

Report on Review of Interim Financial Information  
***Joint stock company***  
***Russian Agricultural Bank***  
***and its subsidiaries***  
for the three-month period ended 31 March 2021

*May 2021*

**Report on Review of Interim Financial Information**  
**Joint stock company Russian Agricultural Bank and its subsidiaries**

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## Report on Review of Interim Financial Information

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

### **Introduction**

We have reviewed the accompanying interim condensed consolidated financial statements of Joint stock company Russian Agricultural Bank and its subsidiaries, which comprise the interim consolidated statement of financial position as at 31 March 2021, the interim consolidated statement of profit or loss and other comprehensive income, interim consolidated statement of changes in equity and interim consolidated statement of cash flows for the three-month period then ended, and selected explanatory notes (interim financial information). Management of Joint stock company Russian Agricultural Bank is responsible for the preparation and presentation of this interim financial information in accordance with IAS 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim financial information based on our review.

### **Scope of review**

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with IAS 34, *Interim Financial Reporting*.



G.A. Shinin  
Partner  
Ernst & Young LLC

18 May 2021

### **Details of the 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**  
**Interim Consolidated Statement of Financial Position**  
**as at 31 March 2021**

<i>In millions of Russian Roubles</i>	Note	31 March 2021 (unaudited)	31 December 2020
<b>Assets</b>			
Cash and cash equivalents		372 677	378 303
Mandatory cash balances with the Bank of Russia		27 571	24 999
Trading securities	5	42 202	42 756
Due from other banks		30 422	43 299
Derivative financial instruments	19	25 691	25 973
Loans and advances to customers	6	2 717 173	2 692 254
Investment securities	7	517 750	492 797
Investment securities pledged under repurchase agreements	7	10 009	-
Current income tax assets		164	186
Deferred income tax asset		15 291	15 291
Intangible assets		12 103	10 825
Premises, equipment and right-of-use assets		57 488	56 681
Other assets		31 111	34 753
Assets classified as held for sale		1 555	1 671
<b>Total assets</b>		<b>3 861 207</b>	<b>3 819 788</b>
<b>Liabilities</b>			
Derivative financial instruments	19	5 749	5 416
Due to other banks	8	187 604	254 175
Customer accounts	9	2 955 564	2 862 321
Promissory notes issued		72 026	67 023
Bonds issued	10	172 584	168 988
Current income tax liability		240	24
Deferred income tax liability		1 207	1 915
Other liabilities		77 293	73 338
<b>Total liabilities before subordinated debts</b>		<b>3 472 267</b>	<b>3 433 200</b>
Subordinated debts		155 089	151 885
<b>Total liabilities</b>		<b>3 627 356</b>	<b>3 585 085</b>
<b>Equity</b>			
Share capital		470 733	470 733
Perpetual bonds	11	52 011	52 296
Revaluation reserve for premises		2 774	2 789
Revaluation reserve for investment securities at fair value through other comprehensive income		(2 338)	3 599
Accumulated loss		(289 203)	(294 591)
<b>Equity attributable to the Bank's shareholder</b>		<b>233 977</b>	<b>234 826</b>
<b>Non-controlling interest</b>		<b>(126)</b>	<b>(123)</b>
<b>Total equity</b>		<b>233 851</b>	<b>234 703</b>
<b>Total liabilities and equity</b>		<b>3 861 207</b>	<b>3 819 788</b>

Approved for issue and signed on behalf of the Management Board on 18 May 2021.

  
B.P. Listov  
Chairman of the Management Board



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

**Russian Agricultural Bank Group**  
**Interim Consolidated Statement of Profit or Loss and Other Comprehensive Income**  
**for the three months ended 31 March 2021**

<i>(Unaudited)</i> <i>In millions of Russian Roubles</i>	<b>Note</b>	<b>For the three months ended 31 March</b>	
		<b>2021</b>	<b>2020</b>
Interest income at effective interest rate	12	55 768	57 508
Other interest income	12	2 862	2 016
Interest expense	12	(37 206)	(40 119)
<b>Net interest income</b>		<b>21 424</b>	<b>19 405</b>
Credit loss expense	13	(4 483)	(9 626)
<b>Net interest income after credit loss expense</b>		<b>16 941</b>	<b>9 779</b>
Fee and commission income	14	10 432	5 084
Fee and commission expense	14	(773)	(741)
Losses net of gains from trading securities		(747)	(269)
Gains less losses/(losses net of gains) from financial instruments and loans to customers at fair value through profit or loss		92	(2 385)
Gains less losses from investment securities at fair value through other comprehensive income		205	843
Foreign exchange translation (losses net of gains)/gains less losses		(4 859)	9 976
Gains less losses/(losses net of gains) from derivative financial instruments		2 673	(6 103)
Gains less losses from dealing in foreign currencies		991	410
Gains from non-banking activities		3 789	6 489
Losses from non-banking activities		(3 959)	(5 877)
Other operating income		178	598
Administrative and other operating expenses		(18 810)	(16 582)
<b>Profit before tax</b>		<b>6 153</b>	<b>1 222</b>
Income tax expense		(607)	(604)
<b>Profit for the period</b>		<b>5 546</b>	<b>618</b>
<b>Profit is attributable to:</b>			
Shareholder of the Bank		5 549	622
Non-controlling interest		(3)	(4)
<b>Profit for the period</b>		<b>5 546</b>	<b>618</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 losses on debt securities at fair value through other comprehensive income		(6 253)	(7 765)
- Realised revaluation reserve on debt securities (at disposal)		(205)	(843)
- Changes in allowance for expected credit losses of debt securities at fair value through other comprehensive income		(40)	389
Income tax		561	126
<b>Other comprehensive loss to be reclassified to profit or loss in subsequent periods, net of tax</b>		<b>(5 937)</b>	<b>(8 093)</b>
<b>Total other comprehensive loss</b>		<b>(5 937)</b>	<b>(8 093)</b>
<b>Total comprehensive loss for the period</b>		<b>(391)</b>	<b>(7 475)</b>
<b>Total comprehensive loss for the period is attributable to:</b>			
Shareholder of the Bank		(388)	(7 471)
Non-controlling interest		(3)	(4)
<b>Total comprehensive loss for the period</b>		<b>(391)</b>	<b>(7 475)</b>

**Russian Agricultural Bank Group**  
**Interim Consolidated Statement of Changes in Equity**  
**for the three months ended 31 March 2021**

<i>In millions of Russian Roubles</i>	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 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 period, net of tax	-	-	-	-	622	<b>622</b>	(4)	<b>618</b>
Other comprehensive loss for the period, net of tax	-	-	-	(8 093)	-	<b>(8 093)</b>	-	<b>(8 093)</b>
<b>Total comprehensive (loss)/income for the period, net of tax</b>	-	-	-	<b>(8 093)</b>	<b>622</b>	<b>(7 471)</b>	<b>(4)</b>	<b>(7 475)</b>
Depreciation of revaluation reserve for premises	-	-	(10)	-	10	-	-	-
Foreign exchange translation of perpetual bonds	-	3 251	-	-	(3 251)	-	-	-
Coupon paid and due under perpetual bonds	-	-	-	-	(391)	<b>(391)</b>	-	<b>(391)</b>
<b>Balance at 31 March 2020 (unaudited)</b>	<b>440 233</b>	<b>51 649</b>	<b>2 819</b>	<b>(1 360)</b>	<b>(301 852)</b>	<b>191 489</b>	<b>(105)</b>	<b>191 384</b>
<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>
Profit for the period, net of tax	-	-	-	-	5 549	<b>5 549</b>	(3)	<b>5 546</b>
Other comprehensive loss for the period, net of tax	-	-	-	(5 937)	-	<b>(5 937)</b>	-	<b>(5 937)</b>
<b>Total comprehensive income/(loss) for the period, net of tax</b>	-	-	-	<b>(5 937)</b>	<b>5 549</b>	<b>(388)</b>	<b>(3)</b>	<b>(391)</b>
Depreciation of revaluation reserve for premises	-	-	(15)	-	15	-	-	-
Foreign exchange translation of perpetual bonds	-	(179)	-	-	179	-	-	-
Coupon paid and due under perpetual bonds	-	-	-	-	(355)	<b>(355)</b>	-	<b>(355)</b>
Perpetual bonds buy back	-	(107)	-	-	-	<b>(107)</b>	-	<b>(107)</b>
Secondary issue of perpetual bonds	-	1	-	-	-	<b>1</b>	-	<b>1</b>
<b>Balance at 31 March 2021 (unaudited)</b>	<b>470 733</b>	<b>52 011</b>	<b>2 774</b>	<b>(2 338)</b>	<b>(289 203)</b>	<b>233 977</b>	<b>(126)</b>	<b>233 851</b>

The notes 1 to 21 form an integral part of these interim condensed consolidated financial statements.

