Independent auditor's report
on the consolidated financial statements of
Joint stock company Russian Agricultural Bank
and its subsidiaries
for 2020

March 2021

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Independent auditor's report

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

Report on the audit of the consolidated financial statements

Opinion

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

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

Basis for opinion

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

Key audit matters

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

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

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

Other information included in the Russian Agricultural Bank Annual Report 2020

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

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

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

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

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

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

The Audit Committee are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

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

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

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

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

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

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

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

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

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

The findings from our work are provided below.

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

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

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

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

- We found that, in accordance with the legal acts and recommendations issued by the Bank of Russia, as of 31 December 2020 the Bank's internal audit division was subordinated and accountable to the Supervisory Board, and the Bank's risk management departments were not subordinated or accountable to the departments that take the relevant risks.

- We found that the Bank's internal documents effective as of 31 December 2020 that establish the methodologies for detecting and managing credit, market, operational and liquidity and concentration risks that are significant to the Banking group and stress-testing have been approved by the Bank's authorized bodies in accordance with the legal acts and recommendations issued by the Bank of Russia. We also found that, as of 31 December 2020, the Bank had a reporting system pertaining to credit, market, operational and liquidity and concentration risks that were significant to the Banking group and pertaining to its capital.

- We found that the frequency and consistency of reports prepared by the Bank's risk management departments and internal audit division during the year ended 31 December 2020 with regard to the management of credit, market, operational and liquidity and concentration risks of the Banking group complied with the Bank's internal documents, and that those reports included observations made by the Bank's risk management departments and internal audit division in respect of the effectiveness of relevant risk management methodologies.

- We found that, as of 31 December 2020, the authority of the Supervisory Board and executive management bodies of the Bank included control over compliance of the Banking group with internally established risk limits and capital adequacy requirements. For the purpose of control over the effectiveness and consistency of the risk management procedures applied by the Banking group during the year ended 31 December 2020, the Supervisory Board and executive management bodies of the Bank regularly reviewed the reports prepared by the Bank's risk management departments and internal audit division.

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

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

G.A. Shinin
Partner
Ernst & Young LLC

10 March 2021

Details of the audited entity

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

Details of the auditor

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

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

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

АКЦИОНЕРНОЕ ОБЩЕСТВО * ОГРН 1027700342890 * МОСКВА *
«Российский Сельскохозяйственный банк» АО «Россельхозбанк»

B.P. Listov
Chairman of the Management Board

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

In millions of Russian Roubles	Note	2020	2019
Interest income at effective interest rate	21	224 282	243 561
Other interest income	21	9 991	4 968
Interest expense	21	(154 727)	(171 281)
Net interest income		**79 546**	**77 248**
Credit loss expense	22	(30 708)	(39 554)
Net interest income after credit loss expense		**48 838**	**37 694**
Fee and commission income	23	25 706	23 450
Fee and commission expense	23	(3 404)	(2 780)
(Losses net of gains)/gains less losses from trading securities		(164)	284
(Losses net of gains)/gains less losses from financial instruments and loans to customers at fair value through profit or loss		(1 987)	2 054
Gains less losses from investment securities at fair value through other comprehensive income		3 236	1 495
Foreign exchange translation gains less losses/(losses net of gains)		17 173	(10 352)
(Losses net of gains)/gains less losses from derivative financial instruments		(8 751)	16 120
Gains less losses from dealing in foreign currencies		1 831	4 108
Gains from non-banking activities		21 789	17 426
Losses from non-banking activities		(20 159)	(16 352)
Losses from disposal of subsidiaries		(977)	-
Other operating income		1 639	823
Administrative and other operating expenses	25	(66 915)	(65 529)
Profit before tax		**17 855**	**8 441**
Income tax expense	26	(4 841)	(4 424)
Profit for the year		**13 014**	**4 017**
Loss is attributable to:			
Shareholder of the Bank		13 025	4 015
Non-controlling interest		(11)	2
Profit for the year		**13 014**	**4 017**
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Debt securities at fair value through other comprehensive income:			
- Net gains on debt securities at fair value through other comprehensive income		20	15 160
- Realised revaluation reserve (at disposal)		(3 236)	(1 495)
- Changes in allowance for expected credit losses of debt securities at fair value through other comprehensive income		301	(532)
Income tax	26	(219)	(2 631)
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods, net of tax		**(3 134)**	**10 502**
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods:			
- Revaluation of premises		-	7
- Net gains on equity securities at fair value through other comprehensive income		-	24
- Income tax		-	(1)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods, net of tax		-	30
Total other comprehensive (loss)/income		**(3 134)**	**10 532**
Total comprehensive income for the year		**9 880**	**14 549**
Total comprehensive income/(loss) is attributable to:			
Shareholder of the Bank		9 891	14 547
Non-controlling interest		(11)	2
Total comprehensive income for the year		**9 880**	**14 549**

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

In millions of Russian Roubles	Note	2020	2019
Cash flows from operating activities			
Interest received		247 301	266 010
Interest paid		(155 582)	(161 107)
Expenses incurred from trading in securities and financial instruments at fair value through profit or loss		(133)	(6)
(Expenses incurred)/income received from derivative financial instruments		(18 319)	12 840
Income received from dealing in foreign currencies		2 048	4 073
Fees and commissions received		25 727	23 481
Fees and commissions paid		(3 404)	(2 780)
Other operating income received		1 229	289
Net income received from insurance operations		14 607	10 787
Income received from non-banking activities		4 846	5 770
Expenses incurred from non-banking activities		(5 929)	(7 369)
Administrative and other operating expenses paid		(63 210)	(55 390)
Income tax paid		(4 748)	(4 918)
Cash flows from operating activities before changes in operating assets and liabilities		**44 433**	**91 680**
Changes in operating assets and liabilities			
Net (increase)/decrease in operating assets			
Mandatory cash balances with the Bank of Russia		(2 665)	(1 683)
Trading securities		(21 418)	(2 835)
Due from other banks		11 476	(14 881)
Loans and advances to customers		(499 012)	(291 360)
Other assets		(6 199)	526
Net increase/(decrease) in operating liabilities			
Due to other banks		143 277	(58 637)
Customer accounts		323 837	89 223
Promissory notes issued		17 834	5 921
Other liabilities		3 350	8 054
Net cash from/(used in) operating activities		**14 913**	**(173 992)**
Cash flows from investing activities			
Acquisition of premises and equipment	11	(9 590)	(2 964)
Proceeds from disposal of premises and equipment		931	164
Acquisition of intangible assets	11	(4 945)	(3 071)
Acquisition of investment securities at FVTPL		(519)	2 165
Acquisition of investment securities at FVTPL (mandatory)		(48 490)	(21 282)
Proceeds from sales of investment securities at FVTPL (mandatory)		9 004	2 436
Acquisition of investment securities at FVOCI		(371 843)	(391 035)
Proceeds from redemption and sales of investment securities at FVOCI		338 150	552 141
Acquisition of investment securities at amortised cost		(11 234)	(14 515)
Proceeds from redemption of investment securities at amortised cost		24 331	11 589
Dividends received		5	37
Proceeds from sale of subsidiaries		193	-
Net cash (used in)/from investing activities		**(74 007)**	**135 665**
Cash flows from financing activities			
Dividends paid	27	(114)	(1 126)
Issue of ordinary shares	20	30 500	29 635
Perpetual bonds issue less transaction costs		-	10 490
Amounts paid on perpetual bonds		(4 938)	(4 286)
Buy back of perpetual bonds issued		(9)	-
Secondary issue of perpetual bonds		107	-
Buy back of subordinated debts		(5 681)	(1 269)
Proceeds from sale of previously bought back subordinated debt		4 308	820
Proceeds from bonds issue	16	20 074	30 000
Buy back of bonds issued at or prior to put option date		(7 475)	(8 834)
Proceeds from sale of previously bought back bonds issued on domestic market		8 576	15 803
Repayment of bonds and Eurobonds issued		(26 155)	(4 575)
Payments in respect of lease obligations (IFRS 16)		(2 386)	(1 501)
Proceeds from sale of non-controlling interests in consolidated mutual funds		158	67
Payments on disposal of non-controlling interests in consolidated mutual funds		(57)	(29)
Net cash from / (used in) financing activities		**16 908**	**65 195**
Effect of exchange rate changes on cash and cash equivalents		16 936	(13 892)
Effect of ECL on cash and cash equivalents		(11)	3
Net (decrease)/increase in cash and cash equivalents		**(25 261)**	**12 979**
Cash and cash equivalents at the beginning of the period	6	403 564	390 585
Cash and cash equivalents at the end of the period	6	**378 303**	**403 564**

1 Introduction

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

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

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

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

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

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

The Bank has operated under a full banking license issued by the Bank of Russia since 13 June 2000. The Bank participates in the State deposit insurance scheme, which was introduced by Federal Law # 177-FZ *Deposits of Individuals Insurance in Russian Federation* dated 23 December 2003. The State Deposit Insurance Agency guarantees repayment of 100% of individual and/or individual entrepreneur current accounts and deposits up to RR 1 400 thousand per individual or individual entrepreneur. Since 2019, similar guarantees are applied to legal entities considered in accordance with the legislation of the Russian Federation to small and medium enterprises. Since 2020, the guaranteed reimbursement also applies to other individual cases, the maximum amount of payments for which is not more than RR 10 000 thousand.

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

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

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

2 Operating Environment of the Group

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

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

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

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

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

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

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

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

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

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

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

3 Summary of Significant Accounting Policies

Basis of preparation. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value, and by the revaluation of premises, investment securities at fair value through other comprehensive income, financial instruments categorised as at fair value through profit or loss and derivatives. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

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

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

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

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

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

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

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

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

3 Summary of Significant Accounting Policies (continued)

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

Goodwill is measured by deducting the net assets of the acquiree from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and fair value of an interest in the acquiree held immediately before the acquisition date. Any negative amount ("negative goodwill") is recognised in profit or loss after management reassesses whether it identified all the assets acquired and all liabilities and contingent liabilities assumed and reviews appropriateness of their measurement.

The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed, including fair value of assets or liabilities from contingent consideration arrangements but excludes acquisition related costs such as advisory, legal, valuation and similar professional services. Transaction costs incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt are deducted from its carrying amount and all other transaction costs associated with the acquisition are expensed.

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

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

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

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

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

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

Disposals of subsidiaries, associates or joint ventures. When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are recycled to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss, where appropriate.

3 Summary of Significant Accounting Policies (continued)

Financial instruments — key measurement terms. Depending on their classification, financial instruments are carried at fair value or amortised cost as described below.

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

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the quantity held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

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

A portfolio of financial derivatives or other financial assets and liabilities that are not traded in an active market is measured at the fair value of a group of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position (i.e. an asset) for a particular risk exposure or paid to transfer a net short position (i.e. a liability) for a particular risk exposure in an orderly transaction between market participants at the measurement date. This is applicable for assets carried at fair value on a recurring basis if the Group: (a) manages the group of financial assets and financial liabilities on the basis of the entity's net exposure to a particular market risk (or risks) or to the credit risk of a particular counterparty in accordance with the entity's documented risk management or investment strategy; (b) it provides information on that basis about the group of assets and liabilities to the entity's key management personnel; and (c) the market risks, including duration of the entity's exposure to a particular market risk (or risks) arising from the financial assets and financial liabilities is substantially the same. Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees, are used to measure fair value of certain financial instruments for which external market pricing information is not available.

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period. Refer to Note 34.

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

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

3 Summary of Significant Accounting Policies (continued)

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

Financial assets and liabilities

Initial recognition

(a) Classification and measurement

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

Business model assessment

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

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

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

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

3 Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

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

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

Derivatives are measured at FVTPL. Embedded derivatives are no separated from a host financial asset.

(b) Impairment

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

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

3 Summary of Significant Accounting Policies (continued)

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

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

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

Measurement of ECLs

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

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

Definition of default

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

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

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

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

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

Credit ratings and risk grades

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

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

3 Summary of Significant Accounting Policies (continued)

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

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

Determining whether credit risk has increased significantly

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

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

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

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

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

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

Modified assets and liabilities

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

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

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

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

3 Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

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

Inputs into measurement of ECLs

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

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

These parameters derived — alone or together — from internally developed statistical models based on own historical data or derived from available market data.

For portfolios in respect of which the Group has limited historical data, external benchmark information is used to supplement the internally available data.

Forward-looking information

Under IFRS 9, the Group incorporates forward-looking information as part of measurement of ECLs. External information used may include economic data and forecasts published by governmental bodies and monetary authorities in Russia.

The Group based on data availability and credibility of sources — using an analysis of historical data to estimate relationships between macro-economic variables and credit risk and credit losses. The key drivers include variables such as interest rates, unemployment rates, GDP forecasts and other.

Measurement categories of financial assets and liabilities

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

- Amortised cost;
- Fair value through other comprehensive income (FVOCI);
- Fair value through profit or loss (FVTPL).

3 Summary of Significant Accounting Policies (continued)

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

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

Amounts due from other banks, loans and advances to customers, investments securities at amortised cost

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

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

Debt instruments at FVOCI

In accordance with IFRS 9, the Group measures debt instruments at FVOCI when both of the following conditions are met:

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

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

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

Equity instruments at FVOCI

Upon initial recognition, the Group occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to profit or loss. Dividends are recognised in profit or loss as other income when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in other comprehensive income. Equity instruments at FVOCI are not subject to an impairment assessment. Upon disposal of these instruments, the accumulated revaluation reserve is transferred to retained earnings.

Purchased or originated credit impaired assets. Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest revenue is subsequently recognised based on a credit-adjusted EIR. ECL are only recognised or released to the extent that there is a subsequent change in the lifetime expected credit losses.

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

3 Summary of Significant Accounting Policies (continued)

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

Cash and cash equivalents. Cash and cash equivalents are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents include interbank loans, deposits, reverse sale and repurchase agreements with other banks, and other cash equivalents with original maturity of less than one month. Amounts which relate to funds that are of a restricted nature are excluded from cash and cash equivalents.

Precious metals. Gold and other precious metals are recorded at the Bank of Russia bid prices, which approximate fair values and are quoted at a discount to London Bullion Market rates. Changes in the Bank of Russia bid prices are recorded as translation differences from precious metals.

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

Trading securities. Trading securities are financial assets which are either acquired for generating a profit from short-term fluctuations in price or trader's margin, or are securities included in a portfolio in which a pattern of short-term trading exists. The Group classifies securities into trading securities if it has an intention to sell them within a short period after purchase.

Trading securities are carried at fair value. Interest earned on trading securities calculated using the contractual interest method is presented in the consolidated statement of profit or loss and other comprehensive income as interest income. All other elements of the changes in the fair value and gains or losses on derecognition are recorded in profit or loss as gains less losses from trading securities in the period in which they arise.

Sale and repurchase agreements and lending of securities. Sale and repurchase agreements ("repo agreements"), which effectively provide a lender's return to the counterparty, are treated as secured financing transactions. Securities sold under such sale and repurchase agreements are not derecognised. The securities are not reclassified in the consolidated statement of financial position unless the transferee has the right by contract or custom to sell or repledge the securities, in which case they are reclassified as Investment securities pledged under repurchase agreements. The corresponding liability is presented within amounts due to other banks or customer accounts.

Securities purchased under agreements to resell ("reverse repo agreements") which effectively provide a lender's return to the Group are recorded as cash and cash equivalents, due from other banks or loans and advances to customers, as appropriate. The difference between the sale and repurchase price is treated as interest income and accrued over the life of repo agreements using the effective interest method.

Investment securities at fair value through other comprehensive income. This classification includes investment securities which the Group intends to hold for an indefinite period of time and which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. The Group classifies investments as at fair value through other comprehensive income at the time of purchase.

Investment securities at fair value through profit or loss at initial recognition on management decision. Investment securities at fair value through profit or loss are financial assets designated irrevocably, at initial recognition, into this category by the Group, if such classification eliminates or significantly reduces inconsistency of measurement or recognition approaches (an accounting mismatch) that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them.

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

3 Summary of Significant Accounting Policies (continued)

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

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

Promissory notes purchased. Promissory notes purchased are included in trading securities or investment securities at amortised cost or in due from other banks or in loans and advances to customers, depending on their substance and are recorded, subsequently remeasured and accounted for in accordance with the accounting policies for these categories of assets.

Goodwill. Goodwill is carried at cost less accumulated impairment losses, if any. The Group tests goodwill for impairment at least annually and whenever there are indications that goodwill may be impaired. Goodwill is allocated to the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the business combination. Such units or group of units represent the lowest level at which the Group monitors goodwill, and are not larger than an operating segment. Gains or losses on disposal of an operation within a cash generating unit to which goodwill has been allocated include the carrying amount of goodwill associated with the disposed operation, generally measured on the basis of the relative values of the disposed operation and the portion of the cash-generating unit which is retained.

Premises and equipment. Premises and equipment are stated at cost, restated to the equivalent purchasing power of the Russian Rouble at 31 December 2002 for assets acquired prior to 1 January 2003, or revalued amounts, as described below, less accumulated depreciation and provision for impairment, where required.

Premises owned by the Group and used in a banking activity were for the first time revalued at fair value as at 31 December 2007 and are subject to regular subsequent revaluation. The frequency of revaluation depends upon the movements in the fair values of the premises being revalued. The revaluation is recognised by proportionally restating the gross carrying amount and accumulated depreciation of the revalued premises. These changes in values are shown separately in the reconciliation of movements in premises in Note 11. The revaluation reserve for premises included in equity is transferred directly to retained earnings when the surplus is realised, i.e. either on the retirement or disposal of the asset, or as the asset is used by the Group; in the latter case, the amount of the surplus realised is the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost.

Premises owned by the Group and used in non-banking activities are stated at cost less accumulated depreciation and provision for impairment, where required.

Construction in progress is carried at historical cost less provision for impairment where required. Construction in progress is not depreciated until the asset is available for use.

Costs of minor repairs and maintenance are expensed when incurred. Cost of replacing major parts or components of premises and equipment items are capitalised and the replaced part is retired. Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in profit or loss.

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

3 Summary of Significant Accounting Policies (continued)

Depreciation. Land is not depreciated. Depreciation on other items of premises and equipment is calculated using the straight-line method to allocate cost or revalued amounts of premises and equipment to their residual values over the estimated remaining useful lives. The following useful lives in years are applied for the main categories of premises and equipment:

Useful lives in years	Used in banking activities	Used in non-banking activities
Premises	40-100	20-40
Equipment	5-20	5-20

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

Intangible assets. The Group's intangible assets other than goodwill have definite useful life and primarily include capitalised computer software.

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Development costs that are directly associated with identifiable and unique software controlled by the Group are recorded as intangible assets if the inflow of incremental economic benefits exceeding costs is probable. Capitalised costs include staff costs of the software development team and an appropriate portion of relevant overheads. All other costs associated with computer software, e.g. its maintenance, are expensed when incurred. Capitalised computer software is amortised on a straight line basis over expected useful lives.

Inventory. Inventories are stated at the lower of cost and net realisable value. The cost of inventories is determined using the first-in, first-out (FIFO) method. Net realisable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses. The cost of finished goods and work in progress comprises packaging costs, raw materials, direct labour, other direct costs and related production overheads.

Non-current assets classified as held for sale. Non-current assets and disposal groups, which may include both non-current and current assets, are classified in the statement of financial position as 'Assets classified as held for sale' if their carrying amount will be recovered principally through a sale transaction, including loss of control of a subsidiary holding the assets, within twelve months after the end of the reporting period. Assets are reclassified when all of the following conditions are met: (a) the assets are available for immediate sale in their present condition; (b) the Group's management approved and initiated an active programme to locate a buyer; (c) the assets are actively marketed for a sale at a reasonable price; (d) the sale is expected within one year and (e) it is unlikely that significant changes to the plan to sell will be made or that the plan will be withdrawn. Non-current assets or disposal groups classified as held for sale in the current period's statement of financial position are not reclassified or re-presented in the comparative consolidated statement of financial position to reflect the classification at the end of the current period.

A disposal group is a group of assets (current or non-current) to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction. Goodwill is included if the disposal group includes an operation within a cash-generating unit, to which goodwill has been allocated on acquisition. Non-current assets are assets that include amounts expected to be recovered or collected more than twelve months after the end of the reporting period. If reclassification is required, both the current and non-current portions of an asset are reclassified.

Held for sale disposal groups as a whole are measured at the lower of their carrying amount and fair value less costs to sell.

Liabilities directly associated with disposal groups that will be transferred in the disposal transaction are reclassified and presented separately in the consolidated statement of financial position.

3 Summary of Significant Accounting Policies (continued)

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

Financial guarantees are initially recognised in the financial statements at fair value, being the premium received. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the consolidated statement of profit or loss, and — under IFRS 9 — an ECL provision.

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Group is required to provide a loan with pre-specified terms to the customer. Similar to financial guarantee contracts, these contracts are in the scope of the ECL requirements.

The Group occasionally issues loan commitments at below market interest rates drawdown. Such commitments are initially recognized at fair value and subsequently measured at the higher of the amount of the ECL allowance and the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

Performance guarantees. Performance guarantees are contracts that provide compensation if another party fails to perform a contractual obligation. Performance guarantees do not transfer credit risk. The risk under performance guarantee contracts is the possibility that the failure to perform the contractual obligation by another party occurs. Therefore, performance guarantees are not considered financial instruments and thus do not fall in scope of IFRS 9.

Due to other banks. Amounts due to other banks are recorded when money or other assets are advanced to the Group by counterparty banks and banking groups. The non-derivative liability is carried at amortised cost.

Customer accounts. Customer accounts are represented by current/settlement accounts and term deposits and are non-derivative financial liabilities to individuals, state or corporate customers and are carried at amortised cost.

Promissory notes issued. Promissory notes issued by the Group are carried at amortised cost. If the Group purchases its own promissory notes issued, they are removed from the consolidated statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in gains/(losses) arising from early retirement of debt.

Bonds issued. Bonds issued represent amounts attracted from Eurobonds issue and bonds issued on domestic market. Issued Eurobonds and bonds issued on domestic market carry a coupon and are redeemable on a specific date. Bonds issued are carried at amortised cost. If the Group repurchases its bonds issued, they are removed from the consolidated statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in gains/(losses) arising from early retirement of debt.

Subordinated debts. Subordinated debts are carried at amortised cost. Creditors' claims on subordinated debts will be considered only after all claims of other creditors of the Group are satisfied.

Derivative financial instruments. Derivative financial instruments (including forwards and swaps on currency, securities, precious metals and interest rates; options; futures on commodities, currency and indexes) are carried at their fair value. Non-derivative transactions are aggregated and treated as a derivative when the transaction result, in substance, is a derivative.

An embedded derivative shall be separated from the host contract and accounted for as a derivative if, and only if:

a) The economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;

b) A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and

c) The hybrid (combined) instrument is not measured at fair value with changes in fair value recognised in profit or loss (i.e. a derivative that is embedded in a financial asset or financial liability at fair value through profit or loss is not separated).

3 Summary of Significant Accounting Policies (continued)

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

All derivative financial instruments are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of derivative financial instruments are included in gains less losses from derivative financial instruments. The Group does not apply hedge accounting.

Regular way transactions. Regular way transactions are purchases or sales of financials assets that require delivery of assets within the period generally established by regulation or convention in the market place. All regular way purchases and sales of financial assets are recognised or derecognised on the contractual settlement date which is the date when the asset is to be delivered to or by the Group. Regular way transactions are not recognised as derivatives because of the short duration of the commitment to deliver financial assets between the trade and settlement date.

Any changes in the fair value of the financial assets at fair value through profit and loss to be received during the period between the trade date and the settlement date is recognised in the income statement and for financial assets at fair value through other comprehensive income is recognised in other comprehensive income for financial assets purchased.

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

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

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit.

Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets and liabilities are netted only within the individual companies of the Group. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

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

Insurance operations. Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. As a general guideline, the Group defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur. Insurance risk exists when the Group has uncertainty in respect of the following matters at inception of the contract: the occurrence of the insurance event, the date of occurrence of the insurance event and the claim value in respect of it.

Gross insurance premiums written. Gross insurance premiums written, which the Group is contractually entitled to receive from the insured in relation to insurance contracts, are recognised when due from a policyholder. Specifically, the Group recognises premiums for the policies issued during the year and includes an estimate of premiums due but not yet received by the reporting date, less an allowance for cancellations. Premiums are shown before the deduction of commission. Gross insurance premiums written are recognised as result from insurance operations within losses net of gains from non-banking activities. Refer to Note 24.

Provision for unearned premiums. Unearned premiums represent the proportion of premiums written in the year that relate to the unexpired terms of policies in-force as at the reporting date, calculated on a time apportionment basis. Provisions for unearned premiums are recognised as result from insurance operations within losses net of gains from non-banking activities. Refer to Note 24.

3 Summary of Significant Accounting Policies (continued)

Claims paid. Claims and claims handling expenses are charged to the consolidated statement of profit or loss and other comprehensive income as incurred based on the evaluated liability for compensation payable to policy-holders or third parties.

Loss provision. The loss provision represents the accumulation of estimates for ultimate insurance losses and includes the outstanding claims reserve ("OCR") and provision for losses incurred but not yet reported ("IBNR"). Estimates of the claims handling expenses are included in both the OCR and the IBNR.

The OCR is provided in respect of claims reported but not settled as at the reporting date. The estimation is made on the basis of information received by the Group during investigation of insurance cases as at and after the reporting date. IBNR is actuarially determined by the Group.

Deferred acquisition costs. Deferred acquisition costs ("DAC") are calculated (for non-life insurance contracts) separately for each insurance product. Acquisition costs include commission to agents for concluding agreements with corporate clients and individuals, commission and brokerage fee for underwriting of assumed reinsurance agreements. They vary with and fully depend on the premium earned under acquired or renewed insurance policies. These acquisition costs are deferred and amortised over the period in which the related written premiums are earned. They are reviewed by line of business at the time of the policy issue and at the end of each accounting period to ensure they are recoverable based on future estimates.

