

Independent auditor's report
on the consolidated financial statements of
Public Joint-Stock Company
"SAFMAR Financial investments"
and its subsidiaries
for the year ended 31 December 2020

April 2021

**Independent auditor's report
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Contents	Page
Independent auditor's report	3
Appendices	
Consolidated statement of financial position	9
Consolidated statement of profit or loss and comprehensive income	10
Consolidated statement of changes in equity	12
Consolidated statement of cash flows	13
Notes to the consolidated financial statements	
1 Introduction	14
2 Operating environment of the Group	15
3 Significant accounting policies	16
4 Standards issued but not yet effective	36
5 Significant accounting judgments and estimates	37
6 Acquisitions and disposals of subsidiaries	39
7 Cash and cash equivalents	39
8 Financial instruments at fair value through profit or loss	41
9 Discontinued operations (disposal group)	42
10 Deposits with banks	44
11 Net investment in leases after impairment allowance	45
12 Reverse repurchase agreements and accounts receivable	50
13 Assets purchased and advances to suppliers for lease operations	51
14 Deferred acquisition costs	51
15 Property and equipment and right-of-use assets	52
16 Investments in associates	53
17 Goodwill	53
18 Other assets	60
19 Compulsory pension insurance and non-state pension liabilities	60
20 Borrowings	63
21 Bonds issued	63
22 Other liabilities	64
23 Share capital and additional paid-in capital, compulsory pension insurance reserve and insurance reserve	64
24 Interest income and expense	65
25 Credit loss expense and other losses from impairment and provisions	66
26 Pension contributions	66
27 Pension payments	67
28 Net gain of pension funds from placement of own funds, pension savings and pension reserves	67
29 Change in pension liabilities	68
30 Income from financial intermediation services	68
31 Net other income	68
32 Staff expenses	68
33 Other operating expenses	69
34 Income tax	69
35 Financial risk management	71
36 Capital management	85
37 Fair value measurement	86
38 Contingencies	90
39 Related party transactions	91
40 Changes in liabilities arising from financing activities	92
41 Segment information	92
42 Subsequent events	97

Independent auditor's report

To the shareholders and the Board of Directors of
Public Joint-Stock Company
“SAFMAR Financial investments”

Opinion

We have audited the consolidated financial statements of Public Joint-Stock Company “SAFMAR Financial investments” and its subsidiaries (the “Group”), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, 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 at 31 December 2020 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *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 each 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

Impairment testing of goodwill

Goodwill was mainly recognised as the Group obtained control over JSC NPF “SAFMAR” and JSC NPF “Doverie” (the “Funds”). In 2019 JSC NPF “SAFMAR” and JSC NPF “Doverie” merged, JSC NPF “SAFMAR” was a surviving entity (“Fund”).

In assessing whether there is any indication that an asset may be impaired under IAS 36 *Impairment of Assets* (IAS 36) judgment is required. Measuring the recoverable amount of the Funds is complex and requires judgment, therefore this matter is one of the key audit matters.

Measurement of the recoverable amount requires the use of complex models, is based on expert judgement and depends heavily on expected proceeds and payments under compulsory pension insurance contracts and non-state pension arrangements, as well as on the expected return on the Funds’ assets. Expert judgment is required to build reasonable expectations.

Information on goodwill is disclosed in Note 17.

Our audit procedures included the analysis of the methodology of testing goodwill for any indication of impairment and assessing the consistency of its application.

We involved our valuation specialists and analyzed the validity and relevance of the assumptions that the Group used to estimate the Fund’s recoverable amounts.

We analyzed the key assumptions, including those related to forecasting of cash inflows under compulsory pension insurance contracts and non-state pension arrangements, and forecasting of the return on the Fund’s assets.

We analysed the sensitivity of assumptions disclosed in the financial statements.

We also reviewed the information on goodwill disclosed in the consolidated financial statements.

Fair value measurement of financial instruments categorized within Levels 2 and 3 of the fair value hierarchy

Given the significant share of the balance value of financial instruments not quoted in an active market in the Group’s assets, and the complexity and judgements required to determine their fair value, this matter is one of the key audit matters.

The Group holds a significant portfolio of securities measured at fair value and categorized within Levels 2 and 3 of the fair value hierarchy of financial instruments that are not quoted in an active market.

Fair value measurement of instruments categorized within Level 2 of the fair value hierarchy of financial instruments is based on expected cash flows and the market rate of return on comparable instruments which are determined using judgment.

Fair value measurements of instruments categorized within Level 3 of the fair value hierarchy of financial instruments is based on unobservable inputs and require the use of expert judgment.

Fair values of financial instruments categorized with Levels 2 and 3 of the fair value hierarchy are disclosed in Notes 8 and 37.

Our audit procedures included the analysis of the methodology of financial instruments fair value calculation and assessing the consistency of its application.

For financial instruments categorized with Level 2 of the fair value hierarchy of financial instruments, on a sample basis, we analysed the assumptions used to determine comparable instruments, and tested the mathematical accuracy of the calculations.

For financial instruments included in Level 3 of the fair value hierarchy of financial instruments, we analyzed the unobservable inputs used by the Group and tested the mathematical accuracy of the calculations.

We also analyzed the fair values of financial instruments categorized with Levels 2 and 3 of the fair value hierarchy, which are disclosed in the consolidated financial statements.

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Key audit matter**How our audit addressed the key audit matter*****Allowance for expected credit losses on net investment in leases***

Given the significant share of net investments in lease in total assets of the Group, and the complexity and judgements related to the estimation of expected credit losses under IFRS 9 *Financial Instruments* ("IFRS 9"), we considered this area as a key audit matter.

For determination of whether a significant increase in credit risk has occurred since initial recognition and grouping of net investments in lease by stages of impairment requires judgement as well as analysis of a variety of factors indicating of increase in credit risk, including length of overdue period.

Assessment of expected credit losses requires complex statistical modelling and expert judgment. Probability of default, projected exposure at default, loss arising at default are calculated based on available historical data and external information, which are adjusted for forward looking information, including forecast of macroeconomic variables.

The calculation of expected credit losses for credit-impaired financial assets requires judgment as far as selection of probable settlement scenario is concerned as well as use of other assumptions. Assessment of estimated future cash flows is based on significant unobservable inputs including lease object value. The use of different modeling techniques, assumptions and forecasts could produce significantly different estimation of the allowance for expected credit losses.

Information on the methodology of expected credit losses calculation and credit risk management is disclosed in Notes 11 and 35.

We involved our specialists to analyse expected credit loss calculation methodology applied by the Group.

We assessed the reasonableness of the credit risk factors selected by the management to determine whether significant increase in credit risk has occurred and consistency of their application.

We analyzed underlying statistical models, key inputs, assumptions and forecasts used and assessed incorporation of forward-looking information in the calculation of expected credit losses.

On a sample basis we tested the correctness of expected credit loss calculation, including testing of probability of default, projected exposure of net investments in lease at default, loss arising at default, as well as performed analytical procedures to analyse the relationships between credit quality of net investments in the lease and amount of expected credit losses.

For significant individually impaired net investments in lease we analyzed the management assumptions used in calculation of recoverable amount based on our professional judgment and available market information.

We also analyzed the disclosures in the consolidated financial statements about the Group's allowance for expected credit losses on net investments in lease.

Measurement of liabilities under compulsory pension insurance contracts and non-state pension arrangements

Given the significant share of liabilities under compulsory pension insurance contracts and non-state pension arrangements in the Group's liabilities, the complexity of calculations and judgments required to perform liability adequacy test in accordance with IFRS 4 *Insurance Contracts* (IFRS 4), this matter is one of the key audit matters.

Liability adequacy test requires estimation of future cash flows under compulsory pension insurance contracts and non-state pension arrangements, which involves the use of expert judgment.

Key assumptions relate to the discount rate, investment income, mortality, servicing expenses and early termination ratios.

Liabilities under compulsory pension insurance contracts and non-state pension arrangements are disclosed in Note 19 to the consolidated financial statements.

Our audit procedures was performed with involvement of our actuarial specialists and included the analysis of liability adequacy test methodology and assessing the consistency of its application.

We reviewed the inputs underlying the calculations and assessed the adequacy of the assumptions that the Group used to estimate future cash flows under compulsory pension insurance contracts and non-state pension arrangements.

In addition, we analyzed the information on liabilities under compulsory pension insurance contracts and non-state pension arrangements disclosed in the notes to the consolidated financial statements.

Other information included in the annual report of PJSC “SAFMAR Financial investments” for 2020

Other information consists of the information included in the annual report of PJSC “SAFMAR Financial investments” for 2020, other than the consolidated financial statements and our auditor’s report thereon. Management is responsible for the other information. The annual report of PJSC “SAFMAR Financial investments” 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 IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The Audit Committee is 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:

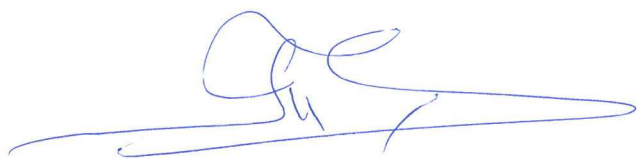
- ▶ Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk 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 the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves 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.

The partner in charge of the audit resulting in this independent auditor's report is S.M. Taskaev.



S.M. Taskaev
Partner
Ernst & Young LLC

29 April 2021

Details of the audited entity

Name: Public Joint-Stock Company "SAFMAR Financial investments"
Record made in the State Register of Legal Entities on 1 August 2002, State Registration Number 1027700085380.
Address: Russia 119049, Moscow, ulitsa Koroviy Val, 5, premises I, 11th floor, room 43.

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.

Consolidated statement of financial position**as at 31 December 2020***(in thousands of Russian rubles, unless otherwise stated)*

	Note	31 December 2020	31 December 2019
Assets			
Cash and cash equivalents	7	3,610,255	4,133,725
Financial instruments at fair value through profit or loss	8	13,222,258	183,449,887
Deposits with banks	10	–	4,038,670
Net investment in leases after impairment allowance	11	89,747,087	71,563,218
Reverse repurchase agreements and accounts receivable	12	486,976	84,123,767
Assets purchased and advances to suppliers for lease operations	13	1,725,235	1,017,275
Deferred acquisition costs	14	–	7,255,652
Assets held for sale	9	283,235,635	–
Current income tax prepayment		160,362	225,039
Deferred tax assets	34	89,854	126,420
VAT recoverable		1,685,851	836,999
Property and equipment and right-of-use assets	15	1,693,000	1,893,853
Investments in associates	16	25,295,296	24,285,166
Goodwill	17	154,787	25,139,058
Other assets	18	4,688,653	20,196,329
Total assets		425,795,249	428,285,058
Liabilities			
Liabilities under compulsory pension insurance contracts	19	–	251,442,867
Liabilities under non-state pension arrangements	19	264,337	8,342,552
Borrowings	20	74,085,085	51,711,528
Advances received from lessees		1,987,492	2,209,451
Bonds issued	21	19,575,903	18,159,518
Liabilities directly related to assets held for sale	9	260,721,927	–
Current income tax payable		187,080	443,875
Deferred tax liabilities	34	3,149,864	2,589,162
VAT payable		140,794	91,513
Lease liabilities	40	662,274	957,926
Other liabilities	22	3,787,775	4,041,022
Total liabilities		364,562,531	339,989,414
Equity			
Share capital	23	74,797	74,797
Additional paid-in capital	23	67,297,565	67,312,441
Treasury shares	23	(34,664,371)	(11,355,122)
Compulsory pension insurance reserve and insurance reserve	23	8,147,036	9,200,782
Retained earnings		20,337,334	23,000,703
Total equity attributable to shareholders		61,192,361	88,233,601
Non-controlling interests		40,357	62,043
Total equity		61,232,718	88,295,644
Total liabilities and equity		425,795,249	428,285,058

Approved for issue and signed on behalf of PJSC "SAFMAR Financial investments" on 29 April 2021.

Avet Mirakyan

CEO of PJSC "SAFMAR Financial investments"

Oleg Andriyankin

CFO of PJSC "SAFMAR Financial investments"



The notes are an integral part of these consolidated financial statements.

Consolidated statement of profit or loss and other comprehensive income**for the year ended 31 December 2020***(in thousands of Russian rubles, unless otherwise stated)*

	Note	2020	2019*
Continuing operations			
Interest income calculated using the effective interest rate	24	221,781	152,774
Other interest income	24	14,222,952	12,838,099
Interest expense	24	(6,791,181)	(4,972,934)
Net interest income		7,653,552	8,017,939
Expected credit loss expense	25	(251,644)	(236,615)
Net interest income after expected credit loss expense		7,401,908	7,781,324
Pension contributions	26	1,259	–
Pension payments	27	(78,105)	(75,541)
Net (loss)/gain of pension funds from placement of own funds and pension reserves	28	(23,132)	68,566
Change in pension liabilities	29	56,889	39,521
Share in net profit of associates	16	1,952,312	3,430,626
Income from financial intermediation services	30	2,234,321	2,665,635
Net gains from financial instruments at fair value through profit or loss		3,835,451	–
Net other income	31	4,314,118	3,819,340
Net other expenses		(340,253)	(163,317)
Net foreign exchange gains/(losses)		188,422	(223,850)
Total income from operations and finance income		19,543,190	17,342,304
Staff expenses	32	(5,728,821)	(5,803,060)
Other operating expenses	33	(1,761,486)	(1,981,198)
Other losses from impairment and provisions	25	(111,973)	(94,706)
Other income		9,174	6,600
Other expenses		(207,788)	(208,224)
Profit before income tax from continuing operations		11,742,296	9,261,716
Income tax expense	34	(2,149,252)	(1,595,841)
Net profit from continuing operations		9,593,044	7,665,875

* The amounts do not correspond to those in the consolidated financial statements for the year ended 31 December 2019 as they reflect adjustments made in connection with the termination of the respective activities as described in Note 9.

The notes are an integral part of these consolidated financial statements.

Consolidated statement of profit or loss and other comprehensive income (continued) for the year ended 31 December 2020

(in thousands of Russian rubles, unless otherwise stated)

	Note	2020	2019*
Discontinued operations			
(Loss)/profit before tax from discontinued operations	9	(13,203,067)	2,229,358
Income tax expense	9	(66,706)	(647,334)
Net (loss)/profit from discontinued operations		(13,269,773)	1,582,024
Net (loss)/profit for the period		(3,676,729)	9,247,899
Net (loss)/profit attributable to:			
Shareholders		(3,719,197)	9,196,507
Non-controlling interests		42,468	51,392
Other comprehensive income to be subsequently recognized in profit or loss			
Share of other comprehensive income of associates	16	37,818	790,972
Result from financial instruments in cash flow hedges		(35,736)	-
Other comprehensive income for the period		2,082	790,972
Total comprehensive (loss)/income for the period		(3,674,647)	10,038,871
Total comprehensive (loss)/income attributable to:			
Shareholders		(3,717,115)	9,987,479
Non-controlling interests		42,468	51,392
(Loss)/earnings per share (expressed in Russian rubles per share)			
	23	(55.34)	96.11
Earnings per share from continuing operations (expressed in Russian rubles per share)			
	23	142.11	79.58

* The amounts do not correspond to those in the consolidated financial statements for the year ended 31 December 2019 as they reflect adjustments made in connection with the termination of the respective activities as described in Note 9.

The notes are an integral part of these consolidated financial statements.

**Consolidated statement of changes in equity
for the year ended 31 December 2020**

(in thousands of Russian rubles, unless otherwise stated)

	Note	Share capital	Treasury shares	Additional paid-in capital	Compulsory pension insurance reserve and insurance reserve	Retained earnings	Total equity attributable to shareholders	Non-controlling interests	Total equity
Balance at 1 January 2019		74,797	(7,577,737)	67,310,103	7,776,470	15,826,471	83,410,104	55,533	83,465,637
Net profit		-	-	-	-	9,196,507	9,196,507	51,392	9,247,899
Other comprehensive income		-	-	-	-	790,972	790,972	-	790,972
Total comprehensive income for the period		-	-	-	-	9,987,479	9,987,479	51,392	10,038,871
Acquisition of non-controlling interests		-	-	-	-	-	-	(25,302)	(25,302)
Acquisition and sale of treasury shares		-	(3,777,385)	2,338	-	-	(3,775,047)	-	(3,775,047)
Dividends paid	23	-	-	-	-	(1,388,935)	(1,388,935)	(19,580)	(1,408,515)
Changes in reserves for pension liabilities		-	-	-	1,424,312	(1,424,312)	-	-	-
Balance at 31 December 2019		74,797	(11,355,122)	67,312,441	9,200,782	23,000,703	88,233,601	62,043	88,295,644
Net (loss)/profit		-	-	-	-	(3,719,197)	(3,719,197)	42,468	(3,676,729)
Other comprehensive income		-	-	-	-	2,082	2,082	-	2,082
Total comprehensive income for the period		-	-	-	-	(3,717,115)	(3,717,115)	42,468	(3,674,647)
Acquisition of non-controlling interests		-	-	-	-	-	-	(25,610)	(25,610)
Acquisition and sale of treasury shares	23	-	(23,309,249)	(14,876)	-	-	(23,324,125)	-	(23,324,125)
Dividends paid	23	-	-	-	-	-	-	(38,544)	(38,544)
Changes in reserves for pension liabilities		-	-	-	(1,053,746)	1,053,746	-	-	-
Balance at 31 December 2020		74,797	(34,664,371)	67,297,565	8,147,036	20,337,334	61,192,361	40,357	61,232,718

The notes are an integral part of these consolidated financial statements.

Consolidated statement of cash flows**for the year ended 31 December 2020***(in thousands of Russian rubles, unless otherwise stated)*

	2020	2019
Cash flows from operating activities		
Interest received	13,536,045	12,147,045
Gains of pension fund from placement of own funds, pension savings and pension reserves	16,651,516	17,299,057
Gains from insurance operations	1,908,363	1,715,635
Proceeds from financial intermediation services	2,723,439	3,368,174
Proceeds from disposal of repossessed assets	2,778,330	1,870,664
Interest paid	(6,366,732)	(5,209,334)
Cash paid to employees and payroll related taxes paid	(6,538,897)	(6,296,671)
Acquisition costs	(7,046)	(216,083)
Other receipts	2,004,992	2,139,494
Other payments	(3,191,418)	(2,747,583)
Cash flows from operating activities before changes in working capital	23,498,592	24,070,398
Changes in operating assets/liabilities		
Financial instruments at fair value through profit or loss	(75,618,003)	37,298,005
Deposits with banks	6,725,000	(6,750,000)
Net investment in leases	(22,828,963)	(16,855,116)
Reverse repurchase agreements and accounts receivable	57,163,123	(33,781,207)
Payments received on leases	163,007	268,972
Other assets	858,069	831,336
Pension liabilities	(4,715,579)	(6,051,022)
<i>Including: contributions received due to DIA's transfer of liabilities of JSC NPF "TIP-Fund", JSC NPF "MECHEL-FUND" (Note 19)</i>	9,787	33,061
Other liabilities	649,381	100,977
Net cash used in operating activities before income tax	(14,105,373)	(867,657)
Income tax paid	(1,823,333)	(1,071,651)
Net cash used in operating activities	(15,928,706)	(1,939,308)
Cash flows from investing activities		
Proceeds from sale of property and equipment	8,157	16,417
Purchase of property and equipment (Note 15)	(458,419)	(711,072)
Dividends received	1,706,852	769,477
Net cash from / (used in) investing activities	1,256,590	74,822
Cash flows from financing activities		
Borrowings received	45,236,225	30,655,942
Borrowings repaid	(23,238,566)	(11,007,932)
Bonds issued	3,090,192	11,396,137
Bonds repaid	(1,721,188)	(5,305,896)
Lease liabilities	(250,653)	(217,925)
Purchase of treasury shares	(6,590,827)	(3,947,143)
Advance payments for purchase of treasury shares	(2,800,000)	(17,100,000)
Proceeds from issue of treasury shares	366,702	172,096
Dividends paid	(38,544)	(1,408,515)
Acquisition of non-controlling interests	-	(25,201)
Net cash from financing activities	14,053,341	3,211,563
Effect of exchange rate changes on cash and cash equivalents	569,060	(9,020)
Effect of expected credit losses on cash and cash equivalents	4,205	(3,769)
Net (decrease)/increase in cash and cash equivalents	(45,510)	1,334,288
Cash and cash equivalents at the beginning of the period	4,133,725	2,799,437
Cash and cash equivalents at the end of the period (Note 7)	4,088,215	4,133,725

The notes are an integral part of these consolidated financial statements.