**Russian Agricultural Bank Group**  
**Interim Consolidated Statement of Cash Flows**  
**for the three months ended 31 March 2021**

<i>(Unaudited)</i> <i>In millions of Russian Roubles</i>	<b>For the three months ended 31 March</b>	
	<b>2021</b>	<b>2020</b>
<b>Cash flows from operating activities</b>		
Interest received	56 973	56 803
Interest paid	(31 344)	(33 565)
Income received from trading in securities and financial instruments at fair value through profit or loss	269	27
Income received/(expenses incurred) from derivative financial instruments	3 968	(12 008)
Income received from dealing in foreign currencies	1 031	691
Fees and commissions received	10 429	5 057
Fees and commissions paid	(773)	(740)
Other operating income received	(765)	(325)
Net income received from insurance operations	1 859	3 304
Income received from non-banking activities	669	2 309
Losses incurred from non-banking activities	(657)	(2 580)
Administrative and other operating expenses paid	(16 405)	(14 257)
Taxes paid	(817)	(1 037)
<b>Cash flows from operating activities before changes in operating assets and liabilities</b>	<b>24 437</b>	<b>3 679</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	(2 573)	(439)
Trading securities	(192)	(170)
Due from other banks	13 324	16 911
Loans and advances to customers	(6 116)	(42 675)
Other assets	(2 239)	(2 634)
<i>Net increase/(decrease) in operating liabilities</i>		
Due to other banks	(67 223)	(18 217)
Customer accounts	69 812	216 371
Promissory notes issued	5 173	12 574
Other liabilities	2 031	(5 180)
<b>Net cash from operating activities</b>	<b>36 434</b>	<b>180 220</b>
<b>Cash flows from investing activities</b>		
Acquisition of premises and equipment	(1 173)	(671)
Proceeds from disposal of premises and equipment	224	334
Acquisition of intangible assets	(1 600)	(592)
Acquisition of investment securities at FVTPL	(301)	(220)
Acquisition of investment securities at FVTPL (mandatory)	(19 520)	(24 668)
Proceeds from sales of investment securities at FVTPL (mandatory)	9 344	-
Acquisition of investment securities at FVOCI	(63 130)	(57 305)
Proceeds from redemption and sales of investment securities at FVOCI	35 318	61 641
Acquisition of investment securities at amortised cost	(1 896)	(2 928)
Proceeds from redemption of investment securities at amortised cost	4 244	6 564
<b>Net cash used in investing activities</b>	<b>(38 490)</b>	<b>(17 845)</b>
<b>Cash flows from financing activities</b>		
Amounts paid on perpetual bonds	(1 078)	(723)
Buy back of perpetual bonds issued	(107)	-
Secondary issue of perpetual bonds	1	-
Buy back of subordinated debts	(1 606)	(4 495)
Proceeds from sale of previously bought back subordinated debts	-	1 408
Proceeds from bonds issue	3 799	2 481
Buy back of bonds issued at or prior to put option date	(93)	(4 876)
Proceeds from sale of previously bought back bonds issued on domestic market	8 518	-
Repayment of bonds and Eurobonds issued	(10 000)	(1 153)
Payments in respect of lease obligations (IFRS 16)	(308)	(152)
Proceeds from sale of non-controlling interests in consolidated mutual funds	42	12
Payments on disposal of non-controlling interests in consolidated mutual funds	(7)	(19)
<b>Net cash used in financing activities</b>	<b>(839)</b>	<b>(7 517)</b>
Effect of exchange rate changes on cash and cash equivalents	(2 740)	15 941
Effect of expected credit losses on cash and cash equivalents	11	-
<b>Net increase in cash and cash equivalents</b>	<b>(5 624)</b>	<b>170 799</b>
Cash and cash equivalents at the beginning of the period	378 303	403 564
<b>Cash and cash equivalents at the end of the period</b>	<b>372 677</b>	<b>574 363</b>

## **1 Introduction**

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") for the three months ended 31 March 2021 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 2020: 80.04% 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 2020: 5.32% 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 2020: 14.64% 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 27 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 as small and medium enterprises. 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 2020: 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, building 2.

The number of the Group's employees as at 31 March 2021 was 32 441 (31 December 2020: 31 900).

**Presentation currency.** These interim condensed 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) in 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.

## 2 Operating Environment of the Group (Continued)

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 2021, 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 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.

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.

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 the three months ended 31 March 2021, the following were the key changes in selected macro-economic indicators:

- The Bank of Russia exchange rate depreciated from RR 73.8757 to RR 75.7023 per US Dollar;
- The Bank of Russia key rate increased from 4.25% p.a. to 4.50% p.a.;
- The RTS stock exchange index increased from 1 387.5 to 1 477.1.

## 3 Summary of Significant Accounting Policies

**Basis of preparation.** These interim condensed consolidated financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2020, which have been prepared in accordance with IFRS.

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. As at 31 March 2021 the principal rates of exchange used for translating foreign currency balances were USD 1 = RR 75.7023 (31 December 2020: USD 1 = RR 73.8757), EUR 1 = RR 88.8821 (31 December 2020: EUR 1 = RR 90.6824).

The accounting policies applied in the preparation of these interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the changes introduced due to implementation of new and/or revised standards and interpretations as at 1 January 2021 or as at the date indicated, noted below.

### 3 Summary of Significant Accounting Policies (Continued)

**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.

**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.

#### 4 Critical Accounting Estimates and Judgements in Applying Accounting Policies

The accounting estimates and judgements applied in the preparation of these interim condensed consolidated financial statements are consistent with those applied in the preparation of the annual consolidated financial statements of the Group for the year ended 31 December 2020.

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

**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 lifetime ECL basis and the qualitative assessment;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various formulae and the choice of inputs;
- 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.

**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 20.

**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 19.

**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.

#### 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 March 2021 the Group guarantees all obligations of the consolidated structured entity represented by subordinated debts in the amount of RR 27 694 million (31 December 2020: subordinated debts in the amount of RR 27 869 million). During three months ended 31 March 2021 and the year ended 31 December 2020 the Group did not provide any other financial support to the consolidated structured entity. The Group has no other current obligation or intention neither to provide financial or other support to the consolidated structured entity nor to assist it in obtaining financial support.

Holding Corporate Eurobonds in the trading and investment portfolios of the Group is considered under IFRS 12 requirements as interest in unconsolidated structured entities. Maximum exposure equals to carrying value of Corporate Eurobonds.

#### 5 Trading Securities

<i>In millions of Russian Roubles</i>	<b>31 March 2021 (unaudited)</b>	<b>31 December 2020</b>
Federal loan bonds (OFZ)	34 900	35 397
Corporate bonds	7 302	7 359
<b>Total trading securities</b>	<b>42 202</b>	<b>42 756</b>

Trading securities are carried at fair value which also reflects any credit risk related write-downs.