Liability adequacy test. At each reporting date, liability adequacy tests are performed to ensure the adequacy of the contract liabilities net of related DAC. In performing these tests, the current best estimates of the future contractual cash flows and claims handling and maintenance expenses, as well as investment income from the assets backing such liabilities, are used. Any deficiency is immediately charged to the consolidated statement of comprehensive income, initially by writing off DAC and by subsequently establishing a provision for losses arising from the liability adequacy tests (the unexpired risk provision). When performing the liability adequacy test, the Group uses a combination of its own as well as externally available statistics and also includes a security margin. Insurance receivables are included as part of this test.

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

Provisions for liabilities and charges. Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. They are accrued when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

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

Perpetual bonds. Due to undefined maturity and an option for non-cumulative cancellation of coupon payments (without occurrence of rights of investors for accumulation of unpaid coupons), the Group accounts for perpetual bonds as an equity instrument and as a Tier I eligible instrument for the purpose of Basel Capital Adequacy Ratio calculation. The Bank of Russia approved the inclusion of these subordinated bonds in the regulatory capital calculation of the Bank.

The Group accounts for perpetual bonds denominated in the foreign currency in the amount of RUR equivalent amount using the foreign exchange rate at the reporting date with foreign exchange translation effects recorded in Retained earnings.

Coupon payments may be cancelled or deferred in accordance with the terms of the notes. Transaction costs are recorded in retained earnings. At the moment the coupon under perpetual bonds becomes mandatory, it is recorded as a dividend declaration described below.

Share capital. Ordinary and preference shares, that are not redeemable and dividend payments are at the discretion of the management, are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

3 Summary of Significant Accounting Policies (continued)

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

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

Revenue recognition — sale of goods. Revenue is recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct are separately recognised, and any discounts or rebates on the contract price are generally allocated to the separate elements. When the consideration varies for any reason, minimum amounts are recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed.

Interest and similar revenue and expense. The Group calculates interest revenue on debt financial assets measured at amortized cost or at FVOCI by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets.

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

When loans and other debt instruments become doubtful of collection, they are written down to the present value of expected cash inflows and interest income is thereafter recorded for the unwinding of the present value discount based on the asset's effective interest rate which was used to measure the impairment loss.

For purchased or originated credit-impaired (POCI) financial assets, the Group calculates interest revenue by calculating the credit-adjusted EIR and applying that rate to the amortised cost of the asset. The credit-adjusted EIR is the interest rate that, at original recognition, discounts the estimated future cash flows (including credit losses) to the amortised cost of the POCI assets.

Interest revenue on all financial assets at FVTPL is recognised using the contractual interest rate in "Other interest revenue" in the consolidated statement of profit or loss.

Fee and commission income. Fees integral to the effective interest rate include origination fees received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability, for example loan fees, credit rating, loan servicing.

Commitment fees received by the Group to originate loans at market interest rates are integral to the effective interest rate if it is probable that the Group will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination.

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

Fee income earned from services that are provided over a certain period of time. Fees earned for the provision of services over a period of time are accrued over that period as respective performance obligations are satisfied. These fees include commission income and asset management, custody and other management and advisory fees. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the effective interest rate on the loan.

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

3 Summary of Significant Accounting Policies (continued)

Customer loyalty programs. The Group offers a number customer loyalty programs. Accounting for such programs varies depending on who is identified as the customer, and whether the Group acts as an agent or as a principal under the contract. Cashbacks on plastic card transactions reduce fee and commission income.

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

Transactions in foreign currencies are initially recorded in the functional currency, translated into Russian Roubles at the rate of exchange at the date of the transaction.

Monetary assets and liabilities are translated into functional currency at the official exchange rate of the Bank of Russia at the end of the respective reporting period. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation of monetary assets and liabilities into functional currency at year-end official exchange rates of the Bank of Russia, are recognised in profit or loss for the year (as foreign exchange translation gains less losses). Translation at year-end rates does not apply to non-monetary items that are measured at historical cost.

As at 31 December 2020 the principal rates of exchange used for translating foreign currency balances were USD 1 = RR 73.8757 (31 December 2019: USD 1 = RR 61.9057), EUR 1 = RR 90.6824 (31 December 2019: EUR 1 = RR 69.3406).

Fiduciary assets. Assets and liabilities held by the Group in its own name, but on the account of third parties, are not reported in the consolidated statement of financial position. Commissions received from fiduciary activities are shown in fee and commission income.

Offsetting. Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) the event of default and (iii) the event of insolvency or bankruptcy of the entity or one of its counterparties. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statement of financial position.

Staff costs and related contributions. Wages, salaries, contributions to the Russian Federation state and non-state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Group. These payments are included in staff expenses in consolidated profit or loss.

Segment reporting. IFRS 8 *Operating Segments* requires an entity to report financial and descriptive information about its operating segments, with segment information presented on a similar basis to that used for internal reporting purposes.

An operating segment is a component of the Group that engages in business activities from which it earns revenues and incurs expenses whose operating results are regularly reviewed by the Group's Chief Operating Decision Maker (CODM) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The Management Board has been identified as the CODM.

In these consolidated financial statements the Group defined operating segments on the basis of organizational structure and geographical areas.

Government grants and government assistance. Government grants are recognized where there is reasonable assurance that the grant will be received and all the related conditions will be complied with. Where the grant relates to an expense item, it is recognized as income in the same periods as the respective expenses it is intended to compensate on a systematic basis. Where the grant relates to an asset, it is recognized as deferred income and released to income in equal amounts over the expected useful life of the related asset.

Government loans provided at below market interest rates are recognized in accordance with IFRS 9. The benefit of the government loan is measured at the inception of the loan as the difference between the cash received and the amount at which the loan is initially recognized in the consolidated statement of financial position. This benefit is accounted for in accordance with IAS 20.

3 Summary of Significant Accounting Policies (continued)

A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs shall be recognized in profit or loss of the period in which it becomes receivable.

Amendments of the financial statements after issue. Any further changes to these consolidated financial statements require approval of the Group's Management who authorised these consolidated financial statements for issue.

4 Critical Accounting Estimates and Judgements in Applying Accounting Policies

In the process of applying accounting policies, the management of the Group, in addition to accounting estimates, makes judgments and assumptions that affect the amounts reflected in the consolidated financial statements. Judgments and assumptions are made based on management experience and other factors, including expectations regarding future events that management believes are reasonable in the light of current circumstances.

In the process of applying the Group's accounting policies, management used its judgments and made estimates in determining the amounts recognized in the consolidated financial statements. Below are the most significant use of judgments and evaluations:

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

- The Group's internal credit grading model, which assigns PDs to the individual grades;
- The Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL (lifetime expected credit loss) basis and the qualitative assessment;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various formulae and the choice of inputs;
- Determination of associations between macroeconomic scenarios and, economic inputs, and the effect on PDs, EADs and LGDs. Thus, the functional dependence of the level of defaults on macroeconomic factors is determined by evaluating the regression between the values of the default level and various transformations of this indicator taking into account macroeconomic factors such as GDP growth rate, growth rate of the agro-industrial complex, oil prices, inflation rate, etc.;
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

More details are provided in Notes 9 and 29.

Fair value of financial instruments. Where the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Additional details are provided in Note 34.

Fair value of derivatives. The fair values of financial derivatives that are not quoted in active markets are determined by using valuation techniques. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. To the extent practical, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect fair reported values. Refer to Note 33.

4 Critical Accounting Estimates and Judgements in Applying Accounting Policies (continued)

Leases — estimating the incremental borrowing rate. The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay'.

Leases — estimating the lease term. Some of the contracts are unlimited and are automatically prolonged if neither side sends a notice to the other party about the termination of the contract. Under certain lease agreements, the Group has an option to extend the lease of assets for an additional period of up to five years. The Group uses judgment to determine whether it has sufficient assurance that it will exercise the extension option. At the same time, the Group takes into account all relevant factors that give rise to an economic incentive to exercise the option to extend the lease.

Deferred income tax asset recognition. The recognised deferred tax asset represents income taxes recoverable through future deductions from taxable profits, and is recorded in the statement of financial position. Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable. The future taxable profits and the amount of tax benefits that are probable in the future are based on a medium term business plan prepared by management and extrapolated results thereafter.

The business plan is based on management expectations that are believed to be reasonable under the circumstances and approved by the management of the Bank. A key assumption in the business plan is to obtain profits in subsequent financial years through widening of product range and client base. Refer to Note 26.

Structured entities. The Group considers RSHB Capital S.A. incorporated for Eurobonds issue for the Bank as consolidated structured entity under IFRS 12 requirements. As at 31 December 2020 the Group guarantees all obligations of the consolidated structured entity represented by subordinated debts in the amount of RR 27 869 million (31 December 2019: subordinated debts in the amount of RR 24 295 million). During 2020 and 2019 the Group did not provide any other financial support to the consolidated structured entity. The Group has no current obligation or intention neither to provide financial or other support to the consolidated structured entity nor to assist it in obtaining financial support.

5 New Accounting Pronouncements

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2021 or later, and which the Group has not early adopted.

IFRS 17 Insurance Contracts. In May 2017, the IASB issued IFRS 17 *Insurance Contracts* (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 *Insurance Contracts* (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach);
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. In 2021, the Group will continue to assess the potential effect of IFRS 17 on its consolidated financial statements.

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

5 New Accounting Pronouncements (continued)

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.

6 Cash and Cash Equivalents

In millions of Russian Roubles	**31 December 2020**	**31 December 2019**
Cash on hand	63 014	59 193
Cash balances (other than mandatory) with the Bank of Russia	201 455	74 594
Correspondent accounts and deposits with other banks with original maturities less than one month	102 505	263 800
Settlement accounts with stock and currency exchanges	1 571	1 561
Settlement accounts with clearing and brokerage organisations	3 039	2 832
Deals with securities pledged under repurchase agreements with original maturities of less than one month	6 732	1 586
Less: allowance for impairment	(13)	(2)
Total cash and cash equivalents	**378 303**	**403 564**

As at 31 December 2020, correspondent accounts and deposits with other banks with original maturities less than one month within cash and cash equivalents included balances with one Russian banking group with rating of the parent bank at Baa3 (Moody's), individually above 10% of the Group's equity, in the amount of RR 45 492 million, or 12% of total cash and cash equivalents (31 December 2019: balances with two Russian banking groups with rating of the parent bank at Baa3 (Moody's) and two OECD banking groups with rating of the parent bank not lower than A3 (Moody's), individually above 10% of the Group's equity, in the amount of RR 241 319 million, or 60% of total cash and cash equivalents).

6 Cash and Cash Equivalents (continued)

Analysis by credit quality as at 31 December 2020 is as follows. Refer to Notes 3 and 29 for the description of credit risk grading system used by the Group and the approach to ECL measurement.

In millions of Russian Roubles	Stage 1	Stage 2	Stage 3	Total
Cash on hand	63 013	-	-	**63 013**
Cash balances (other than mandatory) with the Bank of Russia	201 455	-	-	**201 455**
Settlement accounts with clearing organisations	3 039	-	-	**3 039**
Settlement accounts with stock and currency exchanges	1 571	-	-	**1 571**
Low credit risk (internationally rated)	64 876	-	-	**64 876**
Moderate credit risk (internationally rated)	18 990	-	-	**18 990**
Increased credit risk (internationally rated)	25 368	-	-	**25 368**
High credit risk (internationally rated)	-	-	-	**-**
Default (internationally rated)	-	-	-	**-**
Not rated	4	-	-	**4**
Total cash and cash equivalents (before impairment)	**378 316**	**-**	**-**	**378 316**
Less: allowance for impairment	(13)	-	-	**(13)**
Total cash and cash equivalents	**378 303**	**-**	**-**	**378 303**

Analysis by credit quality of cash and cash equivalents as at 31 December 2019 is as follows:

In millions of Russian Roubles	Stage 1	Stage 2	Stage 3	Total
Cash on hand	59 192	-	-	**59 192**
Cash balances (other than mandatory) with the Bank of Russia	74 594	-	-	**74 594**
Settlement accounts with clearing organisations	2 832	-	-	**2 832**
Settlement accounts with stock and currency exchanges	1 561	-	-	**1 561**
Low credit risk (internationally rated)	255 436	-	-	**255 436**
Moderate credit risk (internationally rated)	4 409	-	-	**4 409**
Increased credit risk (internationally rated)	5 532	-	-	**5 532**
High credit risk (internationally rated)	7	-	-	**7**
Default (internationally rated)	-	-	-	**-**
Not rated	3	-	-	**3**
Total cash and cash equivalents (before impairment)	**403 566**	**-**	**-**	**403 566**
Less: allowance for impairment	(2)	-	-	**(2)**
Total cash and cash equivalents	**403 564**	**-**	**-**	**403 564**

As at 31 December 2020, cash and cash equivalents in the amount of RR 6 732 million were effectively collateralized by securities purchased under reverse repo agreements with a fair value of RR 6 739 million (31 December 2019: cash and cash equivalents in the amount of RR 1 586 million were effectively collateralized by securities purchased under reverse repo agreements with a fair value of RR 1 591 million). The Group had the right to sell or repledge securities.

Refer to Note 34 for the disclosure of fair value and fair value hierarchy for cash and cash equivalents. Geographical and liquidity analyses of cash and cash equivalents are disclosed in Note 29. The information on related party transactions is disclosed in Note 35.

7 Trading Securities

In millions of Russian Roubles	31 December 2020	31 December 2019
Federal loan bonds (OFZ)	35 397	16 839
Corporate bonds	7 359	4 949
Corporate shares	-	186
Total trading securities	**42 756**	**21 974**

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

Federal loan bonds (OFZ) are represented by state securities denominated in Russian Roubles issued by the Ministry of Finance of the Russian Federation. Federal loan bonds (OFZ) are traded at a discount or premium to face value and carry a coupon payable quarterly or semi-annually. As at 31 December 2020, these bonds have maturity dates from April 2021 to March 2039 and coupon rates from 2.5% to 7.7% p.a. (31 December 2019: these bonds had maturity dates from January 2020 to March 2039 and coupon rates from 6.3% to 8.73% p.a.).

Corporate bonds in the Group's portfolio are represented by securities denominated in Russian Roubles issued by major Russian companies. Corporate bonds are traded at a discount or premium to face value and carry a coupon payable quarterly or semi-annually depending on the type of the bond issue and the issuer. As at 31 December 2020, these bonds have maturity dates from February 2021 to June 2048 and coupon rates from 5.6% to 12.6% p.a. (31 December 2019: these bonds had maturity dates from June 2020 to June 2048 and coupon rates from 6.7% to 12.6% p.a.), depending on the type of the bond issue, the issuer and the market conditions.

As at 31 December 2019, corporate shares in the Group's portfolio were represented by investments in shares issued by large Russian companies.

Refer to Note 34 for the disclosure of fair value hierarchy for trading securities. Geographical and liquidity analyses of trading securities are disclosed in Note 29.

8 Due from Other Banks

In millions of Russian Roubles	31 December 2020	31 December 2019
Current term placements with other banks	35 550	42 999
Promissory notes	7 795	7 579
Overdue placements with other banks	181	181
Less: provision for impairment	(227)	(216)
Total due from other banks	**43 299**	**50 543**

An analysis of changes in gross carrying value and corresponding ECL allowance on amounts due from other banks during the year ended 31 December 2020 is as follows:

In millions of Russian Roubles	Stage 1	Stage 2	Stage 3	Total
Gross carrying value as at 1 January 2020	**50 578**	**-**	**181**	**50 759**
Transfers to Stage 1	-	-	-	**-**
Transfers to Stage 2	-	-	-	**-**
Transfers to Stage 3	-	-	-	**-**
Change in gross carrying value (new issue and repayments)	(7 460)	-	-	**(7 460)**
Amounts written off	-	-	-	**-**
Foreign exchange adjustments	227	-	-	**227**
Gross carrying value as at 31 December 2020	**43 345**	**-**	**181**	**43 526**

8 Due from Other Banks (continued)

In millions of Russian Roubles	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2020	**35**	**-**	**181**	**216**
Transfers to Stage 1	-	-	-	**-**
Transfers to Stage 2	-	-	-	**-**
Transfers to Stage 3	-	-	-	**-**
Impact on period end ECL of exposures transferred between stages during the period and changes to models and inputs used for ECL calculations (including expense on new issue and income from repayments)	11	-	-	**11**
Unwind of discount (recognised in interest income)	-	-	-	**-**
Amounts written off	-	-	-	**-**
Foreign exchange adjustments	-	-	-	**-**
ECL as at 31 December 2020	**46**	**-**	**181**	**227**

An analysis of changes in gross carrying value and corresponding ECL allowance on amounts due from other banks during the year ended 31 December 2019 is as follows:

In millions of Russian Roubles	Stage 1	Stage 2	Stage 3	Total
Gross carrying value as at 1 January 2019	**38 861**	**-**	**181**	**39 042**
Transfers to Stage 1	-	-	-	**-**
Transfers to Stage 2	-	-	-	**-**
Transfers to Stage 3	-	-	-	**-**
Change in gross carrying value (new issue and repayments)	12 384	-	-	**12 384**
Amounts written off	-	-	-	**-**
Foreign exchange adjustments	(667)	-	-	**(667)**
Gross carrying value as at 31 December 2019	**50 578**	**-**	**181**	**50 759**

In millions of Russian Roubles	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2019	**145**	**-**	**181**	**326**
Transfers to Stage 1	-	-	-	**-**
Transfers to Stage 2	-	-	-	**-**
Transfers to Stage 3	-	-	-	**-**
Impact on period end ECL of exposures transferred between stages during the period and changes to models and inputs used for ECL calculations (including expense on new issue and income from repayments)	(108)	-	-	**(108)**
Unwind of discount (recognised in interest income)	-	-	-	**-**
Amounts written off	-	-	-	**-**
Foreign exchange adjustments	(2)	-	-	**(2)**
ECL as at 31 December 2019	**35**	**-**	**181**	**216**

8 Due from Other Banks (continued)

Analysis by credit quality of amounts due from other banks as at 31 December 2020 is as follows. Refer to Notes 3 and 29 for the description of credit risk grading system used by the Group and the approach to ECL measurement.

In millions of Russian Roubles	Stage 1	Stage 2	Stage 3	Total
Low credit risk (internationally rated)	3 672	-	-	**3 672**
Moderate credit risk (internationally rated)	5 173	-	-	**5 173**
Increased credit risk (internationally rated)	34 500	-	-	**34 500**
High credit risk (internationally rated)	-	-	-	**-**
Default (internationally rated)	-	-	181	**181**
Not rated	-	-	-	**-**
Total due from other banks (before impairment)	**43 345**	**-**	**181**	**43 526**
Less: allowance for impairment	(46)	-	(181)	**(227)**
Total due from other banks	**43 299**	**-**	**-**	**43 299**

Analysis by credit quality of amounts due from other banks as at 31 December 2019 is as follows:

In millions of Russian Roubles	Stage 1	Stage 2	Stage 3	Total
Low credit risk (internationally rated)	26 024	-	-	**26 024**
Moderate credit risk (internationally rated)	4 702	-	-	**4 702**
Increased credit risk (internationally rated)	11 344	-	-	**11 344**
High credit risk (internationally rated)	8 508	-	-	**8 508**
Default (internationally rated)	-	-	-	**-**
Not rated	-	-	181	**181**
Total due from other banks (before impairment)	**50 578**	**-**	**181**	**50 759**
Less: allowance for impairment	(35)	-	(181)	**(216)**
Total due from other banks	**50 543**	**-**	**-**	**50 543**

Due from other banks are represented by unsecured due from other banks placements.

As at 31 December 2020, due from other banks included no balances individually above 10% of the Group's equity (31 December 2019: due from other banks included the balances with one Russian banking group with rating of the parent bank not lower than BBB- (S&P) individually above 10% of the Group's equity, in the amount of RR 24 714 million, or 49% of total due from other banks).

As at 31 December 2020, due from other banks included the balances with three non-OECD banking groups with rating of the parent bank not lower than B (S&P) in aggregate above 10% of the Group's equity, in the amount of RR 30 112 million, or 70% of total due from other banks.

Refer to Note 34 for the disclosure of fair value and fair value hierarchy for due from other banks. Geographical and liquidity analyses of due from other banks are disclosed in Note 29. The information on related party transactions is disclosed in Note 35.

9 Loans and Advances to Customers

In millions of Russian Roubles	31 December 2020	31 December 2019
Loans to legal entities	**2 324 223**	**1 942 145**
- Loans to corporates	2 322 603	1 923 038
- Lending for food interventions	1 620	19 107
Loans to individuals	**563 390**	**473 008**
Total loans and advances to customers at amortised cost (before impairment)	**2 887 613**	**2 415 153**
Less: allowance for impairment	(278 534)	(306 038)
Total loans and advances to customers at amortised cost	**2 609 079**	**2 109 115**
Loans to customers at fair value through profit or loss	83 175	55 791
Total loans and advances to customers	**2 692 254**	**2 164 906**

The Group participates in various government programs of concessional lending, including in order to provide financial support to the agro-industrial complex. Interest payments on loans are subsidized by the state. Subsidies are recognized only when there is reasonable assurance that the Group will meet all the conditions associated with the subsidies. The Group considers subsidies an integral part of the contractual terms and treats them as part of a single contract flow under the loan in accordance with IFRS 9. Total amount of subsidies received for 2020 amounted to RR 25 054 million (for 2019: RR 20 778 million).

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

As at 31 December 2020, the Group has loans before impairment to ten largest borrowers (groups of borrowers) in the total amount of RR 823 681 million, or 29% of total loans and advances to customers before impairment (31 December 2019: the Group has loans before impairment to ten largest borrowers (groups of borrowers) in the total amount of RR 636 343 million, or 26% of total loans and advances to customers before impairment).

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

As at 31 December 2020, the total amount of loans to legal entities included loans in the gross carrying value of RR 6 798 million (31 December 2019: RR 34 014 million), for which an allowance is zero as a result of applying the adjustment for the amount of collateral in the individual credit risk assessment model.

If as at 31 December 2020, when calculating the allowance for expected credit losses on impaired Stage 3 loans, the scenario of sales of collateral in repayment of loan was not taken into account, the amount of allowance for expected credit losses would be RR 24 713 million higher (31 December 2019: RR 44 454 million higher). When calculating the allowance for expected credit losses on loans assessed on a case-by-case basis, at least two scenarios of receipts from debt repayment are included in the calculation. At the same time, for a number of loans, the sale of collateral is not accepted when constructing scenarios, since there are other sources of debt repayment.

The Group makes estimates and judgments, which are constantly analyzed based on statistical data, forecast information, and management experience, including expectations regarding future events that are reasonable in the light of current circumstances.

In order to objectively reflect the influence of the prevailing macroeconomic conditions and in accordance with the recommendations of the IASB the Group specified the following approaches to assessing the level of expected credit losses that have the most significant impact on its assessment in the consolidated financial statements:

- Used an updated forecast of macroeconomic indicators;
- Increased the weighted assessment of credit losses on loans assessed on a collective basis for borrowers from individual industries who were most affected by the deteriorating situation as a result of the spread of coronavirus infection;
- When assessing the probability of default on loans to individuals, took into account the impact of an increase in the volume of restructured loans, for which there is no formal deterioration in quality.

Reflection of the changed macroeconomic conditions using the approaches indicated above did not cause a significant increase in the cost of credit risk during 2020.

