</b>	<b>38 861</b>	-	<b>181</b>	<b>39 042</b>
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Change in gross carrying value (new issue and repayments)	12 384	-	-	<b>12 384</b>
Amounts written off	-	-	-	-
Foreign exchange adjustments	(667)	-	-	<b>(667)</b>
<b>Gross carrying value as at 31 December 2019</b>	<b>50 578</b>	-	<b>181</b>	<b>50 759</b>

<i>In millions of Russian Roubles</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
<b>ECL as at 1 January 2019</b>	<b>145</b>	-	<b>181</b>	<b>326</b>
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Impact on period end ECL of exposures transferred between stages during the period and changes to models and inputs used for ECL calculations (including expense on new issue and income from repayments)	(108)	-	-	<b>(108)</b>
Unwind of discount (recognised in interest income)	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	(2)	-	-	<b>(2)</b>
<b>ECL as at 31 December 2019</b>	<b>35</b>	-	<b>181</b>	<b>216</b>

Analysis by credit quality of amounts due from other banks as at 31 December 2020 is as follows. Refer to Notes 3 and 29 for the description of credit risk grading system used by the Group and the approach to ECL measurement.

## 8. DUE FROM OTHER BANKS (CONTINUED)

<i>In millions of Russian Roubles</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
Low credit risk (internationally rated)	3 672	-	-	<b>3 672</b>
Moderate credit risk (internationally rated)	5 173	-	-	<b>5 173</b>
Increased credit risk (internationally rated)	34 500	-	-	<b>34 500</b>
High credit risk (internationally rated)	-	-	-	-
Default (internationally rated)	-	-	181	<b>181</b>
Not rated	-	-	-	-
<b>Total due from other banks (before impairment)</b>	<b>43 345</b>	-	<b>181</b>	<b>43 526</b>
Less: allowance for impairment	(46)	-	(181)	<b>(227)</b>
<b>Total due from other banks</b>	<b>43 299</b>	-	-	<b>43 299</b>

Analysis by credit quality of amounts due from other banks as at 31 December 2019 is as follows:

<i>In millions of Russian Roubles</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
Low credit risk (internationally rated)	26 024	-	-	<b>26 024</b>
Moderate credit risk (internationally rated)	4 702	-	-	<b>4 702</b>
Increased credit risk (internationally rated)	11 344	-	-	<b>11 344</b>
High credit risk (internationally rated)	8 508	-	-	<b>8 508</b>
Default (internationally rated)	-	-	-	-
Not rated	-	-	181	<b>181</b>
<b>Total due from other banks (before impairment)</b>	<b>50 578</b>	-	<b>181</b>	<b>50 759</b>
Less: allowance for impairment	(35)	-	(181)	<b>(216)</b>
<b>Total due from other banks</b>	<b>50 543</b>	-	-	<b>50 543</b>

Due from other banks are represented by unsecured due from other banks placements.

As at 31 December 2020, due from other banks included no balances individually above 10% of the Group's equity (31 December 2019: due from other banks included the balances with one Russian banking group with rating of the parent bank not lower than BBB- (S&P) individually above 10% of the Group's equity, in the amount of RR 24 714 million, or 49% of total due from other banks).

As at 31 December 2020, due from other banks included the balances with three non-OECD banking groups with rating of the parent bank not lower than B (S&P) in aggregate above 10% of the Group's equity, in the amount of RR 30 112 million, or 70% of total due from other banks.

Refer to Note 34 for the disclosure of fair value and fair value hierarchy for due from other banks. Geographical and liquidity analyses of due from other banks are disclosed in Note 29. The information on related party transactions is disclosed in Note 35.

## 9. LOANS AND ADVANCES TO CUSTOMERS

<i>In millions of Russian Roubles</i>	<i>31 December 2020</i>	<i>31 December 2019</i>
<b>Loans to legal entities</b>	<b>2 324 223</b>	<b>1 942 145</b>
– Loans to corporates	2 322 603	1 923 038
– Lending for food interventions	1 620	19 107
<b>Loans to individuals</b>	<b>563 390</b>	<b>473 008</b>
<b>Total loans and advances to customers at amortised cost (before impairment)</b>	<b>2 887 613</b>	<b>2 415 153</b>
Less: allowance for impairment	(278 534)	(306 038)
<b>Total loans and advances to customers at amortised cost</b>	<b>2 609 079</b>	<b>2 109 115</b>
Loans to customers at fair value through profit or loss	83 175	55 791
<b>Total loans and advances to customers</b>	<b>2 692 254</b>	<b>2 164 906</b>

The Group participates in various government programs of concessional lending, including in order to provide financial support to the agro-industrial complex. Interest payments on loans are subsidized by the state. Subsidies are recognized only when there is reasonable assurance that the Group will meet all the conditions associated with the subsidies. The Group considers subsidies an integral part of the contractual terms and treats them as part of a single contract flow under the loan in accordance with IFRS 9. Total amount of subsidies received for 2020 amounted to RR 25 054 million (for 2019: RR 20 778 million).

Lending for food interventions is represented by loans to the company under the control of the Government of the Russian Federation.

As at 31 December 2020, the Group has loans before impairment to ten largest borrowers (groups of borrowers) in the total amount of RR 823 681 million, or 29% of total loans and advances to customers before impairment (31 December 2019: the Group has loans before impairment to ten largest borrowers (groups of borrowers) in the total amount of RR 636 343 million, or 26% of total loans and advances to customers before impairment).

Certain loans to customers did not meet the SPPI criterion. Therefore, Group classifies these loans as financial assets at FVTPL.

As at 31 December 2020, the total amount of loans to legal entities included loans in the gross carrying value of RR 6 798 million (31 December 2019: RR 34 014 million), for which an allowance is zero as a result of applying the adjustment for the amount of collateral in the individual credit risk assessment model.

If as at 31 December 2020, when calculating the allowance for expected credit losses on impaired Stage 3 loans, the scenario of sales of collateral in repayment of loan was not taken into account, the amount of allowance for expected credit losses would be RR 24 713 million higher (31 December 2019: RR 44 454 million higher). When calculating the allowance for expected credit losses on loans assessed on a case-by-case basis, at least two

## 9. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

scenarios of receipts from debt repayment are included in the calculation. At the same time, for a number of loans, the sale of collateral is not accepted when constructing scenarios, since there are other sources of debt repayment.

The Group makes estimates and judgments, which are constantly analyzed based on statistical data, forecast information, and management experience, including expectations regarding future events that are reasonable in the light of current circumstances.

In order to objectively reflect the influence of the prevailing macroeconomic conditions and in accordance with the recommendations of the IASB the Group specified the following approaches to assessing the level of expected credit losses that have the most significant impact on its assessment in the consolidated financial statements:

- Used an updated forecast of macroeconomic indicators;
- Increased the weighted assessment of credit losses on loans assessed on a collective basis for borrowers from individual industries who were most affected by the deteriorating situation as a result of the spread of coronavirus infection;
- When assessing the probability of default on loans to individuals, took into account the impact of an increase in the volume of restructured loans, for which there is no formal deterioration in quality.

Reflection of the changed macroeconomic conditions using the approaches indicated above did not cause a significant increase in the cost of credit risk during 2020.

An analysis of changes in the gross carrying value and corresponding ECL in relation to loans to legal entities during the year ended 31 December 2020 is as follows:

<i>In millions of Russian Roubles</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
<b>Loans to legal entities</b>					
<b>Gross carrying value as at 1 January 2020</b>	<b>1 362 535</b>	<b>250 740</b>	<b>323 344</b>	<b>5 526</b>	<b>1 942 145</b>
Transfers to Stage 1	45 522	(39 179)	(6 343)	-	-
Transfers to Stage 2	(34 353)	39 893	(5 540)	-	-
Transfers to Stage 3	(3 986)	(7 314)	11 300	-	-
Change in gross carrying value (new issue and repayments)	399 257	(14 560)	(7 358)	1 240	<b>378 579</b>
Amounts written off	-	-	(6 371)	-	<b>(6 371)</b>
Foreign exchange adjustments	29 651	35 804	171	410	<b>66 036</b>
Loans sold during the period	(1 012)	(706)	(54 290)	(158)	<b>(56 166)</b>
<b>Gross carrying value as at 31 December 2020</b>	<b>1 797 614</b>	<b>264 678</b>	<b>254 913</b>	<b>7 018</b>	<b>2 324 223</b>

9. LOANS AND ADVANCES TO CUSTOMERS  
(CONTINUED)

<i>In millions of Russian Roubles</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
<b>Loans to legal entities</b>					
<b>ECL as at 1 January 2020</b>	<b>13 320</b>	<b>21 721</b>	<b>236 372</b>	<b>1 409</b>	<b>272 822</b>
Transfers to Stage 1	3 957	(2 897)	(1 060)	-	-
Transfers to Stage 2	(1 342)	3 894	(2 552)	-	-
Transfers to Stage 3	(370)	(804)	1 174	-	-
Impact on period end ECL of exposures transferred between stages during the period and changes to models and inputs used for ECL calculations (including expense on new issue and income from repayments)	4 841	1 609	13 375	1 920	<b>21 745</b>
Unwind of discount (recognised in interest income)	-	-	4 288	-	<b>4 288</b>
Amounts written off	-	-	(6 371)	-	<b>(6 371)</b>
Foreign exchange adjustments	485	2 873	44	281	<b>3 683</b>
Allowance for loans sold during the period	(210)	(221)	(42 499)	(67)	<b>(42 997)</b>
Recovery of loans previously written off sold during the period	-	-	201	-	<b>201</b>
Recovery of loans previously written off	-	-	205	-	<b>205</b>
<b>ECL as at 31 December 2020</b>	<b>20 681</b>	<b>26 175</b>	<b>203 177</b>	<b>3 543</b>	<b>253 576</b>

An analysis of changes in the gross carrying value and corresponding ECL in relation to loans to individuals during the year ended 31 December 2020 is as follows:

<i>In millions of Russian Roubles</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
<b>Loans to individuals</b>				
<b>Gross carrying value as at 1 January 2020</b>	<b>434 736</b>	<b>3 550</b>	<b>34 722</b>	<b>473 008</b>
Transfers to Stage 1	1 226	(771)	(455)	-
Transfers to Stage 2	(4 957)	5 407	(450)	-
Transfers to Stage 3	(7 297)	(1 615)	8 912	-
Change in gross carrying value (new issue and repayments)	106 390	87	(3 323)	<b>103 154</b>
Amounts written off	-	-	(7 772)	<b>(7 772)</b>
Foreign exchange adjustments	5	-	1	<b>6</b>
Loans sold during the period	(3)	(5)	(4 998)	<b>(5 006)</b>
<b>Gross carrying value as at 31 December 2020</b>	<b>530 100</b>	<b>6 653</b>	<b>26 637</b>	<b>563 390</b>

9. LOANS AND ADVANCES TO CUSTOMERS  
(CONTINUED)

<i>In millions of Russian Roubles</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
<b>Loans to individuals</b>				
<b>ECL as at 1 January 2020</b>	<b>2 677</b>	<b>880</b>	<b>29 659</b>	<b>33 216</b>
Transfers to Stage 1	392	(107)	(285)	-
Transfers to Stage 2	(70)	357	(287)	-
Transfers to Stage 3	(201)	(502)	703	-
Impact on period end ECL of exposures transferred between stages during the period and changes to models and inputs used for ECL calculations (including expense on new issue and income from repayments)	598	216	2 799	<b>3 613</b>
Unwind of discount (recognised in interest income)	-	-	651	<b>651</b>
Amounts written off	-	-	(7 772)	<b>(7 772)</b>
Provision for loans sold during the period	(2)	(5)	(4 744)	<b>(4 751)</b>
<b>ECL as at 31 December 2020</b>	<b>3 394</b>	<b>839</b>	<b>20 724</b>	<b>24 957</b>

An analysis of changes in the gross carrying value and corresponding ECL in relation to loans to legal entities during the year ended 31 December 2019 is as follows:

<i>In millions of Russian Roubles</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
<b>Loans to legal entities</b>					
<b>Gross carrying value as at 1 January 2019</b>	<b>1 305 377</b>	<b>83 095</b>	<b>442 452</b>	<b>-</b>	<b>1 830 924</b>
Transfers to Stage 1	19 585	(18 243)	(1 342)	-	-
Transfers to Stage 2	(165 194)	213 353	(48 159)	-	-
Transfers to Stage 3	(5 770)	(13 228)	18 998	-	-
Change in gross carrying value (new issue and repayments)	218 984	(12 724)	(9 239)	5 526	<b>202 547</b>
Amounts written off	-	-	(5 165)	-	<b>(5 165)</b>
Foreign exchange adjustments	(10 173)	(1 303)	(220)	-	<b>(11 696)</b>
Loans sold during the period	(274)	(210)	(73 981)	-	<b>(74 465)</b>
<b>Gross carrying value as at 31 December 2019</b>	<b>1 362 535</b>	<b>250 740</b>	<b>323 344</b>	<b>5 526</b>	<b>1 942 145</b>

9. LOANS AND ADVANCES TO CUSTOMERS  
(CONTINUED)

<i>In millions of Russian Roubles</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
<b>Loans to legal entities</b>					
<b>ECL as at 1 January 2019</b>	<b>34 330</b>	<b>4 083</b>	<b>262 187</b>	-	<b>300 600</b>
Transfers to Stage 1	1 389	(851)	(538)	-	-
Transfers to Stage 2	(7 805)	15 248	(7 443)	-	-
Transfers to Stage 3	(91)	(1 090)	1 181	-	-
Impact on period end ECL of exposures transferred between stages during the period and changes to models and inputs used for ECL calculations (including expense on new issue and income from repayments)	(14 324)	4 396	43 722	1 409	<b>35 203</b>
Unwind of discount (recognised in interest income)	-	-	8 732	-	<b>8 732</b>
Amounts written off	-	-	(5 165)	-	<b>(5 165)</b>
Foreign exchange adjustments	(179)	(59)	(112)	-	<b>(350)</b>
Allowance for loans sold during the period	-	(6)	(66 663)	-	<b>(66 669)</b>
Recovery of loans previously written off sold during the period	-	-	113	-	<b>113</b>
Recovery of loans previously written off	-	-	358	-	<b>358</b>
<b>ECL as at 31 December 2019</b>	<b>13 320</b>	<b>21 721</b>	<b>236 372</b>	<b>1 409</b>	<b>272 822</b>

An analysis of changes in the gross carrying value and corresponding ECL in relation to loans to individuals during the year ended 31 December 2019 is as follows:

<i>In millions of Russian Roubles</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
<b>Loans to individuals</b>				
<b>Gross carrying value as at 1 January 2019</b>	<b>395 579</b>	<b>3 356</b>	<b>35 298</b>	<b>434 233</b>
Transfers to Stage 1	1 922	(943)	(979)	-
Transfers to Stage 2	(2 493)	3 103	(610)	-
Transfers to Stage 3	(5 357)	(1 598)	6 955	-
Change in gross carrying value (new issue and repayments)	45 085	(368)	(2 157)	<b>42 560</b>
Amounts written off	-	-	(103)	<b>(103)</b>
Loans sold during the period	-	-	(3 682)	<b>(3 682)</b>
<b>Gross carrying value as at 31 December 2019</b>	<b>434 736</b>	<b>3 550</b>	<b>34 722</b>	<b>473 008</b>

9. LOANS AND ADVANCES TO CUSTOMERS  
(CONTINUED)

<i>In millions of Russian Roubles</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
<b>Loans to individuals</b>				
<b>ECL as at 1 January 2019</b>	<b>1 389</b>	<b>758</b>	<b>29 664</b>	<b>31 811</b>
Transfers to Stage 1	764	(133)	(631)	-
Transfers to Stage 2	(39)	435	(396)	-
Transfers to Stage 3	(109)	(464)	573	-
Impact on period end ECL of exposures transferred between stages during the period and changes to models and inputs used for ECL calculations (including expense on new issue and income from repayments)	672	284	3 128	<b>4 084</b>
Unwind of discount (recognised in interest income)	-	-	964	<b>964</b>
Amounts written off	-	-	(103)	<b>(103)</b>
Provision for loans sold during the period	-	-	(3 540)	<b>(3 540)</b>
<b>ECL as at 31 December 2019</b>	<b>2 677</b>	<b>880</b>	<b>29 659</b>	<b>33 216</b>

The economic sector structure of the credit portfolio is as follows:

<i>In millions of Russian Roubles</i>	<i>31 December 2020</i>		<i>31 December 2019</i>	
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>
Agriculture	1 405 622	47	1 183 462	48
Individuals	563 390	19	473 008	19
Oil and gas	430 981	15	285 417	12
Construction	175 934	6	172 394	7
Manufacturing	158 361	5	86 412	3
Trading	44 074	1	67 959	3
Other	192 426	7	202 292	8
<b>Total loans and advances to customers (before impairment)</b>	<b>2 970 788</b>	<b>100</b>	<b>2 470 944</b>	<b>100</b>

As at 31 December 2020, the Group applied management overlays to reflect the significant uncertainty related to the potential severity and duration of the economic disruption and the heightened credit risk of specific sectors, such as commercial real estate, aviation and hospitality due to the impact of COVID-19 pandemic.

9. LOANS AND ADVANCES TO CUSTOMERS  
(CONTINUED)

The table below presents an analysis of the credit quality of loans to legal entities as of 31 December 2020.

<i>In millions of Russian Roubles</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
<b>Loans to legal entities at amortised cost</b>					
Low credit risk (internally rated)	5 978	2	-	-	<b>5 980</b>
Moderate credit risk (internally rated)	1 268 758	5 624	-	-	<b>1 274 382</b>
Increased credit risk (internally rated)	522 878	176 856	-	-	<b>699 734</b>
High credit risk (internally rated)	-	82 196	-	-	<b>82 196</b>
Default (internally rated)	-	-	254 913	7 018	<b>261 931</b>
Unrated	-	-	-	-	-
<b>Total loans to legal entities at amortised cost (before impairment)</b>	<b>1 797 614</b>	<b>264 678</b>	<b>254 913</b>	<b>7 018</b>	<b>2 324 223</b>
Less: allowance for impairment	(20 677)	(26 177)	(203 179)	(3 543)	<b>(253 576)</b>
<b>Total loans to legal entities at amortised cost</b>	<b>1 776 937</b>	<b>238 501</b>	<b>51 734</b>	<b>3 475</b>	<b>2 070 647</b>

The classification of credit risk taking into account the credit quality scale of borrowers by levels and a description of the approach to estimating expected credit losses, including the determination of default and a significant increase in credit risk, is provided in Notes 3 and 29.

Analysis by credit quality in relation to loans to individuals as at 31 December 2020 is as follows:

<i>In millions of Russian Roubles</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
<b>Loans to individuals at amortised cost</b>				
Non overdue	522 704	3 214	-	<b>525 918</b>
Up to 30 days overdue	7 396	706	187	<b>8 289</b>
31 to 90 days overdue	-	2 733	1 367	<b>4 100</b>
91 to 180 days overdue	-	-	3 063	<b>3 063</b>
181 to 365 days overdue	-	-	5 486	<b>5 486</b>
Over 365 days overdue	-	-	16 534	<b>16 534</b>
<b>Total loans to individuals at amortised cost (before impairment)</b>	<b>530 100</b>	<b>6 653</b>	<b>26 637</b>	<b>563 390</b>
Less: allowance for impairment	(3 394)	(839)	(20 724)	<b>(24 957)</b>
<b>Total loans to individuals at amortised cost</b>	<b>526 706</b>	<b>5 814</b>	<b>5 913</b>	<b>538 433</b>

9. LOANS AND ADVANCES TO CUSTOMERS  
(CONTINUED)

For ECL calculation on loans to individuals, the assessment of the probability of default is based on the migration matrix of overdue debts, taking into account the depth of overdue, the probability of default for scoring models and forecast information.

Analysis by credit quality of loans to legal entities outstanding as at 31 December 2019 is as follows:

<i>In millions of Russian Roubles</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
<b>Loans to legal entities at amortised cost</b>					
Low credit risk (internally rated)	582	-	-	-	<b>582</b>
Moderate credit risk (internally rated)	922 351	882	-	-	<b>923 233</b>
Increased credit risk (internally rated)	439 602	155 119	-	-	<b>594 721</b>
High credit risk (internally rated)	-	94 739	-	-	<b>94 739</b>
Default (internally rated)	-	-	323 344	5 526	<b>328 870</b>
Unrated	-	-	-	-	-
<b>Total loans to legal entities at amortised cost (before impairment)</b>	<b>1 362 535</b>	<b>250 740</b>	<b>323 344</b>	<b>5 526</b>	<b>1 942 145</b>
Less: allowance for impairment	(13 320)	(21 722)	(236 371)	(1 409)	<b>(272 822)</b>
<b>Total loans to legal entities at amortised cost</b>	<b>1 349 215</b>	<b>229 018</b>	<b>86 973</b>	<b>4 117</b>	<b>1 669 323</b>

Analysis by credit quality in relation to loans to individuals as at 31 December 2019 is as follows:

<i>In millions of Russian Roubles</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
<b>Loans to individuals at amortised cost</b>				
Non overdue	428 407	1 056	-	<b>429 463</b>
Up to 30 days overdue	6 329	461	133	<b>6 923</b>
31 to 90 days overdue	-	2 033	1 036	<b>3 069</b>
91 to 180 days overdue	-	-	2 571	<b>2 571</b>
181 to 365 days overdue	-	-	3 706	<b>3 706</b>
Over 365 days overdue	-	-	27 276	<b>27 276</b>
<b>Total loans to individuals at amortised cost (before impairment)</b>	<b>434 736</b>	<b>3 550</b>	<b>34 722</b>	<b>473 008</b>
Less: allowance for impairment	(2 677)	(880)	(29 659)	<b>(33 216)</b>
<b>Total loans to individuals at amortised cost</b>	<b>432 059</b>	<b>2 670</b>	<b>5 063</b>	<b>439 792</b>

## 9. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

### Loan collateral

The Group accepts different types of collateral, such as: real estate, land plots, equipment, including agricultural machinery, motor vehicles, inventories (finished products, raw materials, goods in turnover), construction in progress, sea and other vessels, farm animals, future crop, property acquired in the future, property rights, warranties, banking guarantees, government guarantees of Russian Federation and municipal guarantees.

Where appropriate, the value of collateral was incorporated in the assessment of recoverable amount of loans and advances to customers.

Among other measures aimed at credit enhancement is the Group's requirement to insure the subject of collateral. Property is insured by insurance companies that have accreditation with the Bank.

The Group monitors the condition and reviews the structure of the collateral. The primary purpose of the review of the structure of collateral as well as monitoring of the collateral rights by the Group includes:

- Obtaining complete and objective information on the available collateral property and its structure;
- Development of optimal schemes of realisation of collateral rights with account for the specifics of regional distribution;
- Improving the effectiveness and timeliness of collateral foreclosure process.

The majority of collateral (over 75%) (31 December 2019: over 86%) relates to the following types: real estate — 54% (31 December 2019: 60%), equipment — 15% (31 December 2019: 19%) and vehicles — 6% (31 December 2019: 7%).

Refer to Note 34 for the disclosure of fair value of each class of loans and advances to customers and fair value hierarchy for loans and advances to customers. Geographical and liquidity analyses of loans and advances to customers are disclosed in Note 29. The information on related party transactions is disclosed in Note 35.

## 10. INVESTMENT SECURITIES

Investment securities including those pledged under repurchase agreements comprise:

<i>In millions of Russian Roubles</i>	<i>31 December 2020</i>	<i>31 December 2019</i>
Investment securities at fair value through other comprehensive income	380 456	346 709
Investment securities at amortised cost	44 777	58 966
Investment securities at fair value through profit or loss	918	582
Investment securities at fair value through profit or loss (mandatory)	66 646	26 046
<b>Total investment securities</b>	<b>492 797</b>	<b>432 303</b>

<i>In millions of Russian Roubles</i>	<i>31 December 2020</i>	<i>31 December 2019</i>
<b>Investment securities at fair value through other comprehensive income</b>		
Federal loan bonds (OFZ)	221 834	207 662
Corporate bonds	98 008	98 274
Corporate Eurobonds	53 139	34 292
Municipal and subfederal bonds	7 307	3 079
Foreign government bonds	45	27
State Eurobonds	-	1 751
Bank of Russia bonds	-	1 496
<b>Total debt securities at fair value through other comprehensive income</b>	<b>380 333</b>	<b>346 581</b>
<b>Equity securities</b>		
Financial equities	123	128
<b>Total equity securities at fair value through other comprehensive income</b>	<b>123</b>	<b>128</b>
<b>Total investment securities at fair value through other comprehensive income</b>	<b>380 456</b>	<b>346 709</b>

Federal loan bonds (OFZ) are represented by state securities denominated in Russian Rouble. Federal loan bonds (OFZ) are traded at a discount or premium to face value and carry a coupon payable semi-annually. As at 31 December 2020, these bonds have maturity dates from July 2022 to December 2034 (31 December 2019: from July 2022 to December 2034) and coupon rates from 4.13% to 8.15% p.a. (31 December 2019: from 6.88% to 8.74% p.a.), depending on the type of the bond issue and the market conditions.

## 10. INVESTMENT SECURITIES (CONTINUED)

Corporate bonds in the Group's portfolio are represented by securities denominated in Russian Roubles and US Dollars issued by major Russian companies and banks. Corporate bonds are traded at a discount or premium to face value and carry a coupon payable quarterly or semi-annually depending on the type of the bond issue and the issuer. As at 31 December 2020, these bonds have maturity dates from February 2021 to June 2035 (31 December 2019: from March 2020 to September 2052) and coupon rates from 3.25% to 13.1% p.a. (31 December 2019: from 4.8% to 13.1% p.a.), depending on the type of the bond issue, the issuer and the market conditions.