Refer to Note 20 for the disclosure of fair value hierarchy for trading securities.

#### 6 Loans and Advances to Customers

<i>In millions of Russian Roubles</i>	<b>31 March 2021 (unaudited)</b>	<b>31 December 2020</b>
<b>Loans to legal entities</b>	<b>2 326 863</b>	<b>2 324 223</b>
- Loans to corporates	2 325 362	2 322 603
- Lending for food interventions	1 501	1 620
<b>Loans to individuals</b>	<b>582 910</b>	<b>563 390</b>
<b>Total loans and advances to customers at amortised cost (before impairment)</b>	<b>2 909 773</b>	<b>2 887 613</b>
Less: allowance for impairment	(275 954)	(278 534)
<b>Total loans and advances to customers at amortised cost</b>	<b>2 633 819</b>	<b>2 609 079</b>
Loans to customers at fair value through profit or loss	83 354	83 175
<b>Total loans and advances to customers</b>	<b>2 717 173</b>	<b>2 692 254</b>

Lending for food interventions is represented by loans to the company under the control of the Government of the Russian Federation.

## 6 Loans and Advances to Customers (Continued)

As at 31 March 2021, the Group has loans before impairment to ten largest borrowers (groups of borrowers) in the total amount of RR 765 355 million, or 26% of total loans and advances to customers before impairment (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).

Certain loans to customers did not meet the SPPI criterion. Therefore, Group classifies these loans as financial assets at FVTPL.

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.

An analysis of changes in the ECL allowances during the three months ended 31 March 2021 is, as follows:

<i>(Unaudited)</i> <i>In millions of Russian Roubles</i>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>POCI</b>	<b>Total</b>
<b>Loans to legal entities</b>					
<b>ECL as at 1 January 2021</b>	<b>20 681</b>	<b>26 175</b>	<b>203 178</b>	<b>3 543</b>	<b>253 577</b>
Transfers to Stage 1	917	(917)	-	-	-
Transfers to Stage 2	(37)	2 869	(2 832)	-	-
Transfers to Stage 3	-	(152)	152	-	-
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)	(3 326)	6 088	1 144	(195)	<b>3 711</b>
Unwind of discount (recognised in interest income)	-	-	589	-	<b>589</b>
Amounts written off	-	-	(969)	-	<b>(969)</b>
Foreign exchange adjustments	31	(248)	20	(26)	<b>(223)</b>
Allowance for loans sold during the period	-	-	(5 750)	-	<b>(5 750)</b>
Recovery of loans previously written off sold during the period	-	-	16	-	<b>16</b>
Recovery of loans previously written off	-	-	59	-	<b>59</b>
<b>ECL as at 31 March 2021</b>	<b>18 266</b>	<b>33 815</b>	<b>195 607</b>	<b>3 322</b>	<b>251 010</b>

<i>(Unaudited)</i> <i>In millions of Russian Roubles</i>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>Loans to individuals</b>				
<b>ECL as at 1 January 2021</b>	<b>3 394</b>	<b>839</b>	<b>20 724</b>	<b>24 957</b>
Transfers to Stage 1	189	(189)	-	-
Transfers to Stage 2	(89)	508	(419)	-
Transfers to Stage 3	(89)	(444)	533	-
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)	123	152	414	<b>689</b>
Unwind of discount (recognised in interest income)	-	-	83	<b>83</b>
Amounts written off	-	-	(8)	<b>(8)</b>
Allowance for loans sold during the period	-	-	(777)	<b>(777)</b>
<b>ECL as at 31 March 2021</b>	<b>3 528</b>	<b>866</b>	<b>20 550</b>	<b>24 944</b>

## 6 Loans and Advances to Customers (Continued)

An analysis of changes in the ECL allowances during the three months ended 31 March 2020 is, as follows:

<i>(Unaudited)</i> <i>In millions of Russian Roubles</i>	Stage 1	Stage 2	Stage 3	POCI	Total
<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	458	(458)	-	-	-
Transfers to Stage 2	(1 359)	2 117	(758)	-	-
Transfers to Stage 3	(17)	(2 445)	2 462	-	-
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)	303	735	2 422	(253)	<b>3 207</b>
Unwind of discount (recognised in interest income)	-	-	1 355	-	<b>1 355</b>
Amounts written off	-	-	(937)	-	<b>(937)</b>
Foreign exchange adjustments	496	2 425	1 113	-	<b>4 034</b>
Allowance for loans sold during the period	-	-	(6 899)	-	<b>(6 899)</b>
Recovery of loans previously written off sold during the period	-	-	132	-	<b>132</b>
Recovery of loans previously written off	-	-	46	-	<b>46</b>
<b>ECL as at 31 March 2020</b>	<b>13 201</b>	<b>24 095</b>	<b>235 308</b>	<b>1 156</b>	<b>273 760</b>

<i>(Unaudited)</i> <i>In millions of Russian Roubles</i>	Stage 1	Stage 2	Stage 3	Total
<b>Loans to individuals</b>				
<b>ECL as at 1 January 2020</b>	<b>2 677</b>	<b>879</b>	<b>29 659</b>	<b>33 215</b>
Transfers to Stage 1	94	(93)	(1)	-
Transfers to Stage 2	(85)	499	(414)	-
Transfers to Stage 3	(88)	(581)	669	-
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)	575	437	472	<b>1 484</b>
Unwind of discount (recognised in interest income)	-	-	125	<b>125</b>
Amounts written off	-	-	(98)	<b>(98)</b>
Allowance for loans sold during the period	-	-	(810)	<b>(810)</b>
<b>ECL as at 31 March 2020</b>	<b>3 173</b>	<b>1 141</b>	<b>29 602</b>	<b>33 916</b>

Refer to Note 20 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. The information on related party transactions is disclosed in Note 21.

## 7 Investment Securities

Investment securities including those pledged under repurchase agreements comprise:

<i>In millions of Russian Roubles</i>	<b>31 March 2021 (unaudited)</b>	<b>31 December 2020</b>
Investment securities at fair value through other comprehensive income	406 516	380 456
Investment securities at amortised cost	42 589	44 777
Investment securities at fair value through profit or loss	1 086	918
Investment securities at fair value through profit or loss (mandatory)	77 568	66 646
<b>Total investment securities</b>	<b>527 759</b>	<b>492 797</b>

<i>In millions of Russian Roubles</i>	<b>31 March 2021 (unaudited)</b>	<b>31 December 2020</b>
<b>Investment securities at fair value through other comprehensive income</b>		
Federal loan bonds (OFZ)	224 277	221 834
Corporate bonds	97 855	98 008
Corporate Eurobonds	62 769	53 139
State Eurobonds	4 951	-
Municipal and subfederal bonds	3 894	7 307
Foreign government bonds	2 638	45

<b>Total debt securities at fair value through other comprehensive income</b>	<b>396 384</b>	<b>380 333</b>
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Federal loan bonds (OFZ)	10 009	-
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<b>Total debt securities at fair value through other comprehensive income pledged under repurchase agreements</b>	<b>10 009</b>	<b>-</b>
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<b>Equity securities</b>		
Financial equities	123	123

<b>Total equity securities at fair value through other comprehensive income</b>	<b>123</b>	<b>123</b>
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<b>Total investment securities at fair value through other comprehensive income</b>	<b>406 516</b>	<b>380 456</b>
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<i>In millions of Russian Roubles</i>	<b>31 March 2021 (unaudited)</b>	<b>31 December 2020</b>
<b>Investment securities at amortised cost</b>		
Corporate bonds	20 583	24 380
Federal loan bonds (OFZ)	13 101	11 721
Municipal and subfederal bonds	6 634	6 661
Corporate Eurobonds	2 537	2 262
Less: allowance for impairment	(266)	(247)
<b>Total investment securities at amortised cost</b>	<b>42 589</b>	<b>44 777</b>

## 7 Investment Securities (Continued)

<i>In millions of Russian Roubles</i>	<b>31 March 2021 (unaudited)</b>	<b>31 December 2020</b>
<b>Investment securities at fair value through profit or loss (mandatory)</b>		
Corporate bonds	70 018	59 139
Credit linked notes	2 175	2 198
Investments in mutual funds	95	104
<b>Total debt securities at fair value through profit or loss (mandatory)</b>	<b>72 288</b>	<b>61 441</b>
<b>Equity securities</b>		
Financial equities	5 280	5 205
<b>Total investment securities at fair value through profit or loss (mandatory)</b>	<b>77 568</b>	<b>66 646</b>

Refer to Note 20 for the disclosure of the fair value hierarchy for investment securities.