9 Loans and Advances to Customers (continued)

An analysis of changes in the gross carrying value and corresponding ECL in relation to loans to legal entities during the year ended 31 December 2020 is as follows:

In millions of Russian Roubles	Stage 1	Stage 2	Stage 3	POCI	Total
Loans to legal entities					
Gross carrying value as at 1 January 2020	**1 362 535**	**250 740**	**323 344**	**5 526**	**1 942 145**
Transfers to Stage 1	45 522	(39 179)	(6 343)	-	**-**
Transfers to Stage 2	(34 353)	39 893	(5 540)	-	**-**
Transfers to Stage 3	(3 986)	(7 314)	11 300	-	**-**
Change in gross carrying value (new issue and repayments)	399 257	(14 560)	(7 358)	1 240	**378 579**
Amounts written off	-	-	(6 371)	-	**(6 371)**
Foreign exchange adjustments	29 651	35 804	171	410	**66 036**
Loans sold during the period	(1 012)	(706)	(54 290)	(158)	**(56 166)**
Gross carrying value as at 31 December 2020	**1 797 614**	**264 678**	**254 913**	**7 018**	**2 324 223**

In millions of Russian Roubles	Stage 1	Stage 2	Stage 3	POCI	Total
Loans to legal entities					
ECL as at 1 January 2020	**13 320**	**21 721**	**236 372**	**1 409**	**272 822**
Transfers to Stage 1	3 957	(2 897)	(1 060)	-	**-**
Transfers to Stage 2	(1 342)	3 894	(2 552)	-	**-**
Transfers to Stage 3	(370)	(804)	1 174	-	**-**
Impact on period end ECL of exposures transferred between stages during the period and changes to models and inputs used for ECL calculations (including expense on new issue and income from repayments)	4 841	1 609	13 375	1 920	**21 745**
Unwind of discount (recognised in interest income)	-	-	4 288	-	**4 288**
Amounts written off	-	-	(6 371)	-	**(6 371)**
Foreign exchange adjustments	485	2 873	44	281	**3 683**
Allowance for loans sold during the period	(210)	(221)	(42 499)	(67)	**(42 997)**
Recovery of loans previously written off sold during the period	-	-	201	-	**201**
Recovery of loans previously written off	-	-	205	-	**205**
ECL as at 31 December 2020	**20 681**	**26 175**	**203 177**	**3 543**	**253 576**

9 Loans and Advances to Customers (continued)

An analysis of changes in the gross carrying value and corresponding ECL in relation to loans to individuals during the year ended 31 December 2020 is as follows:

In millions of Russian Roubles	Stage 1	Stage 2	Stage 3	Total
Loans to individuals				
Gross carrying value as at 1 January 2020	**434 736**	**3 550**	**34 722**	**473 008**
Transfers to Stage 1	1 226	(771)	(455)	-
Transfers to Stage 2	(4 957)	5 407	(450)	-
Transfers to Stage 3	(7 297)	(1 615)	8 912	-
Change in gross carrying value (new issue and repayments)	106 390	87	(3 323)	**103 154**
Amounts written off	-	-	(7 772)	**(7 772)**
Foreign exchange adjustments	5	-	1	**6**
Loans sold during the period	(3)	(5)	(4 998)	**(5 006)**
Gross carrying value as at 31 December 2020	**530 100**	**6 653**	**26 637**	**563 390**

In millions of Russian Roubles	Stage 1	Stage 2	Stage 3	Total
Loans to individuals				
ECL as at 1 January 2020	**2 677**	**880**	**29 659**	**33 216**
Transfers to Stage 1	392	(107)	(285)	-
Transfers to Stage 2	(70)	357	(287)	-
Transfers to Stage 3	(201)	(502)	703	-
Impact on period end ECL of exposures transferred between stages during the period and changes to models and inputs used for ECL calculations (including expense on new issue and income from repayments)	598	216	2 799	**3 613**
Unwind of discount (recognised in interest income)	-	-	651	**651**
Amounts written off	-	-	(7 772)	**(7 772)**
Provision for loans sold during the period	(2)	(5)	(4 744)	**(4 751)**
ECL as at 31 December 2020	**3 394**	**839**	**20 724**	**24 957**

An analysis of changes in the gross carrying value and corresponding ECL in relation to loans to legal entities during the year ended 31 December 2019 is as follows:

In millions of Russian Roubles	Stage 1	Stage 2	Stage 3	POCI	Total
Loans to legal entities					
Gross carrying value as at 1 January 2019	**1 305 377**	**83 095**	**442 452**	**-**	**1 830 924**
Transfers to Stage 1	19 585	(18 243)	(1 342)	-	-
Transfers to Stage 2	(165 194)	213 353	(48 159)	-	-
Transfers to Stage 3	(5 770)	(13 228)	18 998	-	-
Change in gross carrying value (new issue and repayments)	218 984	(12 724)	(9 239)	5 526	**202 547**
Amounts written off	-	-	(5 165)	-	**(5 165)**
Foreign exchange adjustments	(10 173)	(1 303)	(220)	-	**(11 696)**
Loans sold during the period	(274)	(210)	(73 981)	-	**(74 465)**
Gross carrying value as at 31 December 2019	**1 362 535**	**250 740**	**323 344**	**5 526**	**1 942 145**

9 Loans and Advances to Customers (continued)

In millions of Russian Roubles	Stage 1	Stage 2	Stage 3	POCI	Total
Loans to legal entities					
ECL as at 1 January 2019	**34 330**	**4 083**	**262 187**	**-**	**300 600**
Transfers to Stage 1	1 389	(851)	(538)	-	**-**
Transfers to Stage 2	(7 805)	15 248	(7 443)	-	**-**
Transfers to Stage 3	(91)	(1 090)	1 181	-	**-**
Impact on period end ECL of exposures transferred between stages during the period and changes to models and inputs used for ECL calculations (including expense on new issue and income from repayments)	(14 324)	4 396	43 722	1 409	**35 203**
Unwind of discount (recognised in interest income)	-	-	8 732	-	**8 732**
Amounts written off	-	-	(5 165)	-	**(5 165)**
Foreign exchange adjustments	(179)	(59)	(112)	-	**(350)**
Allowance for loans sold during the period	-	(6)	(66 663)	-	**(66 669)**
Recovery of loans previously written off sold during the period	-	-	113	-	**113**
Recovery of loans previously written off	-	-	358	-	**358**
ECL as at 31 December 2019	**13 320**	**21 721**	**236 372**	**1 409**	**272 822**

An analysis of changes in the gross carrying value and corresponding ECL in relation to loans to individuals during the year ended 31 December 2019 is as follows:

In millions of Russian Roubles	Stage 1	Stage 2	Stage 3	Total
Loans to individuals				
Gross carrying value as at 1 January 2019	**395 579**	**3 356**	**35 298**	**434 233**
Transfers to Stage 1	1 922	(943)	(979)	**-**
Transfers to Stage 2	(2 493)	3 103	(610)	**-**
Transfers to Stage 3	(5 357)	(1 598)	6 955	**-**
Change in gross carrying value (new issue and repayments)	45 085	(368)	(2 157)	**42 560**
Amounts written off	-	-	(103)	**(103)**
Loans sold during the period	-	-	(3 682)	**(3 682)**
Gross carrying value as at 31 December 2019	**434 736**	**3 550**	**34 722**	**473 008**

In millions of Russian Roubles	Stage 1	Stage 2	Stage 3	Total
Loans to individuals				
ECL as at 1 January 2019	**1 389**	**758**	**29 664**	**31 811**
Transfers to Stage 1	764	(133)	(631)	**-**
Transfers to Stage 2	(39)	435	(396)	**-**
Transfers to Stage 3	(109)	(464)	573	**-**
Impact on period end ECL of exposures transferred between stages during the period and changes to models and inputs used for ECL calculations (including expense on new issue and income from repayments)	672	284	3 128	**4 084**
Unwind of discount (recognised in interest income)	-	-	964	**964**
Amounts written off	-	-	(103)	**(103)**
Provision for loans sold during the period	-	-	(3 540)	**(3 540)**
ECL as at 31 December 2019	**2 677**	**880**	**29 659**	**33 216**

9 Loans and Advances to Customers (continued)

The economic sector structure of the credit portfolio is as follows:

In millions of Russian Roubles	31 December 2020 Amount	%	31 December 2019 Amount	%
Agriculture	1 405 622	47	1 183 462	48
Individuals	563 390	19	473 008	19
Oil and gas	430 981	15	285 417	12
Construction	175 934	6	172 394	7
Manufacturing	158 361	5	86 412	3
Trading	44 074	1	67 959	3
Other	192 426	7	202 292	8
Total loans and advances to customers (before impairment)	**2 970 788**	**100**	**2 470 944**	**100**

As at 31 December 2020, the Group applied management overlays to reflect the significant uncertainty related to the potential severity and duration of the economic disruption and the heightened credit risk of specific sectors, such as commercial real estate, aviation and hospitality due to the impact of COVID-19 pandemic.

The table below presents an analysis of the credit quality of loans to legal entities as of 31 December 2020.

In millions of Russian Roubles	Stage 1	Stage 2	Stage 3	POCI	Total
Loans to legal entities at amortised cost					
Low credit risk (internally rated)	5 978	2	-	-	**5 980**
Moderate credit risk (internally rated)	1 268 758	5 624	-	-	**1 274 382**
Increased credit risk (internally rated)	522 878	176 856	-	-	**699 734**
High credit risk (internally rated)	-	82 196	-	-	**82 196**
Default (internally rated)	-	-	254 913	7 018	**261 931**
Unrated	-	-	-	-	**-**
Total loans to legal entities at amortised cost (before impairment)	**1 797 614**	**264 678**	**254 913**	**7 018**	**2 324 223**
Less: allowance for impairment	(20 677)	(26 177)	(203 179)	(3 543)	**(253 576)**
Total loans to legal entities at amortised cost	**1 776 937**	**238 501**	**51 734**	**3 475**	**2 070 647**

The classification of credit risk taking into account the credit quality scale of borrowers by levels and a description of the approach to estimating expected credit losses, including the determination of default and a significant increase in credit risk, is provided in Notes 3 and 29.

Analysis by credit quality in relation to loans to individuals as at 31 December 2020 is as follows:

In millions of Russian Roubles	Stage 1	Stage 2	Stage 3	Total
Loans to individuals at amortised cost				
Non overdue	522 704	3 214	-	**525 918**
Up to 30 days overdue	7 396	706	187	**8 289**
31 to 90 days overdue	-	2 733	1 367	**4 100**
91 to 180 days overdue	-	-	3 063	**3 063**
181 to 365 days overdue	-	-	5 486	**5 486**
Over 365 days overdue	-	-	16 534	**16 534**
Total loans to individuals at amortised cost (before impairment)	**530 100**	**6 653**	**26 637**	**563 390**
Less: allowance for impairment	(3 394)	(839)	(20 724)	**(24 957)**
Total loans to individuals at amortised cost	**526 706**	**5 814**	**5 913**	**538 433**

For ECL calculation on loans to individuals, the assessment of the probability of default is based on the migration matrix of overdue debts, taking into account the depth of overdue, the probability of default for scoring models and forecast information.

9 Loans and Advances to Customers (continued)

Analysis by credit quality of loans to legal entities outstanding as at 31 December 2019 is as follows:

In millions of Russian Roubles	Stage 1	Stage 2	Stage 3	POCI	Total
Loans to legal entities at amortised cost					
Low credit risk (internally rated)	582	-	-	-	**582**
Moderate credit risk (internally rated)	922 351	882	-	-	**923 233**
Increased credit risk (internally rated)	439 602	155 119	-	-	**594 721**
High credit risk (internally rated)	-	94 739	-	-	**94 739**
Default (internally rated)	-	-	323 344	5 526	**328 870**
Unrated	-	-	-	-	**-**
Total loans to legal entities at amortised cost (before impairment)	**1 362 535**	**250 740**	**323 344**	**5 526**	**1 942 145**
Less: allowance for impairment	(13 320)	(21 722)	(236 371)	(1 409)	**(272 822)**
Total loans to legal entities at amortised cost	**1 349 215**	**229 018**	**86 973**	**4 117**	**1 669 323**

Analysis by credit quality in relation to loans to individuals as at 31 December 2019 is as follows:

In millions of Russian Roubles	Stage 1	Stage 2	Stage 3	Total
Loans to individuals at amortised cost				
Non overdue	428 407	1 056	-	**429 463**
Up to 30 days overdue	6 329	461	133	**6 923**
31 to 90 days overdue	-	2 033	1 036	**3 069**
91 to 180 days overdue	-	-	2 571	**2 571**
181 to 365 days overdue	-	-	3 706	**3 706**
Over 365 days overdue	-	-	27 276	**27 276**
Total loans to individuals at amortised cost (before impairment)	**434 736**	**3 550**	**34 722**	**473 008**
Less: allowance for impairment	(2 677)	(880)	(29 659)	**(33 216)**
Total loans to individuals at amortised cost	**432 059**	**2 670**	**5 063**	**439 792**

Loan collateral

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

Where appropriate, the value of collateral was incorporated in the assessment of recoverable amount of loans and advances to customers.

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

The Group monitors the condition and reviews the structure of the collateral. The primary purpose of the review of the structure of collateral as well as monitoring of the collateral rights by the Group includes:

- Obtaining complete and objective information on the available collateral property and its structure;
- Development of optimal schemes of realisation of collateral rights with account for the specifics of regional distribution;
- Improving the effectiveness and timeliness of collateral foreclosure process.

The majority of collateral (over 75%) (31 December 2019: over 86%) relates to the following types: real estate – 54% (31 December 2019: 60%), equipment – 15% (31 December 2019: 19%) and vehicles – 6% (31 December 2019: 7%).

9 Loans and Advances to Customers (continued)

Refer to Note 34 for the disclosure of fair value of each class of loans and advances to customers and fair value hierarchy for loans and advances to customers. Geographical and liquidity analyses of loans and advances to customers are disclosed in Note 29. The information on related party transactions is disclosed in Note 35.

10 Investment Securities

Investment securities including those pledged under repurchase agreements comprise:

In millions of Russian Roubles	31 December 2020	31 December 2019
Investment securities at fair value through other comprehensive income	380 456	346 709
Investment securities at amortised cost	44 777	58 966
Investment securities at fair value through profit or loss	918	582
Investment securities at fair value through profit or loss (mandatory)	66 646	26 046
Total investment securities	**492 797**	**432 303**

In millions of Russian Roubles	31 December 2020	31 December 2019
Investment securities at fair value through other comprehensive income		
Federal loan bonds (OFZ)	221 834	207 662
Corporate bonds	98 008	98 274
Corporate Eurobonds	53 139	34 292
Municipal and subfederal bonds	7 307	3 079
Foreign government bonds	45	27
State Eurobonds	-	1 751
Bank of Russia bonds	-	1 496
Total debt securities at fair value through other comprehensive income	**380 333**	**346 581**
Equity securities		
Financial equities	123	128
Total equity securities at fair value through other comprehensive income	**123**	**128**
Total investment securities at fair value through other comprehensive income	**380 456**	**346 709**

Federal loan bonds (OFZ) are represented by state securities denominated in Russian Rouble. Federal loan bonds (OFZ) are traded at a discount or premium to face value and carry a coupon payable semi-annually. As at 31 December 2020, these bonds have maturity dates from July 2022 to December 2034 (31 December 2019: from July 2022 to December 2034) and coupon rates from 4.13% to 8.15% p.a. (31 December 2019: from 6.88% to 8.74% p.a.), depending on the type of the bond issue and the market conditions.

Corporate bonds in the Group's portfolio are represented by securities denominated in Russian Roubles and US Dollars issued by major Russian companies and banks. Corporate bonds are traded at a discount or premium to face value and carry a coupon payable quarterly or semi-annually depending on the type of the bond issue and the issuer. As at 31 December 2020, these bonds have maturity dates from February 2021 to June 2035 (31 December 2019: from March 2020 to September 2052) and coupon rates from 3.25% to 13.1% p.a. (31 December 2019: from 4.8% to 13.1% p.a.), depending on the type of the bond issue, the issuer and the market conditions.

10 Investment Securities (continued)

Corporate Eurobonds are bonds denominated in Russian Roubles, US Dollars and Euros issued by major Russian companies and banks. As at 31 December 2020, these bonds have maturity dates from February 2021 to May 2030 (31 December 2019: from April 2020 to April 2030) and coupon rates from 3.38% to 9.5% p.a. (31 December 2019: from 3.15% to 9.25% p.a.), payable quarterly or semi-annually, depending on the type of the bond issue, the issuer and the market conditions.

Municipal and subfederal bonds are represented by Russian Roubles bonds of Russian municipal and subfederal authorities. These bonds are traded at a discount or premium to face value and carry a coupon payable quarterly or semi-annually depending on the type of the bond issue and the issuer. As at 31 December 2020, these bonds have maturity dates from June 2021 to June 2027 (31 December 2019: from October 2020 to December 2026) and coupon rates from 5.7% to 11.5% p.a. (31 December 2019: from 7.05% to 11.74% p.a.), depending on the type of the bond issue, the issuer and the market conditions.

Bank of Russia bonds are denominated in Russian Roubles. As at 31 December 2019, these bonds had maturity dates at March 2020 and coupon rate 6.25% p.a., payable quarterly.

In millions of Russian Roubles	**31 December 2020**	**31 December 2019**
Investment securities at amortised cost		
Corporate bonds	24 381	42 608
Federal loan bonds (OFZ)	11 721	4 832
Municipal and subfederal bonds	6 661	10 811
Corporate Eurobonds	2 262	897
Less: allowance for impairment	(248)	(182)
Total investment securities at amortised cost	**44 777**	**58 966**

Corporate bonds are represented by securities denominated in Russian Roubles, issued by major Russian companies. Corporate bonds are traded at a discount or premium to face value and carry a coupon payable quarterly, semi-annually or annually, depending on the type of the bond issue and the issuer. As at 31 December 2020, these bonds have maturity dates from February 2021 to October 2052 (31 December 2019: from May 2020 to October 2052) and coupon rates from 5.7% to 10.1% p.a. (31 December 2019: from 6.9% to 10.3% p.a.), depending on the type of the bond issue, the issuer and the market conditions.

Municipal and subfederal bonds are represented by bonds issued by Russian municipal and subfederal authorities denominated in Russian Roubles. These bonds are traded at a discount or premium to face value and carry coupon payable quarterly or semi-annually. As at 31 December 2020, these bonds have maturity dates from July 2021 to December 2023 (31 December 2019: from June 2020 to November 2024) and coupon rates from 7.85% to 10% p.a. (31 December 2019: from 6.0% to 12.4% p.a.), depending on the type of the bond issue, the issuer and the market conditions.

Federal loan bonds (OFZ) are represented by the state securities denominated in Russian Roubles issued by the Ministry of Finance of Russian Federation. As at 31 December 2020, these OFZ have maturity dates from November 2021 to February 2036 (31 December 2019: from May 2020 to February 2036) and coupon rates from 4.5% to 8.2% p.a. (31 December 2019: from 5.5% to 8.2% p.a.), payable quarterly or semi-annually, depending on the type of the bond issue and the market conditions.

Corporate Eurobonds are bonds denominated in US Dollars and Euros issued by major Russian companies and banks. As at 31 December 2020, these bonds have maturity dates from October 2022 to March 2028 (31 December 2019: from October 2022 to February 2026) and coupon rates from 2.6% to 9.2% p.a. (31 December 2019: from 3.4% to 9.2% p.a.), payable semi-annually or annually, depending on the type of the bond issue, the issuer and the market conditions.

10 Investment Securities (continued)

In millions of Russian Roubles	31 December 2020	31 December 2019
Investment securities at fair value through profit or loss (mandatory)		
Corporate bonds	59 139	23 175
Credit linked notes	2 198	2 045
Investments in mutual funds	104	78
Total debt securities at fair value through profit or loss (mandatory)	**61 441**	**25 298**
Equity securities		
Corporate shares	5 205	748
Total investment securities at fair value through profit or loss (mandatory)	**66 646**	**26 046**

Corporate bonds are represented by securities denominated in Russian Roubles, issued by Russian companies and banks. Corporate bonds are traded at a discount to face value and carry a coupon payable quarterly or semi-annually, depending on the type of the bond issue. As at 31 December 2020, these bonds have maturity dates from October 2025 to February 2032 (31 December 2019: from October 2025 to February 2032) and coupon rates from 0.51% to 8.4% p.a. (31 December 2019: from 0.51% to 8.4% p.a.).

International credit ratings of issuers of the notes and of counterparty banks were not less than BB- (S&P) as at 31 December 2020 (31 December 2019: not less than BB- (S&P)).

In May 2008, the Group purchased a Credit Linked Note from an OECD bank in the nominal amount of RR 2 500 million at the net price of 19.5% of the nominal amount with maturity date in May 2023 and a zero coupon. The Note has an embedded Credit Default Swap linked to the Bank’s own credit risk.

An analysis of changes in the fair values and associated ECLs in relation to debt securities at fair value through other comprehensive income during 2020 is, as follows:

In millions of Russian Roubles	Stage 1	Stage 2	Stage 3	Total
Debt securities at fair value through other comprehensive income				
Fair value as at 1 January 2020	**346 581**	**-**	**-**	**346 581**
Transfers to Stage 1	-	-	-	**-**
Transfers to Stage 2	-	-	-	**-**
Transfers to Stage 3	-	-	-	**-**
Change in gross carrying value (new issue and repayments)	33 480	-	-	**33 480**
Amounts written off	-	-	-	**-**
Foreign exchange adjustments	272	-	-	**272**
Fair value as at 31 December 2020	**380 333**	**-**	**-**	**380 333**

In millions of Russian Roubles	Stage 1	Stage 2	Stage 3	Total
Debt securities at fair value through other comprehensive income				
ECL as at 1 January 2020	**1 088**	**-**	**-**	**1 088**
Transfers to Stage 1	-	-	-	**-**
Transfers to Stage 2	-	-	-	**-**
Transfers to Stage 3	-	-	-	**-**
Impact on period end ECL of exposures transferred between stages during the period and changes to models and inputs used (including expense on new issue and income from repayments)	300	-	-	**300**
Amounts written off	-	-	-	**-**
Foreign exchange adjustments	1	-	-	**1**
ECL as at 31 December 2020	**1 389**	**-**	**-**	**1 389**

10 Investment Securities (continued)

An analysis of changes in the fair values and associated ECLs in relation to debt securities at fair value through other comprehensive income during 2019 is, as follows:

In millions of Russian Roubles	Stage 1	Stage 2	Stage 3	Total
Debt securities at fair value through other comprehensive income				
Fair value as at 1 January 2019	**501 810**	**4 700**	**-**	**506 510**
Transfers to Stage 1	-	-	-	**-**
Transfers to Stage 2	-	-	-	**-**
Transfers to Stage 3	-	-	-	**-**
Change in gross carrying value (new issue and repayments)	(153 581)	(4 700)	-	**(158 281)**
Amounts written off	-	-	-	**-**
Foreign exchange adjustments	(1 648)	-	-	**(1 648)**
Fair value as at 31 December 2019	**346 581**	**-**	**-**	**346 581**

In millions of Russian Roubles	Stage 1	Stage 2	Stage 3	Total
Debt securities at fair value through other comprehensive income				
ECL as at 1 January 2019	**1 581**	**39**	**-**	**1 620**
Transfers to Stage 1	-	-	-	**-**
Transfers to Stage 2	-	-	-	**-**
Transfers to Stage 3	-	-	-	**-**
Impact on period end ECL of exposures transferred between stages during the period and changes to models and inputs used (including expense on new issue and income from repayments)	(486)	(39)	-	**(525)**
Amounts written off	-	-	-	**-**
Foreign exchange adjustments	(7)	-	-	**(7)**
ECL as at 31 December 2019	**1 088**	**-**	**-**	**1 088**

An analysis of changes in the gross carrying values and associated ECLs in relation to debt securities at amortised cost during 2020 is, as follows:

In millions of Russian Roubles	Stage 1	Stage 2	Stage 3	Total
Debt securities at amortised cost				
Gross carrying value as at 1 January 2020	**59 149**	**-**	**-**	**59 149**
Transfers to Stage 1	-	-	-	**-**
Transfers to Stage 2	-	-	-	**-**
Transfers to Stage 3	-	-	-	**-**
Change in gross carrying value (new issue and repayments)	(14 285)	-	-	**(14 285)**
Amounts written off	-	-	-	**-**
Foreign exchange adjustments	161	-	-	**161**
Gross carrying value as at 31 December 2020	**45 025**	**-**	**-**	**45 025**

10 Investment Securities (continued)

In millions of Russian Roubles	Stage 1	Stage 2	Stage 3	Total
Debt securities at amortised cost				
ECL as at 1 January 2020	**182**	**-**	**-**	**182**
Transfers to Stage 1	-	-	-	**-**
Transfers to Stage 2	-	-	-	**-**
Transfers to Stage 3	-	-	-	**-**
Impact on period end ECL of exposures transferred between stages during the period and changes to models and inputs used (including expense on new issue and income from repayments)	65	-	-	**65**
Amounts written off	-	-	-	**-**
Foreign exchange adjustments	-	-	-	**-**
ECL as at 31 December 2020	**247**	**-**	**-**	**247**

An analysis of changes in the gross carrying values and associated ECLs in relation to debt securities at amortised cost during 2019 is, as follows:

In millions of Russian Roubles	Stage 1	Stage 2	Stage 3	Total
Debt securities at amortised cost				
Gross carrying value as at 1 January 2019	**57 049**	**-**	**-**	**57 049**
Transfers to Stage 1	-	-	-	**-**
Transfers to Stage 2	-	-	-	**-**
Transfers to Stage 3	-	-	-	**-**
Change in gross carrying value (new issue and repayments)	2 148	-	-	**2 148**
Amounts written off	-	-	-	**-**
Foreign exchange adjustments	(48)	-	-	**(48)**
Gross carrying value as at 31 December 2019	**59 149**	**-**	**-**	**59 149**

In millions of Russian Roubles	Stage 1	Stage 2	Stage 3	Total
Debt securities at amortised cost				
ECL as at 1 January 2019	**158**	**-**	**-**	**158**
Transfers to Stage 1	-	-	-	**-**
Transfers to Stage 2	-	-	-	**-**
Transfers to Stage 3	-	-	-	**-**
Impact on period end ECL of exposures transferred between stages during the period and changes to models and inputs used (including expense on new issue and income from repayments)	24	-	-	**24**
Amounts written off	-	-	-	**-**
Foreign exchange adjustments	-	-	-	**-**
ECL as at 31 December 2019	**182**	**-**	**-**	**182**

10 Investment Securities (continued)

Analysis by credit quality in relation to investment debt securities at fair value through other comprehensive income as at 31 December 2020 is as follows. Refer to Notes 3 and 29 for the description of credit risk grading system used by the Group and the approach to ECL measurement.

In millions of Russian Roubles	Stage 1	Stage 2	Stage 3	Total
Investment debt securities at fair value through other comprehensive income				
Low credit risk (internationally rated)	255 107	-	-	**255 107**
Low credit risk (nationally rated)	5 081	-	-	**5 081**
Low credit risk (internally rated)	1 102	-	-	**1 102**
Moderate credit risk (internationally rated)	83 214	-	-	**83 214**
Moderate credit risk (nationally rated)	-	-	-	**-**
Moderate credit risk (internally rated)	437	-	-	**437**
Increased credit risk (internationally rated)	2 244	-	-	**2 244**
Increased credit risk (nationally rated)	-	-	-	**-**
Increased credit risk (internally rated)	33 148	-	-	**33 148**
High credit risk (internationally rated)	-	-	-	**-**
High credit risk (nationally rated)	-	-	-	**-**
High credit risk (internally rated)	-	-	-	**-**
Default (internationally rated)	-	-	-	**-**
Default (nationally rated)	-	-	-	**-**
Default (internally rated)	-	-	-	**-**
Unrated	-	-	-	**-**
Total investment debt securities at fair value through other comprehensive income	**380 333**	**-**	**-**	**380 333**

Analysis by credit quality in relation to investment debt securities at fair value through other comprehensive income as at 31 December 2019 is as follows.