(in thousands of Russian rubles, unless otherwise stated)

1 Introduction

These consolidated financial statements of PJSC "SAFMAR Financial investments" (the "Company") and its subsidiaries (together referred to as the "Group") for the year ended 31 December 2020 have been prepared in accordance with International Financial Reporting Standards (IFRS).

PJSC "SAFMAR Financial investments" is registered at floor/prem./room 11/1/43, ulitsa Koroviy Val, 5, Moscow, Russia 119049. The Group's head office is located at floor/prem./room 11/1/43, ulitsa Koroviy Val, 5, Moscow, Russia 119049.

On 31 January 2020, the Company received unplaced shares representing a 68.28% interest in JSC NPF "Mospromstroy-Fund"; as a result, the aggregate interest of PJSC "SAFMAR Financial investments" in the fund's share capital totaled 100%.

On 7 February 2020, the Company acquired title to an aggregate 100% interest in the share capital of BARINGTON INVESTMENTS LIMITED.

On 30 December 2020, the Company acquired a 6.25% non-controlling interest in LLC "Direct Credit Center"; as a result, its aggregate interest in the share capital of LLC "Direct Credit Center" totaled 87.5%.

In March 2019, the reorganization of JSC NPF "SAFMAR," a subsidiary of PJSC "SAFMAR Financial investments," through its merger with JSC NPF "Doverie" was completed. This will help to improve management processes, as well as the economy and market positions of the Group. JSC NPF "SAFMAR" continues to fulfill all its obligations to the clients of the merged fund.

As at 31 December 2020 and 31 December 2019, the voting shares of PJSC "SAFMAR Financial investments" were held by the following shareholders:

	31 December 2020, %	31 December 2019, %
WERIDGE INVESTMENTS LIMITED	48.49	8.44
LANBURY TRADING LIMITED	16.73	–
JSC "Daglis"	11.87	11.87
JSC NPF "SAFMAR"	8.59	9.21
LLC "Alpinvest Holding"	–	16.73
GALMERON TRADE LIMITED	–	12.25
GALBERY ENTERPRISES LIMITED	–	11.52
PJSC "TRUST Bank"	–	7.67
JSC "NPF Future"	–	7.65
Other (shareholders with stakes of less than 5%)	14.32	14.66
Total	100.00	100.00

As at 31 December 2020, the ultimate beneficiary is Gutseriev Said Mikhailovich with a share of 62.06% (31 December 2019: Gutseriev Said Mikhailovich with a share of 36.5%).

Details of the subsidiaries are as follows:

Name	Country of incorporation	Principal activities	Ownership, %	
			31 December 2020	31 December 2019
JSC "LC "Europlan"	Russian Federation	Finance leases	100.00	100.00
JSC NPF "SAFMAR"	Russian Federation	Non-state pension fund	100.00	100.00
WERIDGE INVESTMENTS LIMITED	Republic of Cyprus	Investing activities	100.00	100.00
BARINGTON INVESTMENTS LIMITED	Republic of Cyprus	Investing activities	100.00	–
JSC NPF "Mospromstroy-Fund"	Russian Federation	Non-state pension fund	100.00	31.72
LLC "Direct Credit Center"	Russian Federation	Intermediary lending	87.50	81.25

(in thousands of Russian rubles, unless otherwise stated)

1 Introduction (continued)

As at 31 December 2020 and 31 December 2019, investments in the associates of PJSC "SAFMAR Financial investments" were represented by the following interest:

	31 December 2020, %	31 December 2019, %
JSIC "VSK"	49	49

As at 31 December 2020 and 31 December 2019, the Group also holds the following:

	31 December 2020, %	31 December 2019, %
Shares of "M.Video"	9.99	-

The principal activities of the Group are the following:

- ▶ Leasing various types of automobiles and equipment to individual entrepreneurs and legal entities within the Russian Federation. The Group purchases leasing assets from suppliers operating in the territory of the Russian Federation.
- ▶ Compulsory pension insurance in accordance with the existing legislation and compulsory pension insurance contracts. Compulsory pension insurance operations of JSC NPF "SAFMAR" and JSC NPF "Mospromstroy-Fund" (the "Funds") include the accumulation of pension savings, investments of savings, pension savings accounting, assignment and payment of funded pension to insured persons, term pension payments and non-recurring disbursements and payments to assignees.
- ▶ Providing non-state retirement benefits to the Funds' participants in accordance with non-state pension arrangements. Non-state pension insurance operations of the Funds include the accumulation of pension contributions, investments of pension reserves, pension liabilities accounting, assignment and payment of non-state pensions to the participants, payments of cash surrender values and payments to assignees.
- ▶ Consulting on financial intermediation.

The Group's principal place of business is the Russian Federation. In 2020, the Group provided services via its 79 offices (2019: 78). As at 31 December 2020, the number of employees was 7,358 employees (2019: 7,634).

2 Operating environment of the Group

The Group's principal place of business is the Russian Federation.

The Russian Federation continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Russian economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the Russian government.

The Russian economy is negatively affected by dropping oil prices and sanctions imposed against Russia by a number of countries. The ruble interest rates remain high. The combination of the above resulted in reduced access to capital, a higher cost of capital, and growing uncertainty regarding economic growth, which could negatively affect the Group's future financial position, results of operations and business prospects. Management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances.

(in thousands of Russian rubles, unless otherwise stated)

3 Significant accounting policies

Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The Company and its subsidiaries are required to maintain its accounting records and prepare financial statements in accordance with the legislation and regulations of the Russian Federation. These consolidated financial statements are based on these legislative requirements, as adjusted and reclassified in order to comply with IFRS.

The consolidated financial statements have been prepared under the historical cost convention except as disclosed in the summary of significant accounting policies below.

These consolidated financial statements are presented in thousands of Russian rubles ("RUB thousand"), except per share amounts and unless otherwise indicated.

Effect of the COVID-19 pandemic

Due to the rapid spread of the COVID-19 pandemic in early 2020, many governments, including the Russian Government, have introduced various measures to combat the outbreak, including travel restrictions, quarantines, closure of enterprises and other organizations and lockdown of certain areas. These measures have affected the global supply chain, demand for goods and services, as well as the scale of business activity in general. It is expected that the pandemic itself, as well as measures taken to minimize its consequences, may influence businesses in a wide range of industries. Since March 2020, stock, currency and commodity markets have shown extreme volatility, including a drop in oil prices and the depreciation of the Russian ruble against the US dollar and the euro.

In 2020, support measures were introduced by the Government and the Central Bank of Russia to counter the economic downturn caused by the COVID-19 pandemic. These measures include, inter alia, subsidized lending to affected industries and individuals, repayment holidays and easing of certain regulatory restrictions to help the financial sector maintain its capabilities to provide resources and assist customers in avoiding liquidity shortages as a result of the implementation of the COVID-19 containment measures.

The Group continues to assess the effect of the pandemic and the changes in micro- and macroeconomic conditions on its business, financial position and financial performance.

Estimation uncertainty

To the extent that information was available as at 31 June 2020, the Group reflected revised estimates of expected future cash flows in its ECL assessment (Note 25) and estimates of fair values of financial instruments (Note 8).

Impairment of goodwill

As at 31 December 2020, the Group tested its goodwill for impairment. As at 31 December 2020, the carrying amount of goodwill amounted to RUB 154,787 thousand (31 December 2019: RUB 25,139,058 thousand). For more information, refer to Note 17.

Changes in accounting policies

The Group has early adopted Amendment to IFRS 16: *COVID-19-Related Rent Concessions*, which provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. This amendment had no significant impact on the Group's consolidated financial statements. No other standard, interpretation or amendment that has been issued but is not yet effective was early adopted by the Group.

Several other amendments that became effective on 1 January 2020 were applied, but they have had no effect on the consolidated financial statements of the Group.

(in thousands of Russian rubles, unless otherwise stated)

3 Significant accounting policies (continued)

Basis of consolidation

Subsidiaries, which are those entities which are controlled by the Group, are consolidated. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- ▶ Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- ▶ Exposure, or rights, to variable returns from its involvement with the investee;
- ▶ The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- ▶ The contractual arrangement(s) with the other vote holders of the investee;
- ▶ Rights arising from other contractual arrangements;
- ▶ The Group's voting rights and potential voting rights.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. All intra-group transactions, balances and unrealized gains on transactions between Group companies are eliminated in full; unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, the accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by the Group.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. Losses of a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

If the Group loses control over a subsidiary, it derecognizes the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any non-controlling interests, the cumulative translation differences, recorded in equity; recognizes the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in profit or loss and reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss.

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the acquirer measures the non-controlling interests in the acquiree that are present ownership interests that entitle their holders to a proportionate share of the entity's net assets in the event of liquidation, either at fair value or at the proportionate share of the acquiree's identifiable net assets. Other components of the non-controlling interest are measured at fair value at the acquisition date. Acquisition costs incurred are expensed.

When the Group acquires a business, it assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is measured at the acquisition date fair value through profit or loss.

(in thousands of Russian rubles, unless otherwise stated)

3 Significant accounting policies (continued)

Business combinations (continued)

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the consideration transferred over the Group's net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Investments in associates

Associates are entities, in which the Group generally has between 20% and 50% of the voting rights, or is otherwise able to exercise significant influence, but which it does not control or jointly control. Investments in associates are accounted for under the equity method and are initially recognized at cost, including goodwill. Subsequent changes in the carrying amount reflect the post-acquisition changes in the net assets of the associate attributable to the Group. The Group's share of its associates' profits or losses is recognized in profit or loss, and its share of movements in reserves is recognized in other comprehensive income. However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognize further losses, unless the Group is obliged to make further payments to, or on behalf of, the associate.

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

Fair value measurement

The Group measures financial instruments such as those at fair value through profit or loss and at fair value through other comprehensive income, and non-financial assets such as investment property, at fair value at each balance sheet date. Fair values of financial instruments are disclosed in Note 37.

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.

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in the best and most efficient way.

(in thousands of Russian rubles, unless otherwise stated)

3 Significant accounting policies (continued)

Fair value measurement (continued)

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are classified within the fair value hierarchy described below based on the lowest level inputs that are significant to the fair value measurement as a whole:

- ▶ Level 1 – quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- ▶ Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- ▶ Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between the levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Financial assets and liabilities

Date of recognition

All regular way purchases and sales of financial assets and liabilities are recognized on the trade date i.e. the date that the Group commits to purchase the asset or liability. Regular way purchases or sales are purchases or sales of financial assets and liabilities that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Initial recognition

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at fair value, including transaction costs, except when financial assets and financial liabilities are measured at FVPL.

Measurement categories of financial assets and liabilities

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

- ▶ Amortized cost;
- ▶ Fair value through other comprehensive income (FVOCI);
- ▶ Fair value through profit or loss (FVPL).

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

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

(in thousands of Russian rubles, unless otherwise stated)

3 Significant accounting policies (continued)

Financial assets and liabilities (continued)

Deposits with banks and other financial investments measured at amortized cost

The Group measures deposits with banks and other financial investments at amortized 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).

The details of these conditions are outlined below.

Business model assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- ▶ How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- ▶ The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- ▶ How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected);
- ▶ Other important aspects of the Group's business model assessment, such as the expected frequency, value and timing of sales.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

"Solely payments of principal and interest on the principal amount outstanding" test (SPPI test)

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

'Principal' for the purpose of this test is defined as the fair value of a financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgment and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

(in thousands of Russian rubles, unless otherwise stated)

3 Significant accounting policies (continued)

Financial assets and liabilities (continued)

Debt instruments at FVOCI

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.

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

Expected credit losses (ECL) for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which continue to be measured at fair value. Instead, an amount equal to the allowance for expected losses that would be accrued if the assets were measured at amortized cost is recognized in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognized in OCI is recycled to profit and loss upon derecognition of the asset.

Equity instruments at FVOCI

From 1 January 2018, 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 an equity instrument 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 recognized in profit or loss as other income when the right to the dividends 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.

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.

The Group did not reclassify any of its financial assets and liabilities in 2020.

Assets held for sale and discontinued operations (disposal group)

The Group classifies a long-term asset (or a disposal group) as held for sale if its carrying amount will be recovered mainly through a sale transaction rather than through its continuing use. The entity should measure a long-term asset (or a disposal group) classified as held for sale at the lower of the carrying amount and fair value less costs of sales. Costs of sales represent additional costs directly related to the distribution, except for finance expenses and income tax expenses.

An asset (or a disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and mandatory for sale of such assets (or disposal groups) and its sale must be highly probable.

(in thousands of Russian rubles, unless otherwise stated)

3 Significant accounting policies (continued)

Assets held for sale and discontinued operations (disposal group) (continued)

To make the sale highly probable, management of the respective level should adopt a plan to sell an asset (or a disposal group), and an active program to locate a buyer and complete the plan must be initiated. In addition, it is expected that the sale will comply with the criteria for recognition as a completed sale within one year from the date of classification, and actions required to fulfill the sales plan should indicate that it is unlikely that the plan will be significantly changed or canceled.

The Group should present a long-term asset classified as held for sale and the assets of a disposal group classified as held for sale separately from other assets in the statement of financial position. Liabilities of a disposal group classified as held for sale should be presented separately from other liabilities in the statement of financial position.

A discontinued operation is a component that either has been disposed of or is classified as held for sale and

- ▶ Represents a separate major line of business or geographical area of operations;
- ▶ Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- ▶ Is a subsidiary acquired exclusively with a view to resale.

In the statement of profit or loss and other comprehensive income, the financial result (profit or loss after tax) from discontinued operations should be presented separately from continuing operations.

Assets held for sale, liabilities directly related to assets held for sale, and income and expenses from discontinued operations are presented in Note 9. The remaining notes to the consolidated financial statements include information on continuing operations, unless otherwise indicated.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, amounts due from the CBR, excluding obligatory reserves, and amounts due from credit institutions that mature within ninety days of the date of origination and are free from contractual encumbrances. Cash and cash equivalents are carried at amortized cost using the effective interest rate method.

Deposits with banks and amounts due from credit institutions

Deposits with banks and amounts due from credit institutions that mature within more than ninety days of the date of origination are shown as a separate item of assets and carried at amortized cost using the effective interest rate method.

Repurchase and reverse repurchase agreements and securities lending

Sale and repurchase agreements ("repos") are treated as secured financing transactions. Securities sold under sale and repurchase agreements are retained in the consolidated statement of financial position and, in case the transferee has the right by contract or custom to sell or repledge them, reclassified to securities pledged under sale and repurchase agreements. The corresponding liability is presented within amounts due to credit institutions or customers. Securities purchased under agreements to resell ("reverse repos") are presented separately. The difference between the sale price and the repurchase price is treated as interest revenue and accrued over the life of repurchase agreements using the effective interest rate method.

Securities lent to counterparties are retained in the consolidated statement of financial position. Securities borrowed are not recorded in the consolidated statement of financial position, unless they are sold to third parties, in which case the purchase and the sale are recorded within gains less losses from trading securities in the consolidated statement of profit or loss. The obligation to return them is recorded at fair value as a trading liability.

(in thousands of Russian rubles, unless otherwise stated)

3 Significant accounting policies (continued)

Derivative financial instruments

In the normal course of business, the Group enters into various derivative financial instruments (including futures, forwards, swaps and options) in the foreign exchange markets and capital markets. Such financial instruments are held for trading and are initially recorded at fair value. The fair values are estimated based on quoted market prices or pricing models that take into account the current market and contractual prices of the underlying instruments and other factors. Derivatives are carried as assets when their fair value is positive and as liabilities when it is negative. Gains and losses resulting from these instruments are included in the consolidated statement of profit or loss as net gains/(losses) from financial instruments at fair value through profit or loss or in net foreign exchange gains/(losses), depending on the nature of the instrument.

An embedded derivative is a component of a hybrid instrument that also includes a non-derivative host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract. A derivative that is attached to a financial instrument, but is contractually transferable independently of that instrument, or has a different counterparty from that instrument, is not an embedded derivative, but a separate financial instrument.

Derivatives embedded in financial assets, liabilities and non-financial host contracts, were treated as separate derivatives and recorded at fair value if they met the definition of a derivative (as defined above), their economic characteristics and risks were not closely related to those of the host contract, and the host contract was not itself held for trading or designated at FVPL. The embedded derivatives separated from the host were carried at fair value in the trading portfolio with changes in fair value recognized in the consolidated statement of profit or loss.

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

Borrowings

Issued financial instruments or their components are classified as liabilities, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity instruments. Such instruments include amounts due to the CBR, amounts due to credit institutions, amounts due to customers, debt securities issued, other borrowings and subordinated loans. After initial recognition, borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the amortization process.

If the Group purchases its own debt, it is removed from the statement of financial position and the difference between the carrying amount of the liability and the consideration paid is recognized in profit or loss.

Leases

Finance leases (lease operations) – Group as a lessor

Inception of the lease

The inception of the lease is considered to be the date of the lease agreement, or the date of commitment, if earlier. For the purposes of this definition, a commitment shall be in writing, signed by the parties involved in the transaction, and shall specifically set forth the principal terms of the transaction.

Commencement of the lease term

The commencement of the lease term is the date from which the lessee is entitled to exercise its right to use the leased asset. It is the date of initial recognition of the lease.

(in thousands of Russian rubles, unless otherwise stated)

3 Significant accounting policies (continued)

Leases (continued)

Lease classification

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred. All other leases are operating leases.

The Group recognizes lease receivables in an amount equal to the net investment in the lease, starting from the date of commencement of the lease term. Finance income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding. Initial direct costs are included in the initial measurement of the lease receivables.

Net investment in leases / finance income from leases

Net investment in leases is calculated as the aggregate of the minimum lease payments net of recoverable expenses, representing the amounts guaranteed by the lessee and any non-guaranteed residual value (together constituting gross investment in leases), discounted at the interest rate implicit in the lease. The interest rate implicit in the lease is the discount rate that, at the inception of the lease, causes the present value of the gross investment in leases to be equal to the fair value of the leased asset.

The difference between the gross investment in leases and the net investment in leases represents unearned finance income. This income is recognized over the term of the lease using a net investment method (before tax), which reflects a constant periodic rate of return. Incremental costs directly attributable to negotiating and arranging the lease are included in the initial measurement of the finance lease receivables and reduce the amount of income recognized over the lease term.

Initial direct costs incurred by the lessor include amounts such as commissions, legal fees and internal costs that are incremental and directly attributable to negotiating and arranging a lease. For finance leases, initial direct costs are included in the initial measurement of the finance lease receivables and reduce the amount of income recognized over the lease term.

Net investment in leases also includes equipment under installation if all the significant risks and rewards of ownership of leased assets are transferred to the lessee. The Group starts to accrue interest income from the commencement date.

Payments received by the Group from lessees are treated as advances received from lessees (a separate line within the liabilities section) up to the commencement of the lease term, when net investment in leases, adjusted by payments received from lessees is recognized.

Any advances made to suppliers are recorded as advances to suppliers for lease operations.

Assets purchased for leasing purposes

Items purchased for leasing purposes represent assets purchased for subsequent transfer to lessees but not transferred at the reporting date. The assets are carried at the lower of cost and net realizable value.

Leased objects repossessed

Leased assets repossessed generally represent the assets repossessed by the Group from delinquent lessees under terminated finance lease contracts. The major types of assets held are cars, trucks and other equipment. When the Group takes possession of the collateral under terminated lease contracts, it measures the assets obtained at the lower of cost or net realizable value. When estimating the net realizable value the Group makes assumptions to assess the market values depending on the type of asset being assessed and then applies market realization cost adjustments to certain types of assets for obsolescence, illiquidity and trade discounts expected.

(in thousands of Russian rubles, unless otherwise stated)

3 Significant accounting policies (continued)

Leases (continued)

Operating leases – Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. Lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group, and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases, i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. The Group also applies a recognition exemption for the lease of low-value assets to leases of office equipment, the value of which is considered low. Lease payments on short-term leases and leases of low value assets are recognized as expenses on a straight-line basis over lease term.