Corporate Eurobonds are bonds denominated in Russian Roubles, US Dollars and Euros issued by major Russian companies and banks. As at 31 December 2020, these bonds have maturity dates from February 2021 to May 2030 (31 December 2019: from April 2020 to April 2030) and coupon rates from 3.38% to 9.5% p.a. (31 December 2019: from 3.15% to 9.25% p.a.), payable quarterly or semi-annually, depending on the type of the bond issue, the issuer and the market conditions.

Municipal and subfederal bonds are represented by Russian Roubles bonds of Russian municipal and subfederal authorities. These bonds are traded at a discount or premium to face value and carry a coupon payable quarterly or semi-annually depending on the type of the bond issue and the issuer. As at 31 December 2020, these bonds have maturity dates from June 2021 to June 2027 (31 December 2019: from October 2020 to December 2026) and coupon rates from 5.7% to 11.5% p.a. (31 December 2019: from 7.05% to 11.74% p.a.), depending on the type of the bond issue, the issuer and the market conditions.

Bank of Russia bonds are denominated in Russian Roubles. As at 31 December 2019, these bonds had maturity dates at March 2020 and coupon rate 6.25% p.a., payable quarterly.

<i>In millions of Russian Roubles</i>	<i>31 December 2020</i>	<i>31 December 2019</i>
<b>Investment securities at amortised cost</b>		
Corporate bonds	24 381	42 608
Federal loan bonds (OFZ)	11 721	4 832
Municipal and subfederal bonds	6 661	10 811
Corporate Eurobonds	2 262	897
Less: allowance for impairment	(248)	(182)
<b>Total investment securities at amortised cost</b>	<b>44 777</b>	<b>58 966</b>

Corporate bonds are represented by securities denominated in Russian Roubles, issued by major Russian companies. Corporate bonds are traded at a discount or premium to face value and carry a coupon payable quarterly, semi-annually or annually, depending on the type of the bond issue and the issuer. As at 31 December 2020, these bonds have maturity dates from February 2021 to October 2052 (31 December 2019: from May 2020 to October 2052) and coupon rates from 5.7% to 10.1% p.a. (31 December 2019: from 6.9% to 10.3% p.a.), depending on the type of the bond issue, the issuer and the market conditions.

## 10. INVESTMENT SECURITIES (CONTINUED)

Municipal and subfederal bonds are represented by bonds issued by Russian municipal and subfederal authorities denominated in Russian Roubles. These bonds are traded at a discount or premium to face value and carry coupon payable quarterly or semi-annually. As at 31 December 2020, these bonds have maturity dates from July 2021 to December 2023 (31 December 2019: from June 2020 to November 2024) and coupon rates from 7.85% to 10% p.a. (31 December 2019: from 6.0% to 12.4% p.a.), depending on the type of the bond issue, the issuer and the market conditions.

Federal loan bonds (OFZ) are represented by the state securities denominated in Russian Roubles issued by the Ministry of Finance of Russian Federation. As at 31 December 2020, these OFZ have maturity dates from November 2021 to February 2036 (31 December 2019: from May 2020 to February 2036) and coupon rates from 4.5% to 8.2% p.a. (31 December 2019: from 5.5% to 8.2% p.a.), payable quarterly or semi-annually, depending on the type of the bond issue and the market conditions.

Corporate Eurobonds are bonds denominated in US Dollars and Euros issued by major Russian companies and banks. As at 31 December 2020, these bonds have maturity dates from October 2022 to March 2028 (31 December 2019: from October 2022 to February 2026) and coupon rates from 2.6% to 9.2% p.a. (31 December 2019: from 3.4% to 9.2% p.a.), payable semi-annually or annually, depending on the type of the bond issue, the issuer and the market conditions.

<i>In millions of Russian Roubles</i>	<i>31 December 2020</i>	<i>31 December 2019</i>
<b>Investment securities at fair value through profit or loss (mandatory)</b>		
Corporate bonds	59 139	23 175
Credit linked notes	2 198	2 045
Investments in mutual funds	104	78
<b>Total debt securities at fair value through profit or loss (mandatory)</b>	<b>61 441</b>	<b>25 298</b>
<b>Equity securities</b>		
Corporate shares	5 205	748
<b>Total investment securities at fair value through profit or loss (mandatory)</b>	<b>66 646</b>	<b>26 046</b>

Corporate bonds are represented by securities denominated in Russian Roubles, issued by Russian companies and banks. Corporate bonds are traded at a discount to face value and carry a coupon payable quarterly or semi-annually, depending on the type of the bond issue. As at 31 December 2020, these bonds have maturity dates from October 2025 to February 2032 (31 December 2019: from October 2025 to February 2032) and coupon rates from 0.51% to 8.4% p.a. (31 December 2019: from 0.51% to 8.4% p.a.).

## 10. INVESTMENT SECURITIES (CONTINUED)

International credit ratings of issuers of the notes and of counterparty banks were not less than BB- (S&P) as at 31 December 2020 (31 December 2019: not less than BB- (S&P)).

In May 2008, the Group purchased a Credit Linked Note from an OECD bank in the nominal amount of RR 2 500 million at the net price of 19.5% of the nominal amount with maturity date in May 2023 and a zero coupon. The Note has an embedded Credit Default Swap linked to the Bank's own credit risk.

An analysis of changes in the fair values and associated ECLs in relation to debt securities at fair value through other comprehensive income during 2020 is, as follows:

<i>In millions of Russian Roubles</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
<b>Debt securities at fair value through other comprehensive income</b>				
<b>Fair value as at 1 January 2020</b>	<b>346 581</b>	-	-	<b>346 581</b>
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Change in gross carrying value (new issue and repayments)	33 480	-	-	<b>33 480</b>
Amounts written off	-	-	-	-
Foreign exchange adjustments	272	-	-	<b>272</b>
<b>Fair value as at 31 December 2020</b>	<b>380 333</b>	-	-	<b>380 333</b>

<i>In millions of Russian Roubles</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
<b>Debt securities at fair value through other comprehensive income</b>				
<b>ECL as at 1 January 2020</b>	<b>1 088</b>	-	-	<b>1 088</b>
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Impact on period end ECL of exposures transferred between stages during the period and changes to models and inputs used (including expense on new issue and income from repayments)	300	-	-	<b>300</b>
Amounts written off	-	-	-	-
Foreign exchange adjustments	1	-	-	<b>1</b>
<b>ECL as at 31 December 2020</b>	<b>1 389</b>	-	-	<b>1 389</b>

## 10. INVESTMENT SECURITIES (CONTINUED)

An analysis of changes in the fair values and associated ECLs in relation to debt securities at fair value through other comprehensive income during 2019 is, as follows:

<i>In millions of Russian Roubles</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
<b>Debt securities at fair value through other comprehensive income</b>				
<b>Fair value as at 1 January 2019</b>	<b>501 810</b>	<b>4 700</b>	-	<b>506 510</b>
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Change in gross carrying value (new issue and repayments)	(153 581)	(4 700)	-	<b>(158 281)</b>
Amounts written off	-	-	-	-
Foreign exchange adjustments	(1 648)	-	-	<b>(1 648)</b>
<b>Fair value as at 31 December 2019</b>	<b>346 581</b>	-	-	<b>346 581</b>

<i>In millions of Russian Roubles</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
<b>Debt securities at fair value through other comprehensive income</b>				
<b>ECL as at 1 January 2019</b>	<b>1 581</b>	<b>39</b>	-	<b>1 620</b>
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Impact on period end ECL of exposures transferred between stages during the period and changes to models and inputs used (including expense on new issue and income from repayments)	(486)	(39)	-	<b>(525)</b>
Amounts written off	-	-	-	-
Foreign exchange adjustments	(7)	-	-	<b>(7)</b>
<b>ECL as at 31 December 2019</b>	<b>1 088</b>	-	-	<b>1 088</b>

## 10. INVESTMENT SECURITIES (CONTINUED)

An analysis of changes in the gross carrying values and associated ECLs in relation to debt securities at amortised cost during 2020 is, as follows:

<i>In millions of Russian Roubles</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
<b>Debt securities at amortised cost</b>				
<b>Gross carrying value as at 1 January 2020</b>	<b>59 149</b>	<b>-</b>	<b>-</b>	<b>59 149</b>
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Change in gross carrying value (new issue and repayments)	(14 285)	-	-	<b>(14 285)</b>
Amounts written off	-	-	-	-
Foreign exchange adjustments	161	-	-	<b>161</b>
<b>Gross carrying value as at 31 December 2020</b>	<b>45 025</b>	<b>-</b>	<b>-</b>	<b>45 025</b>

<i>In millions of Russian Roubles</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
<b>Debt securities at amortised cost</b>				
<b>ECL as at 1 January 2020</b>	<b>182</b>	<b>-</b>	<b>-</b>	<b>182</b>
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Impact on period end ECL of exposures transferred between stages during the period and changes to models and inputs used (including expense on new issue and income from repayments)	65	-	-	<b>65</b>
Amounts written off	-	-	-	-
Foreign exchange adjustments	-	-	-	-
<b>ECL as at 31 December 2020</b>	<b>247</b>	<b>-</b>	<b>-</b>	<b>247</b>

## 10. INVESTMENT SECURITIES (CONTINUED)

An analysis of changes in the gross carrying values and associated ECLs in relation to debt securities at amortised cost during 2019 is, as follows:

<i>In millions of Russian Roubles</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
<b>Debt securities at amortised cost</b>				
<b>Gross carrying value as at 1 January 2019</b>	<b>57 049</b>	<b>-</b>	<b>-</b>	<b>57 049</b>
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Change in gross carrying value (new issue and repayments)	2 148	-	-	<b>2 148</b>
Amounts written off	-	-	-	-
Foreign exchange adjustments	(48)	-	-	<b>(48)</b>
<b>Gross carrying value as at 31 December 2019</b>	<b>59 149</b>	<b>-</b>	<b>-</b>	<b>59 149</b>

<i>In millions of Russian Roubles</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
<b>Debt securities at amortised cost</b>				
<b>ECL as at 1 January 2019</b>	<b>158</b>	<b>-</b>	<b>-</b>	<b>158</b>
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Impact on period end ECL of exposures transferred between stages during the period and changes to models and inputs used (including expense on new issue and income from repayments)	24	-	-	<b>24</b>
Amounts written off	-	-	-	-
Foreign exchange adjustments	-	-	-	-
<b>ECL as at 31 December 2019</b>	<b>182</b>	<b>-</b>	<b>-</b>	<b>182</b>

#### 10. INVESTMENT SECURITIES (CONTINUED)

Analysis by credit quality in relation to investment debt securities at fair value through other comprehensive income as at 31 December 2020 is as follows. Refer to Notes 3 and 29 for the description of credit risk grading system used by the Group and the approach to ECL measurement.

<i>In millions of Russian Roubles</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
<b>Investment debt securities at fair value through other comprehensive income</b>				
Low credit risk (internationally rated)	255 107	-	-	<b>255 107</b>
Low credit risk (nationally rated)	5 081	-	-	<b>5 081</b>
Low credit risk (internally rated)	1 102	-	-	<b>1 102</b>
Moderate credit risk (internationally rated)	83 214	-	-	<b>83 214</b>
Moderate credit risk (nationally rated)	-	-	-	-
Moderate credit risk (internally rated)	437	-	-	<b>437</b>
Increased credit risk (internationally rated)	2 244	-	-	<b>2 244</b>
Increased credit risk (nationally rated)	-	-	-	-
Increased credit risk (internally rated)	33 148	-	-	<b>33 148</b>
High credit risk (internationally rated)	-	-	-	-
High credit risk (nationally rated)	-	-	-	-
High credit risk (internally rated)	-	-	-	-
Default (internationally rated)	-	-	-	-
Default (nationally rated)	-	-	-	-
Default (internally rated)	-	-	-	-
Unrated	-	-	-	-
<b>Total investment debt securities at fair value through other comprehensive income</b>	<b>380 333</b>	-	-	<b>380 333</b>

#### 10. INVESTMENT SECURITIES (CONTINUED)

Analysis by credit quality in relation to investment debt securities at fair value through other comprehensive income as at 31 December 2019 is as follows.

<i>In millions of Russian Roubles</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
<b>Investment debt securities at fair value through other comprehensive income</b>				
Low credit risk (internationally rated)	253 138	-	-	<b>253 138</b>
Low credit risk (nationally rated)	4 221	-	-	<b>4 221</b>
Low credit risk (internally rated)	2 595	-	-	<b>2 595</b>
Moderate credit risk (internationally rated)	52 902	-	-	<b>52 902</b>
Moderate credit risk (nationally rated)	180	-	-	<b>180</b>
Moderate credit risk (internally rated)	-	-	-	-
Increased credit risk (internationally rated)	1 071	-	-	<b>1 071</b>
Increased credit risk (nationally rated)	-	-	-	-
Increased credit risk (internally rated)	32 474	-	-	<b>32 474</b>
High credit risk (internationally rated)	-	-	-	-
High credit risk (nationally rated)	-	-	-	-
High credit risk (internally rated)	-	-	-	-
Default (internationally rated)	-	-	-	-
Default (nationally rated)	-	-	-	-
Default (internally rated)	-	-	-	-
Unrated	-	-	-	-
<b>Total investment debt securities at fair value through other comprehensive income</b>	<b>346 581</b>	-	-	<b>346 581</b>

## 10. INVESTMENT SECURITIES (CONTINUED)

Analysis by credit quality in relation to investment debt securities at amortised cost as at 31 December 2020 is as follows:

<i>In millions of Russian Roubles</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
Investment debt securities at amortised cost				
Low credit risk (internationally rated)	20 350	-	-	<b>20 350</b>
Low credit risk (nationally rated)	4 279	-	-	<b>4 279</b>
Low credit risk (internally rated)	438	-	-	<b>438</b>
Moderate credit risk (internationally rated)	11 791	-	-	<b>11 791</b>
Moderate credit risk (nationally rated)	-	-	-	-
Moderate credit risk (internally rated)	-	-	-	-
Increased credit risk (internationally rated)	4 957	-	-	<b>4 957</b>
Increased credit risk (nationally rated)	-	-	-	-
Increased credit risk (internally rated)	3 209	-	-	<b>3 209</b>
High credit risk (internationally rated)	-	-	-	-
High credit risk (nationally rated)	-	-	-	-
Default (internationally rated)	-	-	-	-
Default (nationally rated)	-	-	-	-
Unrated	-	-	-	-
<b>Total investment debt securities at amortised cost (before impairment)</b>	<b>45 024</b>	-	-	<b>45 024</b>
Less: allowance for impairment	(247)	-	-	<b>(247)</b>
<b>Total investment debt securities at amortised cost</b>	<b>44 777</b>	-	-	<b>44 777</b>

## 10. INVESTMENT SECURITIES (CONTINUED)

Analysis by credit quality in relation to investment debt securities at amortised cost as at 31 December 2019 is as follows:

<i>In millions of Russian Roubles</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
Investment debt securities at amortised cost				
Low credit risk (internationally rated)	38 647	-	-	<b>38 647</b>
Low credit risk (nationally rated)	1 043	-	-	<b>1 043</b>
Moderate credit risk (internationally rated)	10 970	-	-	<b>10 970</b>
Moderate credit risk (nationally rated)	-	-	-	-
Moderate credit risk (internally rated)	-	-	-	-
Increased credit risk (internationally rated)	5 080	-	-	<b>5 080</b>
Increased credit risk (nationally rated)	-	-	-	-
Increased credit risk (internally rated)	3 408	-	-	<b>3 408</b>
High credit risk (internationally rated)	-	-	-	-
High credit risk (nationally rated)	-	-	-	-
Default (internationally rated)	-	-	-	-
Default (nationally rated)	-	-	-	-
Unrated	-	-	-	-
<b>Total investment debt securities at amortised cost (before impairment)</b>	<b>59 148</b>	-	-	<b>59 148</b>
Less: allowance for impairment	(182)	-	-	<b>(182)</b>
<b>Total investment debt securities at amortised cost</b>	<b>58 966</b>	-	-	<b>58 966</b>

## 11. PREMISES, EQUIPMENT, RIGHT-OF-USE ASSETS AND INTANGIBLE ASSETS

In millions of Russian Roubles	Note	Used in banking activities			Used in non-banking activities			Total premises and equipment	Intangible assets	Total	
		Office premises and construction in progress	Leasehold (premises) improvements	Office and computer equipment	Land	Production premises	Equipment				Land
Cost or valuation at 1 January 2019		31 400	1 291	18 151	430	10 723	1 824	695	64 514	9 861	74 375
Accumulated depreciation		(3 229)	(783)	(8 519)	-	(1 204)	(593)	-	(14 328)	(3 748)	(18 076)
<b>Carrying amount at 1 January 2019</b>		<b>28 171</b>	<b>508</b>	<b>9 632</b>	<b>430</b>	<b>9 519</b>	<b>1 231</b>	<b>695</b>	<b>50 186</b>	<b>6 113</b>	<b>56 299</b>
Additions		25	35	2 407	-	244	253	-	2 964	3 071	6 035
Disposal of subsidiaries		-	-	-	-	(8 148)	-	(353)	(8 501)	-	(8 501)
Disposals		(285)	(23)	(992)	-	(79)	(135)	(12)	(1 526)	(2 992)	(4 518)
Depreciation charge	25	(522)	(24)	(1 959)	-	(97)	(215)	-	(2 817)	(1 761)	(4 578)
Realised revaluation reserve	25	(40)	-	-	-	-	-	-	(40)	-	(40)
Depreciation release (disposals)		-	-	914	-	16	30	-	960	2 992	3 952
<b>Carrying amount at 31 December 2019</b>		<b>27 349</b>	<b>496</b>	<b>10 002</b>	<b>430</b>	<b>1 455</b>	<b>1 164</b>	<b>330</b>	<b>41 226</b>	<b>7 423</b>	<b>48 649</b>
Cost or valuation at 31 December 2019		31 140	1 304	19 566	430	2 740	1 942	330	57 452	9 940	67 392
Accumulated depreciation		(3 791)	(808)	(9 564)	-	(1 285)	(778)	-	(16 226)	(2 517)	(18 743)
<b>Carrying amount at 31 December 2019</b>		<b>27 349</b>	<b>496</b>	<b>10 002</b>	<b>430</b>	<b>1 455</b>	<b>1 164</b>	<b>330</b>	<b>41 226</b>	<b>7 423</b>	<b>48 649</b>

In millions of Russian Roubles	Note	Used in banking activities			Used in non-banking activities			Total premises and equipment	Intangible assets	Total	
		Office premises and construction in progress	Leasehold (premises) improvements	Office and computer equipment	Land	Production premises	Equipment				Land
Cost or valuation at 1 January 2020		31 140	1 304	19 566	430	2 740	1 942	330	57 452	9 940	67 392
Accumulated depreciation		(3 791)	(808)	(9 564)	-	(1 285)	(778)	-	(16 226)	(2 517)	(18 743)
<b>Carrying amount at 1 January 2020</b>		<b>27 349</b>	<b>496</b>	<b>10 002</b>	<b>430</b>	<b>1 455</b>	<b>1 164</b>	<b>330</b>	<b>41 226</b>	<b>7 423</b>	<b>48 649</b>
Additions		3 942	37	5 421	-	11	179	-	9 590	4 945	14 535
Disposal of subsidiaries		-	-	-	-	(1 738)	(914)	-	(2 652)	-	(2 652)
Disposals		-	(81)	(351)	(12)	(3)	(66)	(1)	(514)	(538)	(1 052)
Depreciation charge	25	(646)	(14)	(1 800)	-	(66)	(244)	-	(2 770)	(1 071)	(3 841)
Realised revaluation reserve		(20)	-	-	-	-	-	-	(20)	-	(20)
Depreciation release (disposals)		-	-	417	-	1 209	523	-	2 149	66	2 215
<b>Carrying amount at 31 December 2020</b>		<b>30 625</b>	<b>438</b>	<b>13 689</b>	<b>418</b>	<b>868</b>	<b>642</b>	<b>329</b>	<b>47 009</b>	<b>10 825</b>	<b>57 834</b>
Cost or valuation at 31 December 2020		35 082	1 260	24 636	418	1 010	1 141	329	63 876	14 347	78 223
Accumulated depreciation		(4 457)	(822)	(10 947)	-	(142)	(499)	-	(16 867)	(3 522)	(20 389)
<b>Carrying amount at 31 December 2020</b>		<b>30 625</b>	<b>438</b>	<b>13 689</b>	<b>418</b>	<b>868</b>	<b>642</b>	<b>329</b>	<b>47 009</b>	<b>10 825</b>	<b>57 834</b>

## 11. PREMISES, EQUIPMENT, RIGHT-OF-USE ASSETS AND INTANGIBLE ASSETS (CONTINUED)

Intangible assets mainly include capitalised computer software.

Construction in progress in respect of banking and non-banking premises at 31 December 2020 was RR 2 030 million (31 December 2019: RR 1 055 million).

Carrying amount of office premises without revaluation at 31 December 2020 is RR 27 955 million, including cost in amount of RR 31 453 million and accumulated depreciation of RR 3 498 million (31 December 2019: carrying amount of office premises without revaluation was RR 24 659 million, including cost in amount of RR 27 511 million and accumulated depreciation of RR 2 852 million).

As at 31 December 2020 the Group believes that fair value of premises used in banking activities has not changed significantly during 2020, therefore as at 31 December 2020 the Group has not recognised revaluation of premises in the consolidated financial statement (31 December 2019: the Group has not recognised revaluation of premises in the consolidated financial statements).

Set out below, are the carrying amounts of the Group's right-of-use assets and the movements during the period:

In millions of Russian Roubles	Right-of-use assets		Total
	Buildings	Office equipment	
<b>As at 1 January 2019</b>	<b>5 385</b>	<b>135</b>	<b>5 520</b>
Additions	2 437	8	2 445
Option to extend	4 076	59	4 135
Depreciation expense	(1 796)	(60)	(1 856)
<b>As at 31 December 2019</b>	<b>10 102</b>	<b>142</b>	<b>10 244</b>

In millions of Russian Roubles	Right-of-use assets		Total
	Buildings	Office equipment	
<b>As at 1 January 2020</b>	<b>10 102</b>	<b>142</b>	<b>10 244</b>
Additions	1 473	69	1 542
Revaluation and modification	458	91	549
Disposals	(260)	(11)	(271)
Depreciation expense	(2 350)	(123)	(2 473)
Depreciation release (disposals)	70	11	81
<b>As at 31 December 2020</b>	<b>9 493</b>	<b>179</b>	<b>9 672</b>

Refer to Note 34 for the disclosure of the fair value hierarchy for office premises.

## 12. OTHER ASSETS

<i>In millions of Russian Roubles</i>	<i>31 December 2020</i>	<i>31 December 2019</i>
<b>Non-financial assets</b>		
Precious metals	3 617	1 145
Prepayment for services	3 509	1 806
Repossessed collateral	2 389	3 417
Inventory	1 396	1 769
Prepayment for goods	954	468
Prepaid taxes	699	239
Settlements on social insurance and security	176	105
Other	879	1 150
<b>Total non-financial assets</b>	<b>13 619</b>	<b>10 099</b>
<b>Financial assets</b>		
Settlements on banking cards	5 748	5 722
Credit support annex agreements for derivatives	2 303	849
Trade receivables	1 233	1 348
Due from State Corporation Deposit Insurance Agency	846	327
State duty	683	560
Settlements on funds transfer operations	577	966
Other	5 163	3 936
Provision for impairment of other financial assets	(4 650)	(4 599)
<b>Total financial assets</b>	<b>11 903</b>	<b>9 109</b>
<b>Insurance assets</b>	<b>9 231</b>	<b>5 730</b>
<b>Total other assets</b>	<b>34 753</b>	<b>24 938</b>

Repossessed collateral mainly represents the land and production premises. The Group is not going to use repossessed collateral in its own operations. The Group has a plan for disposal of repossessed collateral within a certain time horizon that is updated and monitored on a regular basis.

Due from State Corporation Deposit Insurance Agency represents amounts due on settlements with individuals — former clients of banks with revoked licences.

Trade receivables, inventory and prepayment for goods are related to trade activities of subsidiaries.

## 12. OTHER ASSETS (CONTINUED)

The movements in repossessed collateral are as follows:

<i>In millions of Russian Rouble</i>	<i>2020</i>	<i>2019</i>
<b>Repossessed collateral at 1 January</b>	<b>3 417</b>	<b>3 262</b>
Additions for the year	467	1 782
Disposal during the year	(395)	(1 163)
Reclassification to assets held for sale	(1 100)	(464)
<b>Repossessed collateral at 31 December</b>	<b>2 389</b>	<b>3 417</b>

During 2020 and 2019, significant part of the Bank's repossessed collateral was evaluated by an independent appraisers firm.

Refer to Note 34 for the disclosure of fair value and fair value hierarchy for other financial assets. Geographical analysis of other assets and maturity analysis of other financial assets are disclosed in Note 29. The information on related party transactions is disclosed in Note 35.