## 8 Due to Other Banks

<i>In millions of Russian Roubles</i>	<b>31 March 2021 (unaudited)</b>	<b>31 December 2020</b>
Correspondent accounts and overnight placements of other banks	12 311	25 331
Borrowings from other banks with term to maturity:		
- repo deals less than 30 days	13	23
- less than 30 days	21 994	17 765
- from 31 to 180 days	39 106	105 688
- from 181 days to 1 year	36	76
- from 1 year to 3 years	16 857	15 889
- more than 3 years	17	2 298
Borrowings from the Bank of Russia with term to maturity:		
- repo deals from 181 days to 1 year	9 929	-
- less than 30 days	17 232	39
- from 31 to 180 days	28 414	38 036
- from 181 days to 1 year	2 366	9 741
- more than 1 year	39 329	39 289
<b>Total due to other banks</b>	<b>187 604</b>	<b>254 175</b>

Refer to Note 20 for the disclosure of the fair value and fair value hierarchy for due to other banks. The information on related party transactions is disclosed in Note 21.

## 9 Customer Accounts

<i>In millions of Russian Roubles</i>	<b>31 March 2021 (unaudited)</b>	<b>31 December 2020</b>
State and public organisations		
- Current/settlement accounts	29 477	28 317
- Term deposits	408 917	326 475
Other legal entities		
- Current/settlement accounts	315 127	277 044
- Term deposits	829 557	888 097
Individuals		
- Current/demand accounts	259 210	239 398
- Term deposits	1 113 276	1 102 990
<b>Total customer accounts</b>	<b>2 955 564</b>	<b>2 862 321</b>

## 9 Customer Accounts (Continued)

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>	31 March 2021 (unaudited)		31 December 2020	
	Amount	%	Amount	%
Individuals	1 372 486	46	1 342 388	47
State and public organisations	438 394	15	354 792	12
Manufacturing	315 164	11	302 868	11
Agriculture	210 734	7	176 649	6
Construction	137 924	5	150 251	5
Trading	98 642	3	130 824	5
Financial services and pension funds	82 553	3	91 134	3
Insurance	64 552	2	52 809	2
Real estate	33 435	1	39 124	1
Transport	20 442	1	21 280	1
Leasing	8 156	-	3 608	-
Communication	7 443	-	3 315	-
Other	165 639	6	193 279	7
<b>Total customer accounts</b>	<b>2 955 564</b>	<b>100</b>	<b>2 862 321</b>	<b>100</b>

Refer to Note 20 for the disclosure of the fair value and fair value hierarchy for customer accounts. The information on related party transactions is disclosed in Note 21.

## 10 Bonds Issued

<i>In millions of Russian Roubles</i>	31 March 2021 (unaudited)	31 December 2020
Bonds issued on domestic market	172 584	168 988
<b>Total bonds issued</b>	<b>172 584</b>	<b>168 988</b>

As at 31 March 2021, bonds issued consist of Russian Roubles denominated bonds issued on domestic market with a coupon rate up to 10.50% per annum and maturity in 2021-2038 (31 December 2020: Russian Roubles denominated bonds issued on domestic market with a coupon rate up to 10.50% per annum and maturity in 2021-2038).

Refer to Note 20 for the disclosure of the fair value and fair value hierarchy for bonds issued.

## 11 Perpetual Bonds

As at 31 March 2021, the Group's perpetual bonds in circulation equal to RR 52 011 million (as at 31 December 2020: RR 52 296 million).

As at 31 March 2021, perpetual bonds consist of Russian Roubles, US Dollars and Euros denominated bonds issued on domestic market.

Currency of denomination	Nominal value, in million of currency, in circulation	Carrying amount, in millions of Russian Roubles	Year of issue	Coupon rate
Russian Roubles	35 000	35 000	2016-2018	9.00%-14.50%
US Dollars	50	3 785	2018	9.00%
Euros	150	13 332	2019	5.00%

As at 31 December 2020, perpetual bonds consist of Russian Roubles, US Dollars and Euros denominated bonds issued on domestic market.

Currency of denomination	Nominal value, in million of currency, in circulation	Carrying amount, in millions of Russian Roubles	Year of issue	Coupon rate
Russian Roubles	35 000	35 000	2016-2018	9.00%-14.50%
US Dollars	50	3 694	2018	9.00%
Euros	150	13 602	2019	5.00%

## 12 Interest Income and Expense

<i>(Unaudited)</i> <i>In millions of Russian Roubles</i>	<b>For the three months ended 31 March</b>	
	<b>2021</b>	<b>2020</b>
<b>Interest income on debt financial assets carried at amortised cost</b>		
Loans and advances to legal entities	34 331	34 255
Loans and advances to individuals	13 731	13 310
Cash equivalents	1 501	2 601
Investment securities at amortised cost including pledged under repurchase agreements	765	820
Due from other banks	509	603
	<b>50 837</b>	<b>51 589</b>
<b>Interest income on debt financial assets carried at fair value through other comprehensive income</b>		
Investment securities at FVOCI including pledged under repurchase agreements	4 931	5 919
	<b>4 931</b>	<b>5 919</b>
<b>Total interest income at effective interest rate</b>	<b>55 768</b>	<b>57 508</b>
Investment securities at fair value through profit or loss	1 317	844
Loans to customers at fair value through profit or loss	779	602
Trading securities	766	570
<b>Total other interest income</b>	<b>2 862</b>	<b>2 016</b>
<b>Interest expense at effective interest rate</b>		
Term deposits of individuals	(13 899)	(16 022)
Term deposits of legal entities	(11 220)	(13 668)
Bonds issued	(3 234)	(3 683)
Current/settlement accounts	(2 578)	(2 200)
Subordinated debts	(2 575)	(2 370)
Term deposits of other banks	(1 504)	(547)
Term deposits of the Bank of Russia	(1 232)	(959)
Promissory notes issued	(802)	(541)
<b>Total interest expense at effective interest rate</b>	<b>(37 044)</b>	<b>(39 990)</b>
Lease liabilities	(162)	(129)
<b>Total other interest expense</b>	<b>(162)</b>	<b>(129)</b>
<b>Net interest income</b>	<b>21 424</b>	<b>19 405</b>

The information on related party transactions is disclosed in Note 21.