Offsetting of financial instruments

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 recognized amounts, and there is an intention to realize the asset and settle the liability simultaneously. The right to set off must not be contingent on a future event and should be enforceable in all the following circumstances:

- ▶ The normal course of business;
- ▶ The event of default; and
- ▶ The event of insolvency or bankruptcy of the entity and all of the counterparties.

These conditions are not generally met in master netting agreements, and the related assets and liabilities are presented gross in the consolidated statement of financial position.

(in thousands of Russian rubles, unless otherwise stated)

3 Significant accounting policies (continued)

Impairment of financial assets

Information on impairment assessment under IFRS 9 is presented in Note 25.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized where:

- ▶ The rights to receive cash flows from the asset have expired;
- ▶ The Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; and
- ▶ The Group either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control over the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial assets are written off either partially or entirely, only when the Group no longer expects compensation for their value. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent reversals are recognized as credit loss expenses. A write-off constitutes a derecognition event.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or canceled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition, of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

(in thousands of Russian rubles, unless otherwise stated)

3 Significant accounting policies (continued)

Taxation

The current income tax expense is calculated in accordance with the regulations of the Russian Federation.

Deferred tax assets and liabilities are calculated in respect of all temporary differences using the liability method. Deferred income taxes are provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, except where the deferred income tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax regulations that have been enacted or substantively enacted at the reporting date.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is highly probable that the temporary difference will not reverse in the foreseeable future.

Russia also has various operating taxes that are assessed on the Group's activities. These taxes are included as a part of other operating expenses.

Value added tax ("VAT")

Output value added tax is payable to tax authorities on the earlier of (a) collection of receivables from customers, or (b) delivery of goods or services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. Russian tax legislation permits such VAT offset on a net basis. Where an allowance has been made for the impairment of receivables, the impairment loss is recorded for the gross amount due from the debtor, including VAT.

VAT recoverable represents the amount of VAT paid on assets acquired for leasing purposes. This VAT is recoverable from lease payments of the lessees (sales VAT).

For the purpose of these consolidated financial statements, VAT payable is offset against VAT receivable from lessees and VAT recoverable on assets acquired for leasing purposes within each component of the Group.

Property and equipment

Property and equipment are carried at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and any accumulated impairment. Such cost includes the cost of replacing part of equipment when that cost is incurred if the recognition criteria are met.

Costs of current repairs are recognized on an accrual basis. Cost of replacing major parts or components of equipment items are capitalized and the replaced part is amortized. Gains and losses on disposals determined by comparing proceeds with the carrying amount are recognized in profit or loss. Costs related to repairs and renewals are charged when incurred and included in general and administrative expenses, unless they qualify for capitalization.

The carrying amounts of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable.

Accumulated depreciation as at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Any revaluation surplus is recognized in other comprehensive income, except to the extent that it reverses a revaluation decrease of the same asset previously recognized in the consolidated statement of profit or loss, in which case the increase is recognized in the financial result.

(in thousands of Russian rubles, unless otherwise stated)

3 Significant accounting policies (continued)

Property and equipment (continued)

A revaluation deficit is recognized in profit or loss, except that a deficit is directly offset against a previous surplus on the same asset recorded in the revaluation reserve for property and equipment.

Depreciation of an asset begins when it is available for use. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

	<u>Years</u>
Buildings and facilities	25-50
Computer equipment	2-10
Office equipment	2-7
Cars	2-7
Other	2-5

The asset's residual values, useful lives and depreciation methods are reviewed and adjusted as appropriate, at each financial year-end.

Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the consideration transferred over the net identifiable assets acquired and liabilities assumed. Goodwill on an acquisition of a subsidiary is included in goodwill and other intangible assets. Goodwill on acquisition of an associate is included in the investments in associates. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units. Each unit or group of units, to which the goodwill is so allocated:

- ▶ Represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- ▶ Is not larger than the operating segment as defined in IFRS 8 *Operating Segments* before aggregation.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (group of cash-generating units), an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets other than goodwill

Intangible assets other than goodwill include computer software and licenses.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite useful lives are amortized over the useful economic lives of 5 to 10 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortization periods and methods for intangible assets with indefinite useful lives are reviewed at least at each financial year-end.

(in thousands of Russian rubles, unless otherwise stated)

3 Significant accounting policies (continued)

Pension insurance contracts

Insurance contracts are those contracts where the Group (the insurer) has accepted significant insurance risk from another party (the policyholder) by agreeing to compensate to the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.

If the contract has been classified as an insurance contract it remains an insurance contract for the remaining contractual period, even if during this period a significant decline in insurance risk takes place, unless all the rights and obligations are redeemed or expire.

The Group has the following types of pension insurance contracts:

- ▶ Compulsory pension insurance (the "CPI") is one of the Group's operations carried out in accordance with Federal Law No. 167-FZ *On Compulsory Pension Insurance in the Russian Federation* of 15 December 2001, designed to provide funded pension.
- ▶ Non-state pension (the "NPS") arrangements are voluntary pension insurance contracts providing for additional investment income.

Pension operations

The Group provides compulsory pension insurance services to insured persons and non-state pension arrangements for the Fund's participants.

In March 2018, amendments to Federal Law No. 75-FZ *On Non-Government Pension Funds* became effective (in accordance with Federal Law No. 49-FZ of 7 March 2018), which introduced significant changes to the compensation procedure of non-government pension funds (with respect to compulsory pension insurance). The funds obtained the right to fixed compensation in the amount not exceeding 0.75% of the average cost of net assets for the reporting year, while:

- ▶ The fixed part of the fund's compensation is paid using pension savings.
- ▶ The variable part of the fund's compensation is paid using income from investment of pension savings.
- ▶ Payments for services of trust managers and a special depository and allocations to regulatory reserves and DIA are effected using the Fund's equity.

The Fund's activity as the insurer on compulsory pension insurance includes accumulation of pension savings, arrangement of pension savings investments, accounting for insured persons' pension savings, funded pension assignments and payments to insured persons, term and non-recurring pension disbursements to insured persons, payments to legal successors of insured persons.

The Fund acts as an insurer on compulsory pension insurance in accordance with Federal Law No. 167-FZ *On Compulsory Pension Insurance in the Russian Federation* of 15 December 2001, other laws of the Russian Federation and compulsory pension insurance contracts. A compulsory pension insurance contract is an agreement between the Fund and an insured person for the benefit of the insured person or his/her assignee, under which upon the occurrence of pension entitlement the Fund shall carry out the assignment and payment of the funded part of labor pension and (or) term pension payment or non-recurring disbursement to the insured person or, as provided by Russian laws, make payments to his/her assignees. Pension entitlement is the ground for the acquisition of the right to receive funded pension by the insured person. Funded pension is a monthly cash payment assigned and paid by the Fund to the insured person in accordance with the legislation of the Russian Federation on labor pensions and the compulsory pension insurance contract. The set of terms, which the Fund is required to comply with in accordance with the compulsory pension insurance contract, is defined in the Fund's insurance regulations.

The Fund's operations as a non-state pension insurer for the Fund's participants are carried out on a voluntary basis and involve accumulation of pension contributions, placement and organization of placement of pension reserves, accounting for the Fund's pension liabilities, assignment and payment of non-state pensions to the Fund's participants.

(in thousands of Russian rubles, unless otherwise stated)

3 Significant accounting policies (continued)

Pension insurance contracts (continued)

The Fund operates as a non-state pension insurer for the Fund's participants in accordance with non-state pension arrangements. A non-state pension arrangement (the "pension contract") is an agreement between the Fund and the depositor of the Fund (the "depositor"), in accordance with which the depositor is obliged to make pension contributions to the Fund, and the Fund is obliged to pay non-state pension to the Fund's participant (the "participant"). Non-state pension is cash regularly paid to the participant in accordance with the terms of the pension contract. The set of terms, which determine the procedure of making pension contributions and paying non-state pensions, is defined in the Fund's pension schemes.

The Fund is entitled to place pension reserves independently, or through a management company. Pension savings are invested through a management company. In accordance with the Russian legislation, pension reserves and pension savings should only be invested in assets permitted for investment of pension reserves and pension savings.

Classification of non-state pension arrangements and compulsory pension insurance contracts

The Fund considers the following when classifying NSP arrangements and CPI contracts:

- ▶ Where a contract contains / does not contain a significant insurance risk, it is classified as an insurance/investment contract.
- ▶ Where a contract contains/does not contain discretionary participation features (DPF), it is classified as a contact with DPF / without DPF.

Pension insurance contracts are considered to be non-state pension arrangements, compulsory pension insurance contracts, where one party (the insurer, i.e. the Fund) has accepted significant insurance risk from the other party (the policyholder, i.e. the participant, depositor, insured person, or assignee) by agreeing to compensate to the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.

Insurance risk for the Fund is the risk of a participant's death or disability within a specified period of time, or the risk of survival to a certain date, and the future event constitutes death, disability or survival, respectively.

Insurance risk is considered to be significant only if the Fund is obliged to pay a significant additional compensation as a result of the participant's death, disability or survival to a certain date. Insurance risk is also considered to be significant if a participant's death, disability or survival to a certain date is most unlikely, or the expected (i.e. probability-weighted) present value of contingent cash receipts and payments is insignificant compared to the expected present value of cash receipts and payments after the reporting date in accordance with the contract.

Contracts that do not expose the Fund to significant insurance risk are considered to be investment contracts. After initial recognition, a contract classified as an insurance contract may not be reclassified to investment contracts up to the date when all rights and obligations are redeemed or expire.

After initial recognition, a contract can only be reclassified from investment contracts to insurance contracts.

Discretionary participation features (DPF) are the right of a depositor, participant or insured person to receive additional benefits in accordance with non-state pension arrangements or compulsory pension insurance contracts, which:

- ▶ Are likely to form a significant part of the total benefits under the contract;
- ▶ Have the contractual amounts or terms set by the Fund;
- ▶ Depend on the profit or loss from placement of pension reserves and investment of pension savings.

(in thousands of Russian rubles, unless otherwise stated)

3 Significant accounting policies (continued)

Pension insurance contracts (continued)

In accordance with Federal Law No. 75-FZ *On Non-State Pension Funds* of 7 May 1998, at least 85 percent of income received by the Fund from placement of pension reserves, less management company (management companies) fees and specialized depository fees, should be spent to replenish pension reserves. Similarly, the Fund should spend at least 85 percent of income received from investment of pension savings, less management company (management companies) fees and specialized depository fees, to replenish pension savings. Herewith, the Fund's right to accrue income from placement of pension reserves or from investment of pension savings in the amount exceeding the minimum level required by the existing legislation represents discretionary participation features.

The Fund's NSP arrangements are classified as either insurance contracts with DPF or investment contracts with DPF. CPI contracts are classified as insurance contracts with DPF.

The guaranteed component of an insurance contract or investment contract with DPF is recognized as a liability. In accordance with IFRS 4 *Insurance Contracts*, DPF may be treated as either a component of net assets (equity) or a liability, or be distributed between these two categories.

According to the Fund's accounting policy, an additional benefit on retained earnings under contracts with DPF is recorded as a liability. The Fund records reasonable estimates of the expected distribution of investment income among pension accounts of participants (depositors) and insured persons for the reporting period as liabilities under contracts with DPF. When making a final decision on the amount of investment income to be distributed, a portion of income that has been previously recognized as DPF, becomes guaranteed.

Pension liabilities

Non-state pension (NSP) arrangements

At initial recognition, the Fund classifies NSP arrangements as insurance contracts if the Fund accepts significant insurance risk from a participant (depositor).

During the accumulation stage up to the date when the non-state pension is assigned to the participant (depositor), the Fund classifies NSP arrangements as investment contracts with DPF, as, according to the contractual terms, the participant's (depositor's) pension should be assigned at current annuity rates used by the Fund for other new participants (depositors).

Under the terms of an NSP arrangement, upon the occurrence of pension entitlement a participant (depositor) has a right to a lifetime non-state pension, a non-state pension payable for a certain period, or a non-state pension payable until all the funds on the pension account are spent.

When a lifetime non-state pension is assigned, the Fund reclassifies the NSP arrangement to an insurance contract with DPF. When a non-state pension payable for a certain period or a non-state pension payable until all the funds on the pension account are spent is assigned, the classification of the NSP arrangement remains unchanged, and the arrangement continues to be treated as an investment contract with DPF.

Where sufficient funds are available, the Fund may accrue income on pension accounts of participants (depositors) in the amount exceeding the guaranteed level set by the pension insurance regulations, and (or) index previously assigned pensions. Such an option constitutes DPF under NSP arrangements.

The Fund guarantees accrual of income under NSP arrangements at rates specified in pension agreements with depositors (ranging from 0% to 6% p.a.). Thus, NSP arrangements contain an embedded derivative. Pursuant to paragraph 8 of IFRS 4 *Insurance Contracts*, such an embedded instrument is not required to be separated or measured at fair value, since its economic characteristics and risks are closely related to the economic characteristics and risks of the host contract.

(in thousands of Russian rubles, unless otherwise stated)

3 Significant accounting policies (continued)

Pension insurance contracts (continued)

Under the terms of NSP arrangements, depositors (participants) have the right to terminate the NSP arrangement and claim repayment of the cash surrender value that is based on the amount of contributions and income accumulated on the pension account, adjusted for the ratios set at the time of concluding the NSP arrangement, which reflect NSP arrangement termination costs. Thus, NSP arrangements contain an embedded derivative. Pursuant to paragraph 8 of IFRS 4 *Insurance Contracts*, such an embedded instrument is not required to be separated or measured at fair value.

For detailed description of the pension schemes, namely, the procedure for payment of pension contributions, procedure to assign and pay non-state pensions, etc., please refer to the Fund's insurance regulations.

Compulsory pension insurance (CPI) contracts

CPI contracts are classified as insurance contracts with DPF at the initial recognition. The rate to convert accumulated contributions, including investment income, into a lifetime pension is set by the Russian legislation. Thus, the mortality risk is transferred to the Fund when entering into the contract, as the Fund may be required to pay significant additional benefits in the future.

Assessment of liabilities under NSP arrangements and CPI contracts

Liabilities under NSP arrangements and CPI contracts are calculated as a sum of contributions, accrued income from placement of pension reserves (investment of pension savings), net of pension payments made.

According to paragraphs 15-19 of IFRS 4 *Insurance Contracts*, the Fund assesses at the end of each reporting period whether its recognized pension and insurance liabilities under NSP arrangements and CPI contracts are adequate, by means of an appropriate liability adequacy test (separately for NSP arrangements and CPI contracts).

The Fund's liability adequacy test considers all future contractual cash receipts and payments, including future receipts in the form of contributions and future pension payments (pensions, cash surrender values, etc.). In assessing its insurance liabilities, the Fund considers the estimates of all cash flows effective as at the reporting date. The Fund also considers contractual service fees arising after the reporting date during the terms of the contracts, as well as cash receipts and cash payments resulting from embedded options, guarantees and DPF.

The amount of the liability may be increased if it is inadequate to cover future payments and expenses.

Provisions

Provisions are recognized when the Group has a present obligation, legal or constructive, as a result of a past event for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Retirement and other employee benefit obligations

The Group does not have any pension arrangements other than those under the state pension system of the Russian Federation, which requires calculating current contributions by the employer as a percentage of current gross salary payments; such expense is charged in the period when the related salaries are earned. The Group has no other significant post-employment benefits.

(in thousands of Russian rubles, unless otherwise stated)

3 Significant accounting policies (continued)

Equity

Share capital

Ordinary shares and non-redeemable preferred shares with rights to discretionary dividends are both classified as equity. External costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction from the proceeds in equity. Any excess of the fair value of consideration received over the par value of shares issued is recognized as additional paid-in capital.

Treasury shares

Where the Company (or its subsidiaries) purchase treasury shares, the consideration paid, including any attributable transaction costs, net of income taxes, is deducted from total equity as treasury shares until they are canceled or reissued. Where such shares are subsequently sold or reissued, any consideration received is included in equity. Treasury shares are stated at weighted average cost.

Dividends

Dividends are recognized as a liability and deducted from equity at the reporting date only if they are declared before or on the reporting date. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the consolidated financial statements are authorized for issue.

Compulsory pension insurance reserve (CPIR) and insurance reserve

The CPIR and the insurance reserve are charged to ensure the fulfillment of the Fund's pension liabilities to participants and insured persons, and are used if funds are not adequate to cover liabilities under pension contracts. The CPIR and the insurance reserve are charged at each reporting date in accordance with legislative requirements and are classified as equity items for IFRS purposes. The CPIR and the insurance reserve charged in accordance with IFRS are equal to the CPIR and the insurance reserve charged in accordance with RAS.

In accordance with the requirements of the Russian legislation, the insurance reserve for non-state pension arrangements should amount to at least five percent of the lesser of the following: reserves for pension liabilities under NSP arrangements charged in accordance with RAS as at the beginning of the reporting year, or reserves for pension liabilities charged in accordance with RAS as at the end of the reporting year.

Russian CPI reserve regulations became effective in 2014. After 1 January 2018, the Fund's compulsory pension insurance reserve shall be at least one percent and no more than ten percent of the calculation base. Before reaching the regulatory size, in 2014-17, the Fund was obliged to allocate at least 0.025 percent and no more than 0.5 percent of the calculation base to the reserve using income from investment of pension savings.

Segment reporting

The Group's segment reporting is based on the following operating segments: leases, pension operations, insurance and corporate center.

Contingencies

Contingent liabilities are not recognized in the consolidated statement of financial position but are disclosed in the financial statements unless the possibility of any outflow in settlement is remote. A contingent asset is not recognized in the consolidated statement of financial position but disclosed when an inflow of economic benefits is highly probable.

(in thousands of Russian rubles, unless otherwise stated)

3 Significant accounting policies (continued)

Recognition of income and expenses

Revenue is recognized when the Group satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset. The following specific recognition criteria must also be met before revenue is recognized:

Interest and similar income and expense

The Group calculates interest revenue on debt financial assets at amortized cost or at FVOCI by applying the effective interest rate to the gross carrying amount of financial assets other than credit-impaired assets. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and any change in the carrying amount is recorded as interest revenue or expense.

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

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

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

Pension contributions

The contributions received under all insurance and investment contracts with DPF are recognized as income in full at the moment the contract comes into force and the Fund's respective liabilities arise. DPF under non-state pension arrangements or compulsory pension insurance contracts are not separated or separately recorded as a liability. Any change in liabilities under insurance contracts with DPF is recognized in profit or loss.

Pension payments

Payments under non-state pension arrangements and compulsory pension insurance contracts are recognized at the actual date of payment and are recorded as soon as pension entitlement (retirement age or disability) occurs and a participant or an insured person applies for the assignment of a non-state pension or funded pension, respectively, with instructions for transferring pension savings to the assigned insurer. Such instructions are contained in the Notifications provided by the Pension Fund of the Russian Federation and prepared in accordance with the insured person's will to change the insurer (Fund).

Cash surrender values and inherited amounts under non-state pension arrangements, as well as payments to successors under compulsory pension insurance contracts are recognized as expenses on an accrual basis, i.e. on the date when the contracts cease to be included in liability calculations.

(in thousands of Russian rubles, unless otherwise stated)

3 Significant accounting policies (continued)

Recognition of income and expenses (continued)

Costs incurred to attract insured persons (acquisition costs)

The Fund's costs incurred to attract new customers under compulsory pension insurance contracts and non-state pension arrangements (acquisition costs) represent costs related to entering into compulsory pension insurance contracts or non-state pension arrangements classified as insurance contracts or investment contracts with DPF.

The costs of the Fund associated with entering into new contracts (acquisition costs) comprise costs directly related to the contract conclusion (direct costs), and indirect costs related to the Fund's compulsory pension insurance operations or non-state pension arrangements. Allocation to direct or indirect costs depends on whether the Fund may correlate them to the individual contract or a group of contracts.

Direct acquisition costs of the Fund include the remuneration to intermediaries (agents) for the services related to conclusion of non-state pension arrangements or compulsory pension insurance contracts (agency or commission fees). All other costs are indirect.