In millions of Russian Roubles	Stage 1	Stage 2	Stage 3	Total
Investment debt securities at fair value through other comprehensive income				
Low credit risk (internationally rated)	253 138	-	-	**253 138**
Low credit risk (nationally rated)	4 221	-	-	**4 221**
Low credit risk (internally rated)	2 595	-	-	**2 595**
Moderate credit risk (internationally rated)	52 902	-	-	**52 902**
Moderate credit risk (nationally rated)	180	-	-	**180**
Moderate credit risk (internally rated)	-	-	-	**-**
Increased credit risk (internationally rated)	1 071	-	-	**1 071**
Increased credit risk (nationally rated)	-	-	-	**-**
Increased credit risk (internally rated)	32 474	-	-	**32 474**
High credit risk (internationally rated)	-	-	-	**-**
High credit risk (nationally rated)	-	-	-	**-**
High credit risk (internally rated)	-	-	-	**-**
Default (internationally rated)	-	-	-	**-**
Default (nationally rated)	-	-	-	**-**
Default (internally rated)	-	-	-	**-**
Unrated	-	-	-	**-**
Total investment debt securities at fair value through other comprehensive income	**346 581**	**-**	**-**	**346 581**

10 Investment Securities (continued)

Analysis by credit quality in relation to investment debt securities at amortised cost as at 31 December 2020 is as follows:

In millions of Russian Roubles	Stage 1	Stage 2	Stage 3	Total
Investment debt securities at amortised cost				
Low credit risk (internationally rated)	20 350	-	-	**20 350**
Low credit risk (nationally rated)	4 279	-	-	**4 279**
Low credit risk (internally rated)	438	-	-	**438**
Moderate credit risk (internationally rated)	11 791	-	-	**11 791**
Moderate credit risk (nationally rated)	-	-	-	**-**
Moderate credit risk (internally rated)	-	-	-	**-**
Increased credit risk (internationally rated)	4 957	-	-	**4 957**
Increased credit risk (nationally rated)	-	-	-	**-**
Increased credit risk (internally rated)	3 209	-	-	**3 209**
High credit risk (internationally rated)	-	-	-	**-**
High credit risk (nationally rated)	-	-	-	**-**
Default (internationally rated)	-	-	-	**-**
Default (nationally rated)	-	-	-	**-**
Unrated	-	-	-	**-**
Total investment debt securities at amortised cost (before impairment)	**45 024**	**-**	**-**	**45 024**
Less: allowance for impairment	(247)	-	-	**(247)**
Total investment debt securities at amortised cost	**44 777**	**-**	**-**	**44 777**

Analysis by credit quality in relation to investment debt securities at amortised cost as at 31 December 2019 is as follows:

In millions of Russian Roubles	Stage 1	Stage 2	Stage 3	Total
Investment debt securities at amortised cost				
Low credit risk (internationally rated)	38 647	-	-	**38 647**
Low credit risk (nationally rated)	1 043	-	-	**1 043**
Moderate credit risk (internationally rated)	10 970	-	-	**10 970**
Moderate credit risk (nationally rated)	-	-	-	**-**
Moderate credit risk (internally rated)	-	-	-	**-**
Increased credit risk (internationally rated)	5 080	-	-	**5 080**
Increased credit risk (nationally rated)	-	-	-	**-**
Increased credit risk (internally rated)	3 408	-	-	**3 408**
High credit risk (internationally rated)	-	-	-	**-**
High credit risk (nationally rated)	-	-	-	**-**
Default (internationally rated)	-	-	-	**-**
Default (nationally rated)	-	-	-	**-**
Unrated	-	-	-	**-**
Total investment debt securities at amortised cost (before impairment)	**59 148**	**-**	**-**	**59 148**
Less: allowance for impairment	(182)	-	-	**(182)**
Total investment debt securities at amortised cost	**58 966**	**-**	**-**	**58 966**

11 Premises, Equipment, Right-of-use Assets and Intangible Assets

In millions of Russian Roubles	Note	Used in banking activities: Office premises and construction in progress	Used in banking activities: Leasehold (premises) improvements	Used in banking activities: Office and computer equipment	Used in banking activities: Land	Used in non-banking activities: Production premises	Used in non-banking activities: Equipment	Used in non-banking activities: Land	Total premises and equipment	Intangible assets	Total
Cost or valuation at 1 January 2019		**31 400**	**1 291**	**18 151**	**430**	**10 723**	**1 824**	**695**	**64 514**	**9 861**	**74 375**
Accumulated depreciation		(3 229)	(783)	(8 519)	-	(1 204)	(593)	-	**(14 328)**	(3 748)	**(18 076)**
Carrying amount at 1 January 2019		**28 171**	**508**	**9 632**	**430**	**9 519**	**1 231**	**695**	**50 186**	**6 113**	**56 299**
Additions		25	35	2 407	-	244	253	-	**2 964**	3 071	**6 035**
Disposal of subsidiaries		-	-	-	-	(8 148)	-	(353)	**(8 501)**	-	**(8 501)**
Disposals		(285)	(23)	(992)	-	(79)	(135)	(12)	**(1 526)**	(2 992)	**(4 518)**
Depreciation charge	25	(522)	(24)	(1 959)	-	(97)	(215)	-	**(2 817)**	(1 761)	**(4 578)**
Realised revaluation reserve	25	(40)	-	-	-	-	-	-	**(40)**	-	**(40)**
Depreciation release (disposals)		-	-	914	-	16	30	-	**960**	2 992	**3 952**
Carrying amount at 31 December 2019		**27 349**	**496**	**10 002**	**430**	**1 455**	**1 164**	**330**	**41 226**	**7 423**	**48 649**
Cost or valuation at 31 December 2019		**31 140**	**1 304**	**19 566**	**430**	**2 740**	**1 942**	**330**	**57 452**	**9 940**	**67 392**
Accumulated depreciation		(3 791)	(808)	(9 564)	-	(1 285)	(778)	-	**(16 226)**	(2 517)	**(18 743)**
Carrying amount at 31 December 2019		**27 349**	**496**	**10 002**	**430**	**1 455**	**1 164**	**330**	**41 226**	**7 423**	**48 649**

11 Premises, Equipment, Right-of-use Assets and Intangible Assets (continued)

		Used in banking activities				Used in non-banking activities					
In millions of Russian Roubles	**Note**	**Office premises and construction in progress**	**Leasehold (premises) improvements**	**Office and computer equipment**	**Land**	**Production premises**	**Equipment**	**Land**	**Total premises and equipment**	**Intangible assets**	**Total**
Cost or valuation at 1 January 2020		**31 140**	**1 304**	**19 566**	**430**	**2 740**	**1 942**	**330**	**57 452**	**9 940**	**67 392**
Accumulated depreciation		(3 791)	(808)	(9 564)	-	(1 285)	(778)	-	**(16 226)**	(2 517)	**(18 743)**
Carrying amount at 1 January 2020		**27 349**	**496**	**10 002**	**430**	**1 455**	**1 164**	**330**	**41 226**	**7 423**	**48 649**
Additions		3 942	37	5 421	-	11	179	-	**9 590**	4 945	**14 535**
Disposal of subsidiaries		-	-	-	-	(1 738)	(914)	-	**(2 652)**	-	**(2 652)**
Disposals		-	(81)	(351)	(12)	(3)	(66)	(1)	**(514)**	(538)	**(1 052)**
Depreciation charge	25	(646)	(14)	(1 800)	-	(66)	(244)	-	**(2 770)**	(1 071)	**(3 841)**
Realised revaluation reserve		(20)	-	-	-	-	-	-	**(20)**	-	**(20)**
Depreciation release (disposals)		-	-	417	-	1 209	523	-	**2 149**	66	**2 215**
Carrying amount at 31 December 2020		**30 625**	**438**	**13 689**	**418**	**868**	**642**	**329**	**47 009**	**10 825**	**57 834**
Cost or valuation at 31 December 2020		**35 082**	**1 260**	**24 636**	**418**	**1 010**	**1 141**	**329**	**63 876**	**14 347**	**78 223**
Accumulated depreciation		(4 457)	(822)	(10 947)	-	(142)	(499)	-	**(16 867)**	(3 522)	**(20 389)**
Carrying amount at 31 December 2020		**30 625**	**438**	**13 689**	**418**	**868**	**642**	**329**	**47 009**	**10 825**	**57 834**

11 Premises, Equipment, Right-of-use Assets and Intangible Assets (continued)

Intangible assets mainly include capitalised computer software.

Construction in progress in respect of banking and non-banking premises at 31 December 2020 was RR 2 030 million (31 December 2019: RR 1 055 million).

Carrying amount of office premises without revaluation at 31 December 2020 is RR 27 955 million, including cost in amount of RR 31 453 million and accumulated depreciation of RR 3 498 million (31 December 2019: carrying amount of office premises without revaluation was RR 24 659 million, including cost in amount of RR 27 511 million and accumulated depreciation of RR 2 852 million).

As at 31 December 2020 the Group believes that fair value of premises used in banking activities has not changed significantly during 2020, therefore as at 31 December 2020 the Group has not recognised revaluation of premises in the consolidated financial statement (31 December 2019: the Group has not recognised revaluation of premises in the consolidated financial statements).

Set out below, are the carrying amounts of the Group's right-of-use assets and the movements during the period:

	Right-of-use assets		
In millions of Russian Roubles	**Buildings**	**Office equipment**	**Total**
As at 1 January 2019	**5 385**	**135**	**5 520**
Additions	2 437	8	**2 445**
Option to extend	4 076	59	**4 135**
Depreciation expense	(1 796)	(60)	**(1 856)**
As at 31 December 2019	**10 102**	**142**	**10 244**

	Right-of-use assets		
In millions of Russian Roubles	**Buildings**	**Office equipment**	**Total**
As at 1 January 2020	**10 102**	**142**	**10 244**
Additions	1 473	69	**1 542**
Revaluation and modification	458	91	**549**
Disposals	(260)	(11)	**(271)**
Depreciation expense	(2 350)	(123)	**(2 473)**
Depreciation release (disposals)	70	11	**81**
As at 31 December 2020	**9 493**	**179**	**9 672**

Refer to Note 34 for the disclosure of the fair value hierarchy for office premises.

12 Other Assets

In millions of Russian Roubles	31 December 2020	31 December 2019
Non-financial assets		
Precious metals	3 617	1 145
Prepayment for services	3 509	1 806
Repossessed collateral	2 389	3 417
Inventory	1 396	1 769
Prepayment for goods	954	468
Prepaid taxes	699	239
Settlements on social insurance and security	176	105
Other	879	1 150
Total non-financial assets	**13 619**	**10 099**
Financial assets		
Settlements on banking cards	5 748	5 722
Credit support annex agreements for derivatives	2 303	849
Trade receivables	1 233	1 348
Due from State Corporation Deposit Insurance Agency	846	327
State duty	683	560
Settlements on funds transfer operations	577	966
Other	5 163	3 936
Provision for impairment of other financial assets	(4 650)	(4 599)
Total financial assets	**11 903**	**9 109**
Insurance assets	**9 231**	**5 730**
Total other assets	**34 753**	**24 938**

Repossessed collateral mainly represents the land and production premises. The Group is not going to use repossessed collateral in its own operations. The Group has a plan for disposal of repossessed collateral within a certain time horizon that is updated and monitored on a regular basis.

Due from State Corporation Deposit Insurance Agency represents amounts due on settlements with individuals — former clients of banks with revoked licences.

Trade receivables, inventory and prepayment for goods are related to trade activities of subsidiaries.

The movements in repossessed collateral are as follows:

In millions of Russian Rouble	2020	2019
Repossessed collateral at 1 January	**3 417**	**3 262**
Additions for the year	467	1 782
Disposal during the year	(395)	(1 163)
Reclassification to assets held for sale	(1 100)	(464)
Repossessed collateral at 31 December	**2 389**	**3 417**

During 2020 and 2019, significant part of the Bank’s repossessed collateral was evaluated by an independent appraisers firm.

Refer to Note 34 for the disclosure of fair value and fair value hierarchy for other financial assets. Geographical analysis of other assets and maturity analysis of other financial assets are disclosed in Note 29. The information on related party transactions is disclosed in Note 35.

12 Other Assets (continued)

An analysis of corresponding ECL in relation to other financial assets during the year ended 31 December 2020 is as follows:

In millions of Russian Roubles	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2020	**10**	**3**	**4 586**	**4 599**
Transfers to Stage 1	10	(10)	-	**-**
Transfers to Stage 2	1	9	(10)	**-**
Transfers to Stage 3	-	-	-	**-**
Impact on period end ECL of exposures transferred between stages during the period and changes to models and inputs used for ECL calculations (including expense on new issue and income from repayments)	(16)	-	447	**431**
Amounts written off	-	-	(380)	**(380)**
ECL as at 31 December 2020	**5**	**2**	**4 643**	**4 650**

An analysis of corresponding ECL in relation to other financial assets during the year ended 31 December 2019 is as follows:

In millions of Russian Roubles	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2019	**13**	**-**	**3 841**	**3 854**
Transfers to Stage 1	-	-	-	**-**
Transfers to Stage 2	(1)	1	-	**-**
Transfers to Stage 3	(4)	-	4	**-**
Impact on period end ECL of exposures transferred between stages during the period and changes to models and inputs used for ECL calculations (including expense on new issue and income from repayments)	2	2	1 359	**1 363**
Amounts written off	-	-	(618)	**(618)**
ECL as at 31 December 2019	**10**	**3**	**4 586**	**4 599**

13 Due to Other Banks

In millions of Russian Roubles	31 December 2020	31 December 2019
Correspondent accounts and overnight placements of other banks	25 331	12 262
Borrowings from other banks with term to maturity:		
- repo deals less than 30 days	23	-
- less than 30 days	17 765	35 141
- from 31 to 180 days	105 688	25
- from 181 days to 1 year	76	36
- from 1 year to 3 years	15 889	317
- more than 3 years	2 298	16 458
Borrowings from the Bank of Russia with term to maturity:		
- less than 30 days	39	27
- from 31 to 180 days	38 036	409
- from 181 days to 1 year	9 741	353
- from 1 year to 3 years	39 289	44 491
Total due to other banks	**254 175**	**109 519**

As at 31 December 2020, due to other banks included balances with the Bank of Russia above 10% of the Group's equity in the amount of RR 87 105 million, or 34% of total due to other banks (31 December 2019: due to other banks included balances with the Bank of Russia above 10% of the Group's equity in the amount of RR 45 280 million, or 41% of total due to other banks).

13 Due to Other Banks (continued)

As at 31 December 2020, due to other banks included the balances with one Russian banking group with rating of the parent bank at Baa3 (Moody's) individually above 10% of the Group's equity, in the amount of RR 29 832 million, or 12% of total due to other banks (31 December 2019: due to other banks included no balances with other banks individually above 10% of the Group's equity). As at 31 December 2019, due to other banks included the balances with one OECD banking group with rating of the parent bank at A (S&P) and one Russian banking group with rating of the parent bank at BB+ (S&P) in aggregate above 10% of the Group's equity, in the amount of RR 25 860 million, or 24% of total due to other banks.

Refer to Note 34 for the disclosure of the fair value and fair value hierarchy for due to other banks. Geographical and liquidity analyses of due to other banks are disclosed in Note 29. The information on related party transactions is disclosed in Note 35.

14 Customer Accounts

In millions of Russian Roubles	**31 December 2020**	**31 December 2019**
State and public organisations		
- Current/settlement accounts	28 317	28 256
- Term deposits	326 475	354 879
Other legal entities		
- Current/settlement accounts	277 044	206 259
- Term deposits	888 097	705 279
Individuals		
- Current/demand accounts	239 398	107 475
- Term deposits	1 102 990	1 083 960
Total customer accounts	**2 862 321**	**2 486 108**

State and public organisations exclude state-controlled joint-stock companies.

Economic sector concentrations within customer accounts are as follows:

	31 December 2020		**31 December 2019**	
In millions of Russian Roubles	**Amount**	**%**	**Amount**	**%**
Individuals	1 342 388	47	1 191 435	48
State and public organisations	354 792	12	383 135	15
Manufacturing	302 868	11	215 968	9
Agriculture	176 649	6	99 805	4
Construction	150 251	5	125 279	5
Trading	130 824	5	77 977	3
Financial services and pension funds	91 134	3	113 214	5
Insurance	52 809	2	53 345	2
Real estate	39 124	1	52 529	2
Transport	21 280	1	13 038	1
Leasing	3 608	-	565	-
Communication	3 315	-	1 076	-
Other	193 279	7	158 742	6
Total customer accounts	**2 862 321**	**100**	**2 486 108**	**100**

As at 31 December 2020, customer accounts included balances with eight customers each above 10% of the Group's equity (31 December 2019: balances with eight customers each individually above 10% of the Group's equity). The aggregate balance of these customers was RR 610 530 million, or 21% of total customer accounts (31 December 2019: RR 566 833 million, or 23% of total customer accounts).

Refer to Note 34 for the disclosure of the fair value and fair value hierarchy for customer accounts. Geographical and liquidity analyses of customer accounts are disclosed in Note 29. The information on related party transactions is disclosed in Note 35.

15 Promissory Notes Issued

In millions of Russian Roubles	31 December 2020	31 December 2019
Promissory notes issued	67 023	47 358
Total promissory notes issued	**67 023**	**47 358**

As at 31 December 2020, promissory notes issued are represented by interest bearing and at a discount to nominal value promissory notes denominated in Russian Roubles, US Dollars and Euros with effective interest or discount rates from zero p.a. (for promissory notes on demand) up to 10% p.a. and maturity dates from January 2021 to January 2035 (31 December 2019: interest bearing and at a discount to nominal value promissory notes denominated in Russian Roubles and US Dollars with effective interest or discount rates from zero p.a. (for promissory notes on demand) up to 8% p.a. and maturity dates from January 2020 to December 2034).

As at 31 December 2020, promissory notes issued included promissory notes, which were initially purchased by one counterparty, in aggregate above 10% of the Group’s equity in the amount of RR 43 000 million, or 64% of total promissory notes issued. As at 31 December 2019, promissory notes issued included promissory notes, which were initially purchased by one counterparty, in aggregate above 10% of the Group’s equity in the amount of RR 24 666 million, or 52% of total promissory notes issued.

Refer to Note 34 for the disclosure of the fair value and fair value hierarchy for promissory notes issued. Geographical and liquidity analyses of promissory notes issued are disclosed in Note 29.

16 Bonds Issued

In millions of Russian Roubles	31 December 2020	31 December 2019
Bonds issued on domestic market	168 988	174 954
Total bonds issued	**168 988**	**174 954**

16 Bonds Issued (continued)

As at 31 December 2020, bonds issued consist of Russian Roubles denominated bonds issued on domestic market.

Currency of denomination	Nominal value, in million of currency, in circulation	Issue date	Maturity date	Put option date	Coupon rate	Coupon payment
Bonds issued on domestic market						
Russian Roubles	6 408	12 July 2011	29 June 2021	-	8.15%	6 months
Russian Roubles	1 458	14 July 2011	1 July 2021	-	8.15%	6 months
Russian Roubles	1 709	15 July 2011	2 July 2021	-	8.15%	6 months
Russian Roubles	2 964	8 November 2011	26 October 2021	-	7.00%	6 months
Russian Roubles	73	16 April 2012	4 April 2022	-	6.15%	6 months
Russian Roubles	17	23 October 2012	11 October 2022	-	5.25%	6 months
Russian Roubles	5 000	25 October 2012	13 October 2022	19 April 2021	8.20%	6 months
Russian Roubles	10 000	23 April 2013	11 April 2023	14 April 2022	8.30%	6 months
Russian Roubles	1 484	30 July 2013	18 July 2023	21 January 2021	7.40%	6 months
Russian Roubles	1	30 September 2013	18 September 2023	-	6.25%	6 months
Russian Roubles	4 978	22 November 2013	10 November 2023	16 November 2021	8.85%	6 months
Russian Roubles	5 000	10 October 2014	27 September 2024	4 October 2022	7.40%	3 months
Russian Roubles	5 000	13 October 2014	30 September 2024	5 October 2022	7.40%	3 months
Russian Roubles	10	26 December 2014	13 December 2024	17 June 2022	5.30%	3 months
Russian Roubles	5 146	11 February 2015	29 January 2025	3 February 2023	6.50%	3 months
Russian Roubles	781	26 February 2015	13 February 2025	21 August 2023	5.45%	3 months
Russian Roubles	2 282	30 October 2015	17 October 2025	25 April 2023	7.00%	3 months
Russian Roubles	10 000	26 June 2017	21 June 2021	-	8.65%	6 months
Russian Roubles	7 000	3 October 2017	28 September 2021	-	8.40%	6 months
Russian Roubles	25 000	14 March 2018	9 March 2022	-	7.40%	6 months
Russian Roubles	13 000	19 October 2018	14 October 2022	-	9.00%	6 months
Russian Roubles	19 900	29 November 2018	22 November 2038	-	10.50%	6 months
Russian Roubles	10 000	25 June 2019	22 June 2021	-	8.15%	6 months
Russian Roubles	5 000	15 November 2019	10 November 2023	-	7.00%	6 months
Russian Roubles	5 000	13 November 2019	2 November 2022	-	6.75%	1 month
Russian Roubles	2 481	5 February 2020	25 January 2023	-	6.05%	1 month
Russian Roubles	3 528	15 July 2020	5 July 2023	-	5.25%	1 month
Russian Roubles	4 023	7 October 2020	27 September 2023	-	5.40%	1 month
Russian Roubles	10 000	15 December 2020	15 March 2021	-	5.15%	3 month
Russian Roubles	32	23 December 2020	23 December 2023	23 December 2021	0.01%	12 month
Russian Roubles	4	24 December 2020	24 December 2023	26 December 2022	0.01%	12 month

16 Bonds Issued (continued)

As at 31 December 2019, bonds issued consist of Russian Roubles denominated bonds issued on domestic market.

Currency of denomination	Nominal value, in million of currency, in circulation	Issue date	Maturity date	Put option date	Coupon rate	Coupon payment
Bonds issued on domestic market						
Russian Roubles	572	10 February 2010	29 January 2020	-	8.30%	6 months
Russian Roubles	581	11 February 2010	30 January 2020	-	8.30%	6 months
Russian Roubles	3 218	12 July 2011	29 June 2021	-	8.15%	6 months
Russian Roubles	1 058	14 July 2011	1 July 2021	-	8.15%	6 months
Russian Roubles	1 309	15 July 2011	2 July 2021	-	8.15%	6 months
Russian Roubles	4 117	8 November 2011	26 October 2021	30 April 2020	8.00%	6 months
Russian Roubles	305	16 April 2012	4 April 2022	8 April 2020	8.30%	6 months
Russian Roubles	43	23 October 2012	11 October 2022	15 October 2020	8.20%	6 months
Russian Roubles	523	25 October 2012	13 October 2022	19 April 2021	8.20%	6 months
Russian Roubles	10 000	23 April 2013	11 April 2023	14 April 2022	8.30%	6 months
Russian Roubles	1 484	30 July 2013	18 July 2023	21 January 2021	7.40%	6 months
Russian Roubles	21	30 September 2013	18 September 2023	25 March 2020	8.30%	6 months
Russian Roubles	4 978	22 November 2013	10 November 2023	16 November 2021	8.85%	6 months
Russian Roubles	5 000	10 October 2014	27 September 2024	4 October 2022	7.40%	3 months
Russian Roubles	5 000	13 October 2014	30 September 2024	5 October 2022	7.40%	3 months
Russian Roubles	661	26 December 2014	13 December 2024	22 December 2020	8.60%	3 months
Russian Roubles	10 000	11 February 2015	29 January 2025	7 February 2020	15.00%	3 months
Russian Roubles	783	26 February 2015	13 February 2025	24 August 2020	7.40%	3 months
Russian Roubles	2 820	30 October 2015	17 October 2025	28 April 2020	7.95%	3 months
Russian Roubles	10 000	31 March 2017	25 September 2020	-	9.50%	6 months
Russian Roubles	10 000	26 June 2017	21 June 2021	-	8.65%	6 months
Russian Roubles	7 000	3 October 2017	28 September 2021	-	8.40%	6 months
Russian Roubles	5 000	5 December 2017	9 December 2020	-	8.10%	6 months
Russian Roubles	25 000	14 March 2018	9 March 2022	-	7.40%	6 months
Russian Roubles	13 000	19 October 2018	14 October 2022	-	9.00%	6 months
Russian Roubles	19 900	29 November 2018	22 November 2038	-	10.50%	6 months
Russian Roubles	10 000	4 April 2019	2 April 2020	-	8.35%	6 months
Russian Roubles	10 000	25 June 2019	22 June 2021	-	8.15%	6 months
Russian Roubles	5 000	15 November 2019	10 November 2023	-	7.00%	6 months
Russian Roubles	5 000	13 November 2019	2 November 2022	-	6.75%	1 month

Refer to Note 34 for the disclosure of the fair value and fair value hierarchy for bonds issued. Geographical and liquidity analyses of bonds issued are disclosed in Note 29. Refer to Note 38 for information on redemptions after the end of the reporting period.

17 Other Liabilities

In millions of Russian Roubles	Note	31 December 2020	31 December 2019
Non-financial liabilities			
Accrued staff costs		6 774	5 534
Taxes payable other than on income		2 035	1 417
Due to State Corporation Deposit Insurance Agency		1 534	2 020
Provision for ECL for credit related commitments	32	930	508
Other provisions		86	68
Litigations provision		12	16
Other		2 478	2 656
Total non-financial liabilities		**13 849**	**12 219**
Financial liabilities			
Lease liabilities		9 860	10 244
Amounts due under credit support annex agreements		5 693	1 006
Settlements on banking cards		4 077	4 357
Trade payables		2 457	2 217
Amounts due under perpetual bonds		685	677
Non-controlling interests in consolidated mutual funds		305	110
Settlements on conversion operations		158	4 789
Carrying value of guarantees issued		21	36
Total financial liabilities		**23 256**	**23 436**
Insurance liabilities			
Provision for unearned premiums		5 289	5 282
Loss provision		27 343	13 324
Insurance payables		3 601	2 738
Total insurance liabilities		**36 233**	**21 344**
Total other liabilities		**73 338**	**56 999**

Trade payables are related to the business activities of subsidiaries.

Movements in the provision for unearned premiums are as follows:

In millions of Russian Roubles	Note	2020	2019
Provision for unearned premiums as at 1 January		**5 282**	**4 910**
Premium earned	24	(20 810)	(15 128)
Premium written		20 817	15 500
Provision for unearned premiums as at 31 December		**5 289**	**5 282**

Movements in the loss provision are as follows:

In millions of Russian Roubles	Note	2020	2019
Loss provision as at 1 January		**13 324**	**6 634**
Claims incurred during the period	24	16 877	9 490
Insurance claims settled		(2 858)	(2 800)
Loss provision as at 31 December		**27 343**	**13 324**

Refer to Note 34 for the disclosure of the fair value and fair value hierarchy for other financial liabilities. Geographical analysis of other liabilities and liquidity analysis of other financial liabilities are disclosed in Note 29.