### 13 Credit Loss Expense

The table below shows the ECL charges on financial instruments recorded in the income statement for the three months ended 31 March 2021:

<i>(Unaudited)</i>						
<i>In millions of Russian Roubles</i>	<b>Note</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>POCI</b>	<b>Total</b>
Cash and cash equivalents		(11)	-	-	-	(11)
Due from other banks		(32)	-	-	-	(32)
Loans to customers at amortised cost	6	(2 281)	7 667	(913)	(221)	4 252
Debt securities measured at amortised cost		19	-	-	-	19
Debt securities measured at FVOCI		(40)	-	-	-	(40)
Other financial assets		-	-	377	-	377
Credit related commitments		(82)	-	-	-	(82)
<b>Total credit loss expense</b>		<b>(2 427)</b>	<b>7 667</b>	<b>(536)</b>	<b>(221)</b>	<b>4 483</b>

The table below shows the ECL charges on financial instruments recorded in the income statement for the three months ended 31 March 2020:

<i>(Unaudited)</i>						
<i>In millions of Russian Roubles</i>	<b>Note</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>POCI</b>	<b>Total</b>
Cash and cash equivalents		-	-	-	-	-
Due from other banks		3	-	-	-	3
Loans to customers at amortised cost	6	377	2 636	6 143	(253)	8 903
Debt securities measured at amortised cost		166	-	-	-	166
Debt securities measured at FVOCI		391	-	-	-	391
Other financial assets		-	-	111	-	111
Credit related commitments		63	(12)	1	-	52
<b>Total credit loss expense</b>		<b>1 000</b>	<b>2 624</b>	<b>6 255</b>	<b>(253)</b>	<b>9 626</b>

### 14 Fee and Commission Income and Expense

<i>(Unaudited)</i> <i>In millions of Russian Roubles</i>	<b>For the three months ended 31 March</b>	
	<b>2021</b>	<b>2020</b>
<b>Fee and commission income</b>		
Financial services fees and brokerage commission	4 192	92
Fees for sale of insurance contracts and agency services	1 983	1 442
Commission on cash and settlements transactions	1 968	2 066
Commission on banking cards	1 128	972
Commission on guarantees issued	528	339
Fees for currency control	95	78
Commission received from the Deposit Insurance Agency	6	4
Other	532	91
<b>Total fee and commission income</b>	<b>10 432</b>	<b>5 084</b>
<b>Fee and commission expense</b>		
Commission on settlement transactions	(622)	(609)
Commission on cash collection	(64)	(73)
Other	(87)	(59)
<b>Total fee and commission expense</b>	<b>(773)</b>	<b>(741)</b>
<b>Net fee and commission income</b>	<b>9 659</b>	<b>4 343</b>

## 15 Gains less Losses from Non-banking Activities

<i>(Unaudited)</i> In millions of Russian Roubles	For the three months ended 31 March	
	2021	2020
Sales of goods	363	1 673
Including:		
- meat and dairy products	127	143
- feed	102	198
- sugar	5	1 049
- other goods and services	129	283
Cost of goods sold	(357)	(1 580)
(Provision)/recovery of provision for impairment for trade receivables, prepayments and other financial assets	111	106
Net income from insurance operations	642	1 041
Other non-banking income	208	509
Other non-banking expenses	(1 137)	(1 137)
<b>Total gains less losses from non-banking activities</b>	<b>(170)</b>	<b>612</b>

Net income from insurance operations is as follows:

<i>(Unaudited)</i> In millions of Russian Roubles	For the three months ended 31 March	
	2021	2020
<b>Insurance premiums</b>		
Premium earned	3 941	4 756
Reinsurers share in premiums earned	(834)	(534)
<b>Net insurance premiums earned</b>	<b>3 107</b>	<b>4 222</b>
<b>Insurance benefits and claims</b>		
Net claims incurred during the period	(3 286)	(3 205)
Acquisition costs	(137)	(181)
Reinsurers share in claims incurred during the period	958	205
<b>Net insurance benefits and claims</b>	<b>(2 465)</b>	<b>(3 181)</b>
<b>Net income from insurance operations</b>	<b>642</b>	<b>1 041</b>

## 16 Significant Risk Concentrations

As at 31 March 2021, correspondent accounts and deposits with other banks with original maturities less than one month within cash and cash equivalents included no balances individually above 10% of the Group's equity (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).

As at 31 March 2021, cash and cash equivalents included the balances with the Bank of Russia in the total amount of RR 246 308 million, or 66% of total cash and cash equivalents (31 December 2020: RR 201 455 million, or 53% of total cash and cash equivalents).

As at 31 March 2021, due from other banks included no balances individually above 10% of the Group's equity (31 December 2020: due from other banks included no balances individually above 10% of the Group's equity).

## **16 Significant Risk Concentrations (Continued)**

As at 31 March 2021, due to other banks included balances with the Bank of Russia above 10% of the Group's equity in the amount of RR 97 270 million, or 52% of total due to other banks (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).

As at 31 March 2021, due to other banks included no balances, individually above 10% of the Group's equity (31 December 2020: due to other banks 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 29 832 million, or 12% of total due to other banks).

As at 31 March 2021, customer accounts included balances with seven customers each above 10% of the Group's equity (31 December 2020: balances with eight customers each above 10% of the Group's equity). The aggregate balance of these customers was RR 663 597 million, or 22% of total customer accounts (31 December 2020: RR 610 530 million, or 21% of total customer accounts).

## **17 Segment Analysis**

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.

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.

The Management Board of the Bank assesses efficiency of operating segments based on a financial performance measure prepared from statutory accounting data.

The accounting policy of the operating segments is based on Russian Accounting Rules (RAR) and differs from policies described in the summary of significant accounting policies in the Group's last annual consolidated financial statements.

## 17 Segment Analysis (Continued)

Segment reporting of the Group's revenue and profit/(loss) for the three months ended 31 March 2021 and for the three months ended 31 March 2020 and segment reporting of the Group's assets and liabilities at 31 March 2021 and 31 December 2020 are as follows:

<i>In millions of Russian Roubles</i>	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 three months ended 31 March 2021 (unaudited)</b>										
<b>Revenue from external customers</b>	<b>20 381</b>	<b>16 194</b>	<b>2 196</b>	<b>7 718</b>	<b>3 570</b>	<b>2 158</b>	<b>3 651</b>	<b>1 908</b>	<b>6 383</b>	<b>64 159</b>
- Interest income from loans and advances to customers, due from other banks and other placed funds	15 895	14 526	1 884	6 776	3 106	1 717	2 946	1 694	5 742	<b>54 286</b>
- Net fee and commission income from credit related operations	4 486	1 668	312	942	464	441	705	214	641	<b>9 873</b>
Gains less losses/(losses net of gains) arising from securities, derivative financial instruments and foreign currency	405	(3 138)	1 507	(362)	71	(45)	(414)	(238)	887	<b>(1 327)</b>
Interest expenses from due to other banks, customer accounts and bonds issued	(18 078)	(7 369)	(1 012)	(3 994)	(2 861)	(666)	(2 127)	(1 041)	(1 423)	<b>(38 571)</b>
(Provision)/recovery of provision for impairment	90	(459)	(1 222)	(253)	(677)	(370)	361	362	(752)	<b>(2 920)</b>
Administrative and maintenance expense	(11 762)	(851)	(183)	(516)	(222)	(192)	(356)	(122)	(238)	<b>(14 442)</b>
- Including depreciation charge	(652)	(106)	(25)	(81)	(33)	(41)	(66)	(17)	(37)	<b>(1 058)</b>
Other expenses less other income*	(2 806)	319	6	199	109	(6)	222	16	77	<b>(1 864)</b>
Current income tax expense	(283)	-	-	-	-	-	-	-	-	<b>(283)</b>
<b>(Loss)/profit of reportable segments</b>	<b>(12 053)</b>	<b>4 696</b>	<b>1 292</b>	<b>2 792</b>	<b>(10)</b>	<b>879</b>	<b>1 337</b>	<b>885</b>	<b>4 934</b>	<b>4 752</b>
<b>Intersegment income/(expense)**</b>	<b>9 969</b>	<b>(1 263)</b>	<b>(1 979)</b>	<b>(1 357)</b>	<b>743</b>	<b>(1 157)</b>	<b>(373)</b>	<b>(394)</b>	<b>(4 189)</b>	<b>-</b>

\* 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.