Costs incurred to attract new customers, conclude new insurance and investment contracts and (or) renew the effective insurance contracts, which relate to subsequent financial periods, are deferred to the extent that they are recoverable out of future income. Deferred acquisition costs are amortized over the expected period when income under such contracts will be generated.

An impairment review is performed at each reporting date and the carrying amount is written down to the recoverable amount.

Fee and commission income

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

Fee and commission 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. 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 recognized as an adjustment to the effective interest rate on the loan.

Fee and commission 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 recognized on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognized 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.

Dividend income

Income is recognized when the Group's right to receive the payment is established.

Other expenses

Administrative, operating and other expenses, including expenses associated with the fiduciary management of the Fund's cash and special depository fees, are recorded on an accrual basis when the product is received or service is rendered.

(in thousands of Russian rubles, unless otherwise stated)

3 Significant accounting policies (continued)

Foreign currency translation

The consolidated financial statements are presented in Russian rubles, which is the Group's functional and presentation currency.

Transactions in foreign currencies are initially recorded in the functional currency converted at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. Gains and losses resulting from the translation of foreign currency transactions are recognized in the consolidated statement of profit or loss as net foreign exchange gains. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Differences between the contractual exchange rate of a transaction in a foreign currency and the CBR exchange rate on the date of the transaction are included in gains less losses from dealing in foreign currencies. As at 31 December 2020 and 31 December 2019, the official CBR exchange rates were 73.8757 rubles and 61.9057 rubles to 1 USD, respectively.

4 Standards issued but not yet effective

Standards and interpretations issued, but not yet effective up to the date of issuance of the Group's consolidated financial statements are listed below. The Group intends to adopt these standards when they become effective.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 *Insurance Contracts*, 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* that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life insurance, direct insurance and re-insurance) regardless of the type of entities that issues them, as well as to certain guarantees and financial instruments with discretionary participation features.

A few scope exceptions will apply. IFRS 17 introduces new accounting requirements for banking products with insurance features that may affect the determination of which instruments or which components thereof will be in the scope of IFRS 9 or IFRS 17.

Credit cards and similar products that provide insurance coverage: most issuers of these products will be able to continue with their existing accounting treatment as a financial instrument under IFRS 9. IFRS 17 excludes from its scope credit card contracts (and other similar contracts that provide credit or payment arrangements) that meet the definition of an insurance contract if, and only if, the entity does not reflect an assessment of the insurance risk associated with an individual customer in setting the price of the contract with that customer.

When the insurance coverage is provided as part of the contractual terms of the credit card, the issuer is required to:

- ▶ Separate the insurance coverage component and apply IFRS 17 to it;
- ▶ Apply other standards (such as IFRS 9, IFRS 15 *Revenue from Contracts with Customers* or IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*) to the other components.

Loan contracts that meet the definition of insurance but limit the compensation for insured events to the amount otherwise required to settle the policyholder's obligation created by the contract: issuers of such loans – e.g. a loan with waiver on death – have an option to apply IFRS 9 or IFRS 17. The election would be made at a portfolio level and would be irrevocable.

(in thousands of Russian rubles, unless otherwise stated)

4 Standards issued but not yet effective (continued)

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. Currently, the Group is assessing the effect of IFRS 17 on its 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 by the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual period in which it first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022. Early application is permitted. The Group will apply the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which it will first adopt the amendment. It is not expected that this amendment will have a significant impact on the consolidated financial statements of the Group.

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 interbank offered rate (IBOR) with a risk-free rate (RFR).

IBOR reform Phase 2 includes a number of reliefs and additional disclosures. The reliefs apply upon the transition of a financial instrument from an IBOR to a risk-free rate (RFR).

Changes to the basis for determining contractual cash flows as a result of the 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 Group will apply this amendment from January 2021. The amendment is not expected to have any material impact on the Group's consolidated financial statements.

5 Significant accounting judgments and estimates

The Group makes estimates and assumptions, which affect the assets and liabilities recognized in the financial statements. Estimates and assumptions are continuously assessed and are based on historic data and other factors, including expectations of future events, which the Fund believes are reasonable under the circumstances. In addition, the Fund relies on judgments and estimates in applying accounting policies.

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimates, which have the most significant effect on the amounts recognized in the consolidated financial statements.

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 observable active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are 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 37.

(in thousands of Russian rubles, unless otherwise stated)

5 Significant accounting judgments and estimates (continued)

Expected credit losses / impairment losses on financial assets

The measurement of losses under IFRS 9 across all categories of financial assets requires judgment, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining ECL / impairment losses and assessing 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 ECL calculation models that are considered accounting judgments and estimates include:

- ▶ The Group's criteria for assessing if there has been a significant increase in credit risk, so allowances for impairment of financial assets should be measured on the lifetime ECL basis, and qualitative assessment;
- ▶ The segmentation of financial assets when their ECL are assessed on a collective basis;
- ▶ Development of ECL models, including various formulae and the choice of inputs;
- ▶ Determination of associations between macroeconomic scenarios and economic inputs, and the effect on PDs, EADs and LGDs;
- ▶ Selection of forward-looking macroeconomic scenarios and their probability weightings to derive economic inputs for ECL calculation models.

The allowance for expected credit losses recognized in the consolidated statement of financial position as at 31 December 2020 is RUB 604,884 thousand (31 December 2019: RUB 848,592 thousand), and the amount of RUB 22,814 thousand of the allowance is included into assets held for sale. More details are provided in Notes 7, 9, 10, 11, 12 and 18.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. As at 31 December 2020, the carrying amount of goodwill amounted to RUB 154,787 thousand (31 December 2019: RUB 25,139,058 thousand). More details are provided in Note 17.

Methods and assumptions used to assess pension liabilities

The Group provides non-state pension insurance services to individuals and legal entities. The Group also provides compulsory pension insurance services to individuals. The nature of services provided by the Group is similar to operations of insurance companies.

At the end of every reporting period, the Group tests the adequacy of recognized pension liabilities using current estimates of future cash flows under NSP arrangements and CPI contracts. In the course of the liability adequacy testing, it uses different estimates and underlying assumptions. The Group makes separate assumptions to test the adequacy of liabilities under non-state pension arrangements and compulsory pension insurance contracts.

The assumptions used by the Group are based on input data it had as at the date of preparing the consolidated financial statements. In the course of designing (choosing) the assumptions, the Group focuses on their alignment and consistency, expected changes, as well as accounting for the Group's contractual liabilities.

Key assumptions relate to the discount rate, investment income, mortality, servicing expenses and early termination ratios.

The discount rate is based on current market rates and reflects risks specific to certain liabilities.

(in thousands of Russian rubles, unless otherwise stated)

5 Significant accounting judgments and estimates (continued)

Methods and assumptions used to assess pension liabilities (continued)

To assess mortality rates, the Group uses the mortality table, which is based on historical data on the mortality of insured persons. Mortality rates (for the purpose of NSP arrangements and CPI contracts) are adjusted assuming a future decline in mortality, i.e. fewer deaths, based on the forecasts of future longevity prepared by the Federal State Statistics Service.

Assumptions related to service costs under NSP arrangements and CPI contracts are based on the Group's historical experience of the respective expenses considering the assumptions for expense growth rates in future periods.

Early termination ratios for NSP arrangements and CPI contracts are based on the Group's internal statistics and adjusted for their expected changes in the future (Note 35).

Deferred acquisition costs

Acquisition costs are recognized to the extent that it is probable that they will be offset against gain from compulsory pension insurance operations. The Group annually performs recoverability testing of deferred acquisition costs. According to the Group's estimates, future gains will be offset against deferred acquisition costs at the reporting date.

6 Acquisitions and disposals of subsidiaries

In February 2020, the Group acquired control over BARIGTON INVESTMENTS LIMITED.

The fair value of net assets at the date of acquisition was RUB 1 thousand.

7 Cash and cash equivalents

	<u>31 December 2020</u>	<u>31 December 2019</u>
Cash on hand	5	5
Current accounts with banks	194,806	634,097
Term deposits with banks with original maturities of up to three months	3,422,921	3,427,766
Accounts of trustee	1,277	88,774
Cash and cash equivalents before allowance for expected credit losses	3,619,009	4,150,642
Less allowance for expected credit losses	(8,754)	(16,917)
Total cash and cash equivalents	3,610,255	4,133,725

All balances of cash equivalents are included in Stage 1. Movements in allowances for expected credit losses for 2020 and 2019 are analyzed below:

	<u>2020</u>	<u>2019</u>
Allowance for expected credit losses at 1 January	(16,917)	(13,148)
Reversal/(charge) of allowance from continuing operations	7,478	(13,715)
(Charge)/reversal of allowance from discontinued operations	(3,273)	9,946
Transfer of allowance for expected credit losses from discontinued operations to assets held for sale	3,958	-
Allowance for expected credit losses at 31 December	(8,754)	(16,917)

(in thousands of Russian rubles, unless otherwise stated)

7 Cash and cash equivalents (continued)

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise the following:

	31 December 2020	31 December 2019
Cash on hand	5	5
Current accounts with banks	194,806	634,097
Term deposits with banks with original maturities of up to three months	3,422,921	3,427,766
Accounts of trustee	1,277	88,774
Cash and cash equivalents from discontinued operations	481,918	-
Cash and cash equivalents before allowance for expected credit losses	4,100,927	4,150,642
Less allowance for expected credit losses from continuing operations	(8,754)	(16,917)
Less allowance for expected credit losses from discontinued operations	(3,958)	-
Total cash and cash equivalents	4,088,215	4,133,725

Outstanding balances with banks and term deposits are neither past due, nor impaired. The credit quality of cash and cash equivalents is based on ratings assigned by independent international rating agencies (Standard & Poor's, Moody's or Fitch). If the same issuer gets different ratings from different rating agencies, it is assigned the lowest of such ratings. As at 31 December 2020, the analysis of the credit quality of current accounts with banks and term deposits with banks is as follows:

	From BBB- to BBB+	From BB- to BB+	Below BB-	Not rated	Total
Cash on hand	-	-	-	5	5
Current accounts with banks	80,572	110,977	2,723	534	194,806
Term deposits with banks	815,253	56,763	1,650,905	900,000	3,422,921
Accounts of trustee	648	629	-	-	1,277
Total	896,473	168,369	1,653,628	900,539	3,619,009

As at 31 December 2019, the analysis of the credit quality of current accounts with banks and term deposits with banks is as follows:

	From BBB- to BBB+	From BB- to BB+	Below BB-	Not rated	Total
Cash on hand	-	-	-	5	5
Current accounts with banks	430,363	191,558	3,244	8,932	634,097
Term deposits with banks	1,262,291	63,844	2,101,631	-	3,427,766
Accounts of trustee	25,510	28,735	34,529	-	88,774
Total	1,718,164	284,137	2,139,404	8,937	4,150,642

As at 31 December 2020, the Group had no counterparties (31 December 2019: no counterparties) with aggregate balances of current accounts and short-term deposits placed with them exceeding 10% of the Group's equity.

(in thousands of Russian rubles, unless otherwise stated)

8 Financial instruments at fair value through profit or loss

	31 December 2020	31 December 2019
Debt financial instruments		
Russian corporate bonds	267,317	113,414,731
Russian government bonds	70,830	17,911,850
Bonds of constituent entities of the Russian Federation and municipal bonds	-	11,017,150
Russian corporate bonds denominated in foreign currency	-	491,181
Bonds of international financial organizations	-	59,912
Total debt financial instruments	338,147	142,894,824
Equity financial instruments		
Shares of Russian companies and banks	12,884,111	35,577,210
Mortgage participation certificates	-	4,977,853
Total equity financial instruments	12,884,111	40,555,063
Total financial instruments at fair value through profit or loss	13,222,258	183,449,887

The table below shows the nominal interest rates and maturities of debt securities:

	31 December 2020		31 December 2019	
	Yield, %	Maturity	Yield, %	Maturity
Russian corporate bonds	6.75%-9.9%	2021-2033	0.1%-13%	2020-2052
Russian government bonds	6.38%-7.6%	2021-2022	2.5%-8.73%	2020-2036
Bonds of constituent entities of the Russian Federation and municipal bonds	-	-	6.5%-12.65%	2020-2027
Russian corporate bonds denominated in foreign currency	-	-	7.12%	2024
Bonds of international financial organizations	-	-	7.3%	2020

The credit quality of financial assets is based on ratings assigned by independent international rating agencies (Standard & Poor's, Moody's or Fitch). If the same issuer gets different ratings from different rating agencies, it is assigned the lowest of such ratings. As at 31 December 2020, the analysis of the credit quality of financial assets may be presented as follows:

	From BBB- to BBB+	From BB- to BB+	Below BB-	Not rated	Total
Russian corporate bonds	52,590	205,659	9,068	-	267,317
Russian government bonds	70,830	-	-	-	70,830
Total	123,420	205,659	9,068	-	338,147

The financial result for those assets is disclosed in Note 28.

As at 31 December 2019, the analysis of the credit quality of financial assets may be presented as follows:

	From BBB- to BBB+	From BB- to BB+	Below BB-	Not rated	Total
Russian corporate bonds	65,463,986	42,518,272	5,432,473	-	113,414,731
Russian government bonds	17,911,850	-	-	-	17,911,850
Bonds of constituent entities of the Russian Federation and municipal bonds	3,630,045	7,374,736	12,369	-	11,017,150
Russian corporate bonds denominated in foreign currency	-	491,181	-	-	491,181
Bonds of international financial organizations	59,912	-	-	-	59,912
Total	87,065,793	50,384,189	5,444,842	-	142,894,824

*(in thousands of Russian rubles, unless otherwise stated)***9 Discontinued operations (disposal group)**

On 23 March 2021, PJSC "SAFMAR Financial investments" and LLC "IC Leningradskoye Adazhio" (included in the structure of "Region" group of companies) signed a sale and purchase agreement regarding 100% of shares of JSC NPF "SAFMAR." On 26 March 2021, this transaction was approved at the extraordinary general shareholders' meeting. The purchase price is determined by calculation in accordance with contractual terms and equals the reference purchase price, which cannot be lower than RUB 20 billion adjusted for a number of indicators. The transaction price under contractual terms cannot exceed RUB 24 billion and depends on some factors related to the amounts in the financial statements of JSC NPF "SAFMAR."

The financial result from discontinued operations is as follows:

	2020	2019
Interest expense	(1,399)	(10,062)
Net interest expense	(1,399)	(10,062)
Credit loss income	6,671	3,216
Net interest income/(expense) after credit loss income	5,272	(6,846)
Pension contributions	1,883,347	7,727,351
Pension payments	(6,535,685)	(13,741,833)
Net gain of the pension fund from placement of own funds, pension savings and pension reserves	5,314,541	22,287,968
Change in pension liabilities	(664,300)	(10,228,388)
Net other expense	-	(41,302)
Total income from operations and finance income	3,175	5,996,950
Staff expenses	(487,524)	(423,816)
Other operating expenses	(377,521)	(385,263)
Acquisition costs	(542,772)	(701,828)
Impairment of goodwill	(11,800,000)	(2,300,000)
Other income	1,575	39,128
Other expenses	-	4,187
(Loss)/profit before tax	(13,203,067)	2,229,358
Income tax expense	(66,706)	(647,334)
Net (loss)/profit	(13,269,773)	1,582,024
(Loss)/earnings per share (expressed in Russian rubles per share) for the year from discontinued operations	(197.45)	16.53

*(in thousands of Russian rubles, unless otherwise stated)***9 Discontinued operations (disposal group) (continued)**

Income of the fund from the placement of own funds, pension savings and pension reserves is as follows:

	2020	2019
Interest income		
Corporate bonds	9,550,030	9,199,767
Income on repurchase transactions	2,293,829	4,814,054
Government bonds	1,101,237	1,055,850
Bonds of constituent entities of the Russian Federation and municipal bonds	837,119	678,440
Deposits and settlement accounts	38,390	55,713
Bonds of international financial organizations	291,476	650
Other	641,211	-
Total interest income	14,753,292	15,804,474
Gains (losses) from revaluation of financial instruments at fair value through profit or loss	(4,849,309)	6,381,338
Realized gains/(losses) from financial instruments at fair value through profit or loss	(4,252,327)	1,846,247
Dividends received	856,590	1,332,957
Mortgage participation certificates	-	656,764
Gains on sale of securities	(174,132)	352,381
Other investment expense	(23,692)	217
Total gains from financial instruments at fair value through profit or loss	6,310,422	26,374,378
Fee and commission expense		
Trustee fee	(330,344)	(867,145)
Special depository fee	(66,866)	(66,049)
Total fee and commission expense	(397,210)	(933,194)
Losses on initial recognition of deposit	-	(2,784,201)
Losses from converting deposits to subordinated bonds	(583,205)	-
Charge of allowance for expected credit losses on receivables	(15,466)	(369,015)
Total net gains (losses) of pension funds from placement of own funds, pension savings and pension reserves	5,314,541	22,287,968

The main types of assets held for sale and liabilities directly related to assets held for sale are as follows:

	31 December 2020
Assets held for sale	
Cash and cash equivalents	477,961
Financial instruments at fair value through profit or loss	230,578,139
Financial instruments at amortized cost	1,683,041
Deposits with banks	78,930
Reverse repurchase agreements and accounts receivable	30,213,713
Deferred acquisition costs (Note 14)	6,723,398
Current income tax prepayment	9,592
Deferred tax assets (Note 34)	136,354
Property and equipment and right-of-use assets (Note 15)	72,073
Goodwill (Note 17)	13,184,271
Other assets	78,163
Total assets held for sale	283,235,635
Liabilities directly related to assets held for sale	
Liabilities under compulsory pension insurance contracts (Note 19)	252,067,272
Liabilities under non-state pension contracts (Note 19)	8,061,221
Current income tax payable	79,917
Lease liabilities (Note 40)	64,426
Other liabilities	449,091
Total liabilities directly related to assets held for sale	260,721,927
Net assets directly associated with discontinued operations	22,513,708

*(in thousands of Russian rubles, unless otherwise stated)***9 Discontinued operations (disposal group) (continued)**

Net cash flows from discontinued operations are as follows:

	2020	2019
Cash flows from operating activities	2,995,235	3,038,814
Cash flows used in investing activities	-	(33,754)
Cash flows used in financing activities	(21,498)	(17,899)
Net cash flow	2,973,737	2,987,161

10 Deposits with banks

	31 December 2020	31 December 2019
Terms deposits with banks with original maturities of more than 90 days before allowance for expected credit losses	-	4,043,846
Allowance for expected credit losses	-	(5,176)
Total deposits with banks	-	4,038,670

As at 31 December 2019, RUB-denominated deposits with banks in the amount of RUB 3,993,846 thousand bearing a floating interest rate and maturing in March 2040 were placed with one Russian bank. In March 2020, the deposits were converted to subordinated bonds of the bank. As at 31 December 2020, the deposits were transferred to assets held for sale.

All deposits with banks are neither past due, nor impaired. The credit quality of deposits with banks is based on ratings assigned by Standard & Poor's, or on ratings assigned by Moody's or Fitch and aligned with Standard & Poor's rating.

Analysis by credit quality of the bank deposits is as follows:

	31 December 2020	31 December 2019
Rated from BB- to BB+	-	3,988,967
Rated below BB-	-	49,703
Total deposits with banks	-	4,038,670

As at 31 December 2020 and 31 December 2019, the Group has no counterparties with aggregate balances of deposits placed with them exceeding 10% of the Group's equity.