18 Subordinated Debts

As at 31 December 2020, the Group's subordinated debts equal to RR 151 885 million (31 December 2019: RR 134 089 million).

Refer to Note 34 for the disclosure of the fair value and fair value hierarchy for subordinated debts. Geographical and liquidity analyses of subordinated debts are disclosed in Note 29. The information on related party transactions is disclosed in Note 35.

19 Perpetual Bonds

As at 31 December 2020, the Group's perpetual bonds in circulation equal to RR 52 296 million (as at 31 December 2019: RR 48 398 million).

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

Currency of denomination	Nominal value, in million of currency, in circulation	Carrying amount, in millions of Russian Roubles	Issue date	Call option date	Coupon rate	Coupon payment
Russian Roubles	5 000	5 000	15 July 2016	3 July 2026	14.50%	6 months
Russian Roubles	5 000	5 000	18 July 2016	6 July 2026	14.50%	6 months
Russian Roubles	5 000	5 000	5 October 2016	23 September 2026	14.25%	6 months
Russian Roubles	10 000	10 000	25 April 2018	12 April 2028	9.00%	6 months
Russian Roubles	4 999	4 999	26 April 2018	13 April 2028	9.00%	6 months
Russian Roubles	5 000	5 000	22 November 2018	9 November 2028	10.10%	6 months
US Dollars	50	3 694	17 December 2018	4 December 2028	9.00%	6 months
Euros	150	13 602	12 December 2019	5 June 2025	5.00%	6 months

As at 31 December 2019, perpetual bonds consist of Russian Roubles, US Dollars and Euros denominated bonds issued on domestic market.

Currency of denomination	Nominal value, in million of currency, in circulation	Carrying amount, in millions of Russian Roubles	Issue date	Call option date	Coupon rate	Coupon payment
Russian Roubles	5 000	5 000	15 July 2016	3 July 2026	14.50%	6 months
Russian Roubles	5 000	5 000	18 July 2016	6 July 2026	14.50%	6 months
Russian Roubles	5 000	5 000	5 October 2016	23 September 2026	14.25%	6 months
Russian Roubles	10 000	10 000	25 April 2018	12 April 2028	9.00%	6 months
Russian Roubles	4 902	4 902	26 April 2018	13 April 2028	9.00%	6 months
Russian Roubles	5 000	5 000	22 November 2018	9 November 2028	10.10%	6 months
US Dollars	50	3 095	17 December 2018	4 December 2028	9.00%	6 months
Euros	150	10 401	12 December 2019	5 June 2025	5.00%	6 months

20 Share Capital

Share capital issued and fully paid comprises:

In millions of Russian Roubles (except for number of shares)	Number of outstanding shares	Nominal amount	Inflation adjusted amount
At 1 January 2019	**347 928**	**409 848**	**410 598**
New ordinary shares issued	29 635	29 635	29 635
At 31 December 2019	**377 563**	**439 483**	**440 233**
New ordinary shares issued	30 500	30 500	30 500
At 31 December 2020	**408 063**	**469 983**	**470 733**

As at 31 December 2020, issued and fully paid share capital comprises 376 183 issued and registered ordinary shares and 31 880 preference shares (31 December 2019: 345 683 issued and registered ordinary shares and 31 880 preference shares). All ordinary and preference shares have a nominal value of RR 1 million per share, except for 6 880 type A preference shares issued in November 2015 with nominal value of RR 10 million per share, and rank equally within the same class. Each ordinary share carries one vote.

The terms of the preference shares do not include any fixed dividends and the decision on repayment of dividends is approved by the shareholder of the Bank.

In 2020, the Bank increased its share capital by issuing 30 500 ordinary shares (2019: 29 635 ordinary shares) with the total nominal amount of RR 30 500 million (2019: RR 29 635 million).

In 2020 and 2019, all ordinary shares were purchased by the Bank's only shareholder — the Government of the Russian Federation represented by the Federal Agency for Managing State Property.

21 Interest Income and Expense

In millions of Russian Roubles	2020	2019
Interest income on debt financial assets carried at amortised cost		
Loans and advances to legal entities	139 816	146 064
Loans and advances to individuals	52 450	52 364
Cash equivalents	4 989	6 622
Investment securities at amortised cost	2 927	4 816
Due from other banks	2 036	4 304
	202 218	**214 170**
Interest income on debt financial assets carried at fair value through other comprehensive income		
Investment securities at FVOCI	22 064	29 391
	22 064	**29 391**
Total interest income at effective interest rate	**224 282**	**243 561**
Loans to customers at fair value through profit or loss	2 876	1 763
Investment securities at fair value through profit or loss	4 183	1 709
Trading securities	2 932	1 496
Total other interest income	**9 991**	**4 968**
Interest expense at effective interest rate		
Term deposits of legal entities	(50 876)	(69 068)
Term deposits of individuals	(61 061)	(61 924)
Bonds issued	(13 297)	(14 442)
Subordinated debts	(10 205)	(8 539)
Current/settlement accounts	(8 952)	(7 845)
Term deposits of the Bank of Russia	(4 423)	(3 779)
Promissory notes issued	(2 935)	(2 797)
Term deposits of other banks	(2 356)	(2 137)
Total interest expense at effective interest rate	**(154 105)**	**(170 531)**
Lease liabilities	(622)	(750)
Total other interest expense	**(622)**	**(750)**
Net interest income	**79 546**	**77 248**

The information on related party transactions is disclosed in Note 35.

22 Credit Loss Expense

The table below shows the ECL charges on financial instruments recorded in the income statement for the year ended 31 December 2020:

In millions of Russian Roubles	Note	Stage 1	Stage 2	Stage 3	POCI	Total
Cash and cash equivalents		11	-	-	-	**11**
Due from other banks	8	11	-	-	-	**11**
Loans to customers at amortised cost	9	8 290	4 639	14 317	2 201	**29 447**
Debt securities measured at amortised cost	10	65	-	-	-	**65**
Debt securities measured at FVOCI	10	301	-	-	-	**301**
Other financial assets		-	-	451	-	**451**
Credit related commitments	32	432	(10)	-	-	**422**
Total credit (gains)/loss expense		**9 110**	**4 629**	**14 768**	**2 201**	**30 708**

22 Credit Loss Expense (continued)

An analysis of credit loss expense for the year ended 31 December 2019 is as follows:

In millions of Russian Roubles	Note	Stage 1	Stage 2	Stage 3	POCI	Total
Cash and cash equivalents		(3)	-	-	-	**(3)**
Due from other banks	8	(110)	-	-	-	**(110)**
Loans to customers at amortised cost	9	(19 722)	17 766	39 484	1 409	**38 937**
Debt securities measured at amortised cost	10	24	-	-	-	**24**
Debt securities measured at FVOCI	10	(493)	(39)	-	-	**(532)**
Other financial assets		-	-	1 386	-	**1 386**
Credit related commitments	32	(157)	9	-	-	**(148)**
Total credit (gains)/loss expense		**(20 461)**	**17 736**	**40 870**	**1 409**	**39 554**

23 Fee and Commission Income and Expense

In millions of Russian Roubles	2020	2019
Fee and commission income		
Commission on cash and settlements transactions	9 646	10 198
Fees for sale of insurance contracts	7 251	5 866
Commission on banking cards and acquiring	4 573	4 039
Commission on guarantees issued	1 776	1 578
Fees for currency control	379	311
Commission received from the Deposit Insurance Agency	10	119
Other	2 071	1 339
Total fee and commission income	**25 706**	**23 450**
Fee and commission expense		
Commission on settlement transactions	(2 725)	(2 134)
Commission on cash collection	(342)	(400)
Other	(337)	(246)
Total fee and commission expense	**(3 404)**	**(2 780)**
Net fee and commission income	**22 302**	**20 670**

24 Gains less Losses from Non-banking Activities

In millions of Russian Roubles	2020	2019
Sales of goods	4 062	4 561
Including:		
- sugar	1 164	1 652
- meat and dairy products	557	993
- feed	575	689
- grain	19	189
- other goods and services	1 747	1 038
Cost of goods sold	(2 853)	(4 339)
Provision for trade receivables, prepayments and other financial assets	58	202
Net income from insurance operations	3 089	3 195
Other non-banking income	1 093	770
Other non-banking expenses	(3 820)	(3 315)
Total gains less losses from non-banking activities	**1 629**	**1 074**

In 2020 cost of goods sold includes depreciation of non-banking premises and equipment in the total amount of RR 310 million (2019: RR 312 million).

24 Gains less Losses from Non-banking Activities (continued)

Net income from insurance operations is as follows:

In millions of Russian Roubles	Note	2020	2019
Insurance premiums			
Premium earned	17	20 810	15 128
Reinsurers share in premiums earned		(4 235)	(3 235)
Net insurance premiums earned		**16 575**	**11 893**
Insurance benefits and claims			
Net claims incurred during the year	17	(16 877)	(9 490)
Acquisition costs		(642)	(399)
Reinsurers share in claims incurred during the year		4 033	1 191
Net insurance benefits and claims		**(13 486)**	**(8 698)**
Net income from insurance operations		**3 089**	**3 195**

25 Administrative and Other Operating Expenses

In millions of Russian Roubles	Note	2020	2019
Staff costs		35 585	31 919
Deposit Insurance expenses		5 856	7 663
Depreciation of premises, equipment and right-of-use assets		4 872	4 401
Communications and information services		2 947	2 396
Other costs of premises		2 582	2 927
Maintenance of equipment, transportation costs		2 364	2 183
Taxes other than on income		1 800	1 963
Office expenses		1 729	1 237
Amortization of intangible assets	11	1 071	1 761
Advertising and marketing services		1 069	1 518
Security services		809	1 005
Lease expenses		727	459
Charity expenses		667	579
Provision on impairment of contingencies	32	-	1 214
Other		4 837	4 304
Total administrative and other operating expenses		**66 915**	**65 529**

In 2020 staff costs include statutory social security and contributions to a state pension fund in the amount of RR 6 920 million (2019: RR 6 005 million). In 2020 staff costs does not include expenses for defined contribution pension plans (2019: staff costs include expenses for defined contribution pension plans in the amount of RR 804 million). The information on related party transactions is disclosed in Note 35.

26 Income Taxes

Income tax expense comprises the following:

In millions of Russian Roubles	2020	2019
Current tax	4 531	5 274
Deferred tax	310	(850)
Income tax expense for the year	**4 841**	**4 424**

26 Income Taxes (continued)

The income tax rate applicable to the majority of the Group's income is 20% (2019: 20%). Reconciliation between the theoretical and the actual taxation charge is provided below.

In millions of Russian Roubles	2020	2019
IFRS profit before tax	**17 855**	**8 441**
Theoretical tax charge at statutory rate (2020: 20%; 2019: 20%)	**3 571**	**1 688**
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Non-deductible staff costs	32	60
- Non-deductible charity costs	117	97
- Change of income tax on tax return in past periods	348	123
Income on government securities taxed at different rates	(1 206)	(1 305)
Permanent difference due to the refinement of the tax base of previous years	82	148
Change in unrecognised deferred tax asset	1 784	3 315
Other non-temporary differences	113	298
Income tax expense for the year	**4 841**	**4 424**

Differences between IFRS and Russian statutory tax regulations give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their value for tax purposes. The tax effect of the movements in these temporary differences is detailed below and is recorded at the rate of 20% (2019: 20%), except for income on particular category of securities that is taxed at 15% (2019: 15%).

Based on the Group's current structure and Russian tax legislation, tax losses and current tax assets of different companies of the Group may not be set off against current tax liabilities and taxable profits of other companies of the Group and, accordingly, taxes may be accrued even where there is a consolidated tax loss. Therefore, deferred tax assets and liabilities are set off against each other only when they relate to the same taxable entity (subject to certain conditions).

In millions of Russian Roubles	31 December 2019	Credited/ (charged) to profit or loss	Charged directly to other comprehensive income	Disposal of subsidiaries	31 December 2020
Tax effect of deductible/(taxable) temporary differences					
Accruals on loans	9 797	(2 058)	-	-	7 739
Tax losses carried forward	37 614	2 408	-	(142)	39 880
Provision for impairment	37 309	(3 325)	-	(299)	33 685
Fair valuation of derivative financial instruments	(3)	(754)	-	-	(757)
Accrued staff costs	1 068	248	-	-	1 316
Accruals on due to other banks	(4 125)	534	-	-	(3 591)
Fair valuation of securities	(914)	715	(219)	-	(418)
Deferral of fees on guarantees issued	7	(3)	-	-	4
Premises, equipment and right-of-use assets	(1 834)	701	-	43	(1 090)
Accruals on bonds issued and subordinated debts	(648)	1 159	-	-	511
Intangible assets	(2)	3	-	-	1
Other	2 690	1 846	-	(112)	4 424
Deferred tax asset	**80 959**	**1 474**	**(219)**	**(510)**	**81 704**
Unrecognised deferred tax asset	(66 882)	(1 784)	-	338	(68 328)
Net deferred income tax asset	**14 077**	**(310)**	**(219)**	**(172)**	**13 376**
Recognised deferred income tax asset	16 298	(1 050)	-	43	15 291
Recognised deferred income tax liability	(2 221)	740	(219)	(215)	(1 915)
Net deferred income tax asset	**14 077**	**(310)**	**(219)**	**(172)**	**13 376**

26 Income Taxes (continued)

In millions of Russian Roubles	31 December 2018	Credited/ (charged) to profit or loss	Charged directly to other comprehen-sive income	Acquisition of subsidiaries	31 December 2019
Tax effect of deductible/ (taxable) temporary differences					
Accruals on loans	11 406	(1 609)	-	-	9 797
Tax losses carried forward	26 704	10 910	-	-	37 614
Provision for impairment	45 020	(7 711)	-	-	37 309
Fair valuation of derivative financial instruments	(103)	100	-	-	(3)
Accrued staff costs	912	156	-	-	1 068
Accruals on due to other banks	(4 620)	495	-	-	(4 125)
Fair valuation of securities	(811)	2 528	(2 631)	-	(914)
Deferral of fees on guarantees issued	7	-	-	-	7
Premises and equipment	(2 263)	(789)	(1)	1 219	(1 834)
Accruals on bonds issued and subordinated debts	(301)	(347)	-	-	(648)
Intangible assets	(88)	86	-	-	(2)
Other	2 344	346	-	-	2 690
Deferred tax asset	**78 207**	**4 165**	**(2 632)**	**1 219**	**80 959**
Unrecognised deferred tax asset	(63 567)	(3 315)	-	-	(66 882)
Net deferred income tax asset	**14 640**	**850**	**(2 632)**	**1 219**	**14 077**
Recognised deferred income tax asset	16 298	-	-	-	16 298
Recognised deferred income tax liability	(1 658)	850	(2 632)	1 219	(2 221)
Net deferred income tax asset	**14 640**	**850**	**(2 632)**	**1 219**	**14 077**

As of 31 December 2020, the taxable temporary difference between investments in subsidiaries in the statement of financial position of the parent company for tax purposes and the value of the net assets of subsidiaries in accordance with IFRS was 2 897 million (31 December 2019: 2 459 million). In accordance with IAS 12 *Income Tax*, the corresponding deferred tax liability in the amount of 579 million (31 December 2019: 492 million) was not recognized in the consolidated statement of financial position, since the Group has the ability to control the timing of the reversal of the temporary difference, and also does not expect that this temporary difference will be restored in the foreseeable future.

As at 31 December 2020, deferred tax assets included RR 39 880 million resulting from tax losses carried forward (31 December 2019: RR 37 614 million). The existing tax losses eligible for carry forward are expected to be utilized within limits envisaged by the Russian tax legislation.

27 Dividends

	2020			2019		
In millions of Russian Roubles	Ordinary shares	Prefe-rence shares	Type A prefe-rence shares	Ordinary shares	Prefe-rence shares	Type A prefe-rence shares
Dividends payable at 1 January	-	-	-	-	-	-
Dividends declared during the year	91	6	17	883	65	178
Dividends paid during the year	(91)	(6)	(17)	(883)	(65)	(178)
Dividends payable at 31 December	-	-	-	-	-	-
Dividends per share declared during the year	**0.000**	**0.000**	**0.002**	**0.003**	**0.003**	**0.026**

28 Segment Analysis

(a) Description of geographic areas from which each reportable segment derives its revenue and factors that management used to identify the reportable segments

Operational decision making is the responsibility of the Management Board of the Bank. The Management Board of the Bank reviews internal management reporting in order to assess efficiency and allocate resources.

The Management Board of the Bank performs geographic analysis of the Bank's operations and therefore the Bank's regional branches have been designated as operating segments.

Taking into account the administrative-territorial division of Russia, federal districts of the Russian Federation have been designated as reportable segments.

As at 31 December 2020 and 31 December 2019 the Group defines the following reportable segments:

- Head office;
- Central federal district;
- Far Eastern federal district;
- Volga federal district;
- North-West federal district;
- North-Caucasian federal district;
- Siberian federal district;
- Ural federal district;
- Southern federal district.

For analysis of revenue by products refer to Notes 21, 23.

(b) Measurement of operating segment profit or loss and assets

The Management Board of the Bank assesses efficiency of operating segments based on a financial performance measure prepared from statutory accounting data and not adjusted for an intersegment income and expenses. Intersegment income and expenses are used by CODM for information purpose only and not for identification of profit or loss of the operating segments. Intersegment income/(expense) represents mainly income from / (costs of) funding provided by Head Office to other reportable segments.

The accounting policy of the operating segments is based on Russian Accounting Rules (RAR) and thus materially differs from policies described in the summary of significant accounting policies in these consolidated financial statements.

28 Segment Analysis (continued)

(c) Information about reportable segment profit or loss and assets

Segment reporting of the Group's revenue and profit/(loss) for the reporting period ended 31 December 2020 and 31 December 2019 and segment reporting of the Group's assets as at 31 December 2020 and 31 December 2019 is as follows:

In millions of Russian Roubles	Head office	Central federal district	Far Eastern federal district	Volga federal district	North-west federal district	North-Caucasian federal district	Siberian federal district	Ural federal district	Southern federal district	Total
For the year ended 31 December 2020										
Revenue from external customers	**67 241**	**63 306**	**10 397**	**31 353**	**16 037**	**9 002**	**14 419**	**7 728**	**28 126**	**247 609**
- Interest income from loans and advances to customers, due from other banks and other placed funds	65 565	55 349	8 771	27 009	14 167	7 100	11 431	6 845	24 721	**220 958**
- Net fee and commission income from credit related operations	1 676	7 957	1 626	4 344	1 870	1 902	2 988	883	3 405	**26 651**
Gains less losses / (losses net of gains) arising from securities, derivative financial instruments and foreign currency	(20 654)	26 507	10 381	(3 571)	(127)	(472)	(3 929)	(2 493)	8 463	**14 105**
Interest expenses from due to other banks, customer accounts and bonds issued	(73 730)	(32 469)	(4 413)	(17 022)	(11 073)	(2 805)	(8 874)	(4 137)	(5 895)	**(160 418)**
(Provision)/recovery of provision for impairment*	(12 037)	(10 147)	(113)	(3 871)	(2 088)	(3 057)	(2 035)	(2 339)	(1 659)	**(37 346)**
Administrative and maintenance expense	(44 655)	(3 055)	(887)	(2 355)	(1 007)	(942)	(1 717)	(545)	(1 116)	**(56 279)**
- Including depreciation charge	(2 440)	(350)	(80)	(277)	(119)	(152)	(236)	(60)	(123)	**(3 837)**
Other expenses less other income*	(5 903)	434	(75)	1 129	415	(680)	274	47	2 401	**(1 958)**
Income tax expense	(4 488)	-	-	-	-	-	-	-	-	**(4 488)**
(Loss)/profit of reportable segments	**(94 226)**	**44 576**	**15 290**	**5 663**	**2 157**	**1 046**	**(1 862)**	**(1 739)**	**30 320**	**1 225**
Intersegment income/(expense)**	**85 409**	**(39 497)**	**(13 328)**	**(2 435)**	**63**	**(3 037)**	**(521)**	**2 029**	**(28 683)**	**-**
For the year ended 31 December 2019										
Revenue from external customers	**74 809**	**64 682**	**8 872**	**33 031**	**18 131**	**8 948**	**14 277**	**6 886**	**33 322**	**262 958**
- Interest income from loans and advances to customers, due from other banks and other placed funds	73 310	58 114	7 517	28 889	16 299	7 191	11 506	6 122	30 239	**239 187**
- Net fee and commission income from credit related operations	1 499	6 568	1 355	4 142	1 832	1 757	2 771	764	3 083	**23 771**
(Losses net of gains) / gains less losses arising from securities, derivative financial instruments and foreign currency	28 144	(7 826)	(3 008)	2 151	314	713	1 286	772	(2 538)	**20 008**
Interest expenses from due to other banks, customer accounts and bonds issued	(80 459)	(35 086)	(5 205)	(19 333)	(11 979)	(3 189)	(9 645)	(5 805)	(6 385)	**(177 086)**
Provision for impairment*	(2 081)	(9 654)	317	(4 827)	(5 309)	(4 425)	(949)	(1 385)	(1 113)	**(29 426)**
Administrative and maintenance expense	(40 236)	(2 524)	(717)	(2 160)	(880)	(871)	(1 481)	(490)	(960)	**(50 319)**
- Including depreciation charge	(2 094)	(288)	(69)	(244)	(102)	(126)	(205)	(51)	(108)	**(3 287)**
Other expenses less other income*	(13 145)	(705)	(343)	(678)	28	(892)	(1 253)	233	(1 072)	**(17 827)**
Income tax expense	(4 042)	-	-	-	-	-	-	-	-	**(4 042)**
(Loss)/profit of reportable segments	**(37 010)**	**8 887**	**(84)**	**8 184**	**305**	**284**	**2 235**	**211**	**21 254**	**4 266**
Intersegment income/(expense)**	**64 649**	**(18 266)**	**2 518**	**(12 163)**	**(1 584)**	**(7 813)**	**(5 463)**	**(704)**	**(21 174)**	**-**
Total assets										
31 December 2020	3 279 930	1 709 743	244 666	648 705	421 208	209 256	315 573	152 938	479 372	**7 461 391**
31 December 2019	2 636 408	1 322 088	165 916	579 168	326 669	185 111	260 877	126 275	446 421	**6 048 933**
Total liabilities										
31 December 2020	3 075 417	1 709 617	244 633	648 480	421 104	209 233	315 471	152 938	479 366	**7 256 259**
31 December 2019	2 462 709	1 321 962	165 883	578 943	326 565	185 088	260 775	126 275	446 415	**5 874 615**

* Other expenses less other income include losses from disposal of loans under cession agreements.

** Intersegment income and expense are used by CODM for information purpose only and not for identification of profit or loss of the operating segments.

28 Segment Analysis (continued)

Intersegment income and expenses include transfer income and expenses, staff costs and gains less losses / (losses net of gains) from dealing in foreign currency.

(d) Reconciliation of reportable segment revenues, profit or loss, assets and provision for loan impairment

The Group recognizes losses net of gains from cessions on loans and advances to customers as part of the provision for loan impairment.

Reconciliation of income/(loss) of the reportable segments for the reporting period ended 31 December 2020 and 31 December 2019 is as follows:

In millions of Russian Roubles	**2020**	**2019**
Total income of reportable segments after tax	**1 221**	**4 266**
Adjustments for impairment (ECL)	(1 411)	4 592
Effect of consolidation	1 998	(7 853)
Accounting for financial instruments at fair value	1 439	2 056
Adjustments of deferred tax	(313)	850
Losses net of gains from revaluation of other financial instruments at fair value through profit and loss	(314)	16
Accrued staff costs	(243)	(261)
Reclassification of perpetual bonds to equity	8 738	3 329
Adjustments of financial assets and liabilities carried at amortised cost	1 162	(6 762)
Other	737	3 784
The Group's profit under IFRS after tax	**13 014**	**4 017**

Reconciliation of assets of the reportable segments for the reporting period ended 31 December 2020 and 31 December 2019 is as follows:

In millions of Russian Roubles	**31 December 2020**	**31 December 2019**
Assets of reportable segments	**7 461 389**	**6 048 932**
Elimination of settlements between branches	(3 273 935)	(2 439 641)
Provision for loan impairment (ECL)	(278 761)	(306 254)
Effect of consolidation	14 007	(4 171)
Elimination of back-to-back deposits	(4 528)	(4 524)
Accounting for financial instruments at fair value	489	3 704
Adjustments of financial assets carried at amortised cost	(17 200)	(23 806)
Other	(81 673)	(58 491)
The Group's assets under IFRS	**3 819 788**	**3 215 749**
Provision for loan impairment for loans and advances to customers of reportable segments	**(207 010)**	**(234 827)**
Accounting for provision under IFRS	(99 562)	(94 297)
Provision related to the effect of consolidation	28 038	23 086
The Group's provision for loan impairment for loans and advances to customers under IFRS	**(278 534)**	**(306 038)**

28 Segment Analysis (continued)

Reconciliation of material items of income and expenses for the years ended 31 December 2020 and 31 December 2019 is as follows:

In millions of Russian Roubles	2020	2019
Total revenue of reportable segments from external customers	**247 609**	**262 958**
Reclassification of income not included in segment revenue	11 479	2 137
Interest income related to effective interest rate implication	(2 256)	4 523
Effect of consolidation	(263)	836
Effect of disposal of loans (interest income)	2	(1 252)
Other	4	(3)
The Group's revenue under IFRS*	**256 575**	**269 199**
Total interest expenses from due to other banks, customer accounts and bonds issued of reportable segments	**(160 418)**	**(177 086)**
Reclassification of interest expense not included in segment interest expenses	4 654	4 391
Effective interest rate adjustments	(426)	433
Effect of consolidation	1 469	971
Other	(6)	10
The Group's interest expense under IFRS	**(154 727)**	**(171 281)**
Provision charge for impairment	**(37 346)**	**(29 426)**
Accounting for provision under IFRS and effect of disposal of loans	1 817	(22 661)
Provision related to the effect of consolidation	4 821	12 533
The Group's provision charge for impairment under IFRS	**(30 708)**	**(39 554)**
Administrative and maintenance expenses of reportable segments	**(56 279)**	**(50 319)**
Reclassification of payments to the Deposit Insurance Agency not included in segment administrative and maintenance expenses	(5 856)	(7 663)
Accrued staff costs	(243)	(290)
Effect of consolidation	(2 532)	(2 979)
Other	(2 005)	(4 278)
The Group's administrative and other operating expenses under IFRS	**(66 915)**	**(65 529)**

* Group's revenue under IFRS comprises of interest income and net fee and commission income.