An analysis of corresponding ECL in relation to other financial assets during the year ended 31 December 2020 is as follows:

<i>In millions of Russian Roubles</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
<b>ECL as at 1 January 2020</b>	<b>10</b>	<b>3</b>	<b>4 586</b>	<b>4 599</b>
Transfers to Stage 1	10	(10)	-	-
Transfers to Stage 2	1	9	(10)	-
Transfers to Stage 3	-	-	-	-
Impact on period end ECL of exposures transferred between stages during the period and changes to models and inputs used for ECL calculations (including expense on new issue and income from repayments)	(16)	-	447	<b>431</b>
Amounts written off	-	-	(380)	<b>(380)</b>
<b>ECL as at 31 December 2020</b>	<b>5</b>	<b>2</b>	<b>4 643</b>	<b>4 650</b>

## 12. OTHER ASSETS (CONTINUED)

An analysis of corresponding ECL in relation to other financial assets during the year ended 31 December 2019 is as follows:

<i>In millions of Russian Roubles</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
<b>ECL as at 1 January 2019</b>	<b>13</b>	<b>-</b>	<b>3 841</b>	<b>3 854</b>
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(1)	1	-	-
Transfers to Stage 3	(4)	-	4	-
Impact on period end ECL of exposures transferred between stages during the period and changes to models and inputs used for ECL calculations (including expense on new issue and income from repayments)	2	2	1 359	<b>1 363</b>
Amounts written off	-	-	(618)	<b>(618)</b>
<b>ECL as at 31 December 2019</b>	<b>10</b>	<b>3</b>	<b>4 586</b>	<b>4 599</b>

## 13. DUE TO OTHER BANKS

<i>In millions of Russian Roubles</i>	<i>31 December 2020</i>	<i>31 December 2019</i>
Correspondent accounts and overnight placements of other banks	25 331	12 262
Borrowings from other banks with term to maturity:		
– repo deals less than 30 days	23	-
– less than 30 days	17 765	35 141
– from 31 to 180 days	105 688	25
– from 181 days to 1 year	76	36
– from 1 year to 3 years	15 889	317
– more than 3 years	2 298	16 458
Borrowings from the Bank of Russia with term to maturity:		
– less than 30 days	39	27
– from 31 to 180 days	38 036	409
– from 181 days to 1 year	9 741	353
– from 1 year to 3 years	39 289	44 491
<b>Total due to other banks</b>	<b>254 175</b>	<b>109 519</b>

As at 31 December 2020, due to other banks included balances with the Bank of Russia above 10% of the Group's equity in the amount of RR 87 105 million, or 34% of total due to other banks (31 December 2019: due to other banks included balances with the Bank of Russia above 10% of the Group's equity in the amount of RR 45 280 million, or 41% of total due to other banks).

As at 31 December 2020, due to other banks included the balances with one Russian banking group with rating of the parent bank at Baa3 (Moody's) individually above 10% of the Group's equity, in the amount of RR 29 832 million, or 12% of total due to other banks (31 December 2019: due to other banks included no balances with other banks individually above 10% of the Group's equity). As at 31 December 2019, due to other banks included the balances with one OECD banking group with rating of the parent bank at A (S&P) and one Russian banking group with rating of the parent bank at BB+ (S&P) in aggregate above 10% of the Group's equity, in the amount of RR 25 860 million, or 24% of total due to other banks.

Refer to Note 34 for the disclosure of the fair value and fair value hierarchy for due to other banks. Geographical and liquidity analyses of due to other banks are disclosed in Note 29. The information on related party transactions is disclosed in Note 35.

#### 14. CUSTOMER ACCOUNTS

<i>In millions of Russian Roubles</i>	<i>31 December 2020</i>	<i>31 December 2019</i>
State and public organisations		
– Current/settlement accounts	28 317	28 256
– Term deposits	326 475	354 879
Other legal entities		
– Current/settlement accounts	277 044	206 259
– Term deposits	888 097	705 279
Individuals		
– Current/demand accounts	239 398	107 475
– Term deposits	1 102 990	1 083 960
<b>Total customer accounts</b>	<b>2 862 321</b>	<b>2 486 108</b>

State and public organisations exclude state-controlled joint-stock companies.

Economic sector concentrations within customer accounts are as follows:

<i>In millions of Russian Roubles</i>	<i>31 December 2020</i>		<i>31 December 2019</i>	
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>
Individuals	1 342 388	47	1 191 435	48
State and public organisations	354 792	12	383 135	15
Manufacturing	302 868	11	215 968	9
Agriculture	176 649	6	99 805	4
Construction	150 251	5	125 279	5
Trading	130 824	5	77 977	3
Financial services and pension funds	91 134	3	113 214	5
Insurance	52 809	2	53 345	2
Real estate	39 124	1	52 529	2
Transport	21 280	1	13 038	1
Leasing	3 608	-	565	-
Communication	3 315	-	1 076	-
Other	193 279	7	158 742	6
<b>Total customer accounts</b>	<b>2 862 321</b>	<b>100</b>	<b>2 486 108</b>	<b>100</b>

As at 31 December 2020, customer accounts included balances with eight customers each above 10% of the Group's equity (31 December 2019: balances with eight customers each individually above 10% of the Group's equity). The aggregate balance of these customers was RR 610 530 million, or 21% of total customer accounts (31 December 2019: RR 566 833 million, or 23% of total customer accounts).

Refer to Note 34 for the disclosure of the fair value and fair value hierarchy for customer accounts. Geographical and liquidity analyses of customer accounts are disclosed in Note 29. The information on related party transactions is disclosed in Note 35.

#### 15. PROMISSORY NOTES ISSUED

<i>In millions of Russian Roubles</i>	<i>31 December 2020</i>	<i>31 December 2019</i>
Promissory notes issued	67 023	47 358
<b>Total promissory notes issued</b>	<b>67 023</b>	<b>47 358</b>

As at 31 December 2020, promissory notes issued are represented by interest bearing and at a discount to nominal value promissory notes denominated in Russian Roubles, US Dollars and Euros with effective interest or discount rates from zero p.a. (for promissory notes on demand) up to 10% p.a. and maturity dates from January 2021 to January 2035 (31 December 2019: interest bearing and at a discount to nominal value promissory notes denominated in Russian Roubles and US Dollars with effective interest or discount rates from zero p.a. (for promissory notes on demand) up to 8% p.a. and maturity dates from January 2020 to December 2034).

As at 31 December 2020, promissory notes issued included promissory notes, which were initially purchased by one counterparty, in aggregate above 10% of the Group's equity in the amount of RR 43 000 million, or 64% of total promissory notes issued. As at 31 December 2019, promissory notes issued included promissory notes, which were initially purchased by one counterparty, in aggregate above 10% of the Group's equity in the amount of RR 24 666 million, or 52% of total promissory notes issued.

Refer to Note 34 for the disclosure of the fair value and fair value hierarchy for promissory notes issued. Geographical and liquidity analyses of promissory notes issued are disclosed in Note 29.

## 16. BONDS ISSUED

<i>In millions of Russian Roubles</i>	<b>31 December 2020</b>	<b>31 December 2019</b>
Bonds issued on domestic market	168 988	174 954
<b>Total bonds issued</b>	<b>168 988</b>	<b>174 954</b>

As at 31 December 2020, bonds issued consist of Russian Roubles denominated bonds issued on domestic market.

<i>Currency of denomination</i>	<i>Nominal value, in million of currency, in circulation</i>	<i>Issue date</i>	<i>Maturity date</i>	<i>Put option date</i>	<i>Coupon rate</i>	<i>Coupon payment</i>
<b>Bonds issued on domestic market</b>						
Russian Roubles	6 408	12 July 2011	29 June 2021	-	8.15%	6 months
Russian Roubles	1 458	14 July 2011	1 July 2021	-	8.15%	6 months
Russian Roubles	1 709	15 July 2011	2 July 2021	-	8.15%	6 months
Russian Roubles	2 964	8 November 2011	26 October 2021	-	7.00%	6 months
Russian Roubles	73	16 April 2012	4 April 2022	-	6.15%	6 months
Russian Roubles	17	23 October 2012	11 October 2022	-	5.25%	6 months
Russian Roubles	5 000	25 October 2012	13 October 2022	19 April 2021	8.20%	6 months
Russian Roubles	10 000	23 April 2013	11 April 2023	14 April 2022	8.30%	6 months
Russian Roubles	1 484	30 July 2013	18 July 2023	21 January 2021	7.40%	6 months
Russian Roubles	1	30 September 2013	18 September 2023	-	6.25%	6 months
Russian Roubles	4 978	22 November 2013	10 November 2023	16 November 2021	8.85%	6 months
Russian Roubles	5 000	10 October 2014	27 September 2024	4 October 2022	7.40%	3 months
Russian Roubles	5 000	13 October 2014	30 September 2024	5 October 2022	7.40%	3 months
Russian Roubles	10	26 December 2014	13 December 2024	17 June 2022	5.30%	3 months
Russian Roubles	5 146	11 February 2015	29 January 2025	3 February 2023	6.50%	3 months
Russian Roubles	781	26 February 2015	13 February 2025	21 August 2023	5.45%	3 months
Russian Roubles	2 282	30 October 2015	17 October 2025	25 April 2023	7.00%	3 months
Russian Roubles	10 000	26 June 2017	21 June 2021	-	8.65%	6 months
Russian Roubles	7 000	3 October 2017	28 September 2021	-	8.40%	6 months
Russian Roubles	25 000	14 March 2018	9 March 2022	-	7.40%	6 months
Russian Roubles	13 000	19 October 2018	14 October 2022	-	9.00%	6 months
Russian Roubles	19 900	29 November 2018	22 November 2038	-	10.50%	6 months
Russian Roubles	10 000	4 April 2019	2 April 2020	-	8.35%	6 months
Russian Roubles	10 000	25 June 2019	22 June 2021	-	8.15%	6 months
Russian Roubles	5 000	15 November 2019	10 November 2023	-	7.00%	6 months
Russian Roubles	5 000	13 November 2019	2 November 2022	-	6.75%	1 month
Russian Roubles	3 528	15 July 2020	5 July 2023	-	5.25%	1 month
Russian Roubles	4 023	7 October 2020	27 September 2023	-	5.40%	1 month
Russian Roubles	10 000	15 December 2020	15 March 2021	-	5.15%	3 month
Russian Roubles	32	23 December 2020	23 December 2023	23 December 2021	0.01%	12 month
Russian Roubles	4	24 December 2020	24 December 2023	26 December 2022	0.01%	12 month

## 16. BONDS ISSUED (CONTINUED)

As at 31 December 2019, bonds issued consist of Russian Roubles denominated bonds issued on domestic market.

<i>Currency of denomination</i>	<i>Nominal value, in million of currency, in circulation</i>	<i>Issue date</i>	<i>Maturity date</i>	<i>Put option date</i>	<i>Coupon rate</i>	<i>Coupon payment</i>
<b>Bonds issued on domestic market</b>						
Russian Roubles	572	10 February 2010	29 January 2020	-	8.30%	6 months
Russian Roubles	581	11 February 2010	30 January 2020	-	8.30%	6 months
Russian Roubles	3 218	12 July 2011	29 June 2021	-	8.15%	6 months
Russian Roubles	1 058	14 July 2011	1 July 2021	-	8.15%	6 months
Russian Roubles	1 309	15 July 2011	2 July 2021	-	8.15%	6 months
Russian Roubles	4 117	8 November 2011	26 October 2021	30 April 2020	8.00%	6 months
Russian Roubles	305	16 April 2012	4 April 2022	8 April 2020	8.30%	6 months
Russian Roubles	43	23 October 2012	11 October 2022	15 October 2020	8.20%	6 months
Russian Roubles	523	25 October 2012	13 October 2022	19 April 2021	8.20%	6 months
Russian Roubles	10 000	23 April 2013	11 April 2023	14 April 2022	8.30%	6 months
Russian Roubles	1 484	30 July 2013	18 July 2023	21 January 2021	7.40%	6 months
Russian Roubles	21	30 September 2013	18 September 2023	25 March 2020	8.30%	6 months
Russian Roubles	4 978	22 November 2013	10 November 2023	16 November 2021	8.85%	6 months
Russian Roubles	5 000	10 October 2014	27 September 2024	4 October 2022	7.40%	3 months
Russian Roubles	5 000	13 October 2014	30 September 2024	5 October 2022	7.40%	3 months
Russian Roubles	661	26 December 2014	13 December 2024	22 December 2020	8.60%	3 months
Russian Roubles	10 000	11 February 2015	29 January 2025	7 February 2020	15.00%	3 months
Russian Roubles	783	26 February 2015	13 February 2025	24 August 2020	7.40%	3 months
Russian Roubles	2 820	30 October 2015	17 October 2025	28 April 2020	7.95%	3 months
Russian Roubles	10 000	31 March 2017	25 September 2020	-	9.50%	6 months
Russian Roubles	10 000	26 June 2017	21 June 2021	-	8.65%	6 months
Russian Roubles	7 000	3 October 2017	28 September 2021	-	8.40%	6 months
Russian Roubles	5 000	5 December 2017	9 December 2020	-	8.10%	6 months
Russian Roubles	25 000	14 March 2018	9 March 2022	-	7.40%	6 months
Russian Roubles	13 000	19 October 2018	14 October 2022	-	9.00%	6 months
Russian Roubles	19 900	29 November 2018	22 November 2038	-	10.50%	6 months
Russian Roubles	10 000	4 April 2019	2 April 2020	-	8.35%	6 months
Russian Roubles	10 000	25 June 2019	22 June 2021	-	8.15%	6 months
Russian Roubles	5 000	15 November 2019	10 November 2023	-	7.00%	6 months
Russian Roubles	5 000	13 November 2019	2 November 2022	-	6.75%	1 month

Refer to Note 34 for the disclosure of the fair value and fair value hierarchy for bonds issued. Geographical and liquidity analyses of bonds issued are disclosed in Note 29. Refer to Note 38 for information on redemptions after the end of the reporting period.

## 17. OTHER LIABILITIES

<i>In millions of Russian Roubles</i>	<i>Note</i>	<i>31 December 2020</i>	<i>31 December 2019</i>
<b>Non-financial liabilities</b>			
Accrued staff costs		6 774	5 534
Taxes payable other than on income		2 035	1 417
Due to State Corporation Deposit Insurance Agency		1 534	2 020
Provision for ECL for credit related commitments	32	930	508
Other provisions		86	68
Litigations provision		12	16
Other		2 478	2 656
<b>Total non-financial liabilities</b>		<b>13 849</b>	<b>12 219</b>
<b>Financial liabilities</b>			
Lease liabilities		9 860	10 244
Amounts due under credit support annex agreements		5 693	1 006
Settlements on banking cards		4 077	4 357
Trade payables		2 457	2 217
Amounts due under perpetual bonds		685	677
Non-controlling interests in consolidated mutual funds		305	110
Settlements on conversion operations		158	4 789
Carrying value of guarantees issued		21	36
<b>Total financial liabilities</b>		<b>23 256</b>	<b>23 436</b>
<b>Insurance liabilities</b>			
Provision for unearned premiums		5 289	5 282
Loss provision		27 343	13 324
Insurance payables		3 601	2 738
<b>Total insurance liabilities</b>		<b>36 233</b>	<b>21 344</b>
<b>Total other liabilities</b>		<b>73 338</b>	<b>56 999</b>

Trade payables are related to the business activities of subsidiaries.

Movements in the provision for unearned premiums are as follows:

<i>In millions of Russian Roubles</i>	<i>Note</i>	<i>2020</i>	<i>2019</i>
<b>Provision for unearned premiums as at 1 January</b>		<b>5 282</b>	<b>4 910</b>
Premium earned	24	(20 810)	(15 128)
Premium written		20 817	15 500
<b>Provision for unearned premiums as at 31 December</b>		<b>5 289</b>	<b>5 282</b>

## 17. OTHER LIABILITIES (CONTINUED)

Movements in the loss provision are as follows:

<i>In millions of Russian Roubles</i>	<i>Note</i>	<i>2020</i>	<i>2019</i>
<b>Loss provision as at 1 January</b>		<b>13 324</b>	<b>6 634</b>
Claims incurred during the period	24	16 877	9 490
Insurance claims settled		(2 858)	(2 800)
<b>Loss provision as at 31 December</b>		<b>27 343</b>	<b>13 324</b>

Refer to Note 34 for the disclosure of the fair value and fair value hierarchy for other financial liabilities. Geographical analysis of other liabilities and liquidity analysis of other financial liabilities are disclosed in Note 29.

## 18. SUBORDINATED DEBTS

As at 31 December 2020, the Group's subordinated debts equal to RR 151 885 million (31 December 2019: RR 134 089 million).

Refer to Note 34 for the disclosure of the fair value and fair value hierarchy for subordinated debts. Geographical and liquidity analyses of subordinated debts are disclosed in Note 29. The information on related party transactions is disclosed in Note 35.

## 19. PERPETUAL BONDS

As at 31 December 2020, the Group's perpetual bonds in circulation equal to RR 52 296 million (as at 31 December 2019: RR 48 398 million).

As at 31 December 2020, perpetual bonds consist of Russian Roubles, US Dollars and Euros denominated bonds issued on domestic market.

<i>Currency of denomination</i>	<i>Nominal value, in million of currency, in circulation</i>	<i>Carrying amount, in millions of Russian Roubles</i>	<i>Issue date</i>	<i>Call option date</i>	<i>Coupon rate</i>	<i>Coupon payment</i>
Russian Roubles	5 000	5 000	15 July 2016	3 July 2026	14.50%	6 months
Russian Roubles	5 000	5 000	18 July 2016	6 July 2026	14.50%	6 months
Russian Roubles	5 000	5 000	5 October 2016	23 September 2026	14.25%	6 months
Russian Roubles	10 000	10 000	25 April 2018	12 April 2028	9.00%	6 months
Russian Roubles	4 999	4 999	26 April 2018	13 April 2028	9.00%	6 months
Russian Roubles	5 000	5 000	22 November 2018	9 November 2028	10.10%	6 months
US Dollars	50	3 694	17 December 2018	4 December 2028	9.00%	6 months
Euros	150	13 602	12 December 2019	5 June 2025	5.00%	6 months

As at 31 December 2019, perpetual bonds consist of Russian Roubles, US Dollars and Euros denominated bonds issued on domestic market.

<i>Currency of denomination</i>	<i>Nominal value, in million of currency, in circulation</i>	<i>Carrying amount, in millions of Russian Roubles</i>	<i>Issue date</i>	<i>Call option date</i>	<i>Coupon rate</i>	<i>Coupon payment</i>
Russian Roubles	5 000	5 000	15 July 2016	3 July 2026	14.50%	6 months
Russian Roubles	5 000	5 000	18 July 2016	6 July 2026	14.50%	6 months
Russian Roubles	5 000	5 000	5 October 2016	23 September 2026	14.25%	6 months
Russian Roubles	10 000	10 000	25 April 2018	12 April 2028	9.00%	6 months
Russian Roubles	4 902	4 902	26 April 2018	13 April 2028	9.00%	6 months
Russian Roubles	5 000	5 000	22 November 2018	9 November 2028	10.10%	6 months
US Dollars	50	3 095	17 December 2018	4 December 2028	9.00%	6 months
Euros	150	10 401	12 December 2019	5 June 2025	5.00%	6 months

## 20. SHARE CAPITAL

Share capital issued and fully paid comprises:

<i>In millions of Russian Roubles (except for number of shares)</i>	<i>Number of outstanding shares</i>	<i>Nominal amount</i>	<i>Inflation adjusted amount</i>
<b>At 1 January 2019</b>	<b>347 928</b>	<b>409 848</b>	<b>410 598</b>
New ordinary shares issued	29 635	29 635	29 635
<b>At 31 December 2019</b>	<b>377 563</b>	<b>439 483</b>	<b>440 233</b>
New ordinary shares issued	30 500	30 500	30 500
<b>At 31 December 2020</b>	<b>408 063</b>	<b>469 983</b>	<b>470 733</b>

As at 31 December 2020, issued and fully paid share capital comprises 376 183 issued and registered ordinary shares and 31 880 preference shares (31 December 2019: 345 683 issued and registered ordinary shares and 31 880 preference shares). All ordinary and preference shares have a nominal value of RR 1 million per share, except for 6 880 type A preference shares issued in November 2015 with nominal value of RR 10 million per share, and rank equally within the same class. Each ordinary share carries one vote.

The terms of the preference shares do not include any fixed dividends and the decision on repayment of dividends is approved by the shareholder of the Bank.

In 2020, the Bank increased its share capital by issuing 30 500 ordinary shares (2019: 29 635 ordinary shares) with the total nominal amount of RR 30 500 million (2019: RR 29 635 million).

In 2020 and 2019, all ordinary shares were purchased by the Bank's only shareholder — the Government of the Russian Federation represented by the Federal Agency for Managing State Property.

## 21. INTEREST INCOME AND EXPENSE

<i>In millions of Russian Roubles</i>	2020	2019
<b>Interest income on debt financial assets carried at amortised cost</b>		
Loans and advances to legal entities	139 816	146 064
Loans and advances to individuals	52 450	52 364
Cash equivalents	4 989	6 622
Investment securities at amortised cost	2 927	4 816
Due from other banks	2 036	4 304
	<b>202 218</b>	<b>214 170</b>
<b>Interest income on debt financial assets carried at fair value through other comprehensive income</b>		
Investment securities at FVOCI	22 064	29 391
	<b>22 064</b>	<b>29 391</b>
<b>Total interest income at effective interest rate</b>	<b>224 282</b>	<b>243 561</b>
Loans to customers at fair value through profit or loss	2 876	1 763
Investment securities at fair value through profit or loss	4 183	1 709
Trading securities	2 932	1 496
<b>Total other interest income</b>	<b>9 991</b>	<b>4 968</b>
<b>Interest expense at effective interest rate</b>		
Term deposits of legal entities	(50 876)	(69 068)
Term deposits of individuals	(61 061)	(61 924)
Bonds issued	(13 297)	(14 442)
Subordinated debts	(10 205)	(8 539)
Current/settlement accounts	(8 952)	(7 845)
Term deposits of the Bank of Russia	(4 423)	(3 779)
Promissory notes issued	(2 935)	(2 797)
Term deposits of other banks	(2 356)	(2 137)
<b>Total interest expense at effective interest rate</b>	<b>(154 105)</b>	<b>(170 531)</b>
Lease liabilities	(622)	(750)
<b>Total other interest expense</b>	<b>(622)</b>	<b>(750)</b>
<b>Net interest income</b>	<b>79 546</b>	<b>77 248</b>

The information on related party transactions is disclosed in Note 35.

## 22. CREDIT LOSS EXPENSE

The table below shows the ECL charges on financial instruments recorded in the income statement for the year ended 31 December 2020:

<i>In millions of Russian Roubles</i>	Note	Stage 1	Stage 2	Stage 3	POCI	Total
Cash and cash equivalents		11	-	-	-	11
Due from other banks	8	11	-	-	-	11
Loans to customers at amortised cost	9	8 290	4 639	14 317	2 201	29 447
Debt securities measured at amortised cost	10	65	-	-	-	65
Debt securities measured at FVOCI	10	301	-	-	-	301
Other financial assets		-	-	451	-	451
Credit related commitments	32	432	(10)	-	-	422
<b>Total credit (gains)/loss expense</b>		<b>9 110</b>	<b>4 629</b>	<b>14 768</b>	<b>2 201</b>	<b>30 708</b>

An analysis of credit loss expense for the year ended 31 December 2019 is as follows:

<i>In millions of Russian Roubles</i>	Note	Stage 1	Stage 2	Stage 3	POCI	Total
Cash and cash equivalents		(3)	-	-	-	(3)
Due from other banks	8	(110)	-	-	-	(110)
Loans to customers at amortised cost	9	(19 722)	17 766	39 484	1 409	38 937
Debt securities measured at amortised cost	10	24	-	-	-	24
Debt securities measured at FVOCI	10	(493)	(39)	-	-	(532)
Other financial assets		-	-	1 386	-	1 386
Credit related commitments	32	(157)	9	-	-	(148)
<b>Total credit (gains)/loss expense</b>		<b>(20 461)</b>	<b>17 736</b>	<b>40 870</b>	<b>1 409</b>	<b>39 554</b>

23. FEE AND COMMISSION INCOME  
AND EXPENSE

<i>In millions of Russian Roubles</i>	2020	2019
<b>Fee and commission income</b>		
Commission on cash and settlements transactions	9 646	10 198
Fees for sale of insurance contracts	7 251	5 866
Commission on banking cards and acquiring	4 573	4 039
Commission on guarantees issued	1 776	1 578
Fees for currency control	379	311
Commission received from the Deposit Insurance Agency	10	119
Other	2 071	1 339
<b>Total fee and commission income</b>	<b>25 706</b>	<b>23 450</b>
<b>Fee and commission expense</b>		
Commission on settlement transactions	(2 725)	(2 134)
Commission on cash collection	(342)	(400)
Other	(337)	(246)
<b>Total fee and commission expense</b>	<b>(3 404)</b>	<b>(2 780)</b>
<b>Net fee and commission income</b>	<b>22 302</b>	<b>20 670</b>

24. GAINS LESS LOSSES  
FROM NON-BANKING ACTIVITIES

<i>In millions of Russian Roubles</i>	2020	2019
Sales of goods	4 062	4 561
Including:		
– sugar	1 164	1 652
– meat and dairy products	557	993
– feed	575	689
– grain	19	189
– other goods and services	1 747	1 038
Cost of goods sold	(2 853)	(4 339)
Provision for trade receivables, prepayments and other financial assets	58	202
Net income from insurance operations	3 089	3 195
Other non-banking income	1 093	770
Other non-banking expenses	(3 820)	(3 315)
<b>Total gains less losses from non-banking activities</b>	<b>1 629</b>	<b>1 074</b>

In 2020 cost of goods sold includes depreciation of non-banking premises and equipment in the total amount of RR 310 million (2019: RR 312 million).

Net income from insurance operations is as follows:

<i>In millions of Russian Roubles</i>	Note	2020	2019
<b>Insurance premiums</b>			
Premium earned	17	20 810	15 128
Reinsurers share in premiums earned		(4 235)	(3 235)
<b>Net insurance premiums earned</b>		<b>16 575</b>	<b>11 893</b>
<b>Insurance benefits and claims</b>			
Net claims incurred during the year	17	(16 877)	(9 490)
Acquisition costs		(642)	(399)
Reinsurers share in claims incurred during the year		4 033	1 191
<b>Net insurance benefits and claims</b>		<b>(13 486)</b>	<b>(8 698)</b>
<b>Net income from insurance operations</b>		<b>3 089</b>	<b>3 195</b>

## 25. ADMINISTRATIVE AND OTHER OPERATING EXPENSES

<i>In millions of Russian Roubles</i>	<i>Note</i>	<i>2020</i>	<i>2019</i>
Staff costs		35 585	31 919
Deposit Insurance expenses		5 856	7 663
Depreciation of premises, equipment and right-of-use assets		4 872	4 401
Communications and information services		2 947	2 396
Other costs of premises		2 582	2 927
Maintenance of equipment, transportation costs		2 364	2 183
Taxes other than on income		1 800	1 963
Office expenses		1 729	1 237
Amortization of intangible assets	11	1 071	1 761
Advertising and marketing services		1 069	1 518
Security services		809	1 005
Lease expenses		727	459
Charity expenses		667	579
Provision on impairment of contingencies	32	-	1 214
Other		4 837	4 304
<b>Total administrative and other operating expenses</b>		<b>66 915</b>	<b>65 529</b>

In 2020 staff costs include statutory social security and contributions to a state pension fund in the amount of RR 6 920 million (2019: RR 6 005 million). In 2020 staff costs does not include expenses for defined contribution pension plans (2019: staff costs include expenses for defined contribution pension plans in the amount of RR 804 million). The information on related party transactions is disclosed in Note 35.