All balances on deposits with banks are included in Stage 1. Movements in allowances for expected credit losses for 2020 and 2019 are analyzed below:

	2020	2019
Allowance for expected credit losses at 1 January	(5,176)	(267)
Reversal/(charge) of allowance for expected credit losses from continuing operations	297	(4,909)
Reversal of allowance from discontinued operations	4,871	-
Transfer of allowance for expected credit losses from discontinued operations to assets held for sale	8	-
Allowance for expected credit losses at 31 December	-	(5,176)

*(in thousands of Russian rubles, unless otherwise stated)***11 Net investment in leases after impairment allowance**

As at 31 December 2020 and 31 December 2019, net investment in leases comprised the following:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Gross investment in leases	109,761,329	88,492,076
Unearned finance income	(19,544,320)	(16,563,125)
Net investment in leases before allowance for expected credit losses	90,217,009	71,928,951
Allowance for expected credit losses	(469,922)	(365,733)
Net investment in leases after allowance for expected credit losses	89,747,087	71,563,218

Lease receivables (gross investment in leases) and their present values are as follows:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Gross investment in leases		
Due in 1 year	55,203,715	47,001,952
Due between 1 to 2 years	32,269,578	25,484,322
Due between 2 to 3 years	14,890,096	11,789,070
Due between 3 to 4 years	5,218,519	3,170,470
Due between 4 to 5 years	2,178,457	1,046,004
Due over 5 years	964	258
Gross investment in leases	109,761,329	88,492,076
Unearned finance income	(19,544,320)	(16,563,125)
Net investment in leases before allowance for expected credit losses	90,217,009	71,928,951
Allowance for expected credit losses	(469,922)	(365,733)
Net investment in leases after allowance for expected credit losses	89,747,087	71,563,218

Movements in the allowance for expected credit losses on net investment in leases by type of leased assets for the year ended 31 December 2020 are as follows:

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
Vehicles				
Allowance for expected credit losses at 1 January 2020	(247,942)	(18,461)	(59,697)	(326,100)
Transfers to Stage 1	(16,975)	4,380	12,595	-
Transfers to Stage 2	9,648	(9,648)	-	-
Transfers to Stage 3	1,861	317	(2,178)	-
Effect on expected credit losses due to transfers between stages	15,723	(11,149)	(74,784)	(70,210)
Effect of net movements in gross carrying amount	(31,883)	(18,885)	(20,111)	(70,879)
Change in assessment models and inputs for expected credit losses	43,306	568	155	44,029
Written off	1,439	-	-	1,439
Allowance for expected credit losses at 31 December 2020	(224,823)	(52,878)	(144,020)	(421,721)
Mobile machinery and other				
Allowance for expected credit losses at 1 January 2020	(33,985)	(1,268)	(4,380)	(39,633)
Transfers to Stage 1	(223)	127	96	-
Transfers to Stage 2	383	(383)	-	-
Transfers to Stage 3	27	23	(50)	-
Effect on expected credit losses due to transfers between stages	191	(345)	(722)	(876)
Effect of net movements in gross carrying amount	(14,387)	(529)	2,040	(12,876)
Change in assessment models and inputs for expected credit losses	5,138	28	18	5,184
Allowance for expected credit losses at 31 December 2020	(42,856)	(2,347)	(2,998)	(48,201)

*(in thousands of Russian rubles, unless otherwise stated)***11 Net investment in leases after impairment allowance (continued)**

Movements in the allowance for expected credit losses on net investment in leases by type of leased assets for the year ended 31 December 2019 are as follows:

	Stage 1	Stage 2	Stage 3	Total
Vehicles				
Allowance for expected credit losses at 1 January 2019	(213,393)	(14,269)	(35,871)	(263,533)
Transfers to Stage 1	(4,931)	3,596	1,335	-
Transfers to Stage 2	3,260	(3,260)	-	-
Transfers to Stage 3	884	65	(949)	-
Effect on expected credit losses due to transfers between stages	1,960	(5,705)	(35,400)	(39,145)
Effect of net movements in gross carrying amount	(41,695)	116	11,165	(30,414)
Change in assessment models and inputs for expected credit losses	(3,099)	(301)	6	(3,394)
Written off	9,072	1,297	17	10,386
Allowance for expected credit losses at 31 December 2019	(247,942)	(18,461)	(59,697)	(326,100)
Mobile machinery and other				
Allowance for expected credit losses at 1 January 2019	(25,292)	(1,061)	(1,031)	(27,384)
Transfers to Stage 1	(111)	111	-	-
Transfers to Stage 2	268	(268)	-	-
Transfers to Stage 3	219	-	(219)	-
Effect on expected credit losses due to transfers between stages	63	(347)	(3,023)	(3,307)
Effect of net movements in gross carrying amount	(9,041)	304	(67)	(8,804)
Change in assessment models and inputs for expected credit losses	(91)	(7)	(40)	(138)
Allowance for expected credit losses at 31 December 2019	(33,985)	(1,268)	(4,380)	(39,633)

Movements in the gross carrying amount of net investment in leases by type of leased assets for the year ended 31 December 2020 are as follows:

	Stage 1	Stage 2	Stage 3	Total
Vehicles				
Gross carrying amount at 1 January 2020	63,247,073	1,390,662	326,937	64,964,672
Transfers to Stage 1	463,019	(380,424)	(82,595)	-
Transfers to Stage 2	(2,085,568)	2,085,568	-	-
Transfers to Stage 3	(528,027)	(17,036)	545,063	-
Net movements in gross carrying amount	12,503,791	1,796,032	297,960	14,597,783
Written off	(1,439)	-	-	(1,439)
Gross carrying amount at 31 December 2020	73,598,849	4,874,802	1,087,365	79,561,016
Mobile machinery and other				
Gross carrying amount at 1 January 2020	6,861,825	77,191	25,263	6,964,279
Transfers to Stage 1	10,413	(9,694)	(719)	-
Transfers to Stage 2	(73,088)	73,088	-	-
Transfers to Stage 3	(5,256)	(1,903)	7,159	-
Net movements in gross carrying amount	3,605,097	90,645	(4,028)	3,691,714
Gross carrying amount at 31 December 2020	10,398,991	229,327	27,675	10,655,993

*(in thousands of Russian rubles, unless otherwise stated)***11 Net investment in leases after impairment allowance (continued)**

Movements in the gross carrying amount of net investment in leases by type of leased assets for the year ended 31 December 2019 are as follows:

	Stage 1	Stage 2	Stage 3	Total
Vehicles				
Gross carrying amount at 1 January 2019	51,174,135	888,291	108,916	52,171,342
Transfers to Stage 1	323,488	(313,825)	(9,663)	-
Transfers to Stage 2	(670,893)	670,893	-	-
Transfers to Stage 3	(188,834)	(5,236)	194,070	-
Net movements in gross carrying amount	12,618,249	151,836	33,631	12,803,716
Written off	(9,072)	(1,297)	(17)	(10,386)
Gross carrying amount at 31 December 2019	63,247,073	1,390,662	326,937	64,964,672
Mobile machinery and other				
Gross carrying amount at 1 January 2019	4,680,341	63,684	2,428	4,746,453
Transfers to Stage 1	10,914	(10,914)	-	-
Transfers to Stage 2	(35,601)	35,601	-	-
Transfers to Stage 3	(19,681)	-	19,681	-
Net movements in gross carrying amount	2,225,852	(11,180)	3,154	2,217,826
Gross carrying amount at 31 December 2019	6,861,825	77,191	25,263	6,964,279

As at 31 December 2020, the analysis of the credit quality of net investment in leases by rating assigned as at the date of the transaction is as follows:

	Stage 1	Stage 2	Stage 3	Total
Vehicles				
- Prime credit rating	11,280,741	139,083	4,720	11,424,544
- Strong credit rating	24,208,092	666,788	25,684	24,900,564
- Acceptable credit rating	32,268,850	3,484,145	632,683	36,385,678
- Sufficient credit rating	5,841,166	584,786	424,278	6,850,230
Net investment in leases before allowance for expected credit losses	73,598,849	4,874,802	1,087,365	79,561,016
Allowance for expected credit losses	(224,823)	(52,878)	(144,020)	(421,721)
Net investment in leases after allowance for expected credit losses	73,374,026	4,821,924	943,345	79,139,295
Mobile machinery and other				
- Prime credit rating	1,237,058	15,186	1,297	1,253,541
- Strong credit rating	3,820,916	69,195	13,980	3,904,091
- Acceptable credit rating	4,924,414	127,903	12,398	5,064,715
- Sufficient credit rating	416,603	17,043	-	433,646
Net investment in leases before allowance for expected credit losses	10,398,991	229,327	27,675	10,655,993
Allowance for expected credit losses	(42,856)	(2,347)	(2,998)	(48,201)
Net investment in leases after allowance for expected credit losses	10,356,135	226,980	24,677	10,607,792

*(in thousands of Russian rubles, unless otherwise stated)***11 Net investment in leases after impairment allowance (continued)**

As at 31 December 2019, the analysis of the credit quality of net investment in leases by rating assigned as at the date of the transaction is as follows:

	Stage 1	Stage 2	Stage 3	Total
Vehicles				
- Prime credit rating	11,290,047	46,228	32,674	11,368,949
- Strong credit rating	22,354,426	365,711	51,891	22,772,028
- Acceptable credit rating	26,526,233	899,365	210,618	27,636,216
- Sufficient credit rating	3,076,367	79,358	31,754	3,187,479
Net investment in leases before allowance for expected credit losses	63,247,073	1,390,662	326,937	64,964,672
Allowance for expected credit losses	(247,942)	(18,461)	(59,697)	(326,100)
Net investment in leases after allowance for expected credit losses	62,999,131	1,372,201	267,240	64,638,572
Mobile machinery and other				
- Prime credit rating	1,173,444	10,493	3,346	1,187,283
- Strong credit rating	3,010,013	24,877	20,053	3,054,943
- Acceptable credit rating	2,644,817	41,821	1,864	2,688,502
- Sufficient credit rating	33,551	-	-	33,551
Net investment in leases before allowance for expected credit losses	6,861,825	77,191	25,263	6,964,279
Allowance for expected credit losses	(33,985)	(1,268)	(4,380)	(39,633)
Net investment in leases after allowance for expected credit losses	6,827,840	75,923	20,883	6,924,646

For the purposes of the credit quality analysis, the Group's lessees are classified into four rating groups. The Group's rating scale reflects the credit quality of net investment in leases.

Prime credit rating: customers and terms of leases are assigned a minimal risk. Minimal risk is assigned to counterparties that are highly likely to fulfill their financial obligations and unlikely to default on the transaction.

Strong credit rating: customers and terms of leases are assigned a low risk. Low risk is assigned to counterparties that are consistent in fulfilling their financial obligations with a minor possibility of default.

Acceptable credit rating: customers and terms of leases are assigned a possible risk. Possible risk is assigned to counterparties with an average probability of default and moderate ability to fulfill their financial obligations when due.

Sufficient credit rating: credit risk is more than possible. A more than possible risk is assigned to counterparties with a high probability of default on transactions with a low property risk (primarily for vehicles).

Ratings are determined and fixed at the deal inception.

The Group holds the title to the asset during the lease term. Risks related to the leased asset such as damage caused by various reasons and theft are insured. The beneficiary under the insurance policy in case of total loss or theft is the Group.

Estimates of collateral value are based on the value of collateral assessed at the time of lease origination, and generally are not updated except when a lease is individually assessed as impaired.

In case it is impossible to withdraw and sell leased assets for all net investments in leases, the allowance for expected credit losses on Stage 3 net investments in leases as at 31 December 2020 and 31 December 2019 would be as follows:

	31 December 2020	31 December 2019
Vehicles	(551,894)	(165,890)
Mobile machinery and other	(14,714)	(13,051)
Total effect on allowance for expected credit losses	(566,608)	(178,941)

*(in thousands of Russian rubles, unless otherwise stated)***11 Net investment in leases after impairment allowance (continued)**

During the year, the Group took possession of various assets in exchange for the settlement of receivables from the respective lessees. Currently, the Group is in the process of selling these assets. It is the Group's policy to dispose of repossessed assets in an orderly fashion. The proceeds are used to reduce or repay the outstanding debts. The Group does not generally use such assets to conduct its operations. Information on the carrying amount of repossessed assets held at the reporting date is presented below:

	31 December 2020	31 December 2019
Other assets	677,970	699,010
Total repossessed collateral	677,970	699,010

Economic sector risk concentrations of net investment in leases are as follows:

	31 December 2020		31 December 2019	
	Amount	%	Amount	%
Road freight transport and transportation services	14,141,892	15.68	8,798,752	12.23
Construction project design	7,465,078	8.27	6,027,695	8.38
Other wholesale specialized trade	6,932,631	7.68	5,836,351	8.11
Supporting transportation activities	3,959,351	4.39	4,531,060	6.30
Leases of vehicles	3,705,372	4.11	1,453,415	2.02
Wholesale trade in other machinery, equipment and accessories	2,723,808	3.02	1,947,391	2.71
Wholesale trade in food, beverages and tobacco	2,502,161	2.77	2,297,481	3.19
Construction of roads and railways	2,485,701	2.76	1,598,388	2.22
Wholesale trade in non-food consumer products	2,363,831	2.62	2,180,393	3.03
General purpose wholesale trade	2,189,541	2.43	1,766,638	2.46
Operations of other land passenger transport	2,167,476	2.40	1,891,377	2.63
Waste collection	1,594,891	1.77	1,229,100	1.71
Other specialized construction works	1,511,390	1.68	967,253	1.34
Electric, sanitary and other building and installation works	1,461,725	1.62	1,152,710	1.60
Leases of other machinery, equipment and tangible assets	1,430,118	1.59	1,324,975	1.84
Cultivation of annual crops	1,315,424	1.46	939,627	1.31
Trade in automotive parts, components and accessories	1,209,054	1.34	862,709	1.20
Demolition of buildings; construction site preparation	1,122,008	1.24	1,005,939	1.40
Leases and management of own or leased immovable properties	984,678	1.09	936,461	1.30
Trade in vehicles	962,787	1.07	1,325,077	1.84
Architectural works, engineering surveys and technical consulting in those fields	950,834	1.05	723,661	1.01
Utilities construction	867,485	0.96	624,245	0.87
Production of concrete, cement and gypsum products	831,920	0.92	620,057	0.86
Wholesale trade in agricultural raw materials and live animals	828,083	0.92	669,594	0.93
Wholesale trade on a fee or contractual basis	800,428	0.89	837,289	1.16
Other industries	23,709,342	26.27	20,381,313	28.35
Net investment in leases before allowance for expected credit losses	90,217,009	100.00	71,928,951	100.00

As at 31 December 2020 and 2019, the Group did not have any lessees whose aggregate balances exceeded 10% of equity.

(in thousands of Russian rubles, unless otherwise stated)

12 Reverse repurchase agreements and accounts receivable

	<u>31 December 2020</u>	<u>31 December 2019</u>
Reverse repurchase agreements	486,931	84,096,714
Receivables	96	405,009
Reverse repurchase agreements and receivables before allowance for expected credit losses	487,027	84,501,723
Less allowance for expected credit losses	(51)	(377,956)
Total reverse repurchase agreements and receivables	486,976	84,123,767

The Group entered into reverse repurchase agreements with the central counterparty represented by Joint-Stock Company Bank "National Clearing Center." The subject of these agreements is Russian shares, bonds and Eurobonds with a fair value of RUB 505,856 thousand as at 31 December 2020 (31 December 2019: RUB 94,545,244 thousand).

Movements in allowances for expected credit losses for 2020 and 2019 are analyzed below:

	2020			
	Stage 1	Stage 2	Stage 3	Total
Allowance for expected credit losses at 1 January	(8,941)	–	(369,015)	(377,956)
Reversal of allowance for reverse repurchase agreements from continuing operations	437	–	–	437
Charge of allowance for receivables from discontinued operations	–	–	(15,466)	(15,466)
Reversal of allowance for reverse repurchase agreements from discontinued operations	5,306	–	–	5,306
Write-off of allowance from discontinued operations	–	–	369,015	369,015
Transfer of allowance for expected credit losses from discontinued operations to assets held for sale	3,147	–	15,466	18,613
Allowance for expected credit losses at 31 December	(51)	–	–	(51)
	2019			
	Stage 1	Stage 2	Stage 3	Total
Allowance for expected credit losses at 1 January	(17,046)	–	(19,704,174)	(19,721,220)
Reversal of allowance for receivables from continuing operations	9,317	–	–	9,317
Charge of allowance for receivables from discontinued operations	–	–	(369,015)	(369,015)
Reversal of allowance for reverse repurchase agreements from continuing operations	575	–	–	575
Charge of allowance for reverse repurchase agreements from discontinued operations	(1,787)	–	–	(1,787)
Write-off of allowance for receivables from discontinued operations	–	–	19,704,174	19,704,174
Allowance for expected credit losses at 31 December	(8,941)	–	(369,015)	(377,956)

*(in thousands of Russian rubles, unless otherwise stated)***13 Assets purchased and advances to suppliers for lease operations**

Assets purchased for leasing purposes represent assets, which will be subsequently transferred to lessees. Advances to suppliers for lease operations represent payments to suppliers for assets, which will be subsequently transferred to lessees. In accordance with the Russian Civil Code, the lessor is not liable to the lessee if the supplier fails to fulfill its obligations under the asset sales contract when the supplier is chosen by the lessee.

The Group is exposed to financial risks in relation to Assets purchased and advances to suppliers for lease operations as these assets represent the first stage of settlements under the lease contracts, which are performed after the inception of the lease.

	31 December 2020	31 December 2019
Assets purchased for leasing purposes	279,505	194,268
Advances to suppliers for lease operations	1,451,936	823,915
Impairment allowance	(6,206)	(908)
Total advances to suppliers for lease operations	1,445,730	823,007
Total Assets purchased and advances to suppliers for lease operations	1,725,235	1,017,275

As at 31 December 2020 and 31 December 2019, the analysis of the credit quality of advances to suppliers for lease operations is as follows:

	31 December 2020	31 December 2019
Advances to suppliers for lease operations		
Neither past due nor impaired	1,349,376	708,215
Past due		
- Overdue for less than 90 days	94,756	113,512
- Overdue for 91-180 days	89	2,188
- Overdue for 181-365 days	4,991	-
- Overdue for more than 365 days	2,724	-
Total past due	102,560	115,700
Impairment allowance	(6,206)	(908)
Total advances to suppliers for lease operations	1,445,730	823,007

14 Deferred acquisition costs

Movements in deferred acquisition costs for 2020 and 2019 are as follows:

	2020	2019
Deferred acquisition costs at 1 January	7,255,652	7,812,959
Depreciation charges and write-offs on termination of contracts from discontinued operations	(542,772)	(701,828)
Change in deferred acquisition costs from discontinued operations	10,518	144,521
Transfer of deferred acquisition costs from discontinued operations to assets held for sale (Note 9)	(6,723,398)	-
Deferred acquisition costs at 31 December	-	7,255,652

*(in thousands of Russian rubles, unless otherwise stated)***15 Property and equipment and right-of-use assets**

Movements in property and equipment for 2020 and 2019 are as follows:

	<i>Buildings and land</i>	<i>Cars</i>	<i>Computer equipment</i>	<i>Office equipment</i>	<i>Assets in operating lease</i>	<i>Other</i>	<i>Right-of-use assets</i>	<i>Total property and equipment</i>
Actual costs								
At 1 January 2019	148,043	112,035	462,367	197,586	-	102,296	-	1,022,327
Acquisitions	1,451	355,182	61,662	18,054	220,012	54,711	14,828	725,900
Recognition of right-of-use assets	-	-	-	-	-	-	1,167,935	1,167,935
Transfers	-	-	22,689	54,171	-	(76,860)	-	-
Transfer from other assets	-	699	-	-	4,410	-	-	5,109
Disposals	-	(36,930)	(11,556)	(26,976)	(559)	(36,562)	(8,763)	(121,346)
At 31 December 2019	149,494	430,986	535,162	242,835	223,863	43,585	1,174,000	2,799,925
Acquisitions	-	117,279	83,958	8,781	227,875	20,526	24,563	482,982
Transfers	-	-	-	17	-	(17)	-	-
Transfer from other assets	-	830	-	-	(14,133)	-	-	(13,303)
Transfer to assets held for sale	-	-	(50,355)	(2,382)	-	(13,799)	(103,823)	(170,359)
Disposals	-	(21,778)	(5,218)	(4,707)	-	(13,248)	(7,630)	(52,581)
At 31 December 2020	149,494	527,317	563,547	244,544	437,605	37,047	1,087,110	3,046,664
Accumulated depreciation								
At 1 January 2019	(36,469)	(47,415)	(199,130)	(100,886)	-	(42,324)	-	(426,224)
Depreciation charge from continuing operations	(5,311)	(65,475)	(100,614)	(48,222)	(10,605)	(3,762)	(262,523)	(496,512)
Depreciation charge from discontinued operations	-	-	(12,825)	(743)	-	(4,278)	(24,447)	(42,293)
Transfers	-	-	(7,379)	(27,357)	-	34,736	-	-
Disposals	-	15,373	11,361	25,229	10	4,952	2,032	58,957
At 31 December 2019	(41,780)	(97,517)	(308,587)	(151,979)	(10,595)	(10,676)	(284,938)	(906,072)
Depreciation charge from continuing operations	(5,529)	(83,348)	(97,254)	(36,816)	(34,180)	(9,555)	(260,661)	(527,343)
Depreciation charge from discontinued operations	-	-	(10,669)	(186)	-	(2,600)	(24,449)	(37,904)
Transfer to assets held for sale	-	-	43,862	1,975	-	3,552	48,897	98,286
Disposals	-	6,607	4,821	4,421	1,700	1,653	167	19,369
At 31 December 2020	(47,309)	(174,258)	(367,827)	(182,585)	(43,075)	(17,626)	(520,984)	(1,353,664)
Carrying amount								
At 31 December 2019	107,714	333,469	226,575	90,856	213,268	32,909	889,062	1,893,853
At 31 December 2020	102,185	353,059	195,720	61,959	394,530	19,421	566,126	1,693,000

*(in thousands of Russian rubles, unless otherwise stated)***16 Investments in associates**

The Group holds a non-controlling interest in CJSC "VSK" (49%), which operates in the Russian Federation. The primary activity of CJSC "VSK" is insurance. The investment in CJSC "VSK" is accounted for using the equity method.