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.

28 Segment Analysis (continued)

All other adjustments also result from the differences between RAR (used as the basis for management reporting) and IFRS.

(e) Major customers

The Group does not have any customer, from which it earns revenue representing 10% or more of the total revenues.

29 Risk Management

The purpose of the Group's risk management policy is to maintain acceptable levels of risks determined by the Group with consideration of its approved strategic goals. The Group's priority task is to ensure the maximum safety of assets and capital through minimizing exposures that can lead to unforeseen losses. Group provides coordinated management of significant risks such as credit and market risk, concentration risk, regulatory risk, liquidity risk and operational risk across all levels of activity.

The Group has a multi-level system of decision-making, monitoring and risk management.

The Bank's Supervisory Board approves the risk management policy and, consequently, is responsible for creating and monitoring the operation of the Bank's risk management system in general. Its competence also covers decisions relating to significant risks, reviewing reports on risks accepted by the Bank and reports on the results of stress testing.

The Bank's Management Board monitors the functioning of the risk management system, approves documents and procedures for identification, evaluation, determination of acceptable risk level, selection of response actions (acceptance, limitation, reallocation, hedging, avoidance) and monitoring thereof.

Operational risk management is carried out by the Bank's Management Board, its Chairman, special collegiate bodies of the Group, and also by separate structural divisions of the Group and executives on the basis of their competence.

The Risks Department provides independent analysis and evaluation of risks. The competence of the Risk Department also includes methodological support of risk management system, the implementation of the principles and methods of identification, assessment and monitoring of financial risks (credit, market, currency, interest rate, liquidity risk) and operational risk, including at the regional level.

Additionally, the function of certain risks management is performed by other departments of the Bank: Legal Department, Strategy Development Department, Public and Marketing Relations Department, Internal Treasury Department and Compliance Control Department.

The Bank's authorized bodies on a regular basis consider the Bank's performance, approve and revise measures to facilitate the early detection of changes in the external and internal factors, and to minimize the adverse consequences for the Bank.

According to the Risk management policy, the key objectives of the bank's risk management system are as follows:

- Maintaining the Bank's activity on the "going concern" basis;
- Providing the Bank's financial stability;
- Development of risk culture/risk-oriented model within the Bank.

In order to ensure stable operation, the Bank took the following steps.

29 Risk Management (continued)

In 2020 the Bank carried out and/or initiated the following measures related to the development of credit risk management.

- The Bank continues to develop a rating system by widening the amount of internal credit rating models for more accurate credit risk assessment and increase of the amount of balance sheet assets and credit equivalents of credit related commitments subject to internal credit rating models.
- The further development and implementation of approaches to the use of internal credit ratings in the system of decision-making, as well as in determining the premium for credit risk, establishing and incorporation of risk-rules on credit products and determining the authority to take on credit risk is in progress.
- The Bank has implemented a multi-level system of authorities and limits for the acceptance of different types of risks. The system of limits is reviewed on a regular basis at least once a year.
- There is a hierarchy to the Risks Department in regional branches operating through Risk Assessment and Control Units for independent on-site control over the level of risks taken by the branches and operating offices. Also, the role of risk managers in decision-making process was increased.
- The Bank has adopted a set of measures aimed at enhancing the work with problem debts, as well as the development of infrastructure for various methods of dealing with problem debts.

In order to develop market risk management system, in 2020 the Bank continued to implement measures for automation of the system for control over the level of risk taken by the Bank.

The decision-making process of lending to individuals is centralized at the level of Head Office of the Bank, process is standardized and automated by conveyor technology for all retail loan products. Due to automated process credits are issued within a given quality. The decision-making process is held under constant improvement. In 2020 the decision-making methodology was updated in the following way:

- New rules for routing loan applications based on scoring, updated risk rules and requested loan amount;
- New procedure for calculating the credit limit based on the client rating, an updated approach to accounting for dependents, living wages, as well as the category and region of residence of the client;
- New scoring cards that take into account information about clients payment discipline from the credit bureaus;
- New aggregate limits for the current debt of the Bank's customers on loan products;
- Changing the process of assessment loan applications by implementing part of automatic checks based on a limited number of completed questionnaire fields.

In order to enhance financial stability of the Group in case of crisis events in the economy and financial markets, the Bank's Management Board approved and regularly revises the Plan of stabilizing activities developed in accordance with recommendations of the Bank of Russia # 193-T dated 29 December 2012 *On Methodical Recommendations for the Development of Financial Sustainability Plans for Credit Institutions*. This Plan provides activities for solving potential problems with capital, liquidity, financial results and quality of the Bank's assets in case of unfavorable for the Bank scenarios.

In order to avoid going concern issue and limiting loss in case unfavorable issues that can negatively affect the activity, the Bank has continued implementation of the Action Plan, which aims to ensure the on-going operations and (or) recovery of the Bank's operations in case of non-standard and emergency situations (the Action Plan was updated in 2020). Also the Action Plans were updated at the level of regional branches of the Bank and the Action Plan modules for critical processes were introduced.

Also, in order to possibly restore the financial stability of the Bank in the event of unfavorable circumstances, the Bank has developed a Plan for the restoration of financial stability of the Group, approved by the Supervisory Board and revised on an annual basis.

29 Risk Management (continued)

Credit risk. The Group is exposed to credit risk, which is the risk that counterparty and/or third party under the financial obligations contract will cause a financial loss for the other party by failing to discharge an obligation completely and timely in accordance with contract terms (including operations in financial markets). The credit risk assessment of derivative financial instruments and repo transactions also includes counterparty credit risk, which is the risk of the counterparty's default before transactions settlement. The Group's maximum exposure to credit risk is reflected in the carrying amounts of financial assets on the consolidated statement of financial position. For guarantees and commitments to extend credit, the maximum exposure to credit risk is the amount of the commitment. Refer to Note 32.

Credit risk management aims to maintain the proper quality of the loan portfolio by optimizing the industry, regional and product structure of the loan portfolio, the implementation of a systematic approach to the management of credit risk, based on the principles of risk awareness, power-sharing assessment and risk-taking, monitoring and control.

The management of credit risk of the Bank comprises determination and evaluation risk before transactions, limitation of credit risk, with correspondent limits, structuring of the deals, subsequent monitoring and controlling of credit risk level.

Credit risk management is carried out by the Bank's Management Board, its Chairman, special committees, and also by structural departments of the Bank and executives within their scope of authorities.

The Bank's authorized management bodies approve internal regulations that contain formalized descriptions of risk evaluation procedures and processes for provision and servicing of credit products.

The Bank selects credit projects with consideration of the purpose of lending, primary sources of repayment of the loan. On the mandatory basis Bank assesses risk factors associated with borrower's financial position and its trends, borrower's property structure and reputation, credit history, state of the economic sector and region, all relationships between the Bank and related persons.

In selecting lending and investment programs, priority rests with the agricultural sector and related industries, which are support and service agricultural producers. The loan portfolio industry concentration risk is mitigated by:

- Limiting one borrower's risk exposure;
- Lending to the entire cycle of agricultural product turnover (production, storage, processing and sales to ultimate consumers);
- Lending to borrowers with different specialisation in different regions;
- A combination of several types of production in one entity typical for agricultural producers; and
- Diversification of investments in effective and reliable projects of other economic sectors.

Within credit risk management process (including counterparty credit risk), the Bank uses risk mitigating instruments (including accepting liquid collateral, guarantees, entering into general agreements to regulate collateral provision terms) and price making that takes into account assumed credit risk.

The Bank assesses residual risks arising from the fact that the instruments used can provide not expected effect (for example, in result of accepted collateral sale legal or liquidity risk can be lost) while using instruments that reduce credit risk. Residual risk can be realized in inability to sell accepted collateral, refusal or deferral of guaranteed payments, as well as the usage of improperly drawn documents.

Control of credit risk concentration related to the accepted security on financial market (credit, market) is mainly carried out by setting limits on accepted securities in the form of collateral. The Bank also establishes transaction restrictions on counterparties with securities for individual issuers. These restrictions are designed to diversify portfolio of counterparties, as a result, they reduce risk concentration.

The Bank uses different methods of securing execution by borrowers of their contractual obligations in the form of pledge of property or ownerhip rights (with approval of a list of pledged items subject to obligatory insurance by insurers accredited by the Bank), guarantees and warranties from third parties.

29 Risk Management (continued)

The Risk Department operates its internal rating models. The Bank runs separate models for its key portfolios in which its customers are rated from 1+ to D using internal grades. The models incorporate both qualitative and quantitative information and, in addition to information specific to the borrower, utilise supplemental external information that could affect the borrower's behaviour. Where practical, they also build on information from the national and international external rating agencies. PDs, incorporating forward looking information and the IFRS 9 stage classification of the exposure, are assigned for each grade. The Bank's internal credit rating grades are as follows:

Internal rating	Average PD	Min PD	Max PD	S&P/Fitch	Moody's	Credit risk level
From 1+ to 2-	From 0.03% to 0.35%	From 0.00% to 0.27%	From 0.04% to 0.40%	From AAA to BBB-	From Aaa to Baa3	**Low** High ability to fulfill financial obligations in full. Corresponds to the investment ratings of the international rating agencies.
From 3+ to 4-	From 0.46% to 1.83%	From 0.40% to 1.60%	From 0.53% to 2.10%	From BB+ to BB-	From Ba1 to Ba3	**Moderate** Adequate ability to meet financial obligations in the medium term. Possible deterioration of the financial position in case of adverse economic conditions.
From 5+ to 6-	From 2.42% to 9.60%	From 2.10% to 8.36%	From 2.77% to 11.02%	From B+ to B-	From B1 to B3	**Increased** Adequate ability to meet financial obligations in the short term. In case of unfavorable economic conditions, difficulties in servicing obligations in time and in full are likely to occur.
From 7+ to D+	From 12.65% to 28.95%	From 11.02% to 25.22%	From 14.52% to 33.24%	From CCC+ to C	From Caa1 to C	**High** Difficult fulfillment of obligations on time and in full. Possible overdue liabilities. Protective actions of creditors (lawsuits, sale of collateral). Borrower in the recovery period after default.
D	100.00%	33.24%	100.00%	D	D	**Default**

Market risk. The Group takes on exposure to market risk arising from open positions in (a) currency, (b) interest, (c) equity and (d) commodity instruments. The market risk of the subsidiaries is estimated to be non-material due to proportion and structure of their assets and liabilities.

Market risks are managed by means of identifying, evaluating, forecasting market prices, currency rates and market interest rates, determining the acceptable level of risk on open positions, setting limits (creating a system of limits enabling to minimise losses in case of unfavourable market changes) and developing risk hedging mechanisms.

The responsibility of managing the Bank's market risk rests with the Management Board, Risk Management Committee and the Asset and Liabilities Management Committee within their competence.

The responsibility for operational managing of market risk, implementing market risk management policies and complying with set limits rests with the heads of structural units that carry out transactions exposed to market risk.

The Bank's exposure to market risks is analysed by the Department of Operations on Financial Markets, Internal Treasury Department, the Capital Markets Department and the Risks Department within their competence.

29 Risk Management (continued)

The Bank has contingency plans in case of unfavourable market fluctuations in the value of trading financial instruments, derivative financial instruments, exchange rates and potential losses associated with changes in interest rates. These actions constitute an integral part of the Bank's risk management system and serve a preventive measure for ensuring the continuity of the Bank's operations and safety of the Bank's capital.

Decision-making authority in the event of sudden market changes is on the Chairman of the Management Board, Risk Management Committee or the Asset and Liabilities Management Committee depending on specified limiting control procedure.

Any additional expenses that need to be incurred for covering financial losses are approved by the Bank's Management Board.

The responsibility for reviewing and preparation of reports for the Bank's management, for providing information for assigning credit ratings by international rating agencies and for regulators rests with the Risks Department.

The Risks Department's functional duties cover independent of the business unit evaluation, review and control of the actual level of the Bank's market risk exposure, agreeing and monitoring limits and monitoring transactions with financial instruments.

The Bank's business units (the Capital Markets Department, Department of Operations on Financial Markets and the Internal Treasury Department) and the Operations Department are also in charge of current monitoring over exposed to market risks positions in the process of entering into and accounting for transactions.

The Risks Department jointly with business units, creates the regulatory basis for risks evaluation and interaction of the Bank's units in the process of identification and management of market risks, and also summarizes and optimises the system of monitoring market risk.

Market risk is also mitigated by setting limits, which are set taking into account the risk-appetite and the Bank's strategy. When setting limits, the Bank considers several factors, such as market environment, financial position and business trends.

Limits are regularly reviewed and update by the Bank's authorised bodies. The Risks Department monitors limits and reports information on compliance with the set limits to the Bank's management. The Risks Department also considers and agrees all limits proposed by business units for carrying out new types of transactions.

The Bank has a hierarchy of limits: structural limits, positional limits, stop-loss limits, limits on transactions' parameters, etc. The Risks Department is improving the system of limits on an ongoing basis.

The Bank sets limits on:

- The maximum volume of investments in certain types of assets or liabilities;
- The maximum level of losses and gains in case of changes in financial instruments' prices (stop-loss);
- Authorities of the Bank's staff to adopt independent decisions concerning certain types of transactions (personal limits);
- The maximum allowed relation between certain ratios on assets and liabilities, including off-balance sheet claims and liabilities (open position limit, limits on other comparative figures); and
- Various characteristics of financial instruments (discounts, etc.).

Interest rate risk. The Group takes on exposure of deterioration in its financial position due to a decrease in the size of capital, income levels, and value of assets as a result of changes in market interest rates.

The sources of interest rate risk are:

- Gap risk — the risk arising from the mismatch of the timing of changes in interest rates of assets, liabilities, off-balance sheet claims and obligations of the Bank.
- Baseline risk — a risk that arises when interest rates on financial instruments of the same maturity change depending on different financial indices.
- Yield curve risk — the risk of a change in the slope and/or shape of the interest rate curve.
- Option risk — a risk that manifests itself in the exercise of options (both directly concluded by the Bank and embedded in banking products), changing the value of the interest rate or the timing for meeting the requirements/obligations of the transaction.

29 Risk Management (continued)

The main methods of interest rate risk measurement are:

- Analysis and assessment of gaps between maturity/nearest term of the interest rate revision of assets and liabilities of the Bank, sensitive to changes in the level of interest rates (method for estimating gaps by maturity);
- Assessment of the sensitivity of net interest income to changes in market rates.

The tables below are based on management reports on the Bank's interest rate risk at the stated dates, that were prepared in accordance with the Interest Rate Evaluation Methodology approved by the Bank. Interest rate reports are issued on a monthly basis using the information extracted from the accounting system, which is based on RAR with the assumption of stability of the structure of the Bank's assets and liabilities.

The table below summarises the Bank's exposure to interest rate risk as at 31 December 2020 by the main settlement currencies of the Bank (Russian Roubles and US Dollars) by showing the Bank's interest bearing financial assets and liabilities in categories based on the earlier of contractual repricing or maturity dates.

Operations in Russian Roubles:

In millions of Russian Roubles	Demand and less than 30 days	Due between 31 and 90 days	Due between 91 and 180 days	Due between 181 days and 1 year	More than 1 year	Total
Total interest bearing financial assets	277 317	1 430 151	218 081	275 732	974 510	**3 175 791**
Total interest bearing financial liabilities	624 262	688 299	388 907	467 740	643 762	**2 812 970**
Sensitivity gap	**(346 945)**	**741 852**	**(170 826)**	**(192 008)**	**330 748**	**362 821**
Cummulative sensitivity gap	**(346 945)**	**394 907**	**224 081**	**32 073**	**362 821**	**-**

Operations in US Dollars:

In millions of Russian Roubles	Demand and less than 30 days	Due between 31 and 90 days	Due between 91 and 180 days	Due between 181 days and 1 year	More than 1 year	Total
Total interest bearing financial assets	125 038	63 806	19 976	140 584	142 667	**492 071**
Total interest bearing financial liabilities	52 044	107 503	76 435	88 649	170 904	**495 535**
Sensitivity gap	**72 994**	**(43 697)**	**(56 459)**	**51 935**	**(28 237)**	**(3 464)**
Cummulative sensitivity gap	**72 994**	**29 297**	**(27 162)**	**24 773**	**(3 464)**	**-**

The table below summarises the Bank's exposure to interest rate risk as at 31 December 2019 by the main settlement currencies of the Bank (Russian Roubles and US Dollars) by showing the Bank's interest bearing financial assets and liabilities in categories based on the earlier of contractual repricing or maturity dates.

Operations in Russian Roubles:

In millions of Russian Roubles	Demand and less than 30 days	Due between 31 and 90 days	Due between 91 and 180 days	Due between 181 days and 1 year	More than 1 year	Total
Total interest bearing financial assets	386 366	776 957	163 192	222 019	974 523	**2 523 057**
Total interest bearing financial liabilities	512 448	266 063	290 343	449 825	866 424	**2 385 103**
Sensitivity gap	**(126 082)**	**510 894**	**(127 151)**	**(227 806)**	**108 099**	**137 954**
Cummulative sensitivity gap	**(126 082)**	**384 812**	**257 661**	**29 855**	**137 954**	**-**

29 Risk Management (continued)

Operations in US Dollars:

In millions of Russian Roubles	Demand and less than 30 days	Due between 31 and 90 days	Due between 91 and 180 days	Due between 181 days and 1 year	More than 1 years	Total
Total interest bearing financial assets	76 377	22 013	21 832	102 056	119 195	**341 473**
Total interest bearing financial liabilities	44 494	33 812	32 884	70 258	169 214	**350 662**
Sensitivity gap	**31 883**	**(11 799)**	**(11 052)**	**31 798**	**(50 019)**	**(9 189)**
Cummulative sensitivity gap	**31 883**	**20 084**	**9 032**	**40 830**	**(9 189)**	**-**

For the year ended 31 December 2020, if interest rates at that date had been 100 basis points lower/higher with all other variables held constant, net interest income for the year would have been RR 1 652 million lower/higher for operations in Russian Roubles and RR 57 million higher/lower for operations in US Dollars (31 December 2019: if interest rates at that date had been 100 basis points lower/higher with all other variables held constant, net interest income for the year would have been RR 1 838 million lower/higher for operations in Russian Roubles and RR 59 million higher/lower for operations in US Dollars).

For the year ended 31 December 2020, if interest rates at that date had been 100 basis points lower/higher with all other variables held constant, the fair value of debt investment classified as at fair value through other comprehensive income would have been RR 6 040 million higher/lower (31 December 2019: RR 3 358 million higher/lower).

For the year ended 31 December 2020, if interest rates at that date had been 100 basis points lower/higher with all other variables held constant, the fair value of debt investment classified as at fair value through profit or loss would have been RR 1 551 million higher/lower (31 December 2019: RR 300 million higher/lower).

Currency and equity risk management. Currency risk and equity risk are assessed on the basis of the VAR method (Value At Risk). This method represents a statistical evaluation of the ratio characterising the maximum amount of possible losses on a financial instrument/portfolio of different financial instruments with a specified probability and for a certain period of time. Reports on the level of market risk are issued on the basis of the approved Methodology for Market Risk Evaluation and provided by the Risks Department to the Bank's management and heads of interested units in compliance with the internal regulatory documents.

The Bank calculates VAR on the basis of a 95% or 99% confidence level and makes evaluations on the basis of retrospective information on closing prices (as the most dynamic and precise in terms of risk evaluation) for 250 days, evaluation horizon is one or 30 days. Therefore, VAR shows the maximum loss that can be received from the open position during one/thirty trading days with a 95% (99%) probability; however, in 5% (1%) of cases losses may exceed this level. VAR is calculated by historical method.

VAR calculation is shown in management reports in two forms: relative (in percentage terms) and absolute (in Roubles). Relative VAR shows the maximum possible loss as per RR 1 of investments, and absolute VAR — losses on the current open position during the period of evaluation.

Together with VAR, the Bank calculates ES indicator (Expected Shortfall), which represents monetary value of expected losses in case of excess VAR.

The procedure of back-testing of methods used is conducted quarterly.

Although VAR is a most common tool for measuring market risk exposures, it has a number of limitations, especially in less liquid markets:

- The use of historic data as a basis for determining future events may not encompass all possible scenarios, particularly those which are of an extreme nature;
- A one day holding period assumes that all positions can be liquidated or hedged within that period. This is considered to be a realistic assumption in almost all cases but may not be the case in situation in which there is a severe market illiquidity for a prolonged period;
- The use of 99% confidence level does not take into account losses that may occur beyond this level. There is a 1% probability that the loss could exceed the VAR; and
- VAR is calculated only on the end-of-day basis and does not necessarily reflect exposures that may arise on positions during the trading day.

29 Risk Management (continued)

The below table shows possible changes in financial results and equity during one day as a result of possible fluctuations in exchange rates of foreign currencies, evaluated on the basis of VAR and ES methods with 99% confidence level.

In millions of Russian Roubles	31 December 2020	31 December 2019
Sum of all long positions	13 114	2 137
VAR	454	26
Expected Shortfall	594	48

The Bank monitors currency position for each currency and the amount of all foreign currency positions to comply with the Bank of Russia requirements.

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

In millions of Russian Roubles	Russia	OECD*	Other countries	Total
Assets				
Cash and cash equivalents	361 714	16 188	401	**378 303**
Mandatory cash balances with the Bank of Russia	24 999	-	-	**24 999**
Trading securites	42 756	-	-	**42 756**
Due from other banks	8 840	-	34 459	**43 299**
Derivative financial instruments	13 825	12 148	-	**25 973**
Loans and advances to customers	2 603 321	-	88 933	**2 692 254**
Investment securities	487 867	3 428	1 502	**492 797**
Current income tax assets	186	-	-	**186**
Deferred income tax asset	15 291	-	-	**15 291**
Intangible assets	10 825	-	-	**10 825**
Premises and equipment	56 681	-	-	**56 681**
Other assets	34 744	-	9	**34 753**
Assets classified as held for sale	1 671	-	-	**1 671**
Total assets	**3 662 720**	**31 764**	**125 304**	**3 819 788**
Liabilities				
Derivative financial instruments	2 626	2 790	-	**5 416**
Due to other banks	234 025	17 029	3 121	**254 175**
Customer accounts	2 857 853	107	4 361	**2 862 321**
Promissory notes issued	67 023	-	-	**67 023**
Bonds issued	168 988	-	-	**168 988**
Current income tax liability	24	-	-	**24**
Deferred income tax liability	1 915	-	-	**1 915**
Other liabilities	73 335	1	2	**73 338**
Total liabilities before subordinated debts	**3 405 789**	**19 927**	**7 484**	**3 433 200**
Subordinated debts	124 016	27 869	-	**151 885**
Total liabilities	**3 529 805**	**47 796**	**7 484**	**3 585 085**
Net position in on-balance sheet instruments	**132 915**	**(16 032)**	**117 820**	**234 703**

* OECD — Organisation for Economic Cooperation and Development.

Assets and liabilities have been classified according to the country in which the counterparty is located. Balances with Russian counterparties actually outstanding to/from offshore companies of these Russian counterparties, are allocated to the caption "Russia". Cash on hand and premises and equipment have been classified according to the country in which they are physically held.

29 Risk Management (continued)

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

In millions of Russian Roubles	Russia	OECD*	Other countries	Total
Assets				
Cash and cash equivalents	321 766	81 009	789	**403 564**
Mandatory cash balances with the Bank of Russia	22 334	-	-	**22 334**
Trading securites	21 974	-	-	**21 974**
Due from other banks	30 722	-	19 821	**50 543**
Derivative financial instruments	9 993	8 272	-	**18 265**
Loans and advances to customers	2 164 906	-	-	**2 164 906**
Investment securities	393 745	37 259	1 299	**432 303**
Current income tax assets	597	-	-	**597**
Deferred income tax asset	16 298	-	-	**16 298**
Intangible assets	7 423	-	-	**7 423**
Premises and equipment	51 470	-	-	**51 470**
Other assets	24 923	13	2	**24 938**
Assets of the disposal groups held for sale and assets held for sale	1 134	-	-	**1 134**
Total assets	**3 067 285**	**126 553**	**21 911**	**3 215 749**
Liabilities				
Derivative financial instruments	3 351	1 431	-	**4 782**
Due to other banks	95 139	13 620	760	**109 519**
Customer accounts	2 485 144	31	933	**2 486 108**
Promissory notes issued	47 358	-	-	**47 358**
Bonds issued	174 954	-	-	**174 954**
Current income tax liability	469	-	-	**469**
Deferred income tax liability	2 221	-	-	**2 221**
Other liabilities	56 979	20	-	**56 999**
Total liabilities before subordinated debts	**2 865 615**	**15 102**	**1 693**	**2 882 410**
Subordinated debts	109 794	24 295	-	**134 089**
Total liabilities	**2 975 409**	**39 397**	**1 693**	**3 016 499**
Net position in on-balance sheet instruments	**91 876**	**87 156**	**20 218**	**199 250**

* OECD — Organisation for Economic Cooperation and Development.

Liquidity risk. Liquidity risk is defined as the risk of the Group's inability to meet its obligations on a timely and full basis. The Group is exposed to daily calls on its available cash resources from customer accounts, demand deposits, maturing interbank loans (deposits), term deposits and issued securities, loan draw downs, guarantees and from margin and other calls on cash settled derivative instruments. The Group does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty.