## 26. INCOME TAXES

Income tax expense comprises the following:

<i>In millions of Russian Roubles</i>	<i>2020</i>	<i>2019</i>
Current tax	4 531	5 274
Deferred tax	310	(850)
<b>Income tax expense for the year</b>	<b>4 841</b>	<b>4 424</b>

The income tax rate applicable to the majority of the Group's income is 20% (2019: 20%). Reconciliation between the theoretical and the actual taxation charge is provided below.

<i>In millions of Russian Roubles</i>	<i>2020</i>	<i>2019</i>
<b>IFRS profit before tax</b>	<b>17 855</b>	<b>8 441</b>
<b>Theoretical tax charge at statutory rate (2020: 20%; 2019: 20%)</b>	<b>3 571</b>	<b>1 688</b>
Tax effect of items which are not deductible or assessable for taxation purposes:		
– Non-deductible staff costs	32	60
– Non-deductible charity costs	117	97
– Change of income tax on tax return in past periods	348	123
Income on government securities taxed at different rates	(1 206)	(1 305)
Permanent difference due to the refinement of the tax base of previous years	82	148
Change in unrecognised deferred tax asset	1 784	3 315
Other non-temporary differences	113	298
<b>Income tax expense for the year</b>	<b>4 841</b>	<b>4 424</b>

Differences between IFRS and Russian statutory tax regulations give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their value for tax purposes. The tax effect of the movements in these temporary differences is detailed below and is recorded at the rate of 20% (2019: 20%), except for income on particular category of securities that is taxed at 15% (2019: 15%).

Based on the Group's current structure and Russian tax legislation, tax losses and current tax assets of different companies of the Group may not be set off against current tax liabilities and taxable profits of other companies of the Group and, accordingly, taxes may be accrued even where there is a consolidated tax loss. Therefore, deferred tax assets and liabilities are set off against each other only when they relate to the same taxable entity (subject to certain conditions).

## 26. INCOME TAXES (CONTINUED)

<i>In millions of Russian Roubles</i>	31 December 2019	Credited/ (charged) to profit or loss	Charged directly to other comprehen- sive income	Disposal of subsidiaries	31 December 2020
<b>Tax effect of deductible/(taxable) temporary differences</b>					
Accruals on loans	9 797	(2 058)	-	-	7 739
Tax losses carried forward	37 614	2 408	-	(142)	39 880
Provision for impairment	37 309	(3 325)	-	(299)	33 685
Fair valuation of derivative financial instruments	(3)	(754)	-	-	(757)
Accrued staff costs	1 068	248	-	-	1 316
Accruals on due to other banks	(4 125)	534	-	-	(3 591)
Fair valuation of securities	(914)	715	(219)	-	(418)
Deferral of fees on guarantees issued	7	(3)	-	-	4
Premises, equipment and right-of-use assets	(1 834)	701	-	43	(1 090)
Accruals on bonds issued and subordinated debts	(648)	1 159	-	-	511
Intangible assets	(2)	3	-	-	1
Other	2 690	1 846	-	(112)	4 424
<b>Deferred tax asset</b>	<b>80 959</b>	<b>1 474</b>	<b>(219)</b>	<b>(510)</b>	<b>81 704</b>
Unrecognised deferred tax asset	(66 882)	(1 784)	-	338	(68 328)
<b>Net deferred income tax asset</b>	<b>14 077</b>	<b>(310)</b>	<b>(219)</b>	<b>(172)</b>	<b>13 376</b>
Recognised deferred income tax asset	16 298	(1 050)	-	43	15 291
Recognised deferred income tax liability	(2 221)	740	(219)	(215)	(1 915)
<b>Net deferred income tax asset</b>	<b>14 077</b>	<b>(310)</b>	<b>(219)</b>	<b>(172)</b>	<b>13 376</b>

<i>In millions of Russian Roubles</i>	31 December 2018	Credited/ (charged) to profit or loss	Charged directly to other comprehen- sive income	Acquisition of subsidiaries	31 December 2019
<b>Tax effect of deductible/ (taxable) temporary differences</b>					
Accruals on loans	11 406	(1 609)	-	-	9 797
Tax losses carried forward	26 704	10 910	-	-	37 614
Provision for impairment	45 020	(7 711)	-	-	37 309
Fair valuation of derivative financial instruments	(103)	100	-	-	(3)
Accrued staff costs	912	156	-	-	1 068
Accruals on due to other banks	(4 620)	495	-	-	(4 125)
Fair valuation of securities	(811)	2 528	(2 631)	-	(914)
Deferral of fees on guarantees issued	7	-	-	-	7
Premises and equipment	(2 263)	(789)	(1)	1 219	(1 834)
Accruals on bonds issued and subordinated debts	(301)	(347)	-	-	(648)
Intangible assets	(88)	86	-	-	(2)
Other	2 344	346	-	-	2 690
<b>Deferred tax asset</b>	<b>78 207</b>	<b>4 165</b>	<b>(2 632)</b>	<b>1 219</b>	<b>80 959</b>
Unrecognised deferred tax asset	(63 567)	(3 315)	-	-	(66 882)
<b>Net deferred income tax asset</b>	<b>14 640</b>	<b>850</b>	<b>(2 632)</b>	<b>1 219</b>	<b>14 077</b>
Recognised deferred income tax asset	16 298	-	-	-	16 298
Recognised deferred income tax liability	(1 658)	850	(2 632)	1 219	(2 221)
<b>Net deferred income tax asset</b>	<b>14 640</b>	<b>850</b>	<b>(2 632)</b>	<b>1 219</b>	<b>14 077</b>

## 26. INCOME TAXES (CONTINUED)

As of 31 December 2020, the taxable temporary difference between investments in subsidiaries in the statement of financial position of the parent company for tax purposes and the value of the net assets of subsidiaries in accordance with IFRS was 2 897 million (31 December 2019: 2 459 million). In accordance with IAS 12 Income Tax, the corresponding deferred tax liability in the amount of 579 million (31 December 2019: 492 million) was not recognized in the consolidated statement of financial position, since the Group has the ability to control the timing of the reversal of the temporary difference, and also does not expect that this temporary difference will be restored in the foreseeable future.

As at 31 December 2020, deferred tax assets included RR 39 880 million resulting from tax losses carried forward (31 December 2019: RR 37 614 million). The existing tax losses eligible for carry forward are expected to be utilized within limits envisaged by the Russian tax legislation.

## 27. DIVIDENDS

<i>In millions of Russian Roubles</i>	2020			2019		
	Ordinary shares	Prefe- rence shares	Type A preference shares	Ordinary shares	Prefe- rence shares	Type A preference shares
<b>Dividends payable at 1 January</b>	-	-	-	-	-	-
Dividends declared during the year	91	6	17	883	65	178
Dividends paid during the year	(91)	(6)	(17)	(883)	(65)	(178)
<b>Dividends payable at 31 December</b>	-	-	-	-	-	-
<b>Dividends per share declared during the year</b>	<b>0.000</b>	<b>0.000</b>	<b>0.002</b>	<b>0.003</b>	<b>0.003</b>	<b>0.026</b>

## 28. SEGMENT ANALYSIS

### (a) Description of geographic areas from which each reportable segment derives its revenue and factors that management used to identify the reportable segments

Operational decision making is the responsibility of the Management Board of the Bank. The Management Board of the Bank reviews internal management reporting in order to assess efficiency and allocate resources.

The Management Board of the Bank performs geographic analysis of the Bank's operations and therefore the Bank's regional branches have been designated as operating segments.

Taking into account the administrative-territorial division of Russia, federal districts of the Russian Federation have been designated as reportable segments.

As at 31 December 2020 and 31 December 2019 the Group defines the following reportable segments:

- Head office;
- Central federal district;
- Far Eastern federal district;
- Volga federal district;
- North-West federal district;
- North-Caucasian federal district;
- Siberian federal district;
- Ural federal district;
- Southern federal district.

For analysis of revenue by products refer to Notes 21, 23.

### (b) Measurement of operating segment profit or loss and assets

The Management Board of the Bank assesses efficiency of operating segments based on a financial performance measure prepared from statutory accounting data and not adjusted for an intersegment income and expenses. Intersegment income and expenses are used by CODM for information purpose only and not for identification of profit or loss of the operating segments. Intersegment income/(expense) represents mainly income from / (costs of) funding provided by Head Office to other reportable segments.

The accounting policy of the operating segments is based on Russian Accounting Rules (RAR) and thus materially differs from policies described in the summary of significant accounting policies in these consolidated financial statements.

## 28. SEGMENT ANALYSIS (CONTINUED)

### (c) Information about reportable segment profit or loss and assets

Segment reporting of the Group's revenue and profit/(loss) for the reporting period ended 31 December 2020 and 31 December 2019 and segment reporting of the Group's assets as at 31 December 2020 and 31 December 2019 is as follows:

In millions of Russian Roubles	Head office	Central federal district	Far Eastern federal district	Volga federal district	North-west federal district	North-Caucasian federal district	Siberian federal district	Ural federal district	Southern federal district	Total
<b>For the year ended 31 December 2020</b>										
<b>Revenue from external customers</b>	<b>67 241</b>	<b>63 306</b>	<b>10 397</b>	<b>31 353</b>	<b>16 037</b>	<b>9 002</b>	<b>14 419</b>	<b>7 728</b>	<b>28 126</b>	<b>247 609</b>
– Interest income from loans and advances to customers, due from other banks and other placed funds	65 565	55 349	8 771	27 009	14 167	7 100	11 431	6 845	24 721	220 958
– Net fee and commission income from credit related operations	1 676	7 957	1 626	4 344	1 870	1 902	2 988	883	3 405	26 651
Gains less losses / (losses net of gains) arising from securities, derivative financial instruments and foreign currency	(20 654)	26 507	10 381	(3 571)	(127)	(472)	(3 929)	(2 493)	8 463	14 105
Interest expenses from due to other banks, customer accounts and bonds issued	(73 730)	(32 469)	(4 413)	(17 022)	(11 073)	(2 805)	(8 874)	(4 137)	(5 895)	(160 418)
(Provision)/recovery of provision for impairment*	(12 037)	(10 147)	(113)	(3 871)	(2 088)	(3 057)	(2 035)	(2 339)	(1 659)	(37 346)
Administrative and maintenance expense	(44 655)	(3 055)	(887)	(2 355)	(1 007)	(942)	(1 717)	(545)	(1 116)	(56 279)
– Including depreciation charge	(2 440)	(350)	(80)	(277)	(119)	(152)	(236)	(60)	(123)	(3 837)
Other expenses less other income*	(5 903)	434	(75)	1 129	415	(680)	274	47	2 401	(1 958)
Income tax expense	(4 488)	-	-	-	-	-	-	-	-	(4 488)
<b>(Loss)/profit of reportable segments</b>	<b>(94 226)</b>	<b>44 576</b>	<b>15 290</b>	<b>5 663</b>	<b>2 157</b>	<b>1 046</b>	<b>(1 862)</b>	<b>(1 739)</b>	<b>30 320</b>	<b>1 225</b>
<b>Intersegment income/(expense)**</b>	<b>85 409</b>	<b>(39 497)</b>	<b>(13 328)</b>	<b>(2 435)</b>	<b>63</b>	<b>(3 037)</b>	<b>(521)</b>	<b>2 029</b>	<b>(28 683)</b>	<b>-</b>
<b>For the year ended 31 December 2019</b>										
<b>Revenue from external customers</b>	<b>74 809</b>	<b>64 682</b>	<b>8 872</b>	<b>33 031</b>	<b>18 131</b>	<b>8 948</b>	<b>14 277</b>	<b>6 886</b>	<b>33 322</b>	<b>262 958</b>
– Interest income from loans and advances to customers, due from other banks and other placed funds	73 310	58 114	7 517	28 889	16 299	7 191	11 506	6 122	30 239	239 187
– Net fee and commission income from credit related operations	1 499	6 568	1 355	4 142	1 832	1 757	2 771	764	3 083	23 771
(Losses net of gains) / gains less losses arising from securities, derivative financial instruments and foreign currency	28 144	(7 826)	(3 008)	2 151	314	713	1 286	772	(2 538)	20 008
Interest expenses from due to other banks, customer accounts and bonds issued	(80 459)	(35 086)	(5 205)	(19 333)	(11 979)	(3 189)	(9 645)	(5 805)	(6 385)	(177 086)
Provision for impairment*	(2 081)	(9 654)	317	(4 827)	(5 309)	(4 425)	(949)	(1 385)	(1 113)	(29 426)
Administrative and maintenance expense	(40 236)	(2 524)	(717)	(2 160)	(880)	(871)	(1 481)	(490)	(960)	(50 319)
– Including depreciation charge	(2 094)	(288)	(69)	(244)	(102)	(126)	(205)	(51)	(108)	(3 287)
Other expenses less other income*	(13 145)	(705)	(343)	(678)	28	(892)	(1 253)	233	(1 072)	(17 827)
Income tax expense	(4 042)	-	-	-	-	-	-	-	-	(4 042)
<b>(Loss)/profit of reportable segments</b>	<b>(37 010)</b>	<b>8 887</b>	<b>(84)</b>	<b>8 184</b>	<b>305</b>	<b>284</b>	<b>2 235</b>	<b>211</b>	<b>21 254</b>	<b>4 266</b>
<b>Intersegment income/(expense)**</b>	<b>64 649</b>	<b>(18 266)</b>	<b>2 518</b>	<b>(12 163)</b>	<b>(1 584)</b>	<b>(7 813)</b>	<b>(5 463)</b>	<b>(704)</b>	<b>(21 174)</b>	<b>-</b>
<b>Total assets</b>										
31 December 2020	3 279 930	1 709 743	244 666	648 705	421 208	209 256	315 573	152 938	479 372	7 461 391
31 December 2019	2 636 408	1 322 088	165 916	579 168	326 669	185 111	260 877	126 275	446 421	6 048 933
<b>Total liabilities</b>										
31 December 2020	3 075 417	1 709 617	244 633	648 480	421 104	209 233	315 471	152 938	479 366	7 256 259
31 December 2019	2 462 709	1 321 962	165 883	578 943	326 565	185 088	260 775	126 275	446 415	5 874 615

\* Other expenses less other income include losses from disposal of loans under cession agreements.

\*\* Intersegment income and expense are used by CODM for information purpose only and not for identification of profit or loss of the operating segments.

## 28. SEGMENT ANALYSIS (CONTINUED)

Intersegment income and expenses include transfer income and expenses, staff costs and gains less losses / (losses net of gains) from dealing in foreign currency.

### (d) Reconciliation of reportable segment revenues, profit or loss, assets and provision for loan impairment

The Group recognizes losses net of gains from cessions on loans and advances to customers as part of the provision for loan impairment.

Reconciliation of income/(loss) of the reportable segments for the reporting period ended 31 December 2020 and 31 December 2019 is as follows:

<i>In millions of Russian Roubles</i>	2020	2019
<b>Total income of reportable segments after tax</b>	<b>1 221</b>	<b>4 266</b>
Adjustments for impairment (ECL)	(1 411)	4 592
Effect of consolidation	1 998	(7 853)
Accounting for financial instruments at fair value	1 439	2 056
Adjustments of deferred tax	(313)	850
Losses net of gains from revaluation of other financial instruments at fair value through profit and loss	(314)	16
Accrued staff costs	(243)	(261)
Reclassification of perpetual bonds to equity	8 738	3 329
Adjustments of financial assets and liabilities carried at amortised cost	1 162	(6 762)
Other	737	3 784
<b>The Group's profit under IFRS after tax</b>	<b>13 014</b>	<b>4 017</b>

Reconciliation of assets of the reportable segments for the reporting period ended 31 December 2020 and 31 December 2019 is as follows:

<i>In millions of Russian Roubles</i>	31 December 2020	31 December 2019
<b>Assets of reportable segments</b>	<b>7 461 389</b>	<b>6 048 932</b>
Elimination of settlements between branches	(3 273 935)	(2 439 641)
Provision for loan impairment (ECL)	(278 761)	(306 254)
Effect of consolidation	14 007	(4 171)
Elimination of back-to-back deposits	(4 528)	(4 524)
Accounting for financial instruments at fair value	489	3 704
Adjustments of financial assets carried at amortised cost	(17 200)	(23 806)
Other	(81 673)	(58 491)
<b>The Group's assets under IFRS</b>	<b>3 819 788</b>	<b>3 215 749</b>

## 28. SEGMENT ANALYSIS (CONTINUED)

<i>In millions of Russian Roubles</i>	31 December 2020	31 December 2019
<b>Provision for loan impairment for loans and advances to customers of reportable segments</b>	<b>(207 010)</b>	<b>(234 827)</b>
Accounting for provision under IFRS	(99 562)	(94 297)
Provision related to the effect of consolidation	28 038	23 086
<b>The Group's provision for loan impairment for loans and advances to customers under IFRS</b>	<b>(278 534)</b>	<b>(306 038)</b>

Reconciliation of material items of income and expenses for the years ended 31 December 2020 and 31 December 2019 is as follows:

<i>In millions of Russian Roubles</i>	2020	2019
<b>Total revenue of reportable segments from external customers</b>	<b>247 609</b>	<b>262 958</b>
Reclassification of income not included in segment revenue	11 479	2 137
Interest income related to effective interest rate implication	(2 256)	4 523
Effect of consolidation	(263)	836
Effect of disposal of loans (interest income)	2	(1 252)
Other	4	(3)
<b>The Group's revenue under IFRS*</b>	<b>256 575</b>	<b>269 199</b>
<b>Total interest expenses from due to other banks, customer accounts and bonds issued of reportable segments</b>	<b>(160 418)</b>	<b>(177 086)</b>
Reclassification of interest expense not included in segment interest expenses	4 654	4 391
Effective interest rate adjustments	(426)	433
Effect of consolidation	1 469	971
Other	(6)	10
<b>The Group's interest expense under IFRS</b>	<b>(154 727)</b>	<b>(171 281)</b>
<b>Provision charge for impairment</b>	<b>(37 346)</b>	<b>(29 426)</b>
Accounting for provision under IFRS and effect of disposal of loans	1 817	(22 661)
Provision related to the effect of consolidation	4 821	12 533
<b>The Group's provision charge for impairment under IFRS</b>	<b>(30 708)</b>	<b>(39 554)</b>
<b>Administrative and maintenance expenses of reportable segments</b>	<b>(56 279)</b>	<b>(50 319)</b>
Reclassification of payments to the Deposit Insurance Agency not included in segment administrative and maintenance expenses	(5 856)	(7 663)
Accrued staff costs	(243)	(290)
Effect of consolidation	(2 532)	(2 979)
Other	(2 005)	(4 278)
<b>The Group's administrative and other operating expenses under IFRS</b>	<b>(66 915)</b>	<b>(65 529)</b>

\* Group's revenue under IFRS comprises of interest income and net fee and commission income.

## 28. SEGMENT ANALYSIS (CONTINUED)

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

- Adjustments for impairment arises mainly due to the different consolidation perimeter in the RAR and IFRS statements.
- Adjustments of derivative financial instruments to their fair value arise from the difference in the accounting treatment of currency swaps under RAR (which are the basis for management reporting) and IFRS reporting. Under RAR foreign exchange swaps are recognised as back-to-back deposits, whereas in IFRS financial statements such transactions are recognised at fair value. Refer to Note 33. Providing reconciliation, accounting for deals described above under RAR assumes also adjustments related to interest income/expense and total assets of reportable segments.
- Balances of intercompany settlements related to regional branches of the Bank are presented under RAR as assets and liabilities, while in IFRS such balances are shown on a net basis.
- Adjustments of deferred income tax expense and accrued staff costs arise from the timing difference in recognition of certain expenses (mainly related to bonuses paid after the end of the reporting period) under RAR compared to IFRS and regulatory requirements of tax-filing date.
- Adjustments for perpetual bonds are due to the fact that in RAR interest expenses and foreign currency revaluation are reflected in the income statement, while in IFRS statements they are reflected directly in equity.

All other adjustments also result from the differences between RAR (used as the basis for management reporting) and IFRS.

### (e) Major customers

The Group does not have any customer, from which it earns revenue representing 10% or more of the total revenues.

## 29. RISK MANAGEMENT

The purpose of the Group's risk management policy is to maintain acceptable levels of risks determined by the Group with consideration of its approved strategic goals. The Group's priority task is to ensure the maximum safety of assets and capital through minimizing exposures that can lead to unforeseen losses. Group provides coordinated management of significant risks such as credit and market risk, concentration risk, regulatory risk, liquidity risk and operational risk across all levels of activity.

The Group has a multi-level system of decision-making, monitoring and risk management.

The Bank's Supervisory Board approves the risk management policy and, consequently, is responsible for creating and monitoring the operation of the Bank's risk management system in general. Its competence also covers decisions relating to significant risks, reviewing reports on risks accepted by the Bank and reports on the results of stress testing.

The Bank's Management Board monitors the functioning of the risk management system, approves documents and procedures for identification, evaluation, determination of acceptable risk level, selection of response actions (acceptance, limitation, reallocation, hedging, avoidance) and monitoring thereof.

Operational risk management is carried out by the Bank's Management Board, its Chairman, special collegiate bodies of the Group, and also by separate structural divisions of the Group and executives on the basis of their competence.

The Risks Department provides independent analysis and evaluation of risks. The competence of the Risk Department also includes methodological support of risk management system, the implementation of the principles and methods of identification, assessment and monitoring of financial risks (credit, market, currency, interest rate, liquidity risk) and operational risk, including at the regional level.

Additionally, the function of certain risks management is performed by other departments of the Bank: Legal Department, Strategy Development Department, Public and Marketing Relations Department, Internal Treasury Department and Compliance Control Department.

The Bank's authorized bodies on a regular basis consider the Bank's performance, approve and revise measures to facilitate the early detection of changes in the external and internal factors, and to minimize the adverse consequences for the Bank.

According to the Risk management policy, the key objectives of the bank's risk management system are as follows:

- Maintaining the Bank's activity on the "going concern" basis;
- Providing the Bank's financial stability;
- Development of risk culture/risk-oriented model within the Bank.

## 29. RISK MANAGEMENT (CONTINUED)

In order to ensure stable operation, the Bank took the following steps.

In 2020 the Bank carried out and/or initiated the following measures related to the development of credit risk management.

- The Bank continues to develop a rating system by widening the amount of internal credit rating models for more accurate credit risk assessment and increase of the amount of balance sheet assets and credit equivalents of credit related commitments subject to internal credit rating models.
- The further development and implementation of approaches to the use of internal credit ratings in the system of decision-making, as well as in determining the premium for credit risk, establishing and incorporation of risk-rules on credit products and determining the authority to take on credit risk is in progress.
- The Bank has implemented a multi-level system of authorities and limits for the acceptance of different types of risks. The system of limits is reviewed on a regular basis at least once a year.
- There is a hierarchy to the Risks Department in regional branches operating through Risk Assessment and Control Units for independent on-site control over the level of risks taken by the branches and operating offices. Also, the role of risk managers in decision-making process was increased.
- The Bank has adopted a set of measures aimed at enhancing the work with problem debts, as well as the development of infrastructure for various methods of dealing with problem debts.

In order to develop market risk management system, in 2020 the Bank continued to implement measures for automation of the system for control over the level of risk taken by the Bank.

The decision-making process of lending to individuals is centralized at the level of Head Office of the Bank, process is standardized and automated by conveyor technology for all retail loan products. Due to automated process credits are issued within a given quality. The decision-making process is held under constant improvement. In 2020 the decision-making methodology was updated in the following way:

- New rules for routing loan applications based on scoring, updated risk rules and requested loan amount;
- New procedure for calculating the credit limit based on the client rating, an updated approach to accounting for dependents, living wages, as well as the category and region of residence of the client;
- New scoring cards that take into account information about clients payment discipline from the credit bureaus;
- New aggregate limits for the current debt of the Bank's customers on loan products;
- Changing the process of assessment loan applications by implementing part of automatic checks based on a limited number of completed questionnaire fields.

## 29. RISK MANAGEMENT (CONTINUED)

In order to enhance financial stability of the Group in case of crisis events in the economy and financial markets, the Bank's Management Board approved and regularly revises the Plan of stabilizing activities developed in accordance with recommendations of the Bank of Russia # 193-T dated 29 December 2012 *On Methodical Recommendations for the Development of Financial Sustainability Plans for Credit Institutions*. This Plan provides activities for solving potential problems with capital, liquidity, financial results and quality of the Bank's assets in case of unfavorable for the Bank scenarios.

In order to avoid going concern issue and limiting loss in case unfavorable issues that can negatively affect the activity, the Bank has continued implementation of the Action Plan, which aims to ensure the on-going operations and (or) recovery of the Bank's operations in case of non-standard and emergency situations (the Action Plan was updated in 2020). Also the Action Plans were updated at the level of regional branches of the Bank and the Action Plan modules for critical processes were introduced.

Also, in order to possibly restore the financial stability of the Bank in the event of unfavorable circumstances, the Bank has developed a Plan for the restoration of financial stability of the Group, approved by the Supervisory Board and revised on an annual basis.