**17 Segment Analysis (Continued)**

<i>In millions of Russian Roubles</i>	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 three months ended 31 March 2020 (unaudited)</b>										
<b>Revenue from external customers</b>	<b>18 561</b>	<b>14 859</b>	<b>2 318</b>	<b>7 688</b>	<b>4 071</b>	<b>2 142</b>	<b>3 417</b>	<b>1 523</b>	<b>7 521</b>	<b>62 100</b>
- Interest income from loans and advances to customers, due from other banks and other placed funds	18 117	13 384	1 947	6 710	3 656	1 781	2 788	1 353	6 919	<b>56 655</b>
- Net fee and commission income from credit related operations	444	1 475	371	978	415	361	629	170	602	<b>5 445</b>
Gains less losses/(losses net of gains) arising from securities, derivative financial instruments and foreign currency	(23 433)	17 463	13 153	(3 907)	650	(392)	(4 316)	(1 482)	5 529	<b>3 265</b>
Interest expenses from due to other banks, customer accounts and bonds issued	(18 458)	(8 694)	(1 132)	(4 503)	(2 926)	(793)	(2 382)	(1 157)	(1 509)	<b>(41 554)</b>
Recovery of provision/(provision) for impairment*	1 481	(3 967)	(415)	(749)	(930)	(485)	223	(161)	225	<b>(4 778)</b>
Administrative and maintenance expense	(10 691)	(619)	(173)	(486)	(194)	(214)	(356)	(115)	(231)	<b>(13 079)</b>
- Including depreciation charge	(583)	(82)	(18)	(66)	(28)	(37)	(57)	(15)	(29)	<b>(915)</b>
Other expenses less other income*	(1 384)	27	(81)	(116)	(359)	(215)	(228)	3	(124)	<b>(2 477)</b>
Current income tax expense	(326)	-	-	-	-	-	-	-	-	<b>(326)</b>
<b>(Loss)/profit of reportable segments</b>	<b>(34 250)</b>	<b>19 069</b>	<b>13 670</b>	<b>(2 073)</b>	<b>312</b>	<b>43</b>	<b>(3 642)</b>	<b>(1 389)</b>	<b>11 411</b>	<b>3 151</b>
<b>Intersegment income/(expense)**</b>	<b>37 194</b>	<b>(17 470)</b>	<b>(13 504)</b>	<b>2 388</b>	<b>(1 017)</b>	<b>(670)</b>	<b>2 978</b>	<b>1 517</b>	<b>(11 416)</b>	<b>-</b>
<b>Total assets</b>										
31 March 2021 (unaudited)	2 461 979	1 391 984	167 982	573 960	362 044	178 071	278 075	128 972	401 494	<b>5 944 561</b>
31 December 2020	3 279 930	1 709 743	244 666	648 705	421 208	209 256	315 573	152 938	479 372	<b>7 461 391</b>
<b>Total liabilities</b>										
31 March 2021 (unaudited)	2 275 340	1 387 162	166 657	570 942	361 949	177 170	276 639	128 086	396 556	<b>5 740 501</b>
31 December 2020	3 075 417	1 709 617	244 633	648 480	421 104	209 233	315 471	152 938	479 366	<b>7 256 259</b>

\* 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.

## 17 Segment Analysis (Continued)

Reconciliation of profit of the reportable segments results is as follows:

<i>(Unaudited)</i> In millions of Russian Roubles	<b>For the three months ended 31 March</b>	
	<b>2021</b>	<b>2020</b>
<b>Total profit of reportable segments (after tax)</b>	<b>4 752</b>	<b>3 151</b>
Adjustments for impairment (ECL)	(2 572)	(4 373)
Effect of consolidation	(442)	(604)
Accounting for financial instruments at fair value	1 239	(1 267)
Adjustment of deferred tax	135	430
Gains less losses from revaluation of other financial instruments at fair value through profit or loss	128	(1 219)
Adjustment of accrued staff costs	127	36
Reclassification of perpetual bonds to equity	1 024	4 510
Adjustments of financial assets and liabilities carried at amortised cost	1 752	220
Other	(597)	(266)
<b>The Group's profit under IFRS (after tax)</b>	<b>5 546</b>	<b>618</b>

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.

## 18 Contingencies and Commitments

**Legal proceedings.** From time to time in the normal course of business, claims against the Group are received. As at 31 March 2021, 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 interim condensed consolidated financial statements (31 December 2020: 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 consolidated financial statements).

## **18 Contingencies and Commitments (Continued)**

**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 applicable 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.

During three months ended 31 March 2021, 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 March 2021, the Management of the Group believes that its interpretation of the applicable legislation is reasonable and will be sustained.

**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.

## 18 Contingencies and Commitments (Continued)

**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>	<b>31 March 2021 (unaudited)</b>	<b>31 December 2020</b>
Undrawn credit lines	206 384	185 237
Letters of credit	4 614	9 438
Less: provisions for ECL	(848)	(930)
<b>Total credit related commitments</b>	<b>210 150</b>	<b>193 745</b>
Performance guarantees	134 743	142 382
Less: provisions	(180)	-
<b>Total credit related commitments and performance guarantees</b>	<b>344 713</b>	<b>336 127</b>

An analysis of changes in the ECLs during the three months ended 31 March 2021 are, as follows:

<i>In millions of Russian Roubles</i>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>ECLs as at 1 January 2021</b>	<b>929</b>	<b>1</b>	<b>-</b>	<b>930</b>
Transfers to Stage 1	1	(1)	-	-
Transfers to Stage 2	(1)	1	-	-
Transfers to Stage 3	-	-	-	-
Impact on period end ECL of exposures transferred between stages during the period (including expense on new issue and income from repayments)	(82)	-	-	<b>(82)</b>
<b>ECLs as at 31 March 2021</b>	<b>847</b>	<b>1</b>	<b>-</b>	<b>848</b>

An analysis of changes in the ECLs during the three months ended 31 March 2020 are, as follows:

<i>(Unaudited) In millions of Russian Roubles</i>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>ECLs as at 1 January 2020</b>	<b>497</b>	<b>11</b>	<b>-</b>	<b>508</b>
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	(1)	(11)	12	-
Impact on period end ECL of exposures transferred between stages during the period	63	(12)	1	<b>52</b>
<b>ECLs as at 31 March 2020</b>	<b>559</b>	<b>(12)</b>	<b>13</b>	<b>560</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.

For the purpose of ECL measurement credit related commitments balances are included in Stage 1 and 2.

## 18 Contingencies and Commitments (Continued)

Credit related commitments and performance guarantees are denominated in currencies as follows:

<i>In millions of Russian Roubles</i>	<b>31 March 2021 (unaudited)</b>	<b>31 December 2020</b>
Russian Roubles	326 253	314 233
US Dollars	10 588	13 640
Euros	7 872	8 254
<b>Total credit related commitments</b>	<b>344 713</b>	<b>336 127</b>

**Assets pledged and restricted.** The Group had the following assets pledged and restricted:

<i>In millions of Russian Roubles</i>	<b>31 March 2021 (unaudited)</b>	<b>31 December 2020</b>
Assets pledged under loan agreements with banks (including the Bank of Russia)	6 828	7 430
Repurchase agreements	10 009	-

As at 31 March 2021, mandatory cash balances with the Bank of Russia in the amount of RR 27 571 million (31 December 2020: RR 24 999 million) represent mandatory reserve deposits which are not available to finance the Group's day to day operations.

As at 31 March 2021 and 31 December 2020, 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.

## 19 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 recognized as assets (in case of positive fair value) or liabilities (in case of negative fair value).