The Group manages liquidity risk on the basis of the following principles:

- Segregation of duties between the Groups's management bodies, its collegial working bodies, structural units and executives;
- Setting limits ensuring an optimal liquidity level and corresponding to the Group's financial position;
- Priority of maintaining liquidity over profit maximisation;
- Excluding conflicts of interest in organising the liquidity management system; and
- Optimal matching of the volumes and maturities of funding sources with the volumes and maturities of placed assets.

29 Risk Management (continued)

The responsibility for liquidity management rests with the Bank's Management Board, Risk Management Committee, Assets and Liabilities Management Committee and the Internal Treasury Department within their competence. Ensuring the solvency of the Bank within one business day and controlling the liquidity within 30 days is carried by the Department of Operations on Financial Markets within the established limits on attraction/placement of funds in the money market. In case of necessity to attract/place funds in the volumes exceeding the set limits, such decisions are made by the Bank's Management Board (Assets and Liabilities Management Committee). Medium-term and long-term liquidity management is carried out with consideration of information and proposals provided by the Risks Department at each end of reporting period.

The Group manages liquidity risk using the following basic methods:

- Evaluating the daily payment position on the basis of cash flow analysis;
- Reviewing the actual values and changes in mandatory liquidity ratios;
- Evaluating structure and quality of assets and liabilities;
- Limiting active operations;
- Analysing maturity gaps of the Group on the basis of the most likely claim/repayment dates by main currencies; and
- Analysing the Group's exposure to liquidity risk with consideration of stress factors's impact on various scenarios covering standard and more unfavourable market conditions.

Information on financial assets and liabilities (their structure and gaps within certain time intervals) is used in management decisions on the Group's liquidity maintenance at an adequate level. Internal Treasury Department is responsible to maintain short-term assets portfolio of liquid trading securities, deposits with banks and other interbank instruments.

The Group maintains a stable financing base consisting mainly of funds that were attracted through placing of bonds in Russian roubles and other currencies, increasing the volume of deposits (including interbank deposits), issuing promissory notes and also current resources of the Group as a result of an increase in customer current accounts.

The Group develops and instantly reviews a contingency plan for maintaining the necessary liquidity level with consideration of any changes in the Group's financial position and volume and nature of its transactions. In case of a liquidity crisis and additional expenses to be incurred in this respect, as well as for coverage of incurred or potential financial losses all decision-making responsibilities are transferred to the Management Board, Risk Management Committee and Assets and Liabilities Management Committee.

Compliance with liquidity requirements set by the Bank of Russia is forecasted on a regular basis for the Group and for the Bank in general with consideration of the branch network.

For the purpose of additional management of the Group's term liquidity in general, the Group uses liquidity limits which is supervised by the Risks Department as part of ongoing monitoring.

The table below shows distribution of financial liabilities as at 31 December 2020 by their remaining contractual maturity. The amounts disclosed in the table are the contractual undiscounted cash flows of the Group's financial liabilities and off-balance sheet credit related committments. Such undiscounted cash flows differ from the amount included in the statement of financial position, since the amount in statement of financial position is based on discounted cash flows. Net settled derivative financial instruments are included at the net amounts expected to be paid. In respect of gross settled derivative financial instruments, payments are presented for related cash inflows and outflows separately.

When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the end of reporting period. Foreign currency payments are translated using the spot exchange rate at the end of the reporting period.

29 Risk Management (continued)

The maturity analysis of undiscounted financial liabilities as at 31 December 2020 is as follows:

In millions of Russian Roubles	Demand and less than 30 days	Due between 31 and 180 days	Due between 181 days and 1 year	From 1 to 3 years	More than 3 years	Total
Financial liabilities						
Gross settled derivative financial instruments (including derivative financial assets)						
- inflow	(179 904)	(118 107)	(141 233)	(23 168)	(92 991)	**(555 403)**
- outflow	180 626	115 172	141 386	23 970	74 656	**535 810**
Net settled derivative financial instruments (including derivative financial assets)	-	(1 323)	35	(493)	(1)	**(1 782)**
Due to other banks	43 818	145 264	10 770	75 850	2 309	**278 011**
Customer accounts	1 026 227	777 586	606 175	472 947	57 332	**2 940 267**
Promissory notes issued	2 791	7 346	4 087	43 342	9 645	**67 211**
Bonds issued	1 213	43 343	18 074	91 058	70 511	**224 199**
Lease liabilities (IFRS 16)	229	1 109	1 316	4 859	4 221	**11 734**
Other financial liabilities	12 758	182	4	141	305	**13 390**
Subordinated debts	1 233	5 663	15 181	44 734	121 096	**187 907**
Off-balance sheet financial liabilities						
Letters of credit	9 438	-	-	-	-	**9 438**
Other credit related commitments*	276 891	-	-	-	-	**276 891**
Total potential future payments for financial obligations	**1 375 320**	**976 235**	**655 795**	**733 240**	**247 083**	**3 987 673**

* Other credit related commitments include cancellable commitments, which are dependent on borrowers' compliance with certain creditworthiness criteria.

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

In millions of Russian Roubles	Demand and less than 30 days	Due between 31 and 180 days	Due between 181 days and 1 year	From 1 to 3 years	More than 3 years	Total
Financial liabilities						
Gross settled derivative financial instruments (including derivative financial assets)						
- inflow	(79 478)	(28 280)	(114 935)	(47 139)	(97 692)	**(367 524)**
- outflow	79 429	28 199	115 426	47 753	82 864	**353 671**
Net settled derivative financial instruments (including derivative financial assets)	14	(194)	(55)	141	-	**(94)**
Due to other banks	47 475	1 334	1 386	48 599	17 060	**115 854**
Customer accounts	807 784	596 061	505 797	660 600	36 569	**2 606 811**
Promissory notes issued	26 093	3 552	1 577	10 629	5 507	**47 358**
Bonds issued	2 586	18 295	21 895	100 092	104 696	**247 564**
Lease liabilities (IFRS 16)	190	1 115	1 338	4 875	4 453	**11 971**
Other financial liabilities	12 766	103	227	6	110	**13 212**
Subordinated debts	1 355	5 190	5 034	28 652	140 135	**180 366**
Off-balance sheet financial liabilities						
Letters of credit	2 529	-	-	-	-	**2 529**
Other credit related commitments*	174 145	-	-	-	-	**174 145**
Total potential future payments for financial obligations	**1 074 888**	**625 375**	**537 690**	**854 208**	**293 702**	**3 385 863**

* Other credit related commitments include cancellable commitments, which are dependent on borrowers' compliance with certain creditworthiness criteria.

29 Risk Management (continued)

Customer accounts are classified in the above analysis based on contractual maturities. However, in accordance with Russian Civil Code, individuals have a right to withdraw their deposits prior to maturity if they forfeit their right for accrued interest. Refer to Note 14.

The Group does not use the above undiscounted maturity analysis to manage liquidity. Instead, the Group monitors expected maturities.

The table below summarizes contractual maturity analysis as at 31 December 2020:

In millions of Russian Roubles	**Less than 1 year**	**More than 1 year**	**Total**
Financial assets			
Cash and cash equivalents	378 303	-	**378 303**
Mandatory cash balances with the Bank of Russia	24 999	-	**24 999**
Trading securities	38 559	4 197	**42 756**
Due from other banks	35 509	7 790	**43 299**
Derivative financial instruments	7 397	18 576	**25 973**
Loans and advances to customers	904 329	1 787 925	**2 692 254**
Investment securities	21 307	471 490	**492 797**
Other financial assets	11 470	433	**11 903**
Total financial assets	**1 421 873**	**2 290 411**	**3 712 284**
Financial liabilities			
Derivative financial instruments	(3 981)	(1 435)	**(5 416)**
Due to other banks	(196 699)	(57 476)	**(254 175)**
Customer accounts	(2 377 241)	(485 080)	**(2 862 321)**
Promissory notes issued	(14 035)	(52 988)	**(67 023)**
Bonds issued	(51 481)	(117 507)	**(168 988)**
Other financial liabilities	(12 950)	(10 306)	**(23 256)**
Total financial liabilities before subordinated debts	**(2 656 387)**	**(724 792)**	**(3 381 179)**
Subordinated debts	(11 766)	(140 119)	**(151 885)**
Total financial liabilities	**(2 668 153)**	**(864 911)**	**(3 533 064)**
Net liquidity gap	**(1 246 280)**	**1 425 500**	**179 220**
Cumulative liquidity gap	**(1 246 280)**	**179 220**	**-**

29 Risk Management (continued)

The table below summarizes contractual maturity analysis as at 31 December 2019:

In millions of Russian Roubles	Less than 1 year	More than 1 year	Total
Financial assets			
Cash and cash equivalents	403 564	-	**403 564**
Mandatory cash balances with the Bank of Russia	22 334	-	**22 334**
Trading securities	18 419	3 555	**21 974**
Due from other banks	43 656	6 887	**50 543**
Derivative financial instruments	2 014	16 251	**18 265**
Loans and advances to customers	705 843	1 459 063	**2 164 906**
Investment securities	18 436	413 867	**432 303**
Other financial assets	9 014	95	**9 109**
Total financial assets	**1 223 280**	**1 899 718**	**3 122 998**
Financial liabilities			
Derivative financial instruments	(2 441)	(2 341)	**(4 782)**
Due to other banks	(48 253)	(61 266)	**(109 519)**
Customer accounts	(1 873 518)	(612 590)	**(2 486 108)**
Promissory notes issued	(31 222)	(16 136)	**(47 358)**
Bonds issued	(28 838)	(146 116)	**(174 954)**
Other financial liabilities	(13 076)	(10 360)	**(23 436)**
Total financial liabilities before subordinated debts	**(1 997 348)**	**(848 809)**	**(2 846 157)**
Subordinated debts	(1 565)	(132 524)	**(134 089)**
Total financial liabilities	**(1 998 913)**	**(981 333)**	**(2 980 246)**
Net liquidity gap	**(775 633)**	**918 385**	**142 752**
Cumulative liquidity gap	**(775 633)**	**142 752**	**-**

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

Management believes that in spite of a substantial portion of customers' accounts being on demand diversification of these deposits by number and type of depositors, and the past experience of the Group would indicate that these customer accounts provide a long-term and stable source of funding for the Group.

Operational risk. Operational risk is the risk of losses in a result of mismatch of character and range of Bank's (Group's) activity, internal rules and procedures of making bank operations and other deals, staff or other person infraction (as a result of unintentional or intended activity or inactivity), mismatch (insufficiency) functional abilities using information technical and other system and (or) there multifunction (disrupting operation) and also as a result of influence of external events.

Main principles of Operational risk management are incorporated in internal documents.

The main goal of operational risk management is maintain acceptable operation risk level, undertake by Bank (Group) for secure reliability during its usual operation activity and achievement strategic aims and objectives.

29 Risk Management (continued)

The Bank's Management Board, Risk Management Committee of the Bank and other collegial bodies of the Bank perform operational risk management in the Group within their authorities.

Responsibility for completeness, quality and timeliness of reporting on operational risks, inherent in the activities of the independent structural bodies of the Bank, and losses in case of its realization, as well as responsibility for compliance with principles and procedures of operational risk management in the process of operational activity lies with the heads of divisions of the Bank and regional branches.

The Group uses the following main methods of operational risk management:

- Acceptance of operational risk — informed decision-making on the performance of actions that result in an increase in the level of operational risk;
- Refusal from operational risk — informed decision-making on refusal to perform actions or type of activity that may lead to an increase in the level of operational risk;
- Minimization of operational risk — informed decision-making on actions, the result of which is minimization of operational risk to an acceptable level for the Bank or elimination of operational risk;
- Distribution/transfer of operational risk — informed decision-making on actions that result in full or partial transfer of risk and possible losses of the Bank as a result of its implementation to another person/persons, in particular through insurance or outsourcing.

Responsibility for the completeness, quality and timeliness of informing about operational risks inherent in the activities of independent structural divisions of the Bank, and losses from their implementation, as well as for compliance with the principles and procedures of operational risk management in the process of an independent structural division of its activities, rests with the heads of independent structural divisions of the Bank, including the regional level.

The main tasks solved by the Bank (Group) to achieve the goal of operational risk management include:

- Creating internal culture of operational risk management on all levels of organizational structure;
- Ensuring compliance with the requirements of internal documents by all independent structural divisions/branches;
- Methodological support of operational risk management process, developing and enhancing internal documents regulating the process of operational risk management;
- Organization of the process of identification and assessment of operational risk for all objects of operational risk, including all new areas of activity, processes, systems, assets of the Bank;
- Selection and analyse of any data relating to operational risks, supporting the Data of operational risk trigger events and losses in case of its realization;
- Developing and implementing the actual plan for minimization of operational risk and probable subsequent losses in case of its realization;
- Developing actual plans for providing regularity or/and recover ability of the Group's activity in case of unobservable and unexpected circumstances, and for limiting Groups losses in case of adverse circumstances arisen;
- Monitoring and preparing the report of operational risk level on regular basis;
- Taking measures to transfer risk to third parties (insurance/outsourcing);
- Maintaining effective internal control environment within the framework of operational risk management;
- Ensuring the compliance of the operational risk management system with the legislation of the Russian Federation, the requirements and recommendations of the Bank of Russia;
- Improvement of the operational risk management system based on the assessment of its effectiveness and compliance with the best world banking practice, including Basel II/III recommendations.

29 Risk Management (continued)

In order to take into account the new requirements of the Bank of Russia to the organization of the operational risk management system of the Bank and the Group, a Roadmap was developed, the implementation of which in 2021 will allow the Bank to meet the new requirements of the Bank of Russia and provide an opportunity for the subsequent transition to an advanced approach to the calculation of operational risk (application of the calculated coefficient of internal losses).

Insurance risk. In the process of carrying out insurance activities, the Group assumes the risk of losses from individuals and organizations that are directly exposed to risk. These risks may include the risk of damage to property, the risk of civil liability to third parties, the risk of an accident or illness, the risk of the insured person living to a certain age or period, or other events in the life of the insured person, the risk of death of the insured person, and other risks associated with the occurrence of an insured event. In assuming risks, the Group is subject to uncertainty as to the time of payment of the insurance indemnity and the severity of the damage. Insurance cases are random in nature, and their actual number and magnitude may differ from estimates made using statistical methods.

Insurance risk (actuarial tariff risk, actuarial reserve risk, underwriting risk, reinsurance operations risk, catastrophic event risk) — the risk of losses of insurance activities due to:

- Insufficient reserves formed to cover the Group’s obligations to policyholders;
- Non-compliance of the tariff with the probability of occurrence of an insurance event and the predicted trends in the development of the risk accepted for insurance;
- Occurrence of catastrophic events (changes in weather and climate conditions, epidemics, etc.) or economic downturn;
- Exceeding your own retention limit and/or underestimating the degree of risk accumulation.

When organizing risk management processes, the Group strives to follow generally accepted international standards in this area.

The risk management process in the Group is a sequence of technologically related operations carried out within the framework of risk management activities and includes the following main stages:

- Risk identification — identification and classification of risks that could potentially affect the Group’s current activities or planned operations.
- Regulation of the process of conducting operations subject to insurance risk (all operations subject to insurance risks are carried out within the limits:
  - Limits of self-retention;
  - Limits of authority of Agents/employees of selling divisions;
  - Limits the powers of the Underwriters;
  - Reinsurance of risks/part of risks taken by the Group in order to ensure the financial stability of the Group.
- Risk assessment — identification of key risk indicators and methods of quantitative and qualitative risk assessment for individual Group operations and the total risk accepted by the Group (including assessment of the level of insurance risk for operations/transactions/portfolios, calculation of tariff rates/deductibles).
- Risk management — development of tools for reducing the level of accepted risks, including setting limits and restrictions on the amount of risks accepted by the Group, taking into account the assessment of its performance.
- Risk monitoring and control — conducting regular checks of compliance with established limits and restrictions, forming risk reports on the level and acceptability of accepted risks, monitoring compliance with risk management procedures and their compliance with established requirements.

The group manages insurance risk through the use of established statistical methods, reinsurance of risk concentration, setting limits on underwriting, establishing transaction approval procedures, developing rules for setting insurance rates, and monitoring complex issues that arise.

The degree of uncertainty in the loss settlement process for each type of insurance varies depending on the specific nature of the risk and the length of the period required to claim losses and settle them.

29 Risk Management (continued)

The main assumption used in assessing liabilities is that the Group's insurance losses will develop in the future in the same way as losses in the past, with a number of possible assumptions. When assessing the extent to which previous trends may not repeat in the future, additional qualitative judgments must be applied. The judgment is used to assess the extent to which external factors such as economic downturns, changes in weather and climate conditions, outbreaks of epidemics, and others affect estimates.

Obligations under insurance contracts are sensitive to the basic assumptions listed above.

The insurance risk under the insurance contract is the possibility of an insured event and the uncertainty of the corresponding amount of loss. The nature of the insurance contract is such that this risk is accidental and, accordingly, unpredictable. The group provides life insurance services and insurance other than life insurance: property insurance, agricultural insurance and individual accident insurance.

For a portfolio of insurance contracts that used probability theory in relation to pricing and reservation, the main risk associated with insurance contracts is that actual losses and insurance payments exceed the book value of insurance liabilities. This may be due to the fact that the frequency or significance of losses and payments will exceed the estimated level. Insurance events are random, and the actual amount and amounts of losses and payments for each year will differ from the amounts determined using actuarial methods. Factors that exacerbate insurance risk include a lack of diversification by type and level of risk, geographical location, and type of insurance policy holder.

30 Offsetting Financial Assets and Financial Liabilities

The tables below show financial assets offset against financial liabilities and financial liabilities offset against financial assets in the statement of financial position, as well as the effect of enforceable master netting agreements (ISDA, RISDA and other) and similar arrangements that does not result in an offset in the statement of financial position as at 31 December 2020 and 31 December 2019:

In millions of Russian Roubles	Gross amounts before offsetting in the statement of financial position	Gross amounts set off in the statement of financial position	Net amount after offsetting in the statement of financial position	Amounts subject to master netting and similar arrangements not set off in the statement of financial position		Net amount of exposure
				Financial instruments	Cash collateral received	
Assets subject to offsetting, master netting and similar arrangement						
Derivative financial instruments	17 046	-	17 046	(1 672)	(5 684)	9 690
Cash and cash equivalents (reverse repurchase agreements)	6 732	-	6 732	(6 732)	-	-
Liabilities subject to offsetting, master netting and similar arrangement						
Derivative financial instruments	5 412	-	5 412	(1 672)	(2 303)	1 437
Due to banks	23	-	23	(23)	-	-

In millions of Russian Roubles	Gross amounts before offsetting in the statement of financial position	Gross amounts set off in the statement of financial position	Net amount after offsetting in the statement of financial position	Amounts subject to master netting and similar arrangements not set off in the statement of financial position		Net amount of exposure
				Financial instruments	Cash collateral received	
Assets subject to offsetting, master netting and similar arrangement						
Derivative financial instruments	11 930	-	11 930	(639)	(1 004)	10 287
Cash and cash equivalents (reverse repurchase agreements)	1 586	-	1 586	(1 586)	-	-
Liabilities subject to offsetting, master netting and similar arrangement						
Derivative financial instruments	4 770	-	4 770	(639)	(847)	3 284

30 Offsetting Financial Assets and Financial Liabilities (continued)

The Group has master netting arrangements with stock exchange and counterparty banks, which are enforceable in case of default. In addition, applicable legislation allows an entity to unilaterally set off trade receivables and payables that are due for payment, denominated in the same currency and outstanding with the same counterparty. Information on such balances is subject to disclosure as they were set off in the statement of financial position.

31 Management of Capital

The Group's objectives when managing capital are:

i. To comply with the capital requirements set by the Bank of Russia;

ii. To ensure the Group's ability to continue as a going concern.

Compliance with the capital adequacy ratio set by the Bank of Russia is monitored by the Group's management on a monthly basis.

Under the capital requirements set by the Bank of Russia effective at 31 December 2020 and 2019, banks had to maintain a ratio of capital and assets weighted to risk ("Capital Adequacy Ratio") above a prescribed minimum level of 8% (N1.0), while a prescribed minimum level for Common Equity Tier 1 Ratio (CET1 ratio) (N1.1) is set at 4.5% and for Tier 1 Ratio (N1.2) is set at 6%.

During 2020 and 2019 the Bank's capital adequacy ratio in accordance with the Bank of Russia requirements exceeded the minimum level and as at 31 December 2020 and 31 December 2019 was as follows:

In millions of Russian Roubles	**31 December 2020**	**31 December 2019**
Capital of the Bank	522 273	506 244
CET1 Ratio (N1.1)	9.8%	9.9%
Tier1 Ratio (N1.2)	11.2%	11.3%
Capital Adequacy Ratio (N1.0)	14.4%	15.1%

Capital of the Bank and capital adequacy is calculated as required by the Bank of Russia Regulation # 646-P *Methodology for Capital Adequacy Calculation by Credit Organizations (Basel III)* and the Bank of Russia Instruction # 199-I *Methodology for Mandatory Prudential Ratios Calculation by Banks*.

As at 31 December 2020 and 2019, the Group is subject to minimum capital requirements established by covenants stated in loan agreements, including capital adequacy levels calculated on the IFRS figures in accordance with Basel II Capital Accord equals 8%. As at 31 December 2020 and 2019, the Group was in compliance with covenants for maintaining capital adequacy ratio under Basel II.

32 Contingencies and Commitments

Legal proceedings. From time to time in the normal course of business, claims against the Group are received. As at 31 December 2020, based on its own estimates and both internal and external professional advice the Group's management is of the opinion that no material losses will be incurred in respect of the claims in excess of the amounts already provided for in these consolidated financial statements (31 December 2019: Group's management is of the opinion that no material losses will be incurred in respect of the claims in excess of the amounts already provided for in these consolidated financial statements).

Tax contingencies. Certain provisions of Russian tax, currency and customs legislation as currently in effect are vaguely drafted which may often result in their different interpretation (which, inter alia, may apply retrospectively), inconsistent and selective application and frequent and unpredictable changes. Interpretation of this legislation by the Group in relation to the operations and activities of the Group may be challenged by the respective state authorities. The tax authorities may be taking a more assertive position in their interpretation of the Russian tax legislation in carrying out tax audits and in making tax assessments. Consequently, the tax authorities may challenge transactions and tax accounting methods that have not been challenged in the past.

Fiscal periods remain open and subject to review by the tax authorities in course of the on-site tax audits for a period of three calendar years immediately preceding the year in which the decision to conduct a tax review is taken. Under certain circumstances tax reviews may cover longer periods.

32 Contingencies and Commitments (continued)

Russian transfer pricing legislation allows the Russian tax authority under certain circumstances to apply transfer pricing adjustments and impose additional profits tax and VAT liabilities in respect of all controlled transactions if the transaction price differs from the market level of prices determined for tax purposes and such deviation resulted in the underpayment of the tax to the revenue. The list of controlled transactions includes transactions performed with interdependent parties (with certain exceptions) and certain types of cross-border transactions and transactions between Russian interdependent parties. Special transfer pricing rules apply to transactions with securities, derivatives and interest.

During the year ended 31 December 2020, the Group determined its tax liabilities arising from the controlled transactions using actual transaction prices.

Due to the absence of the stable practice of the application of the Russian transfer pricing legislation, the Russian tax authorities may challenge the level of prices applied by the Russian companies of the Group for tax purposes under the controlled transactions and accrue additional tax liabilities in relation to such transactions, unless the Group is able to demonstrate that the respective transactions are arms' length for tax purposes.

As at 31 December 2020, the Management of the Group believes that its interpretation of the applicable legislation is reasonable and will be sustained.

Capital expenditure commitments. As at 31 December 2020, the Group has contractual capital expenditure commitments of RR 2 961 million (31 December 2019: RR 1 950 million).

Compliance with covenants. The Group is subject to certain covenants primarily relating to its borrowings. Non-compliance with such covenants may result in negative consequences for the Group including an increase of the borrowing costs and announcement of the default. The Group's Management believes that the Group is in compliance with the covenants.

Credit related commitments. The primary purpose of these instruments is to ensure that funds are available to a customer as required. Financial guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Group on behalf of a customer authorizing a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralized by the underlying shipments of goods to which they relate or cash deposits and therefore carry less risk than a direct borrowing.

Commitments to extend credit represent unused portions of authorizations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit related commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

Performance guarantees. Performance guarantees are contracts that provide compensation if another party fails to perform a contractual obligation. The risk under performance guarantee contracts is the possibility that the insured event (i.e. the failure to perform the contractual obligation by another party) occurs.