**Credit risk.** The Group is exposed to credit risk, which is the risk that counterparty and/or third party under the financial obligations contract will cause a financial loss for the other party by failing to discharge an obligation completely and timely in accordance with contract terms (including operations in financial markets). The credit risk assessment of derivative financial instruments and repo transactions also includes counterparty credit risk, which is the risk of the counterparty's default before transactions settlement. The Group's maximum exposure to credit risk is reflected in the carrying amounts of financial assets on the consolidated statement of financial position. For guarantees and commitments to extend credit, the maximum exposure to credit risk is the amount of the commitment. Refer to Note 32.

Credit risk management aims to maintain the proper quality of the loan portfolio by optimizing the industry, regional and product structure of the loan portfolio, the implementation of a systematic approach to the management of credit risk, based on the principles of risk awareness, power-sharing assessment and risk-taking, monitoring and control.

The management of credit risk of the Bank comprises determination and evaluation risk before transactions, limitation of credit risk, with correspondent limits, structuring of the deals, subsequent monitoring and controlling of credit risk level.

Credit risk management is carried out by the Bank's Management Board, its Chairman, special committees, and also by structural departments of the Bank and executives within their scope of authorities.

## 29. RISK MANAGEMENT (CONTINUED)

The Bank's authorized management bodies approve internal regulations that contain formalized descriptions of risk evaluation procedures and processes for provision and servicing of credit products.

The Bank selects credit projects with consideration of the purpose of lending, primary sources of repayment of the loan. On the mandatory basis Bank assesses risk factors associated with borrower's financial position and its trends, borrower's property structure and reputation, credit history, state of the economic sector and region, all relationships between the Bank and related persons.

In selecting lending and investment programs, priority rests with the agricultural sector and related industries, which are support and service agricultural producers. The loan portfolio industry concentration risk is mitigated by:

- Limiting one borrower's risk exposure;
- Lending to the entire cycle of agricultural product turnover (production, storage, processing and sales to ultimate consumers);
- Lending to borrowers with different specialisation in different regions;
- A combination of several types of production in one entity typical for agricultural producers; and
- Diversification of investments in effective and reliable projects of other economic sectors.

Within credit risk management process (including counterparty credit risk), the Bank uses risk mitigating instruments (including accepting liquid collateral, guarantees, entering into general agreements to regulate collateral provision terms) and price making that takes into account assumed credit risk.

The Bank assesses residual risks arising from the fact that the instruments used can provide not expected effect (for example, in result of accepted collateral sale legal or liquidity risk can be lost) while using instruments that reduce credit risk. Residual risk can be realized in inability to sell accepted collateral, refusal or deferral of guaranteed payments, as well as the usage of improperly drawn documents.

Control of credit risk concentration related to the accepted security on financial market (credit, market) is mainly carried out by setting limits on accepted securities in the form of collateral. The Bank also establishes transaction restrictions on counterparties with securities for individual issuers. These restrictions are designed to diversify portfolio of counterparties, as a result, they reduce risk concentration.

The Bank uses different methods of securing execution by borrowers of their contractual obligations in the form of pledge of property or ownership rights (with approval of a list of pledged items subject to obligatory insurance by insurers accredited by the Bank), guarantees and warranties from third parties.

The Risk Department operates its internal rating models. The Bank runs separate models for its key portfolios in which its customers are rated from 1+ to D using internal grades. The models incorporate both qualitative and quantitative information and, in addition to information specific to the borrower, utilise supplemental external information that could

## 29. RISK MANAGEMENT (CONTINUED)

affect the borrower's behaviour. Where practical, they also build on information from the national and international external rating agencies. PDs, incorporating forward looking information and the IFRS 9 stage classification of the exposure, are assigned for each grade. The Bank's internal credit rating grades are as follows:

<b>Internal rating</b>	<b>Average PD</b>	<b>Min PD</b>	<b>Max PD</b>	<b>S&amp;P/Fitch</b>	<b>Moody's</b>	<b>Credit risk level</b>
From 1+ to 2-	From 0.03% to 0.35%	From 0.00% to 0.27%	From 0.04% to 0.40%	From AAA to BBB-	From Aaa to Baa3	<b>Low</b> High ability to fulfill financial obligations in full. Corresponds to the investment ratings of the international rating agencies.
From 3+ to 4-	From 0.46% to 1.83%	From 0.40% to 1.60%	From 0.53% to 2.10%	From BB+ to BB-	From Ba1 to Ba3	<b>Moderate</b> Adequate ability to meet financial obligations in the medium term. Possible deterioration of the financial position in case of adverse economic conditions.
From 5+ to 6-	From 2.42% to 9.60%	From 2.10% to 8.36%	From 2.77% to 11.02%	From B+ to B-	From B1 to B3	<b>Increased</b> Adequate ability to meet financial obligations in the short term. In case of unfavorable economic conditions, difficulties in servicing obligations in time and in full are likely to occur.
From 7+ to D+	From 12.65% to 28.95%	From 11.02% to 25.22%	From 14.52% to 33.24%	From CCC+ to C	From Caa1 to C	<b>High</b> Difficult fulfillment of obligations on time and in full. Possible overdue liabilities. Protective actions of creditors (lawsuits, sale of collateral). Borrower in the recovery period after default.
D	100.00%	33.24%	100.00%	D	D	<b>Default</b>

## 29. RISK MANAGEMENT (CONTINUED)

**Market risk.** The Group takes on exposure to market risk arising from open positions in (a) currency, (b) interest, (c) equity and (d) commodity instruments. The market risk of the subsidiaries is estimated to be non-material due to proportion and structure of their assets and liabilities.

Market risks are managed by means of identifying, evaluating, forecasting market prices, currency rates and market interest rates, determining the acceptable level of risk on open positions, setting limits (creating a system of limits enabling to minimise losses in case of unfavourable market changes) and developing risk hedging mechanisms.

The responsibility of managing the Bank's market risk rests with the Management Board, Risk Management Committee and the Asset and Liabilities Management Committee within their competence.

The responsibility for operational managing of market risk, implementing market risk management policies and complying with set limits rests with the heads of structural units that carry out transactions exposed to market risk.

The Bank's exposure to market risks is analysed by the Department of Operations on Financial Markets, Internal Treasury Department, the Capital Markets Department and the Risks Department within their competence.

The Bank has contingency plans in case of unfavourable market fluctuations in the value of trading financial instruments, derivative financial instruments, exchange rates and potential losses associated with changes in interest rates. These actions constitute an integral part of the Bank's risk management system and serve a preventive measure for ensuring the continuity of the Bank's operations and safety of the Bank's capital.

Decision-making authority in the event of sudden market changes is on the Chairman of the Management Board, Risk Management Committee or the Asset and Liabilities Management Committee depending on specified limiting control procedure.

Any additional expenses that need to be incurred for covering financial losses are approved by the Bank's Management Board.

The responsibility for reviewing and preparation of reports for the Bank's management, for providing information for assigning credit ratings by international rating agencies and for regulators rests with the Risks Department.

The Risks Department's functional duties cover independent of the business unit evaluation, review and control of the actual level of the Bank's market risk exposure, agreeing and monitoring limits and monitoring transactions with financial instruments.

## 29. RISK MANAGEMENT (CONTINUED)

The Bank's business units (the Capital Markets Department, Department of Operations on Financial Markets and the Internal Treasury Department) and the Operations Department are also in charge of current monitoring over exposed to market risks positions in the process of entering into and accounting for transactions.

The Risks Department jointly with business units, creates the regulatory basis for risks evaluation and interaction of the Bank's units in the process of identification and management of market risks, and also summarizes and optimises the system of monitoring market risk.

Market risk is also mitigated by setting limits, which are set taking into account the risk-appetite and the Bank's strategy. When setting limits, the Bank considers several factors, such as market environment, financial position and business trends.

Limits are regularly reviewed and update by the Bank's authorised bodies. The Risks Department monitors limits and reports information on compliance with the set limits to the Bank's management. The Risks Department also considers and agrees all limits proposed by business units for carrying out new types of transactions.

The Bank has a hierarchy of limits: structural limits, positional limits, stop-loss limits, limits on transactions' parameters, etc. The Risks Department is improving the system of limits on an ongoing basis.

The Bank sets limits on:

- The maximum volume of investments in certain types of assets or liabilities;
- The maximum level of losses and gains in case of changes in financial instruments' prices (stop-loss);
- Authorities of the Bank's staff to adopt independent decisions concerning certain types of transactions (personal limits);
- The maximum allowed relation between certain ratios on assets and liabilities, including off-balance sheet claims and liabilities (open position limit, limits on other comparative figures); and
- Various characteristics of financial instruments (discounts, etc.).

**Interest rate risk.** The Group takes on exposure of deterioration in its financial position due to a decrease in the size of capital, income levels, and value of assets as a result of changes in market interest rates.

The sources of interest rate risk are:

- Gap risk — the risk arising from the mismatch of the timing of changes in interest rates of assets, liabilities, off-balance sheet claims and obligations of the Bank.
- Baseline risk — a risk that arises when interest rates on financial instruments of the same maturity change depending on different financial indices.
- Yield curve risk — the risk of a change in the slope and/or shape of the interest rate curve.

## 29. RISK MANAGEMENT (CONTINUED)

— Option risk — a risk that manifests itself in the exercise of options (both directly concluded by the Bank and embedded in banking products), changing the value of the interest rate or the timing for meeting the requirements/obligations of the transaction.

The main methods of interest rate risk measurement are:

- Analysis and assessment of gaps between maturity/nearest term of the interest rate revision of assets and liabilities of the Bank, sensitive to changes in the level of interest rates (method for estimating gaps by maturity);
- Assessment of the sensitivity of net interest income to changes in market rates.

The tables below are based on management reports on the Bank's interest rate risk at the stated dates, that were prepared in accordance with the Interest Rate Evaluation Methodology approved by the Bank. Interest rate reports are issued on a monthly basis using the information extracted from the accounting system, which is based on RAR with the assumption of stability of the structure of the Bank's assets and liabilities.

The table below summarises the Bank's exposure to interest rate risk as at 31 December 2020 by the main settlement currencies of the Bank (Russian Roubles and US Dollars) by showing the Bank's interest bearing financial assets and liabilities in categories based on the earlier of contractual repricing or maturity dates.

Operations in Russian Roubles:

<i>In millions of Russian Roubles</i>	<i>Demand and less than 30 days</i>	<i>Due between 31 and 90 days</i>	<i>Due between 91 and 180 days</i>	<i>Due between 181 days and 1 year</i>	<i>More than 1 year</i>	<i>Total</i>
Total interest bearing financial assets	277 317	1 430 151	218 081	275 732	974 510	<b>3 175 791</b>
Total interest bearing financial liabilities	624 262	688 299	388 907	467 740	643 762	<b>2 812 970</b>
<b>Sensitivity gap</b>	<b>(346 945)</b>	<b>741 852</b>	<b>(170 826)</b>	<b>(192 008)</b>	<b>330 748</b>	<b>362 821</b>
<b>Cummulative sensitivity gap</b>	<b>(346 945)</b>	<b>394 907</b>	<b>224 081</b>	<b>32 073</b>	<b>362 821</b>	<b>-</b>

## 29. RISK MANAGEMENT (CONTINUED)

Operations in US Dollars:

<i>In millions of Russian Roubles</i>	<i>Demand and less than 30 days</i>	<i>Due between 31 and 90 days</i>	<i>Due between 91 and 180 days</i>	<i>Due between 181 days and 1 year</i>	<i>More than 1 year</i>	<i>Total</i>
Total interest bearing financial assets	125 038	63 806	19 976	140 584	<b>142 667</b>	<b>492 071</b>
Total interest bearing financial liabilities	52 044	107 503	76 435	88 649	<b>170 904</b>	<b>495 535</b>
<b>Sensitivity gap</b>	<b>72 994</b>	<b>(43 697)</b>	<b>(56 459)</b>	<b>51 935</b>	<b>(28 237)</b>	<b>(3 464)</b>
<b>Cummulative sensitivity gap</b>	<b>72 994</b>	<b>29 297</b>	<b>(27 162)</b>	<b>24 773</b>	<b>(3 464)</b>	<b>-</b>

The table below summarises the Bank's exposure to interest rate risk as at 31 December 2019 by the main settlement currencies of the Bank (Russian Roubles and US Dollars) by showing the Bank's interest bearing financial assets and liabilities in categories based on the earlier of contractual repricing or maturity dates.

Operations in Russian Roubles:

<i>In millions of Russian Roubles</i>	<i>Demand and less than 30 days</i>	<i>Due between 31 and 90 days</i>	<i>Due between 91 and 180 days</i>	<i>Due between 181 days and 1 year</i>	<i>More than 1 year</i>	<i>Total</i>
Total interest bearing financial assets	386 366	776 957	163 192	222 019	974 523	<b>2 523 057</b>
Total interest bearing financial liabilities	512 448	266 063	290 343	449 825	866 424	<b>2 385 103</b>
<b>Sensitivity gap</b>	<b>(126 082)</b>	<b>510 894</b>	<b>(127 151)</b>	<b>(227 806)</b>	<b>108 099</b>	<b>137 954</b>
<b>Cummulative sensitivity gap</b>	<b>(126 082)</b>	<b>384 812</b>	<b>257 661</b>	<b>29 855</b>	<b>137 954</b>	<b>-</b>

## 29. RISK MANAGEMENT (CONTINUED)

Operations in US Dollars:

<i>In millions of Russian Roubles</i>	<i>Demand and less than 30 days</i>	<i>Due between 31 and 90 days</i>	<i>Due between 91 and 180 days</i>	<i>Due between 181 days and 1 year</i>	<i>More than 1 years</i>	<i>Total</i>
Total interest bearing financial assets	76 377	22 013	21 832	102 056	119 195	<b>341 473</b>
Total interest bearing financial liabilities	44 494	33 812	32 884	70 258	169 214	<b>350 662</b>
<b>Sensitivity gap</b>	<b>31 883</b>	<b>(11 799)</b>	<b>(11 052)</b>	<b>31 798</b>	<b>(50 019)</b>	<b>(9 189)</b>
<b>Cummulative sensitivity gap</b>	<b>31 883</b>	<b>20 084</b>	<b>9 032</b>	<b>40 830</b>	<b>(9 189)</b>	<b>-</b>

For the year ended 31 December 2020, if interest rates at that date had been 100 basis points lower/higher with all other variables held constant, net interest income for the year would have been RR 1 652 million lower/higher for operations in Russian Roubles and RR 57 million higher/lower for operations in US Dollars (31 December 2019: if interest rates at that date had been 100 basis points lower/higher with all other variables held constant, net interest income for the year would have been RR 1 838 million lower/higher for operations in Russian Roubles and RR 59 million higher/lower for operations in US Dollars).

For the year ended 31 December 2020, if interest rates at that date had been 100 basis points lower/higher with all other variables held constant, the fair value of debt investment classified as at fair value through other comprehensive income would have been RR 6 040 million higher/lower (31 December 2019: RR 3 358 million higher/lower).

For the year ended 31 December 2020, if interest rates at that date had been 100 basis points lower/higher with all other variables held constant, the fair value of debt investment classified as at fair value through profit or loss would have been RR 1 551 million higher/lower (31 December 2019: RR 300 million higher/lower).

**Currency and equity risk management.** Currency risk and equity risk are assessed on the basis of the VAR method (Value At Risk). This method represents a statistical evaluation of the ratio characterising the maximum amount of possible losses on a financial instrument/portfolio of different financial instruments with a specified probability and for a certain period of time. Reports on the level of market risk are issued on the basis of the approved Methodology for Market Risk Evaluation and provided by the Risks Department to the Bank's management and heads of interested units in compliance with the internal regulatory documents.

The Bank calculates VAR on the basis of a 95% or 99% confidence level and makes evaluations on the basis of retrospective information on closing prices (as the most dynamic and precise in terms of risk evaluation) for

## 29. RISK MANAGEMENT (CONTINUED)

250 days, evaluation horizon is one or 30 days. Therefore, VAR shows the maximum loss that can be received from the open position during one/thirty trading days with a 95% (99%) probability; however, in 5% (1%) of cases losses may exceed this level. VAR is calculated by historical method.

VAR calculation is shown in management reports in two forms: relative (in percentage terms) and absolute (in Roubles). Relative VAR shows the maximum possible loss as per RR 1 of investments, and absolute VAR — losses on the current open position during the period of evaluation.

Together with VAR, the Bank calculates ES indicator (Expected Shortfall), which represents monetary value of expected losses in case of excess VAR.

The procedure of back-testing of methods used is conducted quarterly.

Although VAR is a most common tool for measuring market risk exposures, it has a number of limitations, especially in less liquid markets:

- The use of historic data as a basis for determining future events may not encompass all possible scenarios, particularly those which are of an extreme nature;
- A one day holding period assumes that all positions can be liquidated or hedged within that period. This is considered to be a realistic assumption in almost all cases but may not be the case in situation in which there is a severe market illiquidity for a prolonged period;
- The use of 99% confidence level does not take into account losses that may occur beyond this level. There is a 1% probability that the loss could exceed the VAR; and
- VAR is calculated only on the end-of-day basis and does not necessarily reflect exposures that may arise on positions during the trading day.

The below table shows possible changes in financial results and equity during one day as a result of possible fluctuations in exchange rates of foreign currencies, evaluated on the basis of VAR and ES methods with 99% confidence level.

<i>In millions of Russian Roubles</i>	<i>31 December 2020</i>	<i>31 December 2019</i>
Sum of all long positions	13 114	2 137
VAR	454	26
Expected Shortfall	594	48

The Bank monitors currency position for each currency and the amount of all foreign currency positions to comply with the Bank of Russia requirements.

## 29. RISK MANAGEMENT (CONTINUED)

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

<i>In millions of Russian Roubles</i>	<i>Russia</i>	<i>OECD*</i>	<i>Other countries</i>	<i>Total</i>
<b>Assets</b>				
Cash and cash equivalents	361 714	16 188	401	<b>378 303</b>
Mandatory cash balances with the Bank of Russia	24 999	-	-	<b>24 999</b>
Trading securities	42 756	-	-	<b>42 756</b>
Due from other banks	8 840	-	34 459	<b>43 299</b>
Derivative financial instruments	13 825	12 148	-	<b>25 973</b>
Loans and advances to customers	2 603 321	-	88 933	<b>2 692 254</b>
Investment securities	487 867	3 428	1 502	<b>492 797</b>
Current income tax assets	186	-	-	<b>186</b>
Deferred income tax asset	15 291	-	-	<b>15 291</b>
Intangible assets	10 825	-	-	<b>10 825</b>
Premises and equipment	56 681	-	-	<b>56 681</b>
Other assets	34 744	-	9	<b>34 753</b>
Assets classified as held for sale	1 671	-	-	<b>1 671</b>
<b>Total assets</b>	<b>3 662 720</b>	<b>31 764</b>	<b>125 304</b>	<b>3 819 788</b>
<b>Liabilities</b>				
Derivative financial instruments	2 626	2 790	-	<b>5 416</b>
Due to other banks	234 025	17 029	3 121	<b>254 175</b>
Customer accounts	2 857 853	107	4 361	<b>2 862 321</b>
Promissory notes issued	67 023	-	-	<b>67 023</b>
Bonds issued	168 988	-	-	<b>168 988</b>
Current income tax liability	24	-	-	<b>24</b>
Deferred income tax liability	1 915	-	-	<b>1 915</b>
Other liabilities	73 335	1	2	<b>73 338</b>
<b>Total liabilities before subordinated debts</b>	<b>3 405 789</b>	<b>19 927</b>	<b>7 484</b>	<b>3 433 200</b>
Subordinated debts	124 016	27 869	-	<b>151 885</b>
<b>Total liabilities</b>	<b>3 529 805</b>	<b>47 796</b>	<b>7 484</b>	<b>3 585 085</b>
<b>Net position in on-balance sheet instruments</b>	<b>132 915</b>	<b>(16 032)</b>	<b>117 820</b>	<b>234 703</b>

\* OECD — Organisation for Economic Cooperation and Development.

## 29. RISK MANAGEMENT (CONTINUED)

Assets and liabilities have been classified according to the country in which the counterparty is located. Balances with Russian counterparties actually outstanding to/from offshore companies of these Russian counterparties, are allocated to the caption "Russia". Cash on hand and premises and equipment have been classified according to the country in which they are physically held.

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

<i>In millions of Russian Roubles</i>	<i>Russia</i>	<i>OECD*</i>	<i>Other countries</i>	<i>Total</i>
<b>Assets</b>				
Cash and cash equivalents	321 766	81 009	789	<b>403 564</b>
Mandatory cash balances with the Bank of Russia	22 334	-	-	<b>22 334</b>
Trading securities	21 974	-	-	<b>21 974</b>
Due from other banks	30 722	-	19 821	<b>50 543</b>
Derivative financial instruments	9 993	8 272	-	<b>18 265</b>
Loans and advances to customers	2 164 906	-	-	<b>2 164 906</b>
Investment securities	393 745	37 259	1 299	<b>432 303</b>
Current income tax assets	597	-	-	<b>597</b>
Deferred income tax asset	16 298	-	-	<b>16 298</b>
Intangible assets	7 423	-	-	<b>7 423</b>
Premises and equipment	51 470	-	-	<b>51 470</b>
Other assets	24 923	13	2	<b>24 938</b>
Assets of the disposal groups held for sale and assets held for sale	1 134	-	-	<b>1 134</b>
<b>Total assets</b>	<b>3 067 285</b>	<b>126 553</b>	<b>21 911</b>	<b>3 215 749</b>
<b>Liabilities</b>				
Derivative financial instruments	3 351	1 431	-	<b>4 782</b>
Due to other banks	95 139	13 620	760	<b>109 519</b>
Customer accounts	2 485 144	31	933	<b>2 486 108</b>
Promissory notes issued	47 358	-	-	<b>47 358</b>
Bonds issued	174 954	-	-	<b>174 954</b>
Current income tax liability	469	-	-	<b>469</b>
Deferred income tax liability	2 221	-	-	<b>2 221</b>
Other liabilities	56 979	20	-	<b>56 999</b>
<b>Total liabilities before subordinated debts</b>	<b>2 865 615</b>	<b>15 102</b>	<b>1 693</b>	<b>2 882 410</b>
Subordinated debts	109 794	24 295	-	<b>134 089</b>
<b>Total liabilities</b>	<b>2 975 409</b>	<b>39 397</b>	<b>1 693</b>	<b>3 016 499</b>
<b>Net position in on-balance sheet instruments</b>	<b>91 876</b>	<b>87 156</b>	<b>20 218</b>	<b>199 250</b>

\* OECD — Organisation for Economic Cooperation and Development.

## 29. RISK MANAGEMENT (CONTINUED)

**Liquidity risk.** Liquidity risk is defined as the risk of the Group's inability to meet its obligations on a timely and full basis. The Group is exposed to daily calls on its available cash resources from customer accounts, demand deposits, maturing interbank loans (deposits), term deposits and issued securities, loan draw downs, guarantees and from margin and other calls on cash settled derivative instruments. The Group does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty.

The Group manages liquidity risk on the basis of the following principles:

- Segregation of duties between the Groups's management bodies, its collegial working bodies, structural units and executives;
- Setting limits ensuring an optimal liquidity level and corresponding to the Group's financial position;
- Priority of maintaining liquidity over profit maximisation;
- Excluding conflicts of interest in organising the liquidity management system; and
- Optimal matching of the volumes and maturities of funding sources with the volumes and maturities of placed assets.

The responsibility for liquidity management rests with the Bank's Management Board, Risk Management Committee, Assets and Liabilities Management Committee and the Internal Treasury Department within their competence. Ensuring the solvency of the Bank within one business day and controlling the liquidity within 30 days is carried by the Department of Operations on Financial Markets within the established limits on attraction/placement of funds in the money market. In case of necessity to attract/place funds in the volumes exceeding the set limits, such decisions are made by the Bank's Management Board (Assets and Liabilities Management Committee). Medium-term and long-term liquidity management is carried out with consideration of information and proposals provided by the Risks Department at each end of reporting period.

The Group manages liquidity risk using the following basic methods:

- Evaluating the daily payment position on the basis of cash flow analysis;
- Reviewing the actual values and changes in mandatory liquidity ratios;
- Evaluating structure and quality of assets and liabilities;
- Limiting active operations;
- Analysing maturity gaps of the Group on the basis of the most likely claim/repayment dates by main currencies; and
- Analysing the Group's exposure to liquidity risk with consideration of stress factors's impact on various scenarios covering standard and more unfavourable market conditions.

## 29. RISK MANAGEMENT (CONTINUED)

Information on financial assets and liabilities (their structure and gaps within certain time intervals) is used in management decisions on the Group's liquidity maintenance at an adequate level. Internal Treasury Department is responsible to maintain short-term assets portfolio of liquid trading securities, deposits with banks and other interbank instruments.

The Group maintains a stable financing base consisting mainly of funds that were attracted through placing of bonds in Russian roubles and other currencies, increasing the volume of deposits (including interbank deposits), issuing promissory notes and also current resources of the Group as a result of an increase in customer current accounts.

The Group develops and instantly reviews a contingency plan for maintaining the necessary liquidity level with consideration of any changes in the Group's financial position and volume and nature of its transactions. In case of a liquidity crisis and additional expenses to be incurred in this respect, as well as for coverage of incurred or potential financial losses all decision-making responsibilities are transferred to the Management Board, Risk Management Committee and Assets and Liabilities Management Committee.

Compliance with liquidity requirements set by the Bank of Russia is forecasted on a regular basis for the Group and for the Bank in general with consideration of the branch network.

For the purpose of additional management of the Group's term liquidity in general, the Group uses liquidity limits which is supervised by the Risks Department as part of ongoing monitoring.

The table below shows distribution of financial liabilities as at 31 December 2020 by their remaining contractual maturity. The amounts disclosed in the table are the contractual undiscounted cash flows of the Group's financial liabilities and off-balance sheet credit related commitments. Such undiscounted cash flows differ from the amount included in the statement of financial position, since the amount in statement of financial position is based on discounted cash flows. Net settled derivative financial instruments are included at the net amounts expected to be paid. In respect of gross settled derivative financial instruments, payments are presented for related cash inflows and outflows separately.