As at 31 December 2020 and 31 December 2019 and for the years then ended, the summarized financial information on the investment in CJSC "VSK" is as follows:

	31 December 2020	31 December 2019
Current assets	48,274,329	45,176,739
<i>Including cash and cash equivalents</i>	4,984,121	2,655,532
Non-current assets	110,031,708	108,876,604
Short-term liabilities	(33,394,450)	(29,248,210)
Long-term liabilities	(92,289,774)	(94,244,810)
<i>Including loans received and debt securities issued</i>	(3,343,542)	(3,659,604)
Net assets	32,621,813	30,560,323
The Group's share in net assets	15,984,688	14,974,558
Goodwill included in carrying amount and other adjustments	9,310,608	9,310,608
Carrying amount of investments in associates	25,295,296	24,285,166
	2020	2019
Result of insurance operations	(5,456,065)	2,597,743
Result of investment operations	8,471,487	6,985,096
<i>Including interest income</i>	6,563,637	7,089,948
<i>Including interest expense</i>	(335,613)	(374,529)
Result of other operations	2,399,228	(92,561)
Profit before income tax	5,414,650	8,590,278
Income tax expense	(1,430,339)	(1,589,001)
Net profit	3,984,311	7,001,277
Other comprehensive income/(loss)	77,180	1,614,228
Total comprehensive income	4,061,491	8,615,505

Information on the Group's share in profit or loss and other comprehensive income of CJSC "VSK" for 2020 and 2019 is presented below:

	2020	2019
Net profit	1,952,312	3,430,626
Other comprehensive income	37,818	790,972
Total comprehensive income	1,990,130	4,221,598

In 2020, dividends were declared with the Group's share before income tax amounting to RUB 980,000 thousand. Dividends for the year received from an associate amounted to RUB 852,600 thousand.

17 Goodwill

Changes in goodwill are presented as follows:

	2020	2019
Gross carrying amount at 1 January	25,139,058	27,439,058
Accumulated impairment losses from discontinued operations	(11,800,000)	(2,300,000)
Transfer of goodwill from discontinued operations to assets held for sale (Note 9)	(13,184,271)	-
Net carrying amount at 31 December	154,787	25,139,058

*(in thousands of Russian rubles, unless otherwise stated)***17 Goodwill (continued)****Goodwill impairment test**

For impairment testing purposes, goodwill associated with the acquisition of subsidiaries is allocated to cash-generating units (CGUs) representing the smallest identifiable group of assets, which generate cash flows that are largely independent of cash flows from other assets or groups of assets.

Goodwill is allocated to CGUs, which are not larger than an operating segment, as follows:

	<u>2020</u>	<u>2019</u>
JSC NPF "SAFMAR"	–	24,984,271
LLC "Direct Credit Center"	154,787	154,787
Net carrying amount at 31 December	<u>154,787</u>	<u>25,139,058</u>

The JSC NPF "SAFMAR" CGU

The recoverable value of the JSC NPF "SAFMAR" CGU was determined on the basis of value in use calculations using cash flow projections. In the course of the impairment testing, the information on the sale of NPF "SAFMAR" disclosed in Note 9 was also taken into account. According to financial plans for a period of up to 2028 approved by management of JSC NPF "SAFMAR," the planning horizon is 8 years. The recoverable value is calculated by discounting free cash flows to the equity over the planning horizon and by evaluating the terminal value as at the end of the planning horizon at the following rates:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Discount rate (after tax)	15.67%	12.86%
Projected growth rate	4.00%	4.00%

Calculation of the pension savings included proceeds related to the implementation of the guaranteed pension plan system scheduled for 2023. Due to the fact that at the JSC NPF "SAFMAR" valuation date the draft law on the guaranteed pension plan is under development and subject to public discussion, the scenario method was applied:

- 1 – Scenario that considers contributions under the guaranteed pension plan system using the conservative estimates;
- 2 – Scenario that does not consider contributions under the guaranteed pension plan system.

Recoverable value is based on the arithmetic average of projected cash flows under these scenarios.

As at 31 December 2020, the gross carrying amount of the JSC NPF "SAFMAR" CGU exceeds its recoverable value; therefore, an impairment loss should be recorded. The Group's management analyzed the recoverable value and believes it expedient to recognize an impairment loss of RUB 11.8 billion. The entire amount of the loss decreases the carrying amount of goodwill allocated to the JSC NPF "SAFMAR" CGU (Pension Operations segment).

*(in thousands of Russian rubles, unless otherwise stated)***17 Goodwill (continued)****The JSC NPF "SAFMAR" CGU (continued)***Sensitivity analysis*

The analysis of elasticity coefficients based on simulation modeling showed that the recoverable values of the JSC NPF "SAFMAR" CGU were most sensitive to the following key assumptions:

Factor	Recoverable value changes scale							
	-15.0%	-10.0%	-5.0%	-1.0%	1.0%	5.0%	10.0%	15.0%
Discount rate	26.6%	16.4%	7.6%	1.4%	-1.4%	-6.6%	-12.4%	-17.6%
Return from investments in pension savings, placement of pension reserves and own funds	-17.1%	-11.6%	-5.9%	-1.2%	1.2%	6.1%	12.3%	18.8%
Consumer price index	8.8%	6.5%	3.6%	0.8%	-0.8%	-4.5%	-10.1%	-16.9%
Projected increase in terminal cash flows	-2.5%	-1.7%	-0.9%	-0.2%	0.2%	0.9%	1.8%	2.8%
Payment of pension savings	1.4%	0.9%	0.5%	0.1%	-0.1%	-0.5%	-0.9%	-1.4%
Rate of contributions to the guaranteed pension plan system	-1.0%	-0.7%	-0.3%	-0.1%	0.1%	0.3%	0.7%	1.0%
Rate by number of insured individuals (rate of participation in the guaranteed pension plan system)	-1.0%	-0.7%	-0.3%	-0.1%	0.1%	0.3%	0.7%	1.0%
Outflow of pension savings	0.5%	0.3%	0.2%	0.03%	-0.03%	-0.2%	-0.3%	-0.5%
Inflow of pension savings	0.4%	0.3%	0.1%	0.03%	-0.03%	-0.1%	-0.3%	-0.4%

Discount rate

The discount rate reflects current market risk of expected cash flows. The discount rate is based on a capital asset pricing model ("CAPM") approach that considers the following:

- ▶ Risk-free rate;
- ▶ Equity risk premium and size risk premium;
- ▶ Unlevered beta;
- ▶ Industry risk premium.

To determine the cost of equity in Russian rubles, the Group determined the ratio of the yield of OFZ-2039 government bonds and the yield of Russia-2047 Eurobonds.

As a result of such calculation, the pre-tax discount rate used in calculation of the recoverable value as at 31 December 2020 was 15.67% (31 December 2019: 12.86%). Any increase in the discount rate may result in the increase of the loss from impairment of goodwill allocated to the JSC NPF "SAFMAR" CGU.

Considering the tendency of a risk-free return rate and the amount of the currency adjustment, management of the Group regards an increase in the discount rate as unlikely.

Return on investments in pension savings, placement of pension reserves and own funds

The expected return is determined based on the structure of the fund's investment portfolio and the market level of return on financial instruments. In the forecast period, return on financial instruments equals the return on the entire portfolio in the previous period adjusted for a relative change in the key rate.

As at 31 December 2020, the average annual discount rate beyond the planned period used in the calculation of the recoverable value was 5.94% (31 December 2019: 6.85%). Any decrease in this value may result in the increase in the loss from impairment of goodwill allocated to the JSC NPF "SAFMAR" CGU.

Considering the projections of the key rate, historical data on the return on investment instruments and the structure of the fund's investment portfolio, management of the Group regards the decrease in the return as unlikely and, consequently, an increase in the loss due to change in this assumption is also unlikely.

(in thousands of Russian rubles, unless otherwise stated)

17 Goodwill (continued)

The JSC NPF "SAFMAR" CGU (continued)

Consumer price index

Projected CPI for the period of 2021-24 comprise a consensus forecast of Russian and foreign companies and organizations performing analyses and surveys in the area of the global economic policy. Starting 2025, the CPI is applied at the level of 2024.

As at 31 December 2020, the average annual consumer prices growth rate beyond the planned period used in the calculation of the recoverable value was 103.92% (31 December 2019: 103.96%). Any increase in the average annual rate may result in the increase in the loss from impairment of goodwill allocated to the JSC NPF "SAFMAR" CGU.

Considering the long-term forecasts of the Ministry of Economic Development of the Russian Federation with respect to the expected inflation rate, management of the Group believes that there are no preconditions for the significant change in the CPI.

Forecast growth rate used to extrapolate cash flows beyond the planned period

To determine the terminal value, the Group used the Gordon model with a long-term cash flow growth rate of 4.0% (31 December 2019: 4.0%). The rate is based on the published long-term inflation forecast for 2025 prepared by the Russian Ministry of Economic Development.

Where the growth rate over the terminal period falls by any value, the amount of impairment of goodwill allocated to the JSC NPF "SAFMAR" CGU may increase.

Management believes that there are no preconditions for the significant change in the CPI and, consequently, in the long-term cash flow growth rate.

Rate of contributions to the guaranteed pension plan system

Calculation of the recoverable value was based on the minimum rate of contributions to the guaranteed pension plan system, which, according to the estimates of the Ministry of Economic Development of the Russian Federation, citizens of the Russian Federation will on the average made from their salaries.

As at 31 December 2020, the rate of the contributions to the guaranteed pension plan system used in calculation of the recoverable value was 2% (31 December 2019: 2%). Any decrease in this value may result in the increase in the loss from impairment of goodwill allocated to the JSC NPF "SAFMAR" CGU.

Management of the Group regards the decrease in the rate of contribution to the guaranteed pension plan system as unlikely.

Rate by number of insured individuals (rate of participation in the guaranteed pension plan system)

The rate of participation in the guaranteed pension plan system was determined on the basis of the share of JSC NPF "SAFMAR" in the total number of individuals insured in non-state pension system as potential participants of the guaranteed pension plan system.

As at 31 December 2020, the rate of participation in the guaranteed pension plan system used in calculation of the recoverable value was 10.3% (31 December 2019: 10.4%). Any decrease in this value may result in the increase in the loss from impairment of goodwill allocated to the JSC NPF "SAFMAR" CGU.

Considering the historical share of individuals insured by JSC NPF "SAFMAR," management of the Group regards the decrease in the rate of participation in the guaranteed pension plan system as unlikely.

*(in thousands of Russian rubles, unless otherwise stated)***17 Goodwill (continued)****The JSC NPF "SAFMAR" CGU (continued)***Payment of funds under compulsory pension insurance (CPI) contracts*

The rate of payments under compulsory pension insurance contracts reflects the decrease in the amount of pension savings upon the occurrence of pension entitlement (retirement age, disability, death of the insured individual (payment to assignee)).

As at 31 December 2020, the average annual payments beyond the planned period used in the calculation of the recoverable value was 2.01% (31 December 2019: 1.84%). Any increase in this value may result in the increase in the loss from impairment of goodwill allocated to the JSC NPF "SAFMAR" CGU.

Based on the demographic actuarial assumptions, management of the Group regards the increase in the payment rate of pension savings as unlikely.

Outflow of funds under compulsory pension insurance (CPI) contracts

Outflow of pension savings results from transfer of the customers' funds to other non-state pension funds.

For the purpose of calculating the recoverable value, the average annual outflow of pension savings beyond the planned period as at 31 December 2020 was 0.29% (31 December 2019: 0.69%). Any increase in this value may result in the increase in the loss from impairment of goodwill allocated to the JSC NPF "SAFMAR" CGU.

Considering the trend to limit mass migration of clients between the funds (initiative of the CBR to freeze early transfers) and implementation of the new transfer rules (applications can be submitted only through the Pension Fund of the Russian Federation or the Unified portal of government services), management of the Group treats such an increase in the percentage of the outflow of pension savings as unlikely.

The LLC "Direct Credit Center" CGU

The recoverable value of the LLC "Direct Credit Center" CGU was determined based on value in use, using cash flow projections. According to the financial plans for a period of up to 2025 approved by management of LLC "Direct Credit Center," the planning horizon is 5 years. The recoverable value is calculated by discounting free cash flows to the equity over the planning horizon and by evaluating the terminal value as at the end of the planning horizon at the following rates:

- ▶ Pre-tax discount rate of 15.24%; and
- ▶ Projected growth rate of 2.50%.

As at 31 December 2020, the Group identified no impairment of goodwill allocated to the LLC "Direct Credit Center" CGU.

Sensitivity analysis

The analysis of elasticity coefficients based on simulations modeling showed that the recoverable values of the LLC "Direct Credit Center" CGU were most sensitive to the following key assumptions:

Factor	Recoverable value changes scale							
	-15.0%	-10.0%	-5.0%	-1.0%	1.0%	5.0%	10.0%	15.0%
Credit brokerage fee (% of the borrowed funds)	-92.0%	-61.3%	-30.7%	-6.1%	6.1%	30.7%	61.3%	92.0%
Share in offline credit sales	-18.7%	-12.5%	-6.2%	-1.2%	1.2%	6.1%	8.9%	11.5%
Share of offline credit sales	-18.7%	-12.5%	-6.2%	-1.2%	1.2%	6.2%	12.5%	18.7%
Discount rate	20.2%	12.6%	5.9%	1.1%	-1.1%	-5.2%	-9.9%	-14.1%
Share of online credit sales	-5.4%	-3.6%	-1.8%	-0.4%	0.4%	1.8%	3.6%	5.4%
Share in online credit sales	-5.4%	-3.6%	-1.8%	-0.4%	0.1%	0.5%	0.9%	1.4%
Projected increase in terminal cash flows	-1.8%	-1.2%	-0.6%	-0.1%	0.1%	0.6%	1.2%	1.9%
Share of m RTD executions in offline sales of M.Video	1.8%	1.2%	0.6%	0.1%	-0.1%	-0.6%	-1.2%	-1.8%
Consumer price index	1.6%	1.1%	0.5%	0.1%	-0.1%	-0.5%	-1.1%	-1.6%

(in thousands of Russian rubles, unless otherwise stated)

17 Goodwill (continued)

The LLC "Direct Credit Center" CGU (continued)

Credit brokerage fee (% of the borrowed funds)

A decrease in the credit brokerage fee (% of the borrowed funds) in each project in each period of the planned horizon by more than 12.76% may result in a loss from impairment of goodwill allocated to the LLC "Direct Credit Center" CGU.

The Group's management regards the decrease in fee based on the volume of borrowed funds as unlikely.

Share of LLC "Direct Credit Center" in offline credit sales

As at 31 December 2020, the average annual share of LLC "Direct Credit Center" in offline credit sales is 86%.

A decrease in the share of LLC "Direct Credit Center" in offline credit sales by more than 62.8% may result in a loss from impairment of goodwill allocated to the LLC "Direct Credit Center" CGU.

The Group's management regards the decrease in the share of LLC "Direct Credit Center" in offline credit sales as unlikely.

Share of offline credit sales

As at 31 December 2020, the average annual share of offline credit sales is 15%.

A decrease in the share of offline credit sales by more than 62.8% may result in a loss from impairment of goodwill allocated to the LLC "Direct Credit Center" CGU.

The Group's management regards the decrease in the share of offline credit sales as unlikely.

Discount rate

The discount rate reflects current market risk of expected cash flows. The discount rate is based on the capital asset pricing model ("CAPM") that considers the following:

- ▶ Risk-free rate;
- ▶ Equity risk premium and size risk premium;
- ▶ Unlevered beta.

To calculate the cost of equity in Russian rubles, the Group determined the ratio of the yield of OFZ-2039 government bonds and the yield of Russia-2047 Eurobonds.

As a result of such calculation, the discount rate was 15.24%.

A discount rate increased more than 5.5 times may result in impairment of goodwill allocated to the LLC "Direct Credit Center" CGU.

The Group's management regards such an increase in the discount rate as unlikely.

Share of online credit sales

As at 31 December 2020, the average annual share of online credit sales is 21%.

The absence of the share of online credit sales doesn't give rise to impairment of goodwill allocated to the LLC "Direct Credit Center" CGU due to the receipt of revenue from offline sales.

(in thousands of Russian rubles, unless otherwise stated)

17 Goodwill (continued)

The LLC "Direct Credit Center" CGU (continued)

Share of LLC "Direct Credit Center" in online credit sales

As at 31 December 2020, the average annual share of LLC "Direct Credit Center" in online credit sales is 89%.

The absence of the share of LLC "Direct Credit Center" in online credit sales doesn't give rise to impairment of goodwill allocated to the LLC "Direct Credit Center" CGU due to the receipt of revenue from offline sales.

Forecast growth rate used to extrapolate cash flows beyond the planned period

In order to determine the terminal value, the Group used the Gordon model with a long-term cash flow growth rate of 2.5%.

The goodwill allocated to the LLC "Direct Credit Center" CGU is not impaired.

Share of requests processed using applications of retail space consultants (offline sales)

As at 31 December 2020, the annual average share of requests processed using applications of retail space consultants (offline sales) in the offline sales of M.Video is 40.1%.

If other assumptions remain unchanged, the goodwill allocated to the LLC "Direct Credit Center" CGU is not impaired in the absence of requests processed using applications of retail space consultants (offline sales).

Consumer price index

Projected CPI for the period of 2021-23 comprise a consensus forecast of Russian and foreign companies and organizations performing analyses and surveys in the area of the global economic policy. An increase in the expected consumer price growth rates will entail a decrease in the recoverable value.

As at 31 December 2020, the average annual consumer price growth rate beyond the planned period used in the calculation of the recoverable value was 103.68%. A 6.7 time increase in the expected consumer price growth rate in each period may give rise to a loss from impairment of goodwill allocated to the LLC "Direct Credit Center" CGU.

Given the amount of the increase, the Group's management considers the increase in the consumer price index impossible.

Sensitivity to changes in assumptions

Based on the sensitivity analysis, the Group's management concluded that the expected changes in key assumptions used to determine the recoverable values of the JSC NPF "SAFMAR" and LLC "Direct Credit Center" CGUs will have no significant effect on their recoverable values.