Outstanding credit related commitments and performance guarantees are as follows:

In millions of Russian Roubles	**31 December 2020**	**31 December 2019**
Undrawn credit lines	185 237	97 741
Letters of credit	9 438	2 529
Less: provisions for ECL	(930)	(508)
Total credit related commitments	**193 745**	**99 762**
Performance guarantees	142 382	101 820
Total credit related commitments and performance guarantees	**336 127**	**201 582**

32 Contingencies and Commitments (continued)

An analysis of changes in the ECLs of credit related commitments during the year ended 31 December 2020 are as follows:

In millions of Russian Roubles	Stage 1	Stage 2	Stage 3	Total
ECLs as at 1 January 2020	**497**	**11**	**-**	**508**
Transfers to Stage 1	11	(11)	-	**-**
Transfers to Stage 2	(1)	1	-	**-**
Transfers to Stage 3	(1)	-	1	**-**
Impact on period end ECL of exposures transferred between stages during the period (including expense on new issue and income from repayments)	423	-	(1)	**422**
ECLs as at 31 December 2020	**929**	**1**	**-**	**930**

An analysis of changes in the ECLs of credit related commitments during the year ended 31 December 2019 are as follows:

In millions of Russian Roubles	Stage 1	Stage 2	Stage 3	Total
ECLs as at 1 January 2019	**654**	**2**	**-**	**656**
Transfers to Stage 1	-	-	-	**-**
Transfers to Stage 2	(57)	57	-	**-**
Transfers to Stage 3	(39)	-	39	**-**
Impact on period end ECL of exposures transferred between stages during the period (including expense on new issue and income from repayments)	(61)	(48)	(39)	**(148)**
ECLs as at 31 December 2019	**497**	**11**	**-**	**508**

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

An analysis of changes in the provision for performance guarantees are as follows:

In millions of Russian Roubles	2020	2019
Provision as at 1 January	**-**	**633**
Provision	-	1 214
Amount written off	-	(1 847)
Provision as at 31 December	**-**	**-**

Credit related commitments are denominated in currencies as follows:

In millions of Russian Roubles	31 December 2020	31 December 2019
Russian Roubles	314 233	189 500
US Dollars	13 640	6 671
Euros	8 254	5 411
Total credit related commitments and performance guarantees	**336 127**	**201 582**

32 Contingencies and Commitments (continued)

Analysis by credit quality in relation to credit related commitments as at 31 December 2020 is as follows:

In millions of Russian Roubles	Stage 1	Stage 2	Stage 3	Total
Low credit risk	12 144	-	-	**12 144**
Moderate credit risk	140 161	1 279	-	**141 440**
Increased credit risk	25 672	880	-	**26 552**
High credit risk	-	5 911	-	**5 911**
Default	-	-	-	**-**
Unrated	8 619	9	-	**8 628**
Total credit related commitments (before impairment)	**186 596**	**8 079**	**-**	**194 675**
Less: allowance for impairment	(929)	(1)	-	**(930)**
Total credit related commitments	**185 667**	**8 078**	**-**	**193 745**

Analysis by credit quality in relation to credit related commitments as at 31 December 2019 is as follows:

In millions of Russian Roubles	Stage 1	Stage 2	Stage 3	Total
Low credit risk	9 489	-	-	**9 489**
Moderate credit risk	70 822	311	-	**71 133**
Increased credit risk	15 908	2 077	-	**17 985**
High credit risk	-	1 663	-	**1 663**
Default	-	-	-	**-**
Unrated	-	-	-	**-**
Total credit related commitments (before impairment)	**96 219**	**4 051**	**-**	**100 270**
Less: allowance for impairment	(497)	(11)	-	**(508)**
Total credit related commitments	**95 722**	**4 040**	**-**	**99 762**

Assets pledged and restricted. The Group has the following assets pledged and restricted:

In millions of Russian Roubles	Note	31 December 2020	31 December 2019
Assets pledged under loan agreements with banks (including the Bank of Russia)		7 430	13 084

As at 31 December 2020, mandatory cash balances with the Bank of Russia in the amount of RR 24 999 million (31 December 2019: RR 22 334 million) represent mandatory reserve deposits which are not available to finance the Group's day to day operations.

As at 31 December 2020 and 31 December 2019, assets pledged under loan agreements with banks (including the Bank of Russia) mainly include loans and advances to customers pledged to the Bank of Russia under loan agreements in accordance with the Bank of Russia Act # 4801-U *On the Forms and Conditions of Refinancing of Credit Institutions Secured by Assets* dated 22 May 2018.

33 Derivative Financial Instruments

Foreign exchange derivative financial instruments entered into by the Group are generally traded in an over-the-counter market with professional market counterparties. As a result of fluctuations in market interest rates, foreign exchange rates or other variables relative to their terms, derivative financial instruments are recognised as assets (in case of positive fair value) or liabilities (in case of negative fair value).

As at 31 December 2020, in the aggregate amount of foreign exchange swaps with original settlement dates of more than 30 working days prevails swaps structured as loans issued by the Group in Japanese yens (31 December 2019: in Japanese yens) to one large OECD bank with maturities from March 2023 to May 2023, and deposits in Russian Roubles received from the same counterparty with the same maturities ("back-to-back loans").

33 Derivative Financial Instruments (continued)

As at 31 December 2020, international credit rating of this counterparty was A (S&P) (31 December 2019: international credit rating of this counterparty was A (S&P)).

The table below reflects gross positions in derivative financial instruments before netting of any counterparty positions as at 31 December 2020 and covers the contracts with settlement dates after the respective end of the reporting period:

In millions of Russian Roubles	Principal or agreed amount at fair value of assets receivable	Principal or agreed amount at fair value of assets payable	Positive fair value	Negative fair value
Forwards and swaps				
- Currency	410 507	(398 096)	13 726	(1 315)
- Securities	116 506	(109 521)	8 579	(1 594)
- Currency-interest rate	17 491	(18 113)	652	(1 274)
- Interest rate	13 234	(11 453)	2 849	(1 068)
- Commodity	1 847	(1 847)	146	(146)
- Precious metals	3 009	(3 010)	4	(5)
Options	22 115	(22 181)	17	(14)
Total derivative financial instruments	**584 709**	**(564 221)**	**25 973**	**(5 416)**

The table below reflects gross positions in derivative financial instruments before netting of any counterparty positions as at 31 December 2019 and covers the contracts with settlement dates after the respective end of the reporting period:

In millions of Russian Roubles	Principal or agreed amount at fair value of assets receivable	Principal or agreed amount at fair value of assets payable	Positive fair value	Negative fair value
Forwards and swaps				
- Currency	205 718	(199 746)	6 949	(977)
- Securities	134 271	(127 728)	8 974	(2 337)
- Currency-interest rate	26 335	(25 558)	1 400	(623)
- Interest rate	5 277	(5 180)	942	(845)
- Precious metals	1 097	(1 097)	-	-
Total derivative financial instruments	**372 698**	**(359 309)**	**18 265**	**(4 782)**

As at 31 December 2020 and 2019, the Group had no foreign exchange swaps with fair value individually above 10% of the Group’s equity.

Refer to Note 34 for the disclosure of fair value hierarchy for derivative financial instruments. Geographical and liquidity analyses of derivative financial instruments are disclosed in Note 29. The information on related party transactions is disclosed in Note 35.

34 Fair Value of Financial Instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The estimated fair values of financial instruments have been determined by the Group using available market information, where it exists, and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to determine the estimated fair value. The Russian Federation continues to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. Market quotations may be outdated or reflect distress sale transactions and therefore not represent fair values of financial instruments. Management has used all available market information in estimating the fair value of financial instruments.

34 Fair Value of Financial Instruments (continued)

Financial instruments carried at fair value. Trading securities, investment securities at fair value through other comprehensive income, and related trading and investment securities pledged under repurchase agreements are carried on the consolidated statement of financial position at their fair value based on quoted market prices and valuation techniques where all of material inputs are observable.

Financial instruments at fair value through profit or loss and derivative financial instruments are carried on the consolidated statement of financial position at their fair value based on valuation technique with inputs observable on the market. Derivative financial instruments are measured at fair value as assets when fair value is positive and as liabilities when fair value is negative. The Group uses cash flow discounting technique using observable market data about yield curves changes, as well as market statistical data, reflecting the distribution of the probability of default of financial instruments over time.

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

The Group determines the fair value in relation to securities that are not traded in an active market as a price of a security, which can be determined taking into account the specific conditions of the transaction, the circulation characteristics of the security and other indicators, information about which may serve as a basis for such a calculation, including the involvement of an independent appraiser to assess the fair value.

Cash and cash equivalents are carried at amortised cost which approximates its current fair value.

Loans and receivables. The fair value of floating rate instruments is normally equals their carrying amount. The estimated fair value of fixed interest rate bearing placements is based on discounted cash flows using current market interest rates for instruments with similar credit risk and similar maturity.

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.

34 Fair Value of Financial Instruments (continued)

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

	31 December 2020		31 December 2019	
In millions of Russian Roubles	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets carried at amortised cost				
Cash and cash equivalents	378 303	378 303	403 564	403 564
Mandatory cash balances with the Bank of Russia	24 999	24 999	22 334	22 334
Due from other banks	43 299	47 596	50 543	47 079
Loans and advances to customers				
- Loans to corporates	2 069 034	2 075 687	1 650 485	1 656 182
- Lending for food interventions	1 612	1 612	18 838	18 838
- Loans to individuals	538 433	543 888	439 792	432 753
Investment securities				
- Corporate bonds	24 164	24 785	42 454	42 991
- Municipal and subfederal bonds	6 653	7 253	10 793	11 349
- Federal Loan bonds (OFZ)	11 702	11 804	4 824	4 905
- Corporate Eurobonds	2 258	2 258	895	895
Other financial assets	11 903	11 903	9 109	9 109
Total financial assets carried at amortised cost	**3 112 360**	**3 130 088**	**2 653 631**	**2 649 999**
Financial assets carried at fair value	599 924	599 924	469 367	469 367
Total financial assets	**3 712 284**	**3 730 012**	**3 122 998**	**3 119 366**
Financial liabilities carried at amortised cost				
Due to other banks:				
- Term borrowings from other banks	141 739	143 254	51 977	53 920
- Term borrowings from the Bank of Russia	87 105	86 384	45 280	44 956
- Correspondent accounts and overnight placements of other banks	25 331	25 331	12 262	12 262
Customer accounts:				
- State and public organisations	354 792	355 159	383 135	383 448
- Other legal entities	1 165 141	1 166 223	911 538	913 744
- Individuals	1 342 388	1 358 598	1 191 435	1 202 026
Promissory notes issued	67 023	67 023	47 358	47 358
Bonds issued:				
- Bonds issued on domestic market	168 988	181 445	174 954	186 861
Other financial liabilities	23 256	23 256	23 436	23 436
Total financial liabilities carried at amortised cost before subordinated debts	**3 375 763**	**3 406 673**	**2 841 375**	**2 868 011**
Subordinated debts	151 885	158 785	134 089	143 171
Total financial liabilities carried at amortised cost	**3 527 648**	**3 565 458**	**2 975 464**	**3 011 182**
Financial liabilities carried at fair value	5 416	5 416	4 782	4 782
Total financial liabilities	**3 533 064**	**3 570 874**	**2 980 246**	**3 015 964**

(b) Analysis by fair value hierarchy of financial instruments

Fair value measurements are analysed by level in the fair value hierarchy as follows:

(i) Level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities;

(ii) Level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and

(iii) Level three measurements are valuations not based on observable market data (that is, unobservable inputs).

Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

34 Fair Value of Financial Instruments (continued)

Fair value hierarchy. For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

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

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
Assets measured at fair value				
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**
Assets for which fair values are disclosed				
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**
Total financial and non-financial assets	**457 640**	**531 122**	**2 772 012**	**3 760 774**
Liabilities measured at fair value				
Derivative financial instruments	-	5 416	-	**5 416**
Liabilities for which fair values are disclosed				
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**
Total financial liabilities before subordinated debts	**137 617**	**304 213**	**2 970 259**	**3 412 089**
Subordinated debts	31 489	127 296	-	**158 785**
Total financial liabilities	**169 106**	**431 509**	**2 970 259**	**3 570 874**

34 Fair Value of Financial Instruments (continued)

Analysis of financial and non-financial instruments as at 31 December 2019 is as follows:

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
Assets measured at fair value				
Trading securities	21 974	-	-	**21 974**
Investment securities	321 329	51 880	128	**373 337**
Derivative financial instruments	-	18 265	-	**18 265**
Loans to customers at fair value through profit or loss	-	-	55 791	**55 791**
Office premises	-	-	27 349	**27 349**
Other non-financial assets	118	-	-	**118**
Assets for which fair values are disclosed				
Cash and cash equivalents	-	403 564	-	**403 564**
Mandatory cash balances with the Bank of Russia	-	-	22 334	**22 334**
Due from other banks	-	47 079	-	**47 079**
Loans and advances to customers	-	-	2 107 773	**2 107 773**
Investment securities held to maturity	52 765	7 375	-	**60 140**
Other financial assets carried at amortised cost	-	-	9 109	**9 109**
Total financial and non-financial assets	**396 186**	**528 163**	**2 222 484**	**3 146 833**
Liabilities measured at fair value				
Derivative financial instruments	-	4 782	-	**4 782**
Liabilities for which fair values are disclosed				
Due to other banks	-	111 138	-	**111 138**
Customer accounts	-	-	2 499 218	**2 499 218**
Promissory notes issued	-	-	47 358	**47 358**
Bonds issued				
- Bonds issued on domestic market	142 322	44 539	-	**186 861**
Other financial liabilities	-	-	23 436	**23 436**
Total financial liabilities before subordinated debts	**142 322**	**160 459**	**2 570 012**	**2 872 793**
Subordinated debts	27 354	115 817	-	**143 171**
Total financial liabilities	**169 676**	**276 276**	**2 570 012**	**3 015 964**

The following table show a reconciliation of the opening and closing amount of Level 3 financial assets which are recorded at fair value:

In millions of Russian Roubles	At 31 December 2019	Total gains	New assets recognised	Assets derecognised	At 31 December 2020
Financial assets					
Loans to customers at fair value through profit or loss	55 791	5 898	26 659	(5 173)	83 175
Investment securities at fair value through other comprehensive income	128	-	-	(5)	123
Total level 3 financial assets	**55 919**	**5 898**	**26 659**	**(5 178)**	**83 298**

In millions of Russian Roubles	At 31 December 2018	Total gains	New assets recognised	Assets derecognised	At 31 December 2019
Financial assets					
Loans to customers at fair value through profit or loss	25 021	2 833	36 019	(8 082)	55 791
Investment securities at fair value through other comprehensive income	111	17	-	-	128
Investment securities at fair value through profit or loss	2 272	29	-	(2 301)	-
Total level 3 financial assets	**27 404**	**2 879**	**36 019**	**(10 383)**	**55 919**

34 Fair Value of Financial Instruments (continued)

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

In millions of Russian Roubles	For the year ended 31 December 2020 Realised gains/ (losses)	Unrealised gains/ (losses)	Total	For the year ended 31 December 2019 Realised gains/ (losses)	Unrealised gains/ (losses)	Total
Total gains included in the profit or loss for the period*	2 989	2 909	**5 898**	4 951	(2 072)	**2 879**

* Gains are recorded for Interest income and Gains less losses from financial instruments and loans to customers at fair value through profit or loss.

** Gains are recorded for Interest income and gains less losses from financial instruments and loans to customers at fair value through profit or loss. Unrealised gains/losses include foreign exchange translation income in the amount of RR 3 922 million (2019: foreign exchange translation expense in the amount of RR 716 million) recorded for foreign exchange translation gains less losses/(losses net of gains).

Loans at fair value through profit or loss

The Group determines the fair value of loans based on discounted cash flow models taking into account the borrower's credit risk. The models use a number of unobservable input market data, the main ones being the discount rate, the value of collateral and credit spread.

As of 31 December 2020, if the discount rate used by the Group in the model increases/decreases by 1%, the book value of loans will decrease by RR 2 939 million / increase by RR 3 041 million (31 December 2019: decrease by RR 1 845 million / increase by RR 1 796 million). The discount rates used are in range from 3.81% to 11.42% (31 December 2019: from 4.78% to 20.21%).

As of 31 December 2020, the impact of collateral in assessing loans at fair value was RR 68 million (31 December 2019: RR 103 million).

The table below reflects transfers of financial instruments measured at fair value between Level 1 and Level 2 of the fair value hierarchy during 2020:

In millions of Russian Roubles	Transfers between Level 1 and Level 2 From Level 1 to Level 2	From Level 2 to Level 1
Financial assets		
Investment securities at fair value through other comprehensive income	2 434	418
Total transfers of financial assets	**2 434**	**418**

The table below reflects transfers of financial instruments measured at fair value between Level 1 and Level 2 of the fair value hierarchy during 2019:

In millions of Russian Roubles	Transfers between Level 1 and Level 2 From Level 1 to Level 2	From Level 2 to Level 1
Financial assets		
Investment securities at fair value through other comprehensive income	1 308	3 585
Trading securities	-	1 818
Total transfers of financial assets	**1 308**	**5 403**

Financial instruments are transferred from Level 2 to Level 1 of the fair value hierarchy when they become traded in active markets and fair value can be determined based on quoted prices in active markets.

Financial instruments are transferred from Level 1 to Level 2 when they ceased to be traded in active markets. The liquidity on the market is not sufficient to use market prices for valuation and as a result fair value is determined using valuation techniques with all material inputs observable.

There were no other transfers between levels of the fair value hierarchy during 2020 and 2019.

34 Fair Value of Financial Instruments (continued)

The following table shows the quantitative information as at 31 December 2020 about significant unobservable inputs used in the fair value measurement categorized within Level 3 of the fair value hierarchy:

Assets	Fair value, *in millions of Russian Roubles*	Valuation technique	Inputs used		
			Input	Min	Max
Office premises and construction in progress (based on valuation at 31 December 2018, fair value of new objects acquired in 2020 and 2019 equals to current value)	30 625	Comparative method	Trade discount	6.0%	21.0%

The following table shows the quantitative information as at 31 December 2019 about significant unobservable inputs used in the fair value measurement categorized within Level 3 of the fair value hierarchy:

Assets	Fair value, *in millions of Russian Roubles*	Valuation technique	Inputs used		
			Input	Min	Max
Office premises and construction in progress (based on valuation at 31 December 2018, fair value of new objects acquired in 2019 equals to current value)	27 349	Comparative method	Trade discount	6.0%	21.0%

35 Related Party Transactions

For the purposes of these consolidated financial statements, parties are considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence over the other party in making financial or operational decisions. The Bank's only shareholder is the Government of the Russian Federation represented by the Federal Agency for Managing State Property, the Ministry of Finance of the Russian Federation and The State Corporation Deposit Insurance Agency. Refer to Note 1.

In these consolidated financial statements, balances and transactions with the state-controlled entities and parties that are related to such entities and balances and transactions with related parties represented by key management and their family members are disclosed.

35 Related Party Transactions (continued)

The outstanding balances with related parties were as follows:

In millions of Russian Roubles	31 December 2020	31 December 2019
Cash and cash equivalents		
Bank of Russia	201 455	74 594
Other banks	71 526	164 677
Loans and advances to customers		
Loans and advances to customers (before impairment)	199 530	254 740
Key management and their family members	14	7
Less: allowance for impairment	(14 969)	(14 743)
Derivative financial instruments — assets	11 503	9 797
Securities		
Securities issued by Russian Federation	268 952	231 086
Securities of entities and banks	98 406	101 903
Less: allowance for impairment	(245)	(82)
Due from other banks	11 556	32 630
Other assets		
State Corporation Deposit Insurance Agency	846	327
Customer accounts		
Entities	703 198	652 521
Key management and their family members	4 200	4 224
Due to other banks		
Bank of Russia	87 105	45 280
Other banks	79 042	14 491
Derivative financial instruments — liabilities	624	408
Subordinated debts	85 685	71 803
Credit related commitments		
Undrawn credit lines	15 459	4 017
Performance guarantees	10 940	10 805
Less: provision for impairment	(114)	(20)
Financial guarantees received	78 349	21 072

35 Related Party Transactions (continued)

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

In millions of Russian Roubles	2020	2019
Interest income on cash and cash equivalents		
Bank of Russia	2 797	4 402
Other banks	1 526	881
Interest income on due from other banks	1 039	3 062
Interest income on loans and advances to customers		
Loans to legal entities	14 119	16 479
Key management and their family members	4	4
Interest income on securities		
Securities issued by Russian Federation	15 028	20 147
Securities of entities and banks	7 113	8 682
Gains less losses/(losses net of gains) from securities		
Securities issued by Russian Federation	753	96
Securities of entities and banks	951	612
Fee and commission income		
Commission received from the Deposit Insurance Agency	10	119
(Losses net of gains)/gains less losses from derivative financial instruments	(4 849)	6 833
Interest expense on customer accounts		
Entities	(33 582)	(46 599)
Key management and their family members	(207)	(173)
Interest expense on subordinated debts	(4 115)	(3 634)
Interest expense on due to other banks		
Bank of Russia	(4 423)	(3 779)
Other banks	(669)	(671)
Administrative and other operating expenses		
Payments to the Deposit Insurance Fund	(5 856)	(7 663)

In 2020 transactions with the shareholder included share capital increase, dividends paid, taxes paid and subsidies received under the government program to subsidize lending (2019: share capital increase, dividends paid, taxes paid and subsidies received under the government program to subsidize lending).

In 2020, the Bank increased its share capital by issuing 30 500 ordinary shares with the total nominal amount of RR 30 500 million (2019: 29 635 ordinary shares with the total nominal amount of RR 29 635 million). All shares were purchased by the Bank's only shareholder — the Government of the Russian Federation represented by the Federal Agency for Managing State Property.

In October 2020, dividends were paid out to the Bank's shareholder in the amount of RR 114 million (in July 2019, dividends were paid out to the Bank's shareholder in the amount of RR 1 126 million).

Key management of the Group represents members of the Supervisory Board, the Management Board and Chief Accountant of the Bank. In 2020 total remuneration of the key management amounted of RR 789 million (2019: RR 601 million) including the payments to pension funds and social fund amounted of RR 119 million (2019: RR 100 million). Total remuneration of the key management includes salaries, discretionary bonuses and other short-term benefits. Starting from 2017, the Group adopted a corporate pension plan for employees (Note 25). There were no expenditures for the key management in 2020 in respect of defined pension contribution plans (2019: expenditures for the key management in respect of defined pension contribution plans amounted of RR 210 million and are payable on the occurrence of a retirement conditions in accordance with the laws of the Russian Federation).

36 Disposal of Subsidiaries and Assets Held for Sale

(a) Disposal of Subsidiaries

In 2020, the Group lost control over JSC "Albashsky Elevator", JSC "Velichkovsky Elevator", JSC "Stepnyansky Elevator", LLC "Bashkir sugar company", LLC "Raevsakhar", LLC "Trading house "Bashkir sugar", LLC "Agrofirma "Krasny Klin", LLC "Raevskaya", LLC "Karlamansky product", LLC "Loman 2" (31 December 2019: the Group's share was 100% in the LLC "Bashkir sugar company", LLC "Raevsakhar", LLC "Trading house "Bashkir sugar", LLC "Agrofirma "Krasny Klin", LLC "Raevskaya", LLC "Karlamansky product", LLC "Loman 2", as well as 75.00% of JSC "Albashsky Elevator", 80.03% of JSC "Velichkovsky Elevator" and 75.01% of JSC "Stepnyansky Elevator") as a result of the sale of shares/interests in subsidiaries to a third party.

As a result of this disposal, the Group recognized a loss of RR 976 million under Losses from disposal of subsidiaries in the consolidated statement of profit or loss and other comprehensive income.

Consideration received in cash on the sale of shares/interests in subsidiaries amounted to RR 559 million.

Proceeds from disposal of subsidiaries, net of cash and cash equivalents disposed of as a result of the sale, amounted to RR 193 million.

(b) Assets held for sale

During previous years the Group transferred certain assets from premises and equipment and repossessed collateral to assets held for sale. The Group expects the sale to be completed by the end of 2021.

Assets held for sale are accounted for at the lower of net carrying value and fair value less costs to sell with expenses recognised in profit or loss after reclassification.

As at 31 December 2020, the carrying value of premises and equipment and repossessed collateral that have been reclassified to assets held for sale is as follows:

In millions of Russian Roubles	**Balance amount (before reclassi-fication)**	**Accumula-ted depre-ciation (before reclassi-fication)**	**Net carrying value before reclassi-fication**	**Impairment**	**Carrying value after reclassi-fication**
Reclassified from repossessed collateral before 2020	1 219	(29)	1 190	(56)	1 134
Reclassified from repossessed collateral in 2020	1 100	-	1 100	-	1 100
Assets disposed of in 2020	(592)	29	(563)	-	(563)
Total	**1 727**	**-**	**1 727**	**(56)**	**1 671**

As at 31 December 2019, the carrying value of premises and equipment and repossessed collateral that have been reclassified to assets held for sale is as follows:

In millions of Russian Roubles	**Balance amount (before reclassi-fication)**	**Accumula-ted depre-ciation (before reclassi-fication)**	**Net carrying value before reclassi-fication**	**Impairment**	**Carrying value after reclassi-fication**
Reclassified from repossessed collateral before 2019	725	(29)	696	(56)	640
Reclassified from repossessed collateral in 2019	849	-	849	-	849
Assets disposed of in 2019	(355)	-	(355)	-	(355)
Total	**1 219**	**(29)**	**1 190**	**(56)**	**1 134**

36 Acquisition and Disposal of Subsidiaries and Assets Held for Sale (continued)

The movement in net carrying value of assets held for sale before reclassification is as follows:

In millions of Russian Roubles	Reclassified from repossessed collateral	Reclassified from premises and equipment	Total
Net carrying value before reclassification as at 1 January 2020	**1 099**	**35**	**1 134**
Reclassified during the period	1 100	-	**1 100**
Disposed during the period	(528)	(35)	**(563)**
Net carrying value before reclassification as at 31 December 2020	**1 671**	**-**	**1 671**

37 Changes in Liabilities Arising from Financing Activities

In millions of Russian Roubles	Bonds issued	Subordinated debts	Total liabilities from financing activities
Carrying amount at 31 December 2018	**142 609**	**147 279**	**289 888**
Proceeds from issue	30 000	-	**30 000**
Proceeds from sale of previously bought back liabilities	15 803	820	**16 623**
Redemption	(4 575)	-	**(4 575)**
Buy back of liabilities	(8 834)	(1 269)	**(10 103)**
Foreign currency translation	-	(12 482)	**(12 482)**
Other	(49)	(259)	**(308)**
Carrying amount at 31 December 2019	**174 954**	**134 089**	**309 043**
Proceeds from issue	20 074	-	**20 074**
Proceeds from sale of previously bought back liabilities	8 576	4 308	**12 884**
Redemption	(26 155)	-	**(26 155)**
Buy back of liabilities	(7 475)	(5 681)	**(13 156)**
Foreign currency translation	-	18 277	**18 277**
Other	(986)	892	**(94)**
Carrying amount at 31 December 2020	**168 988**	**151 885**	**320 873**

The "Other" line includes the effect of accrued but not yet paid interest on bonds issued and subordinated debts. The Group classifies interest paid as cash flows from operating activities.

38 Events after the End of the Reporting Period

On 16 February 2021 Russian Agricultural Bank JSC has started the placement of Stock-exchange bonds of the BO-09-002P series (reg. number 4B02-16-03349-B-002P dated 14 December 2020) under the Program of Stock-exchange bonds of the 002P series, maturing in 364 days, with a maximum notional amount of RR 5 000 million, with a fixed coupon rate of 5% per annum. Preliminary placement end date is 18 March 2021.