When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the end of reporting period. Foreign currency payments are translated using the spot exchange rate at the end of the reporting period.

## 29. RISK MANAGEMENT (CONTINUED)

The maturity analysis of undiscounted financial liabilities as at 31 December 2020 is as follows:

<i>In millions of Russian Roubles</i>	<i>Demand and less than 30 days</i>	<i>Due between 31 and 180 days</i>	<i>Due between 181 days and 1 year</i>	<i>From 1 to 3 years</i>	<i>More than 3 years</i>	<i>Total</i>
<b>Financial liabilities</b>						
Gross settled derivative financial instruments (including derivative financial assets)						
– inflow	(179 904)	(118 107)	(141 233)	(23 168)	(92 991)	<b>(555 403)</b>
– outflow	180 626	115 172	141 386	23 970	74 656	<b>535 810</b>
Net settled derivative financial instruments (including derivative financial assets)						
	-	(1 323)	35	(493)	(1)	<b>(1 782)</b>
Due to other banks	43 818	145 264	10 770	75 850	2 309	<b>278 011</b>
Customer accounts	1 026 227	777 586	606 175	472 947	57 332	<b>2 940 267</b>
Promissory notes issued	2 791	7 346	4 087	43 342	9 645	<b>67 211</b>
Bonds issued	1 213	43 343	18 074	91 058	70 511	<b>224 199</b>
Lease liabilities (IFRS 16)	229	1 109	1 316	4 859	4 221	<b>11 734</b>
Other financial liabilities	12 758	182	4	141	305	<b>13 390</b>
Subordinated debts	1 233	5 663	15 181	44 734	121 096	<b>187 907</b>
<b>Off-balance sheet financial liabilities</b>						
Letters of credit	9 438	-	-	-	-	<b>9 438</b>
Other credit related commitments*	276 891	-	-	-	-	<b>276 891</b>
<b>Total potential future payments for financial obligations</b>	<b>1 375 320</b>	<b>976 235</b>	<b>655 795</b>	<b>733 240</b>	<b>247 083</b>	<b>3 987 673</b>

\* Other credit related commitments include cancellable commitments, which are dependent on borrowers' compliance with certain creditworthiness criteria.

## 29. RISK MANAGEMENT (CONTINUED)

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

<i>In millions of Russian Roubles</i>	<i>Demand and less than 30 days</i>	<i>Due between 31 and 180 days</i>	<i>Due between 181 days and 1 year</i>	<i>From 1 to 3 years</i>	<i>More than 3 years</i>	<i>Total</i>
<b>Financial liabilities</b>						
Gross settled derivative financial instruments (including derivative financial assets)						
– inflow	(79 478)	(28 280)	(114 935)	(47 139)	(97 692)	<b>(367 524)</b>
– outflow	79 429	28 199	115 426	47 753	82 864	<b>353 671</b>
Net settled derivative financial instruments (including derivative financial assets)						
	14	(194)	(55)	141	-	<b>(94)</b>
Due to other banks	47 475	1 334	1 386	48 599	17 060	<b>115 854</b>
Customer accounts	807 784	596 061	505 797	660 600	36 569	<b>2 606 811</b>
Promissory notes issued	26 093	3 552	1 577	10 629	5 507	<b>47 358</b>
Bonds issued	2 586	18 295	21 895	100 092	104 696	<b>247 564</b>
Lease liabilities (IFRS 16)	190	1 115	1 338	4 875	4 453	<b>11 971</b>
Other financial liabilities	12 766	103	227	6	110	<b>13 212</b>
Subordinated debts	1 355	5 190	5 034	28 652	140 135	<b>180 366</b>
<b>Off-balance sheet financial liabilities</b>						
Letters of credit	2 529	-	-	-	-	<b>2 529</b>
Other credit related commitments*	174 145	-	-	-	-	<b>174 145</b>
<b>Total potential future payments for financial obligations</b>	<b>1 074 888</b>	<b>625 375</b>	<b>537 690</b>	<b>854 208</b>	<b>293 702</b>	<b>3 385 863</b>

\* Other credit related commitments include cancellable commitments, which are dependent on borrowers' compliance with certain creditworthiness criteria.

Customer accounts are classified in the above analysis based on contractual maturities. However, in accordance with Russian Civil Code, individuals have a right to withdraw their deposits prior to maturity if they forfeit their right for accrued interest. Refer to Note 14.

The Group does not use the above undiscounted maturity analysis to manage liquidity. Instead, the Group monitors expected maturities.

## 29. RISK MANAGEMENT (CONTINUED)

The table below summarizes contractual maturity analysis as at 31 December 2020:

<i>In millions of Russian Roubles</i>	<i>Less than 1 year</i>	<i>More than 1 year</i>	<i>Total</i>
<b>Financial assets</b>			
Cash and cash equivalents	378 303	-	<b>378 303</b>
Mandatory cash balances with the Bank of Russia	24 999	-	<b>24 999</b>
Trading securities	38 559	4 197	<b>42 756</b>
Due from other banks	35 509	7 790	<b>43 299</b>
Derivative financial instruments	7 397	18 576	<b>25 973</b>
Loans and advances to customers	904 329	1 787 925	<b>2 692 254</b>
Investment securities	21 307	471 490	<b>492 797</b>
Other financial assets	11 470	433	<b>11 903</b>
<b>Total financial assets</b>	<b>1 421 873</b>	<b>2 290 411</b>	<b>3 712 284</b>
<b>Financial liabilities</b>			
Derivative financial instruments	(3 981)	(1 435)	<b>(5 416)</b>
Due to other banks	(196 699)	(57 476)	<b>(254 175)</b>
Customer accounts	(2 377 241)	(485 080)	<b>(2 862 321)</b>
Promissory notes issued	(14 035)	(52 988)	<b>(67 023)</b>
Bonds issued	(51 481)	(117 507)	<b>(168 988)</b>
Other financial liabilities	(12 950)	(10 306)	<b>(23 256)</b>
<b>Total financial liabilities before subordinated debts</b>	<b>(2 656 387)</b>	<b>(724 792)</b>	<b>(3 381 179)</b>
Subordinated debts	(11 766)	(140 119)	<b>(151 885)</b>
<b>Total financial liabilities</b>	<b>(2 668 153)</b>	<b>(864 911)</b>	<b>(3 533 064)</b>
<b>Net liquidity gap</b>	<b>(1 246 280)</b>	<b>1 425 500</b>	<b>179 220</b>
<b>Cumulative liquidity gap</b>	<b>(1 246 280)</b>	<b>179 220</b>	<b>-</b>

## 29. RISK MANAGEMENT (CONTINUED)

The table below summarizes contractual maturity analysis as at 31 December 2019:

<i>In millions of Russian Roubles</i>	<i>Less than 1 year</i>	<i>More than 1 year</i>	<i>Total</i>
<b>Financial assets</b>			
Cash and cash equivalents	403 564	-	<b>403 564</b>
Mandatory cash balances with the Bank of Russia	22 334	-	<b>22 334</b>
Trading securities	18 419	3 555	<b>21 974</b>
Due from other banks	43 656	6 887	<b>50 543</b>
Derivative financial instruments	2 014	16 251	<b>18 265</b>
Loans and advances to customers	705 843	1 459 063	<b>2 164 906</b>
Investment securities	18 436	413 867	<b>432 303</b>
Other financial assets	9 014	95	<b>9 109</b>
<b>Total financial assets</b>	<b>1 223 280</b>	<b>1 899 718</b>	<b>3 122 998</b>
<b>Financial liabilities</b>			
Derivative financial instruments	(2 441)	(2 341)	<b>(4 782)</b>
Due to other banks	(48 253)	(61 266)	<b>(109 519)</b>
Customer accounts	(1 873 518)	(612 590)	<b>(2 486 108)</b>
Promissory notes issued	(31 222)	(16 136)	<b>(47 358)</b>
Bonds issued	(28 838)	(146 116)	<b>(174 954)</b>
Other financial liabilities	(13 076)	(10 360)	<b>(23 436)</b>
<b>Total financial liabilities before subordinated debts</b>	<b>(1 997 348)</b>	<b>(848 809)</b>	<b>(2 846 157)</b>
Subordinated debts	(1 565)	(132 524)	<b>(134 089)</b>
<b>Total financial liabilities</b>	<b>(1 998 913)</b>	<b>(981 333)</b>	<b>(2 980 246)</b>
<b>Net liquidity gap</b>	<b>(775 633)</b>	<b>918 385</b>	<b>142 752</b>
<b>Cumulative liquidity gap</b>	<b>(775 633)</b>	<b>142 752</b>	<b>-</b>

The matching and/or controlled mismatching of the maturities of assets and liabilities is fundamental to the management of the liquidity risks 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.

Management believes that in spite of a substantial portion of customers' 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.

## 29. RISK MANAGEMENT (CONTINUED)

**Operational risk.** Operational risk is the risk of losses in a result of mismatch of character and range of Bank's (Group's) activity, internal rules and procedures of making bank operations and other deals, staff or other person infraction (as a result of unintentional or intended activity or inactivity), mismatch (insufficiency) functional abilities using information technical and other system and (or) there multifunction (disrupting operation) and also as a result of influence of external events.

Main principles of Operational risk management are incorporated in internal documents.

The main goal of operational risk management is maintain acceptable operation risk level, undertake by Bank (Group) for secure reliability during its usual operation activity and achievement strategic aims and objectives.

The Bank's Management Board, Risk Management Committee of the Bank and other collegial bodies of the Bank perform operational risk management in the Group within their authorities.

Responsibility for completeness, quality and timeliness of reporting on operational risks, inherent in the activities of the independent structural bodies of the Bank, and losses in case of its realization, as well as responsibility for compliance with principles and procedures of operational risk management in the process of operational activity lies with the heads of divisions of the Bank and regional branches.

The Group uses the following main methods of operational risk management:

- Acceptance of operational risk — informed decision-making on the performance of actions that result in an increase in the level of operational risk;
- Refusal from operational risk — informed decision-making on refusal to perform actions or type of activity that may lead to an increase in the level of operational risk;
- Minimization of operational risk — informed decision-making on actions, the result of which is minimization of operational risk to an acceptable level for the Bank or elimination of operational risk;
- Distribution/transfer of operational risk — informed decision-making on actions that result in full or partial transfer of risk and possible losses of the Bank as a result of its implementation to another person/persons, in particular through insurance or outsourcing.

Responsibility for the completeness, quality and timeliness of informing about operational risks inherent in the activities of independent structural divisions of the Bank, and losses from their implementation, as well as for compliance with the principles and procedures of operational risk management in the process of an independent structural division of its activities, rests with the heads of independent structural divisions of the Bank, including the regional level.

## 29. RISK MANAGEMENT (CONTINUED)

The main tasks solved by the Bank (Group) to achieve the goal of operational risk management include:

- Creating internal culture of operational risk management on all levels of organizational structure;
- Ensuring compliance with the requirements of internal documents by all independent structural divisions/branches;
- Methodological support of operational risk management process, developing and enhancing internal documents regulating the process of operational risk management;
- Organization of the process of identification and assessment of operational risk for all objects of operational risk, including all new areas of activity, processes, systems, assets of the Bank;
- Selection and analyse of any data relating to operational risks, supporting the Data of operational risk trigger events and losses in case of its realization;
- Developing and implementing the actual plan for minimization of operational risk and probable subsequent losses in case of its realization;
- Developing actual plans for providing regularity or/and recover ability of the Group's activity in case of unobservable and unexpected circumstances, and for limiting Groups losses in case of adverse circumstances arisen;
- Monitoring and preparing the report of operational risk level on regular basis;
- Taking measures to transfer risk to third parties (insurance/outsourcing);
- Maintaining effective internal control environment within the framework of operational risk management;
- Ensuring the compliance of the operational risk management system with the legislation of the Russian Federation, the requirements and recommendations of the Bank of Russia;
- Improvement of the operational risk management system based on the assessment of its effectiveness and compliance with the best world banking practice, including Basel II/III recommendations.

In order to take into account the new requirements of the Bank of Russia to the organization of the operational risk management system of the Bank and the Group, a Roadmap was developed, the implementation of which in 2021 will allow the Bank to meet the new requirements of the Bank of Russia and provide an opportunity for the subsequent transition to an advanced approach to the calculation of operational risk (application of the calculated coefficient of internal losses).

**Insurance risk.** In the process of carrying out insurance activities, the Group assumes the risk of losses from individuals and organizations that are directly exposed to risk. These risks may include the risk of damage to property, the risk of civil liability to third parties, the risk of an accident or illness, the risk of the insured person living to a certain age or period, or other events in the life of the insured person, the risk of death of the insured person, and other risks associated with the occurrence of an insured event. In assuming risks, the Group is subject to uncertainty as to the time of payment of the insurance indemnity and the severity of the damage. Insurance cases are random in nature, and their actual number and magnitude may differ from estimates made using statistical methods.

## 29. RISK MANAGEMENT (CONTINUED)

Insurance risk (actuarial tariff risk, actuarial reserve risk, underwriting risk, reinsurance operations risk, catastrophic event risk) — the risk of losses of insurance activities due to:

- Insufficient reserves formed to cover the Group's obligations to policyholders;
- Non-compliance of the tariff with the probability of occurrence of an insurance event and the predicted trends in the development of the risk accepted for insurance;
- Occurrence of catastrophic events (changes in weather and climate conditions, epidemics, etc.) or economic downturn;
- Exceeding your own retention limit and/or underestimating the degree of risk accumulation.

When organizing risk management processes, the Group strives to follow generally accepted international standards in this area.

The risk management process in the Group is a sequence of technologically related operations carried out within the framework of risk management activities and includes the following main stages:

- Risk identification — identification and classification of risks that could potentially affect the Group's current activities or planned operations.
- Regulation of the process of conducting operations subject to insurance risk (all operations subject to insurance risks are carried out within the limits:
  - Limits of self-retention;
  - Limits of authority of Agents/employees of selling divisions;
  - Limits the powers of the Underwriters;
  - Reinsurance of risks/part of risks taken by the Group in order to ensure the financial stability of the Group.
- Risk assessment — identification of key risk indicators and methods of quantitative and qualitative risk assessment for individual Group operations and the total risk accepted by the Group (including assessment of the level of insurance risk for operations/transactions/portfolios, calculation of tariff rates/deductibles).
- Risk management — development of tools for reducing the level of accepted risks, including setting limits and restrictions on the amount of risks accepted by the Group, taking into account the assessment of its performance.
- Risk monitoring and control — conducting regular checks of compliance with established limits and restrictions, forming risk reports on the level and acceptability of accepted risks, monitoring compliance with risk management procedures and their compliance with established requirements.

The group manages insurance risk through the use of established statistical methods, reinsurance of risk concentration, setting limits on underwriting, establishing transaction approval procedures, developing rules for setting insurance rates, and monitoring complex issues that arise.

## 29. RISK MANAGEMENT (CONTINUED)

The degree of uncertainty in the loss settlement process for each type of insurance varies depending on the specific nature of the risk and the length of the period required to claim losses and settle them.

The main assumption used in assessing liabilities is that the Group's insurance losses will develop in the future in the same way as losses in the past, with a number of possible assumptions. When assessing the extent to which previous trends may not repeat in the future, additional qualitative judgments must be applied. The judgment is used to assess the extent to which external factors such as economic downturns, changes in weather and climate conditions, outbreaks of epidemics, and others affect estimates.

Obligations under insurance contracts are sensitive to the basic assumptions listed above.

The insurance risk under the insurance contract is the possibility of an insured event and the uncertainty of the corresponding amount of loss. The nature of the insurance contract is such that this risk is accidental and, accordingly, unpredictable. The group provides life insurance services and insurance other than life insurance: property insurance, agricultural insurance and individual accident insurance.

For a portfolio of insurance contracts that used probability theory in relation to pricing and reservation, the main risk associated with insurance contracts is that actual losses and insurance payments exceed the book value of insurance liabilities. This may be due to the fact that the frequency or significance of losses and payments will exceed the estimated level. Insurance events are random, and the actual amount and amounts of losses and payments for each year will differ from the amounts determined using actuarial methods. Factors that exacerbate insurance risk include a lack of diversification by type and level of risk, geographical location, and type of insurance policy holder.

### 30. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The tables below show financial assets offset against financial liabilities and financial liabilities offset against financial assets in the statement of financial position, as well as the effect of enforceable master netting agreements (ISDA, RISDA and other) and similar arrangements that does not result in an offset in the statement of financial position as at 31 December 2020 and 31 December 2019:

In millions of Russian Roubles	Gross amounts before offsetting in the statement of financial position	Gross amounts set off in the statement of financial position	Net amount after offsetting in the statement of financial position	Amounts subject to master netting and similar arrangements not set off in the statement of financial position		
				Financial instruments	Cash collateral received	Net amount of exposure
<b>Assets subject to offsetting, master netting and similar arrangement</b>						
Derivative financial instruments	17 046	-	17 046	(1 672)	(5 684)	9 690
Cash and cash equivalents (reverse repurchase agreements)	6 732	-	6 732	(6 732)	-	-
<b>Liabilities subject to offsetting, master netting and similar arrangement</b>						
Derivative financial instruments	5 412	-	5 412	(1 672)	(2 303)	1 437
Due to banks	23	-	23	(23)	-	-

In millions of Russian Roubles	Gross amounts before offsetting in the statement of financial position	Gross amounts set off in the statement of financial position	Net amount after offsetting in the statement of financial position	Amounts subject to master netting and similar arrangements not set off in the statement of financial position		
				Financial instruments	Cash collateral received	Net amount of exposure
<b>Assets subject to offsetting, master netting and similar arrangement</b>						
Derivative financial instruments	11 930	-	11 930	(639)	(1 004)	10 287
Cash and cash equivalents (reverse repurchase agreements)	1 586	-	1 586	(1 586)	-	-
<b>Liabilities subject to offsetting, master netting and similar arrangement</b>						
Derivative financial instruments	4 770	-	4 770	(639)	(847)	3 284

The Group has master netting arrangements with stock exchange and counterparty banks, which are enforceable in case of default. In addition, applicable legislation allows an entity to unilaterally set off trade receivables and payables that are due for payment, denominated in the same currency and outstanding with the same counterparty. Information on such balances is subject to disclosure as they were set off in the statement of financial position.

### 31. MANAGEMENT OF CAPITAL

The Group's objectives when managing capital are:

- To comply with the capital requirements set by the Bank of Russia;
- To ensure the Group's ability to continue as a going concern.

Compliance with the capital adequacy ratio set by the Bank of Russia is monitored by the Group's management on a monthly basis.

Under the capital requirements set by the Bank of Russia effective at 31 December 2020 and 2019, banks had to maintain a ratio of capital and assets weighted to risk ("Capital Adequacy Ratio") above a prescribed minimum level of 8% (N1.0), while a prescribed minimum level for Common Equity Tier 1 Ratio (CET1 ratio) (N1.1) is set at 4.5% and for Tier 1 Ratio (N1.2) is set at 6%.

During 2020 and 2019 the Bank's capital adequacy ratio in accordance with the Bank of Russia requirements exceeded the minimum level and as at 31 December 2020 and 31 December 2019 was as follows:

In millions of Russian Roubles	31 December 2020	31 December 2019
Capital of the Bank	522 273	506 244
CET1 Ratio (N1.1)	9.8%	9.9%
Tier1 Ratio (N1.2)	11.2%	11.3%
Capital Adequacy Ratio (N1.0)	14.4%	15.1%

Capital of the Bank and capital adequacy is calculated as required by the Bank of Russia Regulation # 646-P *Methodology for Capital Adequacy Calculation by Credit Organizations (Basel III)* and the Bank of Russia Instruction # 199-I *Methodology for Mandatory Prudential Ratios Calculation by Banks*.

As at 31 December 2020 and 2019, the Group is subject to minimum capital requirements established by covenants stated in loan agreements, including capital adequacy levels calculated on the IFRS figures in accordance with Basel II Capital Accord equals 8%. As at 31 December 2020 and 2019, the Group was in compliance with covenants for maintaining capital adequacy ratio under Basel II.

## 32. CONTINGENCIES AND COMMITMENTS

**Legal proceedings.** From time to time in the normal course of business, claims against the Group are received. As at 31 December 2020, based on its own estimates and both internal and external professional advice the Group's management is of the opinion that no material losses will be incurred in respect of the claims in excess of the amounts already provided for in these consolidated financial statements (31 December 2019: Group's management is of the opinion that no material losses will be incurred in respect of the claims in excess of the amounts already provided for in these consolidated financial statements).

**Tax contingencies.** Certain provisions of Russian tax, currency and customs legislation as currently in effect are vaguely drafted which may often result in their different interpretation (which, inter alia, may apply retrospectively), inconsistent and selective application and frequent and unpredictable changes. Interpretation of this legislation by the Group in relation to the operations and activities of the Group may be challenged by the respective state authorities. The tax authorities may be taking a more assertive position in their interpretation of the Russian tax legislation in carrying out tax audits and in making tax assessments. Consequently, the tax authorities may challenge transactions and tax accounting methods that have not been challenged in the past.

Fiscal periods remain open and subject to review by the tax authorities in course of the on-site tax audits for a period of three calendar years immediately preceding the year in which the decision to conduct a tax review is taken. Under certain circumstances tax reviews may cover longer periods.

Russian transfer pricing legislation allows the Russian tax authority under certain circumstances to apply transfer pricing adjustments and impose additional profits tax and VAT liabilities in respect of all controlled transactions if the transaction price differs from the market level of prices determined for tax purposes and such deviation resulted in the underpayment of the tax to the revenue. The list of controlled transactions includes transactions performed with interdependent parties (with certain exceptions) and certain types of cross-border transactions and transactions between Russian interdependent parties. Special transfer pricing rules apply to transactions with securities, derivatives and interest.

During the year ended 31 December 2020, the Group determined its tax liabilities arising from the controlled transactions using actual transaction prices.

Due to the absence of the stable practice of the application of the Russian transfer pricing legislation, the Russian tax authorities may challenge the level of prices applied by the Russian companies of the Group for tax purposes under the controlled transactions and accrue additional tax liabilities in relation to such transactions, unless the Group is able to demonstrate that the respective transactions are arms' length for tax purposes.

As at 31 December 2020, the Management of the Group believes that its interpretation of the applicable legislation is reasonable and will be sustained.

## 32. CONTINGENCIES AND COMMITMENTS (CONTINUED)

**Capital expenditure commitments.** As at 31 December 2020, the Group has contractual capital expenditure commitments of RR 2 961 million (31 December 2019: RR 1 950 million).

**Compliance with covenants.** The Group is subject to certain covenants primarily relating to its borrowings. Non-compliance with such covenants may result in negative consequences for the Group including an increase of the borrowing costs and announcement of the default. The Group's Management believes that the Group is in compliance with the covenants.

**Credit related commitments.** The primary purpose of these instruments is to ensure that funds are available to a customer as required. Financial guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Group on behalf of a customer authorizing a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralized by the underlying shipments of goods to which they relate or cash deposits and therefore carry less risk than a direct borrowing.

Commitments to extend credit represent unused portions of authorizations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. 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.** Performance guarantees are contracts that provide compensation if another party fails to perform a contractual obligation. 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.

Outstanding credit related commitments and performance guarantees are as follows:

<i>In millions of Russian Roubles</i>	<i>31 December 2020</i>	<i>31 December 2019</i>
Undrawn credit lines	185 237	97 741
Letters of credit	9 438	2 529
Less: provisions for ECL	(930)	(508)
<b>Total credit related commitments</b>	<b>193 745</b>	<b>99 762</b>
Performance guarantees	142 382	101 820
<b>Total credit related commitments and performance guarantees</b>	<b>336 127</b>	<b>201 582</b>

### 32. CONTINGENCIES AND COMMITMENTS (CONTINUED)

An analysis of changes in the ECLs of credit related commitments during the year ended 31 December 2020 are as follows:

<i>In millions of Russian Roubles</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
<b>ECLs as at 1 January 2020</b>	<b>497</b>	<b>11</b>	<b>-</b>	<b>508</b>
Transfers to Stage 1	11	(11)	-	-
Transfers to Stage 2	(1)	1	-	-
Transfers to Stage 3	(1)	-	1	-
Impact on period end ECL of exposures transferred between stages during the period (including expense on new issue and income from repayments)	423	-	(1)	<b>422</b>
<b>ECLs as at 31 December 2020</b>	<b>929</b>	<b>1</b>	<b>-</b>	<b>930</b>

An analysis of changes in the ECLs of credit related commitments during the year ended 31 December 2019 are as follows:

<i>In millions of Russian Roubles</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
<b>ECLs as at 1 January 2019</b>	<b>654</b>	<b>2</b>	<b>-</b>	<b>656</b>
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(57)	57	-	-
Transfers to Stage 3	(39)	-	39	-
Impact on period end ECL of exposures transferred between stages during the period (including expense on new issue and income from repayments)	(61)	(48)	(39)	<b>(148)</b>
<b>ECLs as at 31 December 2019</b>	<b>497</b>	<b>11</b>	<b>-</b>	<b>508</b>

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

An analysis of changes in the provision for performance guarantees are as follows:

<i>In millions of Russian Roubles</i>	<i>2020</i>	<i>2019</i>
<b>Provision as at 1 January</b>	<b>-</b>	<b>633</b>
Provision	-	1 214
Amount written off	-	(1 847)
<b>Provision as at 31 December</b>	<b>-</b>	<b>-</b>

### 32. CONTINGENCIES AND COMMITMENTS (CONTINUED)

Credit related commitments are denominated in currencies as follows:

<i>In millions of Russian Roubles</i>	<i>31 December 2020</i>	<i>31 December 2019</i>
Russian Roubles	314 233	189 500
US Dollars	13 640	6 671
Euros	8 254	5 411
<b>Total credit related commitments and performance guarantees</b>	<b>336 127</b>	<b>201 582</b>

Analysis by credit quality in relation to credit related commitments as at 31 December 2020 is as follows:

<i>In millions of Russian Roubles</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
Low credit risk	12 144	-	-	<b>12 144</b>
Moderate credit risk	140 161	1 279	-	<b>141 440</b>
Increased credit risk	25 672	880	-	<b>26 552</b>
High credit risk	-	5 911	-	<b>5 911</b>
Default	-	-	-	-
Unrated	8 619	9	-	<b>8 628</b>
<b>Total credit related commitments (before impairment)</b>	<b>186 596</b>	<b>8 079</b>	<b>-</b>	<b>194 675</b>
Less: allowance for impairment	(929)	(1)	-	<b>(930)</b>
<b>Total credit related commitments</b>	<b>185 667</b>	<b>8 078</b>	<b>-</b>	<b>193 745</b>

Analysis by credit quality in relation to credit related commitments as at 31 December 2019 is as follows:

<i>In millions of Russian Roubles</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
Low credit risk	9 489	-	-	<b>9 489</b>
Moderate credit risk	70 822	311	-	<b>71 133</b>
Increased credit risk	15 908	2 077	-	<b>17 985</b>
High credit risk	-	1 663	-	<b>1 663</b>
Default	-	-	-	-
Unrated	-	-	-	-
<b>Total credit related commitments (before impairment)</b>	<b>96 219</b>	<b>4 051</b>	<b>-</b>	<b>100 270</b>
Less: allowance for impairment	(497)	(11)	-	<b>(508)</b>
<b>Total credit related commitments</b>	<b>95 722</b>	<b>4 040</b>	<b>-</b>	<b>99 762</b>

### 32. CONTINGENCIES AND COMMITMENTS (CONTINUED)

**Assets pledged and restricted.** The Group has the following assets pledged and restricted:

In millions of Russian Roubles	Note	31 December 2020	31 December 2019
Assets pledged under loan agreements with banks (including the Bank of Russia)		7 430	13 084

As at 31 December 2020, mandatory cash balances with the Bank of Russia in the amount of RR 24 999 million (31 December 2019: RR 22 334 million) represent mandatory reserve deposits which are not available to finance the Group's day to day operations.