*(in thousands of Russian rubles, unless otherwise stated)***18 Other assets**

	<u>31 December 2020</u>	<u>31 December 2019</u>
Other financial assets		
Insurance premium receivable	459,736	456,207
Settlements with counterparties	193,336	67,476
Lease receivables	137,851	89,579
Insurance agency fee receivable	15,963	21,899
Dividends payable	–	976,598
Other	10,879	56,003
Allowance for expected credit losses on lease receivables	(72,783)	(53,202)
Allowance for expected credit losses on other financial assets	(30,561)	(29,607)
Total other financial assets	<u>714,421</u>	<u>1,584,953</u>
Other non-financial assets		
Settlements on securities	2,794,714	17,100,015
Leased assets repossessed/returned	722,658	706,757
Prepayments to counterparties	146,725	262,362
Intangible assets	84,771	108,829
Deferred expenses	70,789	56,551
Prepaid taxes other than income tax	62,622	26,400
Prepaid insurance cost	27,359	22,042
Receivables from an associate acting as a tax agent	–	307,262
Other	64,594	21,158
Total other non-financial assets	<u>3,974,232</u>	<u>18,611,376</u>
Total other assets	<u>4,688,653</u>	<u>20,196,329</u>

Settlements on securities include advance payments used to acquire the Company's treasury shares.

Leased assets repossessed are assets repossessed by the Group from delinquent lessees under canceled lease agreements. The leased assets are stated at the lower of cost and net realizable value.

19 Compulsory pension insurance and non-state pension liabilities

Liabilities under pension agreements are as follows:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Liabilities under compulsory pension insurance contracts with DPF	–	251,442,867
Liabilities under non-state pension investment contracts with DPF	264,337	5,440,043
Liabilities under non-state pension insurance contracts with DPF	–	2,902,509
Total pension liabilities	<u>264,337</u>	<u>259,785,419</u>

*(in thousands of Russian rubles, unless otherwise stated)***19 Compulsory pension insurance and non-state pension liabilities (continued)**

Changes in pension liabilities for 2020 and 2019 are presented in the table below:

	<i>Liabilities under compulsory pension insurance contracts with DPF</i>	<i>Liabilities under non-state pension investment contracts with DPF</i>	<i>Liabilities under non-state pension insurance contracts with DPF</i>	<i>Total</i>
Liabilities at 1 January 2020	251,442,867	5,440,043	2,902,509	259,785,419
Change in liabilities from continuing operations				
Increase in liabilities due to receipt of pension contributions	–	1,259	–	1,259
Decrease in liabilities due to pension payments, death of the insured individuals and termination of respective agreements	–	(78,105)	–	(78,105)
Release of pension liabilities subject to transfer to CPIR and insurance reserve	–	132	–	132
Investment income	–	20,605	–	20,605
Other	–	(780)	–	(780)
Total change in liabilities from continuing operations	–	(56,889)	–	(56,889)
Change in liabilities from discontinued operations				
Increase in liabilities due to receipt of pension contributions	1,433,512	449,835	–	1,883,347
Decrease in liabilities due to pension payments, death of the insured individuals and termination of respective agreements	(5,733,839)	(478,634)	(323,212)	(6,535,685)
Release of pension liabilities subject to transfer to CPIR and insurance reserve	(323,783)	–	–	(323,783)
Investment income	5,355,953	267,703	139,993	5,763,649
Other	(107,438)	(15,320)	(470)	(123,228)
Total change in liabilities from discontinued operations	624,405	223,584	(183,689)	664,300
Transfer to liabilities directly related to assets held for sale (Note 9)	(252,067,272)	(5,342,401)	(2,718,820)	(260,128,493)
Liabilities at 31 December 2020	–	264,337	–	264,337

(in thousands of Russian rubles, unless otherwise stated)

19 Compulsory pension insurance and non-state pension liabilities (continued)

	<i>Liabilities under compulsory pension insurance contracts with DPF</i>	<i>Liabilities under non-state pension investment contracts with DPF</i>	<i>Liabilities under non-state pension insurance contracts with DPF</i>	<i>Total</i>
Liabilities at 1 January 2019	241,637,437	5,132,595	2,826,520	249,596,552
Change in liabilities from continuing operations				
Decrease in liabilities due to pension payments, death of the insured individuals and termination of respective agreements	-	(75,541)	-	(75,541)
Investment income	-	43,515	-	43,515
Other	-	(7,495)	-	(7,495)
Total change in liabilities from continuing operations	-	(39,521)	-	(39,521)
Change in liabilities from discontinued operations				
Increase in liabilities due to receipt of pension contributions	7,317,346	387,499	22,506	7,727,351
Decrease in liabilities due to pension payments, death of the insured individuals and termination of respective agreements	(13,044,916)	(459,837)	(237,080)	(13,741,833)
Release of pension liabilities subject to transfer to CPIR and insurance reserve	(444,138)	(82,239)	-	(526,377)
Investment income	15,848,929	480,865	275,539	16,605,333
Other	128,209	20,681	15,024	163,914
Total change in liabilities from discontinued operations	9,805,430	346,969	75,989	10,228,388
Liabilities at 31 December 2019	251,442,867	5,440,043	2,902,509	259,785,419

Pension liabilities subject to transfer to the CPIR and the insurance reserve are released in accordance with Federal Law No. 75-FZ *On Non-state Pension Funds* of 7 May 1998, statutory acts of the CBR and the Federal Financial Markets Service. Pension liabilities released represent a part of pension liabilities remaining after the termination of pension agreements as well as a part of investment income for the previous reporting periods not fixed on individual pension accounts of insured persons when they change the non-state pension fund within a period of less than five years since the year the compulsory pension insurance contract with the Fund entered into force.

Transfer of pension obligations

In 2017, the Group assumed the obligations of JSC "Non-state Pension Fund "Commercial and Industrial Pension Fund" (JSC "NPF "CIP Fund"), JSC "NPF "MECHEL-FUND" and JSC "First National Pension Fund" related to the payment of lifetime non-state pensions.

As at 31 December 2020, total proceeds from JSC "Non-state Pension Fund "Commercial and Industrial Pension Fund" (JSC "NPF "CIP Fund"), JSC "NPF "MECHEL-FUND" and JSC "First National Pension Fund" related to the payment of lifetime non-state pensions amounted to RUB 1,360,762 thousand (31 December 2019: RUB 1,350,975 thousand). In 2020, the new liabilities the Group assumed from JSC "Non-state Pension Fund "Commercial and Industrial Pension Fund" (JSC "NPF "CIP Fund") and JSC "NPF "MECHEL-FUND" related to the payment of lifetime non-state pensions amounted to RUB 9,787 thousand (31 December 2019: RUB 33,061 thousand).

As at 31 December 2020, the Group fulfilled the assumed liabilities related to the payment of lifetime non-state pensions in the amount of RUB 514,877 thousand (31 December 2019: RUB 397,520 thousand).

(in thousands of Russian rubles, unless otherwise stated)

20 Borrowings

As at 31 December 2020, borrowings in the amount of RUB 74,085,085 thousand (31 December 2019: RUB 51,711,528 thousand) represent RUB-denominated loans received from banks registered in the Russian Federation.

As at 31 December 2020, the Group has borrowings from three counterparties (31 December 2019: two counterparties) with a total amount payable to each of the counterparty exceeding 10% of equity. The gross amount of these payables as at 31 December 2020 is RUB 61,861,454 thousand (31 December 2019: RUB 39,969,683 thousand).

In December 2019, the Company attracted RUB-denominated loan from one Russian bank at a fixed interest rate of 10% p.a. The loan matures within 60 months in accordance with the established schedule. As at 31 December 2020, payables under the loan amounted to RUB 18,331,966 thousand (31 December 2019: RUB 13,655,890 thousand).

The loan agreement provides for obligatory early repayment under certain conditions (as at 31 December 2020, there were no such conditions). The loan agreement also provides for an option to repay the loan using the funds attracted through the issue of bonds. In addition, not later than 28 February of each year starting from and including 2021, the Group must use 100% of available cash for early repayment of the loan. The amount of available cash is the amount of dividends received from certain subsidiaries and associates less fixed amount of cash spent in accordance with the Loan Agreement, transaction expenses paid, including interest paid and payments of principal in accordance with the schedule.

As at 31 December 2020, net investment in leases before allowance for expected credit losses, in the amount of RUB 36,548,220 thousand (31 December 2019: RUB 29,606,788 thousand) were pledged as collateral for borrowings amounting to RUB 39,354,318 thousand (31 December 2019: RUB 35,743,617 thousand).

As at 31 December 2020, the Group pledged the following shares as collateral for loans: 100% of the share capital of JSC NPF "SAFMAR," 100% of the share capital of JSC "LC "Europlan" and 100% of the share capital of WERIDGE INVESTMENTS LIMITED; and issued an independent guarantee for RUB 5,900,000 thousand payable in case one of the subsidiaries fails to meet its obligations.

As at 31 December 2019, the Group pledged 75% + 1 share of JSC NPF "SAFMAR" and 9,410,830 treasury shares recorded on the balance sheet of WERIDGE INVESTMENTS LIMITED as loan collateral.

21 Bonds issued

Bonds issued comprise the following:

	<i>Date of placement</i>	<i>Maturity</i>	<i>Offer period</i>	<i>Coupon rate at 31 December 2020</i>	<i>Coupon rate at 31 December 2019</i>	<i>31 December 2020</i>	<i>31 December 2019</i>
Series BO-02	August 2015	August 2021	–	8.60%	8.60%	3,230,838	1,889,666
Series BO-03	October 2019	September 2029	October 2022	8.80%	8.80%	4,953,980	4,950,170
Series BO-05	February 2019	February 2029	March 2021	9.75%	9.75%	3,095,503	3,093,131
Series BO-06	May 2019	May 2029	May 2021	9.40%	9.40%	1,254,118	1,252,830
Series BO-07	October 2016	September 2026	October 2021	8.50%	8.50%	2,216,200	1,983,898
Series BO-08	July 2018	June 2028	December 2021	7.40%	9.35%	4,825,264	4,989,823
Total bonds issued						19,575,903	18,159,518

In 2020, bonds of Series BO-02 with a nominal value of RUB 1,009,828 thousand were redeemed by the Group, and bonds of Series BO-02 with a nominal value of RUB 2,349,884 thousand were sold in the market. As at 31 December 2020, the Group redeemed bonds of Series BO-02 with a nominal value of RUB 1,810,044 thousand (31 December 2019: RUB 3,150,000 thousand).

*(in thousands of Russian rubles, unless otherwise stated)***21 Bonds issued (continued)**

In 2020, bonds of Series BO-07 with a nominal value of RUB 505,572 thousand were redeemed by the Group and bonds of Series BO-07 with a nominal value of RUB 727,936 thousand were sold in the market. As at 31 December 2020, the Group redeemed bonds of Series BO-07 with a nominal value of RUB 2,818,064 thousand (31 December 2019: RUB 3,040,428 thousand).

The Group may be required to early redeem a part of bonds subject to the decision of bondholders in 2021-22 on the established offer dates, as well as subject to the agreement with the bondholders.

22 Other liabilities

Other liabilities comprise the following:

	31 December 2020	31 December 2019
Other financial liabilities		
Settlements with insurance companies	571,811	514,831
Settlements with suppliers	543,830	461,588
Taxes payable other than income tax	252,799	252,586
Accrued expenses	96,839	95,811
Payables to employees	10,517	122,148
Settlements with management companies	206	640,280
Settlements with Deposit Insurance Agency	-	62,476
Settlements with specialized depository	-	5,238
Other	48,699	-
Total other financial liabilities	1,524,701	2,154,958
Other non-financial liabilities		
Deferred remuneration to employees	1,246,265	1,414,660
Deferred income, including related to state grants	792,870	363,019
Provision for legal proceedings	141,113	87,654
Other liabilities	82,826	20,731
Total other non-financial liabilities	2,263,074	1,886,064
Total other liabilities	3,787,775	4,041,022

Deferred remuneration to employees is included in provisions.

23 Share capital and additional paid-in capital, compulsory pension insurance reserve and insurance reserve

As at 31 December 2020, the issued and fully paid outstanding share capital of RUB 74,797 thousand (31 December 2019: RUB 74,797 thousand) comprises 111,637,791 ordinary registered shares with a nominal value of RUB 0.67 each.

As at 31 December 2020, the Group's additional paid-in capital of RUB 67,297,565 thousand (31 December 2019: RUB 67,312,441 thousand) consists of the excess of the fair value of the consideration received by the Company over the nominal value of the shares issued, contributions from the shareholder and financial results from sale of treasury shares.

Movements in the number of treasury shares in 2020 and 2019 were as follows:

	2020	2019
At 1 January (number of shares)	19,707,903	12,429,753
Received as advance payments for 2019	32,004,769	-
Acquired	12,710,170	7,585,880
Sold	(693,780)	(307,730)
At 31 December	63,729,062	19,707,903

*(in thousands of Russian rubles, unless otherwise stated)***23 Share capital and additional paid-in capital, compulsory pension insurance reserve and insurance reserve (continued)**

The weighted average price of one share purchased was RUB 518.55 (2019: RUB 520.33); the weighted average price of one share sold was RUB 528.56 (2019: RUB 559.24).

Basic earnings per share are calculated by dividing the profit attributable to the Group's shareholders by the weighted average number of ordinary registered shares in issue during the years ended 31 December 2020 and 31 December 2019.

	2020	2019
(Loss)/profit for the year attributable to shareholders	(3,719,197)	9,196,507
Profit for the year from continuing operations, attributable to shareholders	9,550,576	7,614,483
Weighted average number of shares in issue	67,206,104	95,682,332
(Loss)/earnings per share (expressed in Russian rubles per share)	(55.34)	96.11
Earnings per share from continuing operations (expressed in Russian rubles per share)	142.11	79.58

In 2020, the Group paid dividends to the non-controlling interest in the amount of RUB 38,544 thousand.

The compulsory pension insurance reserve and the insurance reserve are reserves for sustainable fulfillment of pension obligations to participants and insured persons formed in accordance with the legislation.

	31 December 2020	31 December 2019
Compulsory pension insurance reserve	7,341,119	8,436,709
Insurance reserve	805,917	764,073
Total reserves for pension liabilities	8,147,036	9,200,782

24 Interest income and expense

Interest income and expense are as follows:

	2020	2019 (Restated)
Continuing operations		
Interest income calculated using the effective interest rate	221,781	152,774
Other interest income		
Net investment in leases	14,106,901	12,465,033
Financial instruments at fair value through profit or loss	116,051	371,993
Other	-	1,073
Total interest income	14,444,733	12,990,873
Interest expense		
Borrowings	(5,044,174)	(3,444,987)
Bonds issued	(1,667,019)	(1,425,459)
Lease liabilities	(79,988)	(102,488)
Total interest expense	(6,791,181)	(4,972,934)
Total net interest income from continuing operations	7,653,552	8,017,939
Net interest expense from discontinued operations (Note 9)	(1,399)	(10,062)
Total net interest income	7,652,153	8,007,877

(in thousands of Russian rubles, unless otherwise stated)

25 Credit loss expense and other losses from impairment and provisions

	2020	2019 (Restated)
Credit loss expense from continuing operations		
Credit loss expense on leased assets		
Charge of allowance for expected credit losses on net investment in leases	(105,628)	(85,202)
Charge of allowance for expected credit losses on lease receivables	(122,544)	(114,365)
Total credit loss expense on leased assets	(228,172)	(199,567)
Credit loss income/(expense) on other assets		
Reversal/(charge) of allowance for expected credit losses on cash and cash equivalents	7,478	(13,652)
Reversal/(charge) of allowance for expected credit losses on deposits with banks	297	(30)
Reversal of allowance for receivables	-	9,317
Reversal of allowance for expected credit losses on reverse repurchase agreements	437	575
Charge of allowance for expected credit losses on other assets	(31,684)	(33,258)
Total credit loss expense on other assets	(23,472)	(37,048)
Total credit loss expense from continuing operations	(251,644)	(236,615)
Credit loss income from discontinued operations (Note 9)	6,671	3,216
Total credit loss expense	(244,973)	(233,399)
	2020	2019 (Restated)
Other losses from impairment and provisions from continuing operations		
(Charge)/reversal of allowance for impairment of Assets purchased and advances to suppliers for lease operations	(5,298)	4,386
Charge of provision for litigations	(106,675)	(99,092)
Total other losses from impairment and provisions from continuing operations	(111,973)	(94,706)
Expense on other credit losses from impairment and provisions from discontinued operations	-	-
Total other losses from impairment and provisions	(111,973)	(94,706)

26 Pension contributions

Pension contributions are as follows:

	2020	2019 (Restated)
Pension contributions on continuing operations		
Non-state pension contributions		
Contributions from legal entities	1,259	-
Contributions from individuals	-	-
Total non-state pension contributions	1,259	-
Total pension contributions on continuing operations	1,259	-
Pension contributions on discontinued operations (Note 9)	1,883,347	7,727,351
Total pension contributions	1,884,606	7,727,351

*(in thousands of Russian rubles, unless otherwise stated)***27 Pension payments**

Pension payments are as follows:

	2020	2019 (Restated)
Pension payments on continuing operations		
Non-state pension payments		
Pension payments	(77,344)	(74,694)
Payment of cash surrender values	(761)	(847)
Total non-state pension payments	(78,105)	(75,541)
Total pension payments on continuing operations	(78,105)	(75,541)
Pension payments on discontinued operations (Note 9)	(6,535,685)	(13,741,833)
Total pension payments	(6,613,790)	(13,817,374)

28 Net gain of pension funds from placement of own funds, pension savings and pension reserves

Gains of pension funds from placement of own funds, pension savings and pension reserves are as follows:

	2020	2019 (Restated)
Gain (loss) of pension funds from placement of own funds, pension savings and pension reserves from continuing operations		
Interest income		
Corporate bonds	21,087	22,366
Government bonds	5,949	10,263
Deposits and settlement accounts	18,975	17,385
Total interest income	46,011	50,014
Revaluation (loss)/gain from financial instruments at fair value through profit or loss	(66,915)	16,004
Loss from financial instruments at fair value through profit or loss	(414)	-
Other investment (expense)/income	(328)	7,629
Total (loss)/gain from financial instruments at fair value through profit or loss	(21,646)	73,647
Fee and commission expense		
Trustee fee	(1,153)	(4,748)
Special depository fee	(333)	(333)
Total fee and commission expense	(1,486)	(5,081)
Total net (loss)/gain of pension funds from placement of own funds, pension savings and pension reserves from continuing operations	(23,132)	68,566
Net gain of pension funds from placement of own funds, pension savings and pension reserves from discontinued operations (Note 9)	5,314,541	22,287,968
Total net gain of pension funds from placement of own funds, pension savings and pension reserves	5,291,409	22,356,534

*(in thousands of Russian rubles, unless otherwise stated)***29 Change in pension liabilities**

Movements in pension liabilities recorded in the consolidated statement of profit or loss and other comprehensive income are as follows:

	2020	2019 (Restated)
Change in pension liabilities from continuing operations		
Compulsory pension insurance contracts	–	–
Non-state pension arrangements	56,889	39,521
Total change in pension liabilities from continuing operations	56,889	39,521
Change in pension liabilities from discontinued operations (Note 9)	(664,300)	(10,228,388)
Total change in pension liabilities	(607,411)	(10,188,867)

Movements in pension liabilities are detailed in Note 19.

30 Income from financial intermediation services

Income from financial intermediation services comprise remuneration the Group received for providing intermediation credit broker services that included providing borrowings for purchase of goods and services in the form of consumer loans from Russian credit institutions.