As at 31 March 2021, 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 2020: 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 counterparties with the same maturities ("back-to-back loans").

## 19 Derivative Financial Instruments (Continued)

The table below reflects gross positions in derivative financial instruments before netting of any counterparty positions as at 31 March 2021 and covers the contracts with settlement dates after the respective end of the reporting period:

<i>In millions of Russian Roubles</i>	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</b>				
- Currency	17 118	(17 144)	165	(191)
- Securities	101 973	(95 610)	7 048	(685)
- Commodity	-	(1)	-	(1)
<b>Swaps</b>				
- Interest rate	17 417	(18 249)	1 137	(1 969)
- Currency-interest rate	7 157	(7 156)	520	(519)
- Currency	463 566	(449 185)	16 757	(2 376)
- Precious metals	3 464	(3 404)	60	-
<b>Options</b>				
- Currency	253	(255)	-	-
- Interest rate	1	(6)	1	(5)
- Precious metals	55	(55)	3	(3)
<b>Total derivative financial instruments</b>	<b>611 004</b>	<b>(591 065)</b>	<b>25 691</b>	<b>(5 749)</b>

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:

<i>In millions of Russian Roubles</i>	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</b>				
- Currency	6 116	(6 160)	120	(164)
- Securities	116 506	(109 521)	8 579	(1 594)
- Commodity	1 847	(1 847)	146	(146)
<b>Swaps</b>				
- Interest rate	13 234	(11 453)	2 849	(1 068)
- Currency-interest rate	17 491	(18 113)	652	(1 274)
- Currency	404 391	(391 936)	13 606	(1 151)
- Precious metals	2 953	(2 954)	-	(1)
<b>Options</b>				
- Currency	5 911	(5 975)	4	-
- Interest rate	16 204	(16 206)	13	(14)
- Precious metals	56	(56)	4	(4)
<b>Total derivative financial instruments</b>	<b>584 709</b>	<b>(564 221)</b>	<b>25 973</b>	<b>(5 416)</b>

As at 31 March 2021 and 31 December 2020, the Group had no foreign exchange swaps with fair value individually above 10% of the Group's equity.

Refer to Note 20 for the disclosure of fair value hierarchy for derivative financial instruments. The information on related party transactions is disclosed in Note 21.

## 20 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 interim consolidated statement of financial position at their fair value based on quoted market prices and valuation techniques with all material inputs observable.

Financial instruments at fair value through profit or loss and derivative financial instruments are carried on the interim consolidated statement of financial position at their fair value based on valuation technique with inputs observable in markets. 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 discounted cash flow techniques with observable market data inputs as offshore and onshore yield curves, as well as market data, reflecting the distribution of the probability of default 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 current fair value.

**Loans and receivables.** The fair value of floating rate instruments is normally 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.

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.

## 20 Fair Value of Financial Instruments (Continued)

### (a) Fair value of financial instruments carried at amortised cost and at fair value

<i>In millions of Russian Roubles</i>	31 March 2021 (unaudited)		31 December 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets carried at amortised cost</b>				
Cash and cash equivalents	372 677	372 677	378 303	378 303
Mandatory cash balances with the Bank of Russia	27 571	27 571	24 999	24 999
Due from other banks	30 422	33 771	43 299	47 596
Loans and advances to customers				
- Loans to corporates	2 074 360	2 083 003	2 069 034	2 075 687
- Lending for food interventions	1 493	1 493	1 612	1 612
- Loans to individuals	557 966	557 689	538 433	543 888
Investment securities				
- Corporate bonds	20 364	20 646	24 164	24 785
- Municipal and subfederal bonds	6 626	7 129	6 653	7 253
- Federal Loan bonds (OFZ)	13 078	13 099	11 702	11 804
- Corporate Eurobonds	2 521	2 521	2 258	2 258
Other financial assets	8 234	8 234	11 903	11 903
<b>Total financial assets carried at amortised cost</b>	<b>3 115 312</b>	<b>3 127 833</b>	<b>3 112 360</b>	<b>3 130 088</b>
Financial assets carried at fair value	636 417	636 417	599 924	599 924
<b>Total financial assets</b>	<b>3 751 729</b>	<b>3 764 250</b>	<b>3 712 284</b>	<b>3 730 012</b>
<b>Financial liabilities carried at amortised cost</b>				
Due to other banks				
- Term borrowings from other banks	78 023	79 255	141 739	143 254
- Term borrowings from the Bank of Russia	97 270	96 830	87 105	86 384
- Correspondent accounts and overnight placements of other banks	12 311	12 311	25 331	25 331
Customer accounts				
- State and public organisations	438 394	438 745	354 792	355 159
- Other legal entities	1 144 684	1 146 733	1 165 141	1 166 223
- Individuals	1 372 486	1 383 936	1 342 388	1 358 598
Promissory notes issued	72 026	72 026	67 023	67 023
Bonds issued				
- Bonds issued on domestic market	172 584	181 881	168 988	181 445
Other financial liabilities	23 383	23 383	23 256	23 256
<b>Total financial liabilities carried at amortised cost before subordinated debts</b>	<b>3 411 161</b>	<b>3 435 100</b>	<b>3 375 763</b>	<b>3 406 673</b>
Subordinated debts	155 089	164 312	151 885	158 785
<b>Total financial liabilities carried at amortised cost</b>	<b>3 566 250</b>	<b>3 599 412</b>	<b>3 527 648</b>	<b>3 565 458</b>
Financial liabilities carried at fair value	5 749	5 749	5 416	5 416
<b>Total financial liabilities</b>	<b>3 571 999</b>	<b>3 605 161</b>	<b>3 533 064</b>	<b>3 570 874</b>

## 20 Fair Value of Financial Instruments (Continued)

### (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.

**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 March 2021 is as follows:

<i>(Unaudited)</i> In millions of Russian Roubles	Quoted price in an active market (Level 1)	Valuation technique with inputs observable in markets (Level 2)	Valuation technique with non- observable inputs (Level 3)	Total
<b>Assets measured at fair value</b>				
Trading securities	42 202	-	-	42 202
Investment securities	398 044	87 003	123	485 170
Derivative financial instruments	-	25 691	-	25 691
Loans to customers at fair value through profit or loss	-	-	83 354	83 354
Office premises	-	-	30 461	30 461
<b>Assets for which fair values are disclosed</b>				
Cash and cash equivalents	-	372 677	-	372 677
Mandatory cash balances with the Bank of Russia	-	-	27 571	27 571
Due from other banks	-	33 771	-	33 771
Loans and advances to customers	-	-	2 642 185	2 642 185
Investment securities	37 209	6 188	-	43 397
Other financial assets	-	-	8 234	8 234
<b>Total financial and non-financial assets</b>	<b>477 455</b>	<b>525 330</b>	<b>2 791 928</b>	<b>3 794 713</b>
<b>Liabilities measured at fair value</b>				
Derivative financial instruments	-	5 749	-	5 749
<b>Liabilities for which fair values are disclosed</b>				
Due to other banks	-	188 396	-	188 396
Customer accounts	-	-	2 969 414	2 969 414
Promissory notes issued	-	-	72 026	72 026
Bonds issued				
- Bonds issued on domestic market	129 077	52 804	-	181 881
Other financial liabilities	-	-	23 383	23 383
<b>Total financial liabilities before subordinated debts</b>	<b>129 077</b>	<b>246 949</b>	<b>3 064 823</b>	<b>3 440 849</b>
Subordinated debts	33 026	131 286	-	164 312
<b>Total financial liabilities</b>	<b>162 103</b>	<b>378 235</b>	<b>3 064 823</b>	<b>3 605 161</b>

## 20 Fair Value of Financial Instruments (Continued)

Analysis of financial and non-financial instruments as at 31 December 2020 is as follows:

<i>In millions of Russian Roubles</i>	Quoted price in an active market (Level 1)	Valuation technique with inputs observable in markets (Level 2)	Valuation technique with non- observable inputs (Level 3)	Total
<b>Assets measured at fair value</b>				
Trading securities	42 756	-	-	42 756
Investment securities	376 360	71 537	123	448 020
Derivative financial instruments	-	25 973	-	25 973
Loans to customers at fair value through profit or loss	-	-	83 175	83 175
Office premises	-	-	30 625	30 625
Other non-financial assets	137	-	-	137
<b>Assets for which fair values are disclosed</b>				
Cash and cash equivalents	-	378 303	-	378 303
Mandatory cash balances with the Bank of Russia	-	-	24 999	24 999
Due from other banks	-	47 596	-	47 596
Loans and advances to customers	-	-	2 621 187	2 621 187
Investment securities	38 387	7 713	-	46 100
Other financial assets	-	-	11 903	11 903
<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	-	5 416
<b>Liabilities for which fair values are disclosed</b>				
Due to other banks	-	254 969	-	254 969
Customer accounts	-	-	2 879 980	2 879 980
Promissory notes issued	-	-	67 023	67 023
Bonds issued				
- Bonds issued on domestic market	137 617	43 828	-	181 445
Other financial liabilities	-	-	23 256	23 256
<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	-	158 785
<b>Total financial liabilities</b>	<b>169 106</b>	<b>431 509</b>	<b>2 970 259</b>	<b>3 570 874</b>

## 20 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>	At 31 December 2020	Total gains	New assets recognised	Assets derecognised	At 31 March 2021 (unaudited)
<b>Financial assets</b>					
Loans to customers at fair value through profit or loss	83 175	841	2 213	(2 875)	83 354
Investment securities at fair value through other comprehensive income	123	-	-	-	123
<b>Total level 3 financial assets</b>	<b>83 298</b>	<b>841</b>	<b>2 213</b>	<b>(2 875)</b>	<b>83 477</b>

<i>In millions of Russian Roubles</i>	At 31 December 2019	Total gains	New assets recognised	Assets derecognised	At 31 March 2020 (unaudited)
<b>Financial assets</b>					
Loans to customers at fair value through profit or loss	55 791	4 756	4 643	(830)	64 360
Investment securities at fair value through other comprehensive income	128	-	-	-	128
<b>Total level 3 financial assets</b>	<b>55 919</b>	<b>4 756</b>	<b>4 643</b>	<b>(830)</b>	<b>64 488</b>

Gains or losses on Level 3 financial assets included in the profit or loss for the period comprise:

<i>(Unaudited)</i> <i>In millions of Russian Roubles</i>	For the three months ended 31 March 2021			For the three months ended 31 March 2020		
	Realised gains/ (losses)	Unrealised gains/ (losses)	Total	Realised gains/ (losses)	Unrealised gains/ (losses)	Total
Total gains/(losses) included in the profit or loss for the period*	839	2	841	602	4 154	4 756

\* 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 395 million (31 March 2020: foreign exchange translation income in the amount of RR 4 730 million) recorded for foreign exchange translation gains less losses/(losses net of gains).

### 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 and credit spread.

As of 31 March 2021, if the discount rate used by the Group in the model increases/decreases by 1%, the book value of loans will decrease by RR 2 834 million / increase by RR 3 006 million (31 December 2020: decrease by RR 2 939 million / increase by RR 3 041 million). The discount rates used are in range from 3.86% to 10.02% (31 December 2020: from 3.81% to 11.42%).

## 20 Fair Value of Financial Instruments (Continued)

The table below reflects transfers of financial instruments measured at fair value between Level 1 and Level 2 of the fair value hierarchy during three months ended 31 March 2021:

<i>(Unaudited)</i> In millions of Russian Roubles	Transfers between Level 1 and Level 2	
	From Level 1 to Level 2	From Level 2 to Level 1
<b>Financial assets</b>		
Investment securities at fair value through other comprehensive income	-	481
<b>Total transfers of financial assets</b>	<b>-</b>	<b>481</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 2020:

In millions of Russian Roubles	Transfers between Level 1 and Level 2	
	From Level 1 to Level 2	From Level 2 to Level 1
<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>

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 three months ended 31 March 2021 and during the year ended 31 December 2020.

The following table shows the quantitative information as at 31 March 2021 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 (based on valuation at 31 December 2018, fair value of new objects acquired in 2019, 2020 and 2021 equals to current value)	30 461	Comparative method	Trade discount	6.0%	21.0%

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 (based on valuation at 31 December 2018, fair value of new objects acquired in 2019 and 2020 equals to current value)	30 625	Comparative method	Trade discount	6.0%	21.0%

## 21 Related Party Transactions

For the purposes of these interim condensed 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 interim condensed consolidated financial statements, significant 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:

<i>In millions of Russian Roubles</i>	<b>31 March 2021 (unaudited)</b>	<b>31 December 2020</b>
<b>Cash and cash equivalents</b>		
Bank of Russia	246 308	201 455
Other banks	13 372	71 526
<b>Loans and advances to customers</b>		
Loans and advances to customers (before impairment)	152 773	199 530
Key management and their family members	5	14
Less: allowance for impairment	(14 586)	(14 969)
Derivative financial instruments — assets	8 353	11 503
<b>Securities</b>		
Securities issued by Russian Federation	287 238	268 952
Securities of entities and banks	95 780	98 406
Less: allowance for impairment	(282)	(245)
Due from other banks	9 327	11 556
<b>Other assets</b>		
State Corporation Deposit Insurance Agency	186	846
<b>Customer accounts</b>		
Entities	749 225	703 198
Key management and their family members	4 368	4 200
<b>Due to other banks</b>		
Bank of Russia	97 270	87 105
Other banks	27 518	79 042
Derivative financial instruments — liabilities	1 571	624
Subordinated debts	88 855	85 685
<b>Credit related commitments</b>		
Undrawn credit lines	14 778	15 459
Performance guarantees	8 642	10 940
Less: provision for impairment	(89)	(114)
Financial guarantees received	89 798	78 349

## 21 Related Party Transactions (Continued)

The income and expense items with related parties were as follows:

<i>(Unaudited)</i> In millions of Russian Roubles	For the three months ended 31 March	
	2021	2020
<b>Interest income on cash and cash equivalents</b>		
Bank of Russia	932	1 697
Other banks	306	494
Interest income on due from other banks	280	338
Interest income on loans and advances to customers	1 865	3 998
<b>Interest income on securities</b>		
Securities issued by Russian Federation	3 392	4 437
Securities of entities and banks	1 663	1 832
<b>Gains less losses from securities</b>		
Securities issued by Russian Federation	(17)	430
Securities of entities and banks	(88)	164
<b>Fee and commission income</b>		
Commission received from the Deposit Insurance Agency	6	4
Losses net of gains from derivative financial instruments	(2 871)	(5 697)
<b>Interest expense on customer accounts</b>		
Entities	(6 071)	(8 805)
Key management and their family members	(46)	(83)
Interest expense on subordinated debts	(1 045)	(965)
<b>Interest expense on due to other banks</b>		
Bank of Russia	(1 232)	(964)
Other banks	(717)	(127)
<b>Administrative and other operating expenses</b>		
Payments to the Deposit Insurance Fund	(1 613)	(2 123)

During three months ended 31 March 2021, transactions with the shareholder included taxes paid and subsidies received under the government programs to subsidize lending.

Key management of the Group represents members of the Supervisory Board, the Management Board and Chief Accountant of the Bank. For the three months ended 31 March 2021 total remuneration of the key management amounted to RR 94 million (for the three months ended 31 March 2020: RR 221 million). Total remuneration of the key management includes salaries, discretionary bonuses and other short-term benefits.