As at 31 December 2020 and 31 December 2019, assets pledged under loan agreements with banks (including the Bank of Russia) mainly include loans and advances to customers pledged to the Bank of Russia under loan agreements in accordance with the Bank of Russia Act # 4801-U On the Forms and Conditions of Refinancing of Credit Institutions Secured by Assets dated 22 May 2018.

### 33. DERIVATIVE FINANCIAL INSTRUMENTS

Foreign exchange derivative financial instruments entered into by the Group are generally traded in an over-the-counter market with professional market counterparties. As a result of fluctuations in market interest rates, foreign exchange rates or other variables relative to their terms, derivative financial instruments are recognised as assets (in case of positive fair value) or liabilities (in case of negative fair value).

As at 31 December 2020, in the aggregate amount of foreign exchange swaps with original settlement dates of more than 30 working days prevails swaps structured as loans issued by the Group in Japanese yens (31 December 2019: in Japanese yens) to one large OECD bank with maturities from March 2023 to May 2023, and deposits in Russian Roubles received from the same counterparty with the same maturities ("back-to-back loans").

As at 31 December 2020, international credit rating of this counterparty was A (S&P) (31 December 2019: international credit rating of this counterparty was A (S&P)).

The table below reflects gross positions in derivative financial instruments before netting of any counterparty positions as at 31 December 2020 and covers the contracts with settlement dates after the respective end of the reporting period:

In millions of Russian Roubles	Principal or agreed amount at fair value of assets receivable	Principal or agreed amount at fair value of assets payable	Positive fair value	Negative fair value
<b>Forwards and swaps</b>				
– Currency	410 507	(398 096)	13 726	(1 315)
– Securities	116 506	(109 521)	8 579	(1 594)
– Currency-interest rate	17 491	(18 113)	652	(1 274)
– Interest rate	13 234	(11 453)	2 849	(1 068)
– Commodity	1 847	(1 847)	146	(146)
– Precious metals	3 009	(3 010)	4	(5)
<b>Options</b>	22 115	(22 181)	17	(14)
<b>Total derivative financial instruments</b>	<b>584 709</b>	<b>(564 221)</b>	<b>25 973</b>	<b>(5 416)</b>

The table below reflects gross positions in derivative financial instruments before netting of any counterparty positions as at 31 December 2019 and covers the contracts with settlement dates after the respective end of the reporting period:

### 33. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

<i>In millions of Russian Roubles</i>	<i>Principal or agreed amount at fair value of assets receivable</i>	<i>Principal or agreed amount at fair value of assets payable</i>	<i>Positive fair value</i>	<i>Negative fair value</i>
<b>Forwards and swaps</b>				
– Currency	205 718	(199 746)	6 949	(977)
– Securities	134 271	(127 728)	8 974	(2 337)
– Currency-interest rate	26 335	(25 558)	1 400	(623)
– Interest rate	5 277	(5 180)	942	(845)
– Precious metals	1 097	(1 097)	-	-
<b>Total derivative financial instruments</b>	<b>372 698</b>	<b>(359 309)</b>	<b>18 265</b>	<b>(4 782)</b>

As at 31 December 2020 and 2019, the Group had no foreign exchange swaps with fair value individually above 10% of the Group's equity.

Refer to Note 34 for the disclosure of fair value hierarchy for derivative financial instruments. Geographical and liquidity analyses of derivative financial instruments are disclosed in Note 29. The information on related party transactions is disclosed in Note 35.

### 34. FAIR VALUE OF FINANCIAL INSTRUMENTS

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 estimated fair values of financial instruments have been determined by the Group using available market information, where it exists, and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to determine the estimated fair value. The Russian Federation continues to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. Market quotations may be outdated or reflect distress sale transactions and therefore not represent fair values of financial instruments. Management has used all available market information in estimating the fair value of financial instruments.

**Financial instruments carried at fair value.** Trading securities, investment securities at fair value through other comprehensive income, and related trading and investment securities pledged under repurchase agreements are carried on the consolidated statement of financial position at their fair value based on quoted market prices and valuation techniques where all of material inputs are observable.

Financial instruments at fair value through profit or loss and derivative financial instruments are carried on the consolidated statement of financial position at their fair value based on valuation technique with inputs observable on the market. Derivative financial instruments are measured at fair value as assets when fair value is positive and as liabilities when fair value is negative. The Group uses cash flow discounting technique using observable market data about yield curves changes, as well as market statistical data, reflecting the distribution of the probability of default of financial instruments over time.

Certain loans to customers did not meet the SPPI criterion. Therefore, these loans are classified by the Group as financial assets at FVTPL.

The Group determines the fair value in relation to securities that are not traded in an active market as a price of a security, which can be determined taking into account the specific conditions of the transaction, the circulation characteristics of the security and other indicators, information about which may serve as a basis for such a calculation, including the involvement of an independent appraiser to assess the fair value.

**Cash and cash equivalents** are carried at amortised cost which approximates its current fair value.

**Loans and receivables.** The fair value of floating rate instruments is normally equals their carrying amount. The estimated fair value of fixed interest rate bearing placements is based on discounted cash flows using current market interest rates for instruments with similar credit risk and similar maturity.

### 34. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Loans at fair value through profit or loss are valued using a combination of approaches. Where appropriate, loans are valued with reference to observable prices of debt securities issued by the borrower or by comparable entities. In other cases, valuation is performed using internal models based on present value techniques or, in some circumstances (for example, in respect of cash flow from assets held as collateral), external valuation reports. The non-observable inputs to the models include adjustments for credit, market and liquidity risks associated with the expected cash flows from the borrower's operations or in respect of collateral valuation.

**Investment securities carried at amortised cost.** The fair value for investment securities carried at amortised cost is based on quoted market prices and valuation techniques with all material inputs observable.

**Liabilities carried at amortised cost.** The fair value of bonds issued is based on market prices, if available. The estimated fair value of fixed interest rate instruments with stated maturity, for which a quoted market price is not available, was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and similar remaining maturity.

#### (a) Fair value of financial instruments carried at amortised cost and at fair value

In millions of Russian Roubles	31 December 2020		31 December 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets carried at amortised cost</b>				
Cash and cash equivalents	378 303	378 303	403 564	403 564
Mandatory cash balances with the Bank of Russia	24 999	24 999	22 334	22 334
Due from other banks	43 299	47 596	50 543	47 079
Loans and advances to customers				
– Loans to corporates	2 069 034	2 075 687	1 650 485	1 656 182
– Lending for food interventions	1 612	1 612	18 838	18 838
– Loans to individuals	538 433	543 888	439 792	432 753
Investment securities				
– Corporate bonds	24 164	24 785	42 454	42 991
– Municipal and subfederal bonds	6 653	7 253	10 793	11 349
– Federal Loan bonds (OFZ)	11 702	11 804	4 824	4 905
– Corporate Eurobonds	2 258	2 258	895	895
Other financial assets	11 903	11 903	9 109	9 109
<b>Total financial assets carried at amortised cost</b>	<b>3 112 360</b>	<b>3 130 088</b>	<b>2 653 631</b>	<b>2 649 999</b>
Financial assets carried at fair value	599 924	599 924	469 367	469 367
<b>Total financial assets</b>	<b>3 712 284</b>	<b>3 730 012</b>	<b>3 122 998</b>	<b>3 119 366</b>

### 34. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

In millions of Russian Roubles	31 December 2020		31 December 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial liabilities carried at amortised cost</b>				
Due to other banks:				
– Term borrowings from other banks	141 739	143 254	51 977	53 920
– Term borrowings from the Bank of Russia	87 105	86 384	45 280	44 956
– Correspondent accounts and overnight placements of other banks	25 331	25 331	12 262	12 262
Customer accounts:				
– State and public organisations	354 792	355 159	383 135	383 448
– Other legal entities	1 165 141	1 166 223	911 538	913 744
– Individuals	1 342 388	1 358 598	1 191 435	1 202 026
Promissory notes issued	67 023	67 023	47 358	47 358
Bonds issued:				
– Bonds issued on domestic market	168 988	181 445	174 954	186 861
Other financial liabilities	23 256	23 256	23 436	23 436
<b>Total financial liabilities carried at amortised cost before subordinated debts</b>	<b>3 375 763</b>	<b>3 406 673</b>	<b>2 841 375</b>	<b>2 868 011</b>
Subordinated debts	151 885	158 785	134 089	143 171
<b>Total financial liabilities carried at amortised cost</b>	<b>3 527 648</b>	<b>3 565 458</b>	<b>2 975 464</b>	<b>3 011 182</b>
Financial liabilities carried at fair value	5 416	5 416	4 782	4 782
<b>Total financial liabilities</b>	<b>3 533 064</b>	<b>3 570 874</b>	<b>2 980 246</b>	<b>3 015 964</b>

#### (b) Analysis by fair value hierarchy 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).

Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

### 34. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

**Fair value hierarchy.** For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Analysis of financial and non-financial instruments as at 31 December 2020 is as follows:

<i>In millions of Russian Roubles</i>	<i>Quoted price in an active market (Level 1)</i>	<i>Valuation technique with inputs observable in markets (Level 2)</i>	<i>Valuation technique with non-observable inputs (Level 3)</i>	<i>Total</i>
<b>Assets measured at fair value</b>				
Trading securities	42 756	-	-	<b>42 756</b>
Investment securities	376 360	71 537	123	<b>448 020</b>
Derivative financial instruments	-	25 973	-	<b>25 973</b>
Loans to customers at fair value through profit or loss	-	-	83 175	<b>83 175</b>
Office premises	-	-	30 625	<b>30 625</b>
Other non-financial assets	137	-	-	<b>137</b>
<b>Assets for which fair values are disclosed</b>				
Cash and cash equivalents	-	378 303	-	<b>378 303</b>
Mandatory cash balances with the Bank of Russia	-	-	24 999	<b>24 999</b>
Due from other banks	-	47 596	-	<b>47 596</b>
Loans and advances to customers	-	-	2 621 187	<b>2 621 187</b>
Investment securities	38 387	7 713	-	<b>46 100</b>
Other financial assets	-	-	11 903	<b>11 903</b>
<b>Total financial and non-financial assets</b>	<b>457 640</b>	<b>531 122</b>	<b>2 772 012</b>	<b>3 760 774</b>
<b>Liabilities measured at fair value</b>				
Derivative financial instruments	-	5 416	-	<b>5 416</b>
<b>Liabilities for which fair values are disclosed</b>				
Due to other banks	-	254 969	-	<b>254 969</b>
Customer accounts	-	-	2 879 980	<b>2 879 980</b>
Promissory notes issued	-	-	67 023	<b>67 023</b>
Bonds issued:				
– Bonds issued on domestic market	137 617	43 828	-	<b>181 445</b>
Other financial liabilities	-	-	23 256	<b>23 256</b>
<b>Total financial liabilities before subordinated debts</b>	<b>137 617</b>	<b>304 213</b>	<b>2 970 259</b>	<b>3 412 089</b>
Subordinated debts	31 489	127 296	-	<b>158 785</b>
<b>Total financial liabilities</b>	<b>169 106</b>	<b>431 509</b>	<b>2 970 259</b>	<b>3 570 874</b>

### 34. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Analysis of financial and non-financial instruments as at 31 December 2019 is as follows:

<i>In millions of Russian Roubles</i>	<i>Quoted price in an active market (Level 1)</i>	<i>Valuation technique with inputs observable in markets (Level 2)</i>	<i>Valuation technique with non-observable inputs (Level 3)</i>	<i>Total</i>
<b>Assets measured at fair value</b>				
Trading securities	21 974	-	-	<b>21 974</b>
Investment securities	321 329	51 880	128	<b>373 337</b>
Derivative financial instruments	-	18 265	-	<b>18 265</b>
Loans to customers at fair value through profit or loss	-	-	55 791	<b>55 791</b>
Office premises	-	-	27 349	<b>27 349</b>
Other non-financial assets	118	-	-	<b>118</b>
<b>Assets for which fair values are disclosed</b>				
Cash and cash equivalents	-	403 564	-	<b>403 564</b>
Mandatory cash balances with the Bank of Russia	-	-	22 334	<b>22 334</b>
Due from other banks	-	47 079	-	<b>47 079</b>
Loans and advances to customers	-	-	2 107 773	<b>2 107 773</b>
Investment securities held to maturity	52 765	7 375	-	<b>60 140</b>
Other financial assets carried at amortised cost	-	-	9 109	<b>9 109</b>
<b>Total financial and non-financial assets</b>	<b>396 186</b>	<b>528 163</b>	<b>2 222 484</b>	<b>3 146 833</b>
<b>Liabilities measured at fair value</b>				
Derivative financial instruments	-	4 782	-	<b>4 782</b>
<b>Liabilities for which fair values are disclosed</b>				
Due to other banks	-	111 138	-	<b>111 138</b>
Customer accounts	-	-	2 499 218	<b>2 499 218</b>
Promissory notes issued	-	-	47 358	<b>47 358</b>
Bonds issued				
– Bonds issued on domestic market	142 322	44 539	-	<b>186 861</b>
Other financial liabilities	-	-	23 436	<b>23 436</b>
<b>Total financial liabilities before subordinated debts</b>	<b>142 322</b>	<b>160 459</b>	<b>2 570 012</b>	<b>2 872 793</b>
Subordinated debts	27 354	115 817	-	<b>143 171</b>
<b>Total financial liabilities</b>	<b>169 676</b>	<b>276 276</b>	<b>2 570 012</b>	<b>3 015 964</b>

### 34. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The following table show a reconciliation of the opening and closing amount of Level 3 financial assets which are recorded at fair value:

<i>In millions of Russian Roubles</i>	<i>At 31 December 2019</i>	<i>Total gains</i>	<i>New assets recognised</i>	<i>Assets derecognised</i>	<i>At 31 December 2020</i>
<b>Financial assets</b>					
Loans to customers at fair value through profit or loss	55 791	5 898	26 659	(5 173)	83 175
Investment securities at fair value through other comprehensive income	128	-	-	(5)	123
<b>Total level 3 financial assets</b>	<b>55 919</b>	<b>5 898</b>	<b>26 659</b>	<b>(5 178)</b>	<b>83 298</b>

<i>In millions of Russian Roubles</i>	<i>At 31 December 2018</i>	<i>Total gains</i>	<i>New assets recognised</i>	<i>Assets derecognised</i>	<i>At 31 December 2019</i>
<b>Financial assets</b>					
Loans to customers at fair value through profit or loss	25 021	2 833	36 019	(8 082)	55 791
Investment securities at fair value through other comprehensive income	111	17	-	-	128
Investment securities at fair value through profit or loss	2 272	29	-	(2 301)	-
<b>Total level 3 financial assets</b>	<b>27 404</b>	<b>2 879</b>	<b>36 019</b>	<b>(10 383)</b>	<b>55 919</b>

Gains or losses on Level 3 financial assets included in the profit or loss for the period comprise:

<i>In millions of Russian Roubles</i>	<i>For the year ended 31 December 2020</i>			<i>For the year ended 31 December 2019</i>		
	<i>Realised gains/(losses)</i>	<i>Unrealised gains/(losses)</i>	<i>Total</i>	<i>Realised gains/(losses)</i>	<i>Unrealised gains/(losses)</i>	<i>Total</i>
Total gains included in the profit or loss for the period*	2 989	2 909	<b>5 898</b>	4 951	(2 072)	<b>2 879</b>

\* Gains are recorded for Interest income and Gains less losses from financial instruments and loans to customers at fair value through profit or loss.

\*\* Gains are recorded for Interest income and gains less losses from financial instruments and loans to customers at fair value through profit or loss. Unrealised gains/losses include foreign exchange translation income in the amount of RR 3 922 million (2019: foreign exchange translation expense in the amount of RR 716 million) recorded for foreign exchange translation gains less losses/(losses net of gains).

### 34. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

#### Loans at fair value through profit or loss

The Group determines the fair value of loans based on discounted cash flow models taking into account the borrower's credit risk. The models use a number of unobservable input market data, the main ones being the discount rate, the value of collateral and credit spread.

As of 31 December 2020, if the discount rate used by the Group in the model increases/decreases by 1%, the book value of loans will decrease by RR 2 939 million / increase by RR 3 041 million (31 December 2019: decrease by RR 1 845 million / increase by RR 1 796 million). The discount rates used are in range from 3.81% to 11.42% (31 December 2019: from 4.78% to 20.21%).

As of 31 December 2020, the impact of collateral in assessing loans at fair value was RR 68 million (31 December 2019: RR 103 million).

The table below reflects transfers of financial instruments measured at fair value between Level 1 and Level 2 of the fair value hierarchy during 2020:

<i>In millions of Russian Roubles</i>	<i>Transfers between Level 1 and Level 2</i>	
	<i>From Level 1 to Level 2</i>	<i>From Level 2 to Level 1</i>
<b>Financial assets</b>		
Investment securities at fair value through other comprehensive income	2 434	418
<b>Total transfers of financial assets</b>	<b>2 434</b>	<b>418</b>

The table below reflects transfers of financial instruments measured at fair value between Level 1 and Level 2 of the fair value hierarchy during 2019:

<i>In millions of Russian Roubles</i>	<i>Transfers between Level 1 and Level 2</i>	
	<i>From Level 1 to Level 2</i>	<i>From Level 2 to Level 1</i>
<b>Financial assets</b>		
Investment securities at fair value through other comprehensive income	1 308	3 585
Trading securities	-	1 818
<b>Total transfers of financial assets</b>	<b>1 308</b>	<b>5 403</b>

### 34. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Financial instruments are transferred from Level 2 to Level 1 of the fair value hierarchy when they become traded in active markets and fair value can be determined based on quoted prices in active markets.

Financial instruments are transferred from Level 1 to Level 2 when they ceased to be traded in active markets. The liquidity on the market is not sufficient to use market prices for valuation and as a result fair value is determined using valuation techniques with all material inputs observable.

There were no other transfers between levels of the fair value hierarchy during 2020 and 2019.

The following table shows the quantitative information as at 31 December 2020 about significant unobservable inputs used in the fair value measurement categorized within Level 3 of the fair value hierarchy:

Assets	Fair value, in millions of Russian Roubles	Valuation technique	Inputs used		
			Input	Min	Max
Office premises and construction in progress (based on valuation at 31 December 2018, fair value of new objects acquired in 2020 and 2019 equals to current value)	30 625	Comparative method	Trade discount	6.0%	21.0%

The following table shows the quantitative information as at 31 December 2019 about significant unobservable inputs used in the fair value measurement categorized within Level 3 of the fair value hierarchy:

Assets	Fair value, in millions of Russian Roubles	Valuation technique	Inputs used		
			Input	Min	Max
Office premises and construction in progress (based on valuation at 31 December 2018, fair value of new objects acquired in 2019 equals to current value)	27 349	Comparative method	Trade discount	6.0%	21.0%

### 35. RELATED PARTY TRANSACTIONS

For the purposes of these consolidated financial statements, parties are considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence over the other party in making financial or operational decisions. The Bank's only shareholder is the Government of the Russian Federation represented by the Federal Agency for Managing State Property, the Ministry of Finance of the Russian Federation and The State Corporation Deposit Insurance Agency. Refer to Note 1.

In these consolidated financial statements, balances and transactions with the state-controlled entities and parties that are related to such entities and balances and transactions with related parties represented by key management and their family members are disclosed.

The outstanding balances with related parties were as follows:

In millions of Russian Roubles	31 December 2020	31 December 2019
<b>Cash and cash equivalents</b>		
Bank of Russia	201 455	74 594
Other banks	71 526	164 677
<b>Loans and advances to customers</b>		
Loans and advances to customers (before impairment)	199 530	254 740
Key management and their family members	14	7
Less: allowance for impairment	(14 969)	(14 743)
Derivative financial instruments — assets	11 503	9 797
<b>Securities</b>		
Securities issued by Russian Federation	268 952	231 086
Securities of entities and banks	98 406	101 903
Less: allowance for impairment	(245)	(82)
Due from other banks	11 556	32 630
<b>Other assets</b>		
State Corporation Deposit Insurance Agency	846	327
<b>Customer accounts</b>		
Entities	703 198	652 521
Key management and their family members	4 200	4 224
<b>Due to other banks</b>		
Bank of Russia	87 105	45 280
Other banks	79 042	14 491
Derivative financial instruments — liabilities	624	408
Subordinated debts	85 685	71 803

35. RELATED PARTY TRANSACTIONS  
(CONTINUED)

<i>In millions of Russian Roubles</i>	<i>31 December 2020</i>	<i>31 December 2019</i>
<b>Credit related commitments</b>		
Undrawn credit lines	15 459	4 017
Performance guarantees	10 940	10 805
Less: provision for impairment	(114)	(20)
Financial guarantees received	78 349	21 072

The income and expense items with related parties were as follows:

<i>In millions of Russian Roubles</i>	<i>2020</i>	<i>2019</i>
<b>Interest income on cash and cash equivalents</b>		
Bank of Russia	2 797	4 402
Other banks	1 526	881
Interest income on due from other banks	1 039	3 062
<b>Interest income on loans and advances to customers</b>		
Loans to legal entities	14 119	16 479
Key management and their family members	4	4
<b>Interest income on securities</b>		
Securities issued by Russian Federation	15 028	20 147
Securities of entities and banks	7 113	8 682
<b>Gains less losses/(losses net of gains) from securities</b>		
Securities issued by Russian Federation	753	96
Securities of entities and banks	951	612
<b>Fee and commission income</b>		
Commission received from the Deposit Insurance Agency	10	119
(Losses net of gains)/gains less losses from derivative financial instruments	(4 849)	6 833
<b>Interest expense on customer accounts</b>		
Entities	(33 582)	(46 599)
Key management and their family members	(207)	(173)
Interest expense on subordinated debts	(4 115)	(3 634)
<b>Interest expense on due to other banks</b>		
Bank of Russia	(4 423)	(3 779)
Other banks	(669)	(671)
<b>Administrative and other operating expenses</b>		
Payments to the Deposit Insurance Fund	(5 856)	(7 663)

35. RELATED PARTY TRANSACTIONS  
(CONTINUED)

In 2020 transactions with the shareholder included share capital increase, dividends paid, taxes paid and subsidies received under the government program to subsidize lending (2019: share capital increase, dividends paid, taxes paid and subsidies received under the government program to subsidize lending).

In 2020, the Bank increased its share capital by issuing 30 500 ordinary shares with the total nominal amount of RR 30 500 million (2019: 29 635 ordinary shares with the total nominal amount of RR 29 635 million). All shares were purchased by the Bank's only shareholder — the Government of the Russian Federation represented by the Federal Agency for Managing State Property.

In October 2020, dividends were paid out to the Bank's shareholder in the amount of RR 114 million (in July 2019, dividends were paid out to the Bank's shareholder in the amount of RR 1 126 million).

Key management of the Group represents members of the Supervisory Board, the Management Board and Chief Accountant of the Bank. In 2020 total remuneration of the key management amounted of RR 789 million (2019: RR 601 million) including the payments to pension funds and social fund amounted of RR 119 million (2019: RR 100 million). Total remuneration of the key management includes salaries, discretionary bonuses and other short-term benefits. Starting from 2017, the Group adopted a corporate pension plan for employees (Note 25). There were no expenditures for the key management in 2020 in respect of defined pension contribution plans (2019: expenditures for the key management in respect of defined pension contribution plans amounted of RR 210 million and are payable on the occurrence of a retirement conditions in accordance with the laws of the Russian Federation).

### 36. DISPOSAL OF SUBSIDIARIES AND ASSETS HELD FOR SALE

#### (a) Disposal of Subsidiaries

In 2020, the Group lost control over JSC "Albashsky Elevator", JSC "Velichkovsky Elevator", JSC "Stepnyansky Elevator", LLC "Bashkir sugar company", LLC "Raevsakhar", LLC "Trading house "Bashkir sugar", LLC "Agrofirma "Krasny Klin", LLC "Raevskaya", LLC "Karlamsky product", LLC "Loman 2" (31 December 2019: the Group's share was 100% in the LLC "Bashkir sugar company", LLC "Raevsakhar", LLC "Trading house "Bashkir sugar", LLC "Agrofirma "Krasny Klin", LLC "Raevskaya", LLC "Karlamsky product", LLC "Loman 2", as well as 75.00% of JSC "Albashsky Elevator", 80.03% of JSC "Velichkovsky Elevator" and 75.01% of JSC "Stepnyansky Elevator") as a result of the sale of shares/interests in subsidiaries to a third party.

As a result of this disposal, the Group recognized a loss of RR 976 million under Losses from disposal of subsidiaries in the consolidated statement of profit or loss and other comprehensive income.

Consideration received in cash on the sale of shares/interests in subsidiaries amounted to RR 559 million.

Proceeds from disposal of subsidiaries, net of cash and cash equivalents disposed of as a result of the sale, amounted to RR 193 million.

#### (b) Assets held for sale

During previous years the Group transferred certain assets from premises and equipment and repossessed collateral to assets held for sale. The Group expects the sale to be completed by the end of 2021.

Assets held for sale are accounted for at the lower of net carrying value and fair value less costs to sell with expenses recognised in profit or loss after reclassification.

### 36. DISPOSAL OF SUBSIDIARIES AND ASSETS HELD FOR SALE (CONTINUED)

As at 31 December 2020, the carrying value of premises and equipment and repossessed collateral that have been reclassified to assets held for sale is as follows:

<i>In millions of Russian Roubles</i>	<i>Balance amount (before reclassification)</i>	<i>Accumulated depreciation (before reclassification)</i>	<i>Net carrying value before reclassification</i>	<i>Impairment</i>	<i>Carrying value after reclassification</i>
Reclassified from repossessed collateral before 2020	1 219	(29)	1 190	(56)	1 134
Reclassified from repossessed collateral in 2020	1 100	-	1 100	-	1 100
Assets disposed of in 2020	(592)	29	(563)	-	(563)
<b>Total</b>	<b>1 727</b>	<b>-</b>	<b>1 727</b>	<b>(56)</b>	<b>1 671</b>

As at 31 December 2019, the carrying value of premises and equipment and repossessed collateral that have been reclassified to assets held for sale is as follows:

<i>In millions of Russian Roubles</i>	<i>Balance amount (before reclassification)</i>	<i>Accumulated depreciation (before reclassification)</i>	<i>Net carrying value before reclassification</i>	<i>Impairment</i>	<i>Carrying value after reclassification</i>
Reclassified from repossessed collateral before 2019	725	(29)	696	(56)	640
Reclassified from repossessed collateral in 2019	849	-	849	-	849
Assets disposed of in 2019	(355)	-	(355)	-	(355)
<b>Total</b>	<b>1 219</b>	<b>(29)</b>	<b>1 190</b>	<b>(56)</b>	<b>1 134</b>

The movement in net carrying value of assets held for sale before reclassification is as follows:

<i>In millions of Russian Roubles</i>	<i>Reclassified from repossessed collateral</i>	<i>Reclassified from premises and equipment</i>	<i>Total</i>
<b>Net carrying value before reclassification as at 1 January 2020</b>	<b>1 099</b>	<b>35</b>	<b>1 134</b>
Reclassified during the period	1 100	-	1 100
Disposed during the period	(528)	(35)	(563)
<b>Net carrying value before reclassification as at 31 December 2020</b>	<b>1 671</b>	<b>-</b>	<b>1 671</b>

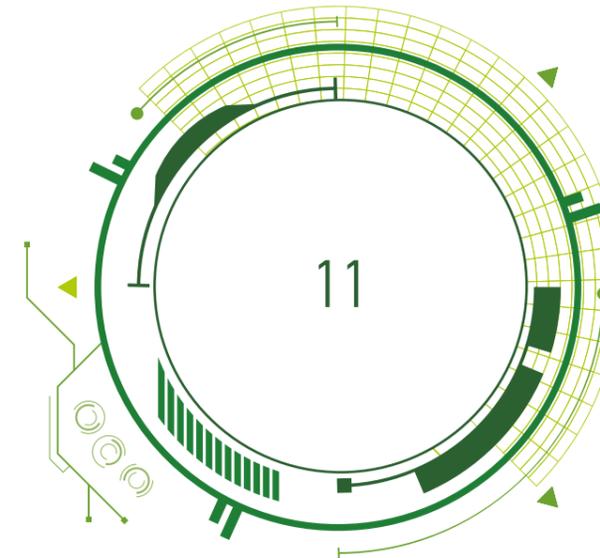
### 37. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

<i>In millions of Russian Roubles</i>	<i>Bonds issued</i>	<i>Subordinated debts</i>	<i>Total liabilities from financing activities</i>
<b>Carrying amount at 31 December 2018</b>	<b>142 609</b>	<b>147 279</b>	<b>289 888</b>
Proceeds from issue	30 000	-	<b>30 000</b>
Proceeds from sale of previously bought back liabilities	15 803	820	<b>16 623</b>
Redemption	(4 575)	-	<b>(4 575)</b>
Buy back of liabilities	(8 834)	(1 269)	<b>(10 103)</b>
Foreign currency translation	-	(12 482)	<b>(12 482)</b>
Other	(49)	(259)	<b>(308)</b>
<b>Carrying amount at 31 December 2019</b>	<b>174 954</b>	<b>134 089</b>	<b>309 043</b>
Proceeds from issue	20 074	-	<b>20 074</b>
Proceeds from sale of previously bought back liabilities	8 576	4 308	<b>12 884</b>
Redemption	(26 155)	-	<b>(26 155)</b>
Buy back of liabilities	(7 475)	(5 681)	<b>(13 156)</b>
Foreign currency translation	-	18 277	<b>18 277</b>
Other	(986)	892	<b>(94)</b>
<b>Carrying amount at 31 December 2020</b>	<b>168 988</b>	<b>151 885</b>	<b>320 873</b>

The "Other" line includes the effect of accrued but not yet paid interest on bonds issued and subordinated debts. The Group classifies interest paid as cash flows from operating activities.

### 38. EVENTS AFTER THE END OF THE REPORTING PERIOD

On 16 February 2021 Russian Agricultural Bank JSC has started the placement of Stock-exchange bonds of the BO-09-002P series (reg. number 4B02-16-03349-B-002P dated 14 December 2020) under the Program of Stockexchange bonds of the 002P series, maturing in 364 days, with a maximum notional amount of RR 5 000 million, with a fixed coupon rate of 5% per annum. Preliminary placement end date is 18 March 2021.



## ADDENDUM

### 11.1. REGIONAL BRANCH ADDRESSES<sup>37</sup>

<i>Name / Reg. №</i>	<i>Address</i>	<i>Contacts</i>
<b>Adygea Regional Branch</b> No.3349/12	24 Krasnooktyabrskaya St., Maikop, Russia, 385000	+7 (8772) 523024 <a href="mailto:Direktor@adg.rshb.ru">Direktor@adg.rshb.ru</a>
<b>Altai Regional Branch</b> No.3349/18	80b Lenina Ave., Barnaul, Altai Krai, Russia, 656015	+7 (3852) 538948 <a href="mailto:bank@altay.rshb.ru">bank@altay.rshb.ru</a>
<b>Amur Regional Branch</b> No.3349/23	142 Lenina St., Blagoveshchensk, Russia, 675000	+7 (4162) 221800 <a href="mailto:referent@amur.rshb.ru">referent@amur.rshb.ru</a>
<b>Arkhangelsk Regional Branch</b> No.3349/48	34 Karla Libknechta St., Arkhangelsk, Russia, 163000	+7 (8182) 653842 <a href="mailto:info@arh.rshb.ru">info@arh.rshb.ru</a>
<b>Bashkir Regional Branch</b> No.3349/62	70 Lenina St., Ufa, Russia, 450008	+7 (347) 2735432 <a href="mailto:info@bash.rshb.ru">info@bash.rshb.ru</a>
<b>Belgorod Regional Branch</b> No.3349/30	49 Pushkina St., Belgorod, Russia, 308015	+7 (4722) 235023 <a href="mailto:BRF@belg.rshb.ru">BRF@belg.rshb.ru</a>
<b>Bryansk Regional Branch</b> No.3349/69	23 Lenin Ave., Sovetskiy District, Bryansk, Russia, 241050	+7 (4832) 668400 <a href="mailto:dir@bryansk.rshb.ru">dir@bryansk.rshb.ru</a>
<b>Buryatia Regional Branch</b> No.3349/59	57D Smolina St., Ulan-Ude, Russia, 670000	+7 (3012) 287100 <a href="mailto:bank@bur.rshb.ru">bank@bur.rshb.ru</a>
<b>Chechen Regional Branch</b> No.3349/34	10/77 M.A. Esambaeva Blvd., Grozny, Russia, 364024	+7 (8712) 222750 <a href="mailto:office@chechnya.rshb.ru">office@chechnya.rshb.ru</a>
<b>Chelyabinsk Regional Branch</b> No.3349/78	26-A Lenina Ave., Chelyabinsk, Russia, 454091	+7 (351) 7490846 <a href="mailto:bank@chel.rshb.ru">bank@chel.rshb.ru</a>
<b>Chita Regional Branch</b> No.3349/47	21 Alexandro-Zavodskaya St., Chita, Russia, 672039	+7 (3022) 369910 <a href="mailto:referent@chita.rshb.ru">referent@chita.rshb.ru</a>
<b>Chuvash Regional Branch</b> No. 3349/11	31 Presidentskiy Blvd., Cheboksary, Russia, 428032	+7 (8352) 662464 <a href="mailto:RF@chuvashia.rshb.ru">RF@chuvashia.rshb.ru</a>
<b>Dagestan Regional Branch</b> No. № 3349/4	54a Gamidova Ave., Makhachkala, Russia, 367010	+7 (8722) 517111 <a href="mailto:referent@dag.rshb.ru">referent@dag.rshb.ru</a>

<sup>37</sup> Note: Bank information as of January 1, 2021. Listed alphabetically.

<i>Name / Reg. №</i>	<i>Address</i>	<i>Contacts</i>
<b>Ingush Regional Branch</b> No.3349/42	13a Moskovskaya St., Nazran, Russia, 386102	+7 (8732) 220801 office@ing.rshb.ru
<b>Irkutsk Regional Branch</b> No.3349/66	21 Surikova St., Irkutsk, Russia, 664025	+7 (3952) 503323 director@irk.rshb.ru
<b>Ivanovo Regional Branch</b> No.3349/38	21 bld.1 Lenina Ave., Ivanovo, Russia, 153002	+7 (4932) 249800 ivrshb@ivanovo.rshb.ru
<b>Kabardino-Balkaria Regional Branch</b> No.3349/44	10a Koulieva Ave., Nalchik, Russia, 360030	+7 (8662) 409775 kbr@kbal.rshb.ru
<b>Kaliningrad Regional Branch</b> No.3349/55	3 Gostinaya St., Kaliningrad, Russia, 236022	+7 (4012) 556200 info@klngr.rshb.ru
<b>Kaluga Regional Branch</b> No.3349/27	9a Kirova St., Kaluga, Russia, 248001	+7 (4842) 277377 Director@kaluga.rshb.ru
<b>Kamchatka Regional Branch</b> No.3349/53	63 Pobedy Ave., Petropavlovsk-Kamchatsky, Russia, 683023	+7 (4152) 490215 post@kamchatka.rshb.ru
<b>Kemerovo Regional Branch</b> No.3349/56	8a Sovetsky Ave., Kemerovo, Russia, 650099	+7 (3842) 346030 office@kemerovo.rshb.ru
<b>Khabarovsk Regional Branch</b> No.3349/75	28 Kalinina St., Khabarovsk, Russia, 680000	+7 (4212) 476652 priem@hab.rshb.ru
<b>Kirov Regional Branch</b> No.3349/22	5 Gorkogo St., Kirov, Russia, 610017	+7 (8332) 519800 mail@kirov.rshb.ru
<b>Komi Regional Branch</b> No.3349/74	112/1 Pervomayskaya St., Syktyvkar, Russia, 167000	+7 (8212) 251098 filial@komi.rshb.ru
<b>Kostroma Regional Branch</b> No.3349/51	6 Mira Ave., Kostroma, Russia, 156000	+7 (4942) 370700 mail@kostroma.rshb.ru
<b>Krasnodar Regional Branch</b> No.3349/3	2 Korolenko St., Krasnodar, Russia, 350038	+7 (861) 2542565 director@krd.rshb.ru
<b>Krasnoyarsk Regional Branch</b> No.3349/49	33 Perensona St., Krasnoyarsk, Russia, 660049	+7 (391) 2676700 info@krsn.rshb.ru
<b>Kursk Regional Branch</b> No.3349/32	12 Sadovaya St., Kursk, Russia, 305004	+7 (4712) 390580 referent@kursk.rshb.ru
<b>Lipetsk Regional Branch</b> No.3349/24	17A Vodopianova St., Lipetsk, Russia, 398046	+7 (4742) 307506 office@lip.rshb.ru
<b>Mari El Regional Branch</b> No.3349/16	116 Volkova St., Yoshkar-Ola, Russia, 424002	+7 (8362) 452355 office@mar.rshb.ru
<b>Mordovia Regional Branch</b> No.3349/20	47a Sovetskaya St., Saransk, Russia, 430005	+7 (8342) 292300 info@mrd.rshb.ru
<b>Moscow Regional Branch Corporate Business Center</b> No.3349/79	7 bld.1, 1st Krasnogvardeysky pr-d, Moscow, Russia, 123100	+7 (495) 6440230 referent@ckb.rshb.ru
<b>Moscow Regional Branch Retail and Small Business Center</b> No.3349/63	7 bld.1, 1st Krasnogvardeysky pr-d, Moscow, Russia, 123100	+7 (495) 6440225 referent@msk.rshb.ru

<i>Name / Reg. №</i>	<i>Address</i>	<i>Contacts</i>
<b>Nizhny Novgorod Regional Branch</b> No.3349/39	3 Kulibina St., Nizhny Novgorod, Russia, 603022	+7 (831) 4216270 nnrshb@nnovgorod.rshb.ru
<b>Novgorod Regional Branch</b> No.3349/8	9 Bolshaya Moscovskaya St., Velikiy Novgorod, Russia, 173000	+7 (8162) 974300 Director@vovgorod.rshb.ru
<b>Novosibirsk Regional Branch</b> No.3349/25	13 Fabrichnaya St., Novosibirsk, Russia, 630007	+7 (383) 2183035 bank@nsk.rshb.ru
<b>Omsk Regional Branch</b> No.3349/9	52 Frunze St., Omsk, Russia, 644099	+7 (3812) 233423 office@omsk.rshb.ru
<b>Orel Regional Branch</b> No.3349/10	31 Litt. A, Moskovskaya St., Orel, Russia, 302030	+7 (4862) 735788 ref@orel.rshb.ru
<b>Orenburg Regional Branch</b> No.3349/5	59b Leninskaya St., Orenburg, Russia, 460000	+7 (3532) 770295 referent@orn.rshb.ru
<b>Penza Regional Branch</b> No.3349/15	39 Bekeshskaya St., Penza, Russia, 440018	+7 (8412) 421873 info@penza.rshb.ru
<b>Perm Regional Branch</b> No.3349/76	50 Lenina St., Perm, Russia, 614000	+7 (342) 2181462 ReferentPerm@perm.rshb.ru
<b>Primorsky Regional Branch</b> No.3349/54	26 bld.1 Okeansky Ave., Vladivostok, Russia, 690091	+7 (423) 2221327 referent@primor.rshb.ru
<b>Pskov Regional Branch</b> No.3349/68	44a Nekrasova St., Pskov, Russia, 180000	+7 (8112) 687222 info@pskov.rshb.ru
<b>Rostov Regional Branch</b> No.3349/7	14a M. Nagibina Ave., Rostov-on-Don, Russia, 344038	+7 (863) 2432500 rshb@rostov.rshb.ru
<b>Ryazan Regional Branch</b> No.3349/58	58 Svobody St., Ryazan, Russia, 390000	+7 (4912) 284200 bank@ryazan.rshb.ru
<b>Saint Petersburg Regional Branch</b> No.3349/35	5 bld.1 Litt. A, Paradnaya St., St. Petersburg, Russia, 119014	+7 (812) 7753500 office@spb.rshb.ru
<b>Sakhalin Regional Branch</b> No.3349/72	107 Mira Ave., Yuzhno-Sakhalinsk, Russia, 693020	+7 (4242) 312101 Referent@shl.rshb.ru
<b>Samara Regional Branch</b> No.3349/13	10 Akademika Platonova St., Samara, Russia, 443011	+7 (846) 3392404 tmas@samara.rshb.ru
<b>Saratov Regional Branch</b> No.3349/52	65/2 A.N. Radsheva St., Saratov, Russia, 410003	+7 (8452) 619330 info@saratov.rshb.ru
<b>Smolensk Regional Branch</b> No.3349/43	2-V Tvardovskogo St., Smolensk, Russia, 214014	+7 (4812) 339000 info@smol.rshb.ru
<b>Stavropol Regional Branch</b> No.3349/6	26 Marshala Zhukova St., Stavropol, Russia, 355055	+7 (8652) 258080 referent@stavropol.rshb.ru
<b>Sverdlovsk Regional Branch</b> No.3349/73	15 Fevral'skoj Revolyutsii St., Ekaterinburg, Russia, 620014	+7 (343) 3561860 office@sverdlovsk.rshb.ru
<b>Tambov Regional Branch</b> No.3349/2	20 M. Gorky St., Tambov, Russia, 392000	+7 (4752) 630305 office@tambov.rshb.ru
<b>Tatarstan Regional Branch</b> No.3349/67	80 Dostoevsky St., Kazan, Russia, 420097	+7 (843) 5249805 rkazan@kazan.rshb.ru

Name / Reg. №	Address	Contacts
<b>Tomsk Regional Branch</b> No.3349/64	8B Moskovsky Tract, Tomsk, Russia, 634050	+7 (3822) 202224 info@tomsk.rshb.ru
<b>Tula Regional Branch</b> No.3349/1	5 Turgenevskaya St., Tula, Russia, 300041	+7 (4872) 550404 filial@tula.rshb.ru
<b>Tuva Regional Branch</b> No.3349/57	23 Tyvinskie Dobrovoltzy St., Kyzl, Russia, 667000	+7 (39422) 20401 referent@tuva.rshb.ru
<b>Tver Regional Branch</b> No.3349/19	37 Dmitry Donskoy St., Tver, Russia, 170006	+7 (4822) 310720 mail@tver.rshb.ru
<b>Tyumen Regional Branch</b> No.3349/71	21 Pervomaiskaya St., Tyumen, Russia, 625000	+7 (3452) 500625 office@tyumen.rshb.ru
<b>Udmurt Regional Branch</b> No.3349/28	30 Telegina St., Izhevsk, Russia, 426006	+7 (3412) 631143 RF@udm.rshb.ru
<b>Ulyanovsk Regional Branch</b> No.3349/65	15-1 Minayeva St., Ulyanovsk, Russia, 432017	+7 (8422) 416322 DirectorUln@uln.rshb.ru
<b>Vladimir Regional Branch</b> No.3349/41	1-b Bolshaya Moskovskaya St., Vladimir, Russia, 600000	+7 (4922) 474300 info@vladimir.rshb.ru
<b>Volgograd Regional Branch</b> No.3349/46	1 B Barrikadnaya St., Volgograd, Russia, 400074	+7 (8442) 962301 mail@volg.rshb.ru
<b>Voronezh Regional Branch</b> No.3349/14	19b Moskovskiy Ave., Voronezh, Russia, 394016	+7 (473) 2697177 vrf@vrn.rshb.ru
<b>Yakutsk Regional Branch</b> No.3349/60	12 Pushkina St., Yakutsk, Russia, 677000	+7 (4112) 402101 office@yakutia.rshb.ru
<b>Yaroslavl Regional Branch</b> No.3349/61	28a Pobedy St., Yaroslavl, Russia, 150040	+7 (4852) 321244 dir@yar.rshb.ru

## 11.2. LICENSES AND CERTIFICATES

### Licenses:

No: 3349  
Issuing authority: Bank of Russia  
Date of issue: 12 August 2015  
Licensed activities: General license for banking operations

No: 3349  
Issuing authority: Bank of Russia  
Date of issue: 12 August 2015  
Licensed activities: Attracting deposits and operations with precious metals

No: 007-08461-000100  
Issuing authority: Federal Financial Markets Service  
Date of issue: 19 May 2005  
Licensed activities: Depository activity

No: 007-08456-010000  
Issuing authority: Federal Financial Markets Service  
Date of issue: 19 May 2005  
Licensed activities: Dealing operations

No: 007-08455-100000  
Issuing authority: Federal Financial Markets Service  
Date of issue: 19 May 2005  
Licensed activities: Brokerage activity

No: 1473  
Issuing authority: Federal Financial Markets Service  
Date of issue: 17 November 2009  
Licensed activities: License of the stock market agent for concluding commodity futures and options transactions in stock trading

No: 17078 H  
Issuing authority: Centre of the Federal Security Service of the Russian Federation for Licensing, Certification and the Protection of State Secrets of the Federal Security Service  
Date of issue: 5 February 2019  
Licensed activities: Development, production, distribution of encryption (cryptographic) facilities, information and telecommunication systems, which are protected with encryption (cryptographic) facilities, for works and services in the field of data encryption, technical support services of encryption (cryptographic) facilities, information and telecommunication systems, which are protected with encryption (cryptographic) facilities (except where technical support services of encryption (cryptographic) facilities, information and telecommunication systems, which are protected with encryption (cryptographic) facilities, are performed for the own needs of the legal entity or individual entrepreneur)

No: Version 3.2.1 № DN-2021-01  
Issuing authority: JSC "DialogueScience", QSA-auditor, certificated by PCI DSS Council  
Date of issue: 27 January 2021  
Licensed activities: Certificate of conformity of JSC Rosselkhozbank to requirements of the Payment Card Industry Data Security Standard (PCI DSS)

## Certificates:

No: 3349 Issuing authority: Bank of Russia Date of issue: 24 April 2000 Certified activities: Certificate of state registration of the credit organization	No: 760 Issuing authority: State Agency for Deposit Insurance Date of issue: 14 March 2005 Certified activities: Certificate of inclusion of the bank in the State Register of banks – participants of the obligatory deposit insurance system
No: - Issuing authority: Federal Tax Service Inspectorate of the Russian Federation No. 4 for the City of Moscow Date of issue: - Certified activities: Certificate of registration of the legal entity in the tax authority at the location within the Russian Federation	No: - Issuing authority: Office of the Ministry for Taxes and Levies of the Russian Federation in Moscow Date of issue: 22 October 2002 Certified activities: Certificate of registration in the Unified State Register of Legal Entities on the legal entity registered before 1 July 2002
No: - Issuing authority: Moscow Regional Branch № 13 of the Social Insurance Fund of the Russian Federation Date of issue: 14 March 2001 Certified activities: Insurance certificate	No: 002.003.381 Issuing authority: Moscow Registration Chamber Date of issue: 18 May 2000 Certified activities: Certificate of registration in the Municipal Register of Enterprises of the city of Moscow
No: - Issuing authority: Office of the Federal Tax Service for the City of Moscow Date of issue: 25 August 2008 Certified activities: Certificate of registration in the Unified State Register of Legal Entities	No: - Issuing authority: Interregional Inspectorate of the Federal Tax Service of the Russian Federation for the largest taxpayers No. 9 Date of issue: - Certified activities: Notification of registration with the Interregional Inspectorate of the Federal Tax Service of the Russian Federation for the largest taxpayers

## 11.3. CONTACT AND PAYMENT DETAILS

<b>Full Corporate Name</b>	Joint stock company Russian Agricultural Bank
<b>Abbreviated Corporate Name</b>	JSC Rosselkhozbank
<b>General Banking License</b>	3349 dated 12.08.2015
<b>Registration Details</b>	Central Bank of the Russian Federation, April 24, 2000, Moscow
<b>Legal Address</b>	3 Gagarinsky Pereulok, Moscow, Russia, 119034
<b>General inquiries</b>	+7 (495) 787 7787
<b>E-mail</b>	<a href="mailto:office@rshb.ru">office@rshb.ru</a>
<b>Website</b>	<a href="http://www.rshb.ru">www.rshb.ru</a> , <a href="http://www.rusagrobank.com">www.rusagrobank.com</a>

## International Contacts

<b>Place of business</b>	10, Bld. 2 Presnenskaya Emb. (Moscow City, IQ-quarter Complex), 123112, Moscow, Russian Federation
<b>Phone / Fax</b>	+7 (495) 787 7787
<b>E-mail</b>	<b>Investor Relations</b> Tel.: +7 (495) 363 0653, +7 (495) 258 5107 E-mail: <a href="mailto:IR_RusAgroBank@rshb.ru">IR_RusAgroBank@rshb.ru</a>
	<b>Financial Institutions</b> Tel.: +7 (495) 363 0653, +7 (495) 363 3299 E-mail: <a href="mailto:fininst@rshb.ru">fininst@rshb.ru</a>
	<b>Trade and Structured Finance / Documentary Operations / Foreign Economic Activity</b> Tel.: +7 (495) 648 2636, +7 (495) 648 2637 E-mail: <a href="mailto:tsfin@rshb.ru">tsfin@rshb.ru</a> , <a href="mailto:ved@rshb.ru">ved@rshb.ru</a>

## Account Details

<b>Correspondent Account</b>	30101810200000000111 with the Central Bank of the Russian Federation Main Branch for the Central Federal District, Moscow
<b>Tax Identification Number (TIN) / KPP</b>	7725114488 / 997950001
<b>BIC</b>	044525111
<b>OKPO</b>	52750822
<b>OKONKH</b>	96120
<b>OKATO</b>	45286590000
<b>OGRN</b>	1027700342890
<b>REUTERS</b>	AGRM
<b>TELEX</b>	485493 RSB RU
<b>SWIFT</b>	RUAGRUMM