31 Net other income

Net other income is as follows:

	2020	2019
Insurance agency fees	1,913,753	1,697,356
Income from services provided to lessees	810,545	818,392
Other income from lease activities	592,018	590,949
Government grants	472,427	–
Income from sale of leased assets repossessed	447,751	261,761
One-off income from reimbursement of property tax from budget	–	213,753
Other	77,624	214,547
Total other income	4,314,118	3,796,758

32 Staff expenses

Staff expenses are as follows:

	2020	2019 (Restated)
Staff expenses from continuing operations		
Employee compensation	(4,486,963)	(4,524,120)
Payroll related taxes	(1,079,721)	(1,099,940)
Other staff expenses	(162,137)	(179,000)
Total staff expenses from continuing operations	(5,728,821)	(5,803,060)
Staff expenses from discontinued operations (Note 9)	(487,524)	(423,816)
Total staff expenses	(6,216,345)	(6,226,876)

(in thousands of Russian rubles, unless otherwise stated)

33 Other operating expenses

Other operating expenses are as follows:

	2020	2019 (Restated)
Other operating expenses from continuing operations		
General and other administrative expenses	(501,026)	(752,218)
Depreciation of property and equipment and right-of-use assets	(493,163)	(485,907)
Advertising and marketing	(306,023)	(311,666)
Office maintenance	(145,729)	(152,874)
Professional services	(134,037)	(78,387)
Communication services	(109,802)	(119,568)
Amortization of intangible assets	(32,781)	(35,236)
Other	(38,925)	(45,342)
Total other operating expenses from continuing operations	(1,761,486)	(1,981,198)
Total other operating expenses from discontinued operations (Note 9)	(377,521)	(385,263)
Total other operating expenses	(2,139,007)	(2,366,461)

34 Income tax

Income tax expense recorded in profit or loss for the year comprises the following:

	2020	2019 (Restated)
Current tax charge from continuing operations	(1,541,298)	(890,507)
Deferred tax charge from continuing operations	(607,954)	(705,334)
Income tax expense from continuing operations	(2,149,252)	(1,595,841)
Current tax charge from continuing operations	(204,812)	(332,793)
Deferred tax charge from continuing operations	138,106	(314,541)
Income tax expense from discontinued operations (Note 9)	(66,706)	(647,334)
Income tax expense	(2,215,958)	(2,243,175)

The current income tax rate applicable to the majority of the Group's income is 20%. A reconciliation between the theoretical (expected) and the actual income tax charge is provided below.

	2020	2019 (Restated)
Profit before income tax from continuing operations	11,742,296	9,261,716
Theoretical income tax charge using the Russian Federation statutory income tax rate: 20%	(2,348,459)	(1,852,343)
Non-deductible expenses and other permanent differences	64,964	121,826
Difference between rates	134,243	134,676
Income tax expense from continuing operations	(2,149,252)	(1,595,841)
Income tax expense from discontinued operations	(66,706)	(647,334)
Income tax expense	(2,215,958)	(2,243,175)

The effective income tax rate on continuing operations for the year 2020 was 18% (2019: 17%).

(in thousands of Russian rubles, unless otherwise stated)

34 Income tax (continued)

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

	1 January 2020	Recognized in profit or loss from continuing operations	Recognized in profit or loss from discontinued operations	Reclassified to assets held for sale	Recognized in other comprehensive income	31 December 2020
Cash and cash equivalents	1,872	(11)	-	-	-	1,861
Financial instruments at fair value through profit or loss	7,199	(7,199)	-	-	-	-
Reverse repurchase agreements and accounts receivable	804	(116)	28	(28)	-	688
Other assets	128,605	(39,842)	(2,708)	3,380	-	89,435
Lease liabilities	191,586	(42,904)	(4,300)	4,300	-	148,682
Other liabilities	321,184	123,979	16,682	(15,404)	8,934	455,375
Tax loss carry forwards	1,521,202	(49)	(184,589)	(1,266,427)	-	70,137
Deferred income tax assets	2,172,452	33,858	(174,887)	(1,274,179)	8,934	766,178
Net investment in leases after impairment allowance	(1,804,360)	(301,417)	-	-	-	(2,105,777)
Financial instruments at fair value through profit or loss	-	7,199	202,176	(216,642)	-	(7,267)
Deferred acquisition costs	(1,451,128)	-	106,451	1,344,677	-	-
Property and equipment and right-of-use assets	(310,312)	8,289	4,366	9,790	-	(287,867)
Investments in associates	(1,068,208)	(356,279)	-	-	-	(1,424,487)
Borrowings	(1,186)	396	-	-	-	(790)
Deferred income tax liabilities	(4,635,194)	(641,812)	312,993	1,137,825	-	(3,826,188)
Net deferred tax liabilities	(2,462,742)	(607,954)	138,106	(136,354)	8,934	(3,060,010)
Including:						
Deferred tax assets	126,420	33,858	(174,887)	95,529	8,934	89,854
Deferred tax liabilities	(2,589,162)	(641,812)	312,993	(231,883)	-	(3,149,864)

	1 January 2019	Recognized in profit or loss from continuing operations	Recognized in profit or loss from discontinued operations	Effect of transition to IFRS 16	31 December 2019
Cash and cash equivalents	3,219	(1,347)	-	-	1,872
Financial instruments at fair value through profit or loss	39,693	(229)	(32,265)	-	7,199
Reverse repurchase agreements and accounts receivable	2,425	(1,621)	-	-	804
Other assets	299,476	(128,758)	(42,113)	-	128,605
Borrowings	3,880	(3,880)	-	-	-
Lease liabilities	-	(38,421)	(3,580)	233,587	191,586
Other liabilities	320,220	30,990	(30,026)	-	321,184
Tax loss carry forwards	1,874,246	(49,181)	(303,863)	-	1,521,202
Deferred income tax assets	2,543,159	(192,447)	(411,847)	233,587	2,172,452
Net investment in leases after impairment allowance	(1,537,361)	(266,999)	-	-	(1,804,360)
Deferred acquisition costs	(1,562,590)	-	111,462	-	(1,451,128)
Property and equipment and right-of-use assets	(67,980)	5,411	(14,156)	(233,587)	(310,312)
Investments in associates	(818,095)	(250,113)	-	-	(1,068,208)
Borrowings	-	(1,186)	-	-	(1,186)
Deferred income tax liabilities	(3,986,026)	(512,887)	97,306	(233,587)	(4,635,194)
Net deferred tax liabilities	(1,442,867)	(705,334)	(314,541)	-	(2,462,742)
Including:					
Deferred tax assets	432,526	(127,846)	(411,847)	233,587	126,420
Deferred tax liabilities	(1,875,393)	(577,488)	97,306	(233,587)	(2,589,162)

(in thousands of Russian rubles, unless otherwise stated)

35 Financial risk management

Introduction

Risk is inherent in the Group's activities. The Group is exposed to credit risk, liquidity risk and market risk. The Group is also subject to operational risk. The Group manages risks through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The risk management process is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Group's strategic planning process.

Risk management

Risk management functions are implemented at all corporate governance levels.

The overall responsibility for risk identification and control lies with the Board of Directors, which is responsible for the overall risk management approach and for approving the risk strategies and principles. There are also separate independent bodies responsible for managing and monitoring risks, namely for:

- ▶ Implementing and maintaining risk-related procedures to ensure an independent control process;
- ▶ Analyzing and setting new risk limits;
- ▶ Preparing internal documents on risk management procedures, including the identification, evaluation and control of risks;
- ▶ Independently analyzing and evaluating all types of risk to which the Group is exposed;
- ▶ Assigning credit risk categories.

Risk measurement systems

The Group's risks are measured using a method which reflects both the expected loss likely to arise in normal circumstances and unexpected losses which are an estimate of the ultimate actual loss based on statistical models. The models make use of probabilities derived from experience, adjusted to reflect the economic environment. The Group also runs worst case scenarios that would arise in the event that events which are unlikely to occur do in fact occur.

Risks are primarily monitored and controlled using the limits established by the Group. These limits reflect the business strategy and market environment of the Group as well as the level of risk that the Group is willing to accept. In addition, the Group monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

Information compiled from all the businesses is examined and processed in order to analyze, control and early identify risks. This information includes data on aggregate credit exposure, credit metric forecasts, hold limit exceptions, liquidity ratios and risk profile changes.

Risk concentrations

Risk concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Risk concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic region.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on the maintenance of a diversified portfolio. Identified risk concentrations are managed accordingly.

(in thousands of Russian rubles, unless otherwise stated)

35 Financial risk management (continued)

Regulatory requirements to pension insurance

Regulatory risk is a risk of changes in laws regulating the Fund's activities leading to a financial loss to the Fund.

The Fund's activities are subject to laws and regulatory acts of the Russian Federation, as well as orders of the Russian Ministry of Finance and the Central Bank of the Russian Federation (Bank of Russia), the latter being a federal executive body, which adopts regulatory acts, controls and oversees the activities of financial markets (pension markets, in particular). The above laws and regulatory acts not only require that funds' activities be licensed and monitored by the state but also set a number of limits (relating to the amount of net assets and procedures for accruing pension reserves and investing pension savings) to mitigate the risk of default on obligations to participants and insured persons.

When placing pension reserves and making pension savings investments, funds should comply with limits on quality of assets (regulations concern types of assets and their reliability ratings) and their maximum value (as percentage of reserves or savings). Lack of high quality assets may indicate that financial rehabilitation measures are needed.

As at 31 December 2020 and 31 December 2019, the Fund's insurance reserve included in the pension reserves amounted to 9.2% (RUB 734,500 thousand) and 8.6% (RUB 692,523 thousand), respectively, of the reserves for pension liabilities, which is line with article 20 of Federal Law No. 75-FZ *On Non-state Pension Funds* of 7 May 1998 and paragraph 3.1 of Order No. 08-11/pz-n of the Federal Financial Markets Service *On Approval of Regulation on Insurance Reserve of Non-State Pension Fund* of 18 March 2008 (minimum 5%).

As at 31 December 2020 and 31 December 2019, the compulsory pension insurance reserves of the Fund amounted to 2.9% (RUB 7,341,119 thousand) and 3.4% (RUB 8,436,709 thousand) of the Fund's liabilities under CPI contracts, respectively. Article 20.1.4 of Federal Law No. 75-FZ *On Non-state Pension Funds* requires that the reserve of a compulsory pension insurance fund after 1 January 2018 be no less than 1% of the average annual net pension savings (the so-called calculation base) as at 31 December of each reporting year.

The requirements of the Russian legislation to the amount of the share capital, net assets, equity and compliance with capital adequacy ratios were met in full:

- ▶ The Fund's share capital amounts to RUB 2,052,160 thousand, which exceeds the minimum requirements (RUB 150,000 thousand) set by article 6.1.1 of Federal Law No. 75-FZ *On Non-state Pension Funds* of 7 May 1998;
- ▶ As at 31 December 2020 and 31 December 2019, the cost of equity in accordance with Regulation of the Bank of Russia No. 4028-U *On the Procedure for Calculating Cost of Equity of Non-state Pension Funds* of 30 May 2016 amounts to RUB 1,623,519 thousand and RUB 816,071 thousand, respectively, which exceeds the requirements set by article 6.1.3 of Federal Law No. 75-FZ *On Non-state Pension Funds* of 7 May 1998 to the minimum cost of the Fund's equity (RUB 200,000 thousand).

As at 31 December 2020 and 31 December 2019, the Fund met all the regulatory requirements, except for certain financial assets that failed to meet the requirements of the Bank of Russia in terms of investment of pensions savings. As at the reporting year, the Fund had to follow open instructions of the Bank of Russia with the performance dates on 31 March 2021 and 1 July 2021 in respect of financial assets with a fair value of RUB 4,931,067 thousand and RUB 603,376 thousand, respectively, determined in accordance with reports of independent appraisers. As at 31 December 2019, the fair value of these assets amounted to RUB 8,796,246 thousand. The Fund's management believes that it has the required potential to perform the instructions in time and doesn't consider these instructions as factors of material uncertainty regarding the going concern assumption.

(in thousands of Russian rubles, unless otherwise stated)

35 Financial risk management (continued)

Credit risk

The Group takes on exposure to credit risk, which is the risk that one party to a financial transaction will cause a financial loss for the other party by failing to discharge an obligation. Exposure to credit risk arises as a result of the Group's lending and other transactions with counterparties giving rise to financial assets.

Leasing activity

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one lessee, or groups of related lessees. Such risks are monitored and subject to an annual or more frequent review.

The Group holds collateral against net investment in leases. Estimates of its value are based on the value of collateral assessed at the time of concluding the finance lease and generally are not updated.

Credit quality per class of the following assets are disclosed in respective notes: net investment in leases after impairment allowance – in Note 11.

Financial instruments

To invest in financial instruments, the Group enters into fiduciary management agreements. Under the fiduciary management agreements, the Group invests in financial instruments using a system of limits. Financial market transactions are restricted by a number of complementing sets of limits.

Financial assets exposed to credit risk are analyzed in Notes 7, 8 and 10.

Impairment assessment

The allowance for ECL is based on credit losses expected to be incurred over the life of the underlying asset (lifetime ECL), if there has been a significant increase in credit risk on the financial asset since the date of initial recognition. Otherwise, the allowance for ECL is based on expected credit losses for 12 months (12-month ECL). Both lifetime ECL and 12-month ECL are calculated on either an individual basis or on a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Group has established a policy to perform an assessment, at the end of each reporting period, of whether there has been a significant increase in a financial instrument's credit risk 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, the Group classifies financial assets as follows:

Stage 1	At initial recognition of financial assets, the Group recognizes an allowance for ECL in the amount equal to 12-month ECL. Stage 1 also includes financial assets for which credit risk decreased to the extent they have been reclassified from Stage 2
Stage 2	Where there has been a significant increase in credit risk on a financial asset since initial recognition (amounts overdue for at least 31 days, reduction in the external rating by at least 2 categories), the Group recognizes an allowance for ECL in the amount equal to lifetime ECL. Stage 2 also includes financial assets for which credit risk decreased to the extent they have been reclassified from Stage 3
Stage 3	Credit-impaired financial assets. The Group recognizes an allowance for ECL in the amount equal to lifetime ECL.

For ECL calculation purposes, the Group considers the financial instrument to be in default, and, therefore, includes it in Stage 3 (credit-impaired assets) whenever a counterparty is 90 days late with payments under any transaction or there is other evidence of impairment. For example, financial assets will be included in Stage 3 if one or more transaction with a counterparty will be unilaterally terminated by the Group irrespective of the overdue period. Financial instruments with indicators of fraud are also included in Stage 3.

(in thousands of Russian rubles, unless otherwise stated)

35 Financial risk management (continued)

Credit risk (continued)

The Group collectively assesses ECL related to all other financial asset classes grouped into homogeneous groups based on their internal and external characteristics.

ECL calculations are based on the following key elements:

- Probability of default (PD) The probability of default is an estimate of the likelihood of default over a given time horizon determined on the basis of the risk segment and overdue category for the respective period (12 months or the entire life of the instrument (lifetime PD)). Values are derived using internal statistics and migration matrices (Markov chains). Current and expected changes in macroeconomic parameters are used as forward-looking information. A default may occur over the assessed period if the financial asset has not been previously derecognized and is still in the portfolio.
- Exposure at default (EAD) The exposure at default is an estimate of the amount exposed to default.
- Loss given default (LGD) Loss given default is an estimate of the loss arising when a default occurs with account of the time value of money (effective interest rate discounting). LGD is calculated as a difference between contractual cash flows and cash flows that the Group receives and expects to receive considering the sale of assets. LGD values are derived using models which are based on internal statistical data.

The Group's ECL calculations are based on three probability-weighted scenarios (base case, best case and worst case). Weight is assigned to each scenario based on the combination of statistical analysis and expert judgment in relation to the range of possible outcomes as per the scenarios. Current values and expected changes in macroeconomic variables are used as forward-looking information. The economic inputs and scenarios integrated into the Group's macroeconomic model of ECL calculation are based on the information of the Ministry of Economic Development of the Russian Federation and the Bank of Russia.

Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stress circumstances. The major liquidity risk confronting the Group is the regular calls on its available cash resources in respect of payments arising from pension agreements. A significant part of the Group's financial assets is placed on terms providing for a possibility of their immediate disposal, which is a key instrument of protection against liquidity risk exposures in case of any emergencies. To limit this risk, management has arranged for diversified funding sources in addition to its existing core deposit base.

It also manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily basis.

The tables below show financial liabilities as at 31 December 2020 and 31 December 2019 by their remaining contractual maturities. Amounts disclosed in the maturity table are undiscounted contractual cash flows. Such undiscounted cash flows differ from the amount included in the consolidated statement of financial position since that amount is based on discounted cash flows.

When the amount payable is not fixed, the amount recorded is determined by reference to the conditions existing at the end of the reporting period. Payments denominated in foreign currency are translated at the exchange rate at the end of the reporting period.

*(in thousands of Russian rubles, unless otherwise stated)***35 Financial risk management (continued)****Liquidity risk (continued)**

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

	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 12 months to 5 years	Over 5 years	Total
Liabilities under non-state pension arrangements	4,618	23,089	27,707	104,461	104,462	264,337
Liabilities directly related to assets held for sale	-	260,651,056	-	-	-	260,651,056
Borrowings	1,315,879	11,625,707	14,535,464	47,778,404	-	75,255,454
Advances received from lessees	1,563,589	423,903	-	-	-	1,987,492
Bonds issued	-	5,893,773	6,227,908	9,196,721	-	21,318,402
Lease liabilities	25,126	133,639	159,049	387,143	-	704,957
Other financial liabilities	906,047	157,739	460,128	787	-	1,524,701
Total potential future payments for financial liabilities	3,815,259	278,908,906	21,410,256	57,467,516	104,462	361,706,399

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

	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 12 months to 5 years	Over 5 years	Total
Liabilities under compulsory pension insurance contracts	83,445	16,241,983	500,668	52,138,238	182,478,533	251,442,867
Liabilities under non-state pension arrangements	57,035	285,178	342,212	2,487,046	5,171,081	8,342,552
Borrowings	1,219,543	7,624,231	9,643,826	43,822,693	-	62,310,293
Advances received from lessees	1,851,324	358,127	-	-	-	2,209,451
Bonds issued	-	882,555	5,672,095	14,380,582	-	20,935,232
Lease liabilities	27,777	143,725	172,997	789,921	1,840	1,136,260
Other financial liabilities	870,670	837,875	446,413	-	-	2,154,958
Total potential future payments for financial liabilities	4,109,794	26,373,674	16,778,211	113,618,480	187,651,454	348,531,613

The maturity analysis of borrowings is based on contractual tranches of repayment.

The maturity of the borrowings is longer than that of the current lease portfolio and the Group is in compliance with covenants set in loan agreements.

*(in thousands of Russian rubles, unless otherwise stated)***35 Financial risk management (continued)****Liquidity risk (continued)**

The maturity analysis of assets and liabilities as at 31 December 2020 is as follows:

	<i>On demand and less than 1 month</i>	<i>From 1 to 6 months</i>	<i>From 6 to 12 months</i>	<i>From 12 months to 5 years</i>	<i>Over 5 years / No stated maturity</i>	<i>Total</i>
Assets						
Cash and cash equivalents	3,610,255	-	-	-	-	3,610,255
Financial instruments at fair value through profit or loss	7,642	38,209	45,851	295,104	12,835,452	13,222,258
Assets held for sale	-	283,235,635	-	-	-	283,235,635
Deposits with banks	-	-	-	-	-	-
Net investment in leases after impairment allowance	4,649,095	19,508,922	19,480,127	46,107,990	953	89,747,087
Reverse repurchase agreements and accounts receivable	486,400	576	-	-	-	486,976
Assets purchased and advances to suppliers for lease operations	1,413,027	312,208	-	-	-	1,725,235
Current income tax prepayment	7,936	152,426	-	-	-	160,362
Deferred tax assets	-	-	-	-	89,854	89,854
VAT recoverable	1,682,704	3,147	-	-	-	1,685,851
Property and equipment and right- of-use assets	-	-	-	-	1,693,000	1,693,000
Investments in associates	-	-	-	-	25,295,296	25,295,296
Goodwill	-	-	-	-	154,787	154,787
Other assets	430,774	1,201,454	2,938,335	30,460	87,630	4,688,653
Total assets	12,287,833	304,452,577	22,464,313	46,433,554	40,156,972	425,795,249
Liabilities						
Liabilities under compulsory pension insurance contracts	-	-	-	-	-	-
Liabilities under non-state pension arrangements	4,618	23,089	27,707	104,461	104,462	264,337
Liabilities directly related to assets held for sale	-	260,721,927	-	-	-	260,721,927
Borrowings	1,237,548	14,295,152	12,235,976	46,316,409	-	74,085,085
Advances received from lessees	1,563,589	423,903	-	-	-	1,987,492
Bonds issued	-	2,235,147	4,541,166	4,981,857	7,817,733	19,575,903
Current income tax payable	187,072	8	-	-	-	187,080
Deferred tax liabilities	-	-	-	-	3,149,864	3,149,864
VAT payable	46,931	93,863	-	-	-	140,794
Lease liabilities	19,810	109,612	147,214	385,638	-	662,274
Other liabilities	1,021,932	1,097,684	611,772	1,056,379	8	3,787,775
Total liabilities	4,081,500	279,000,385	17,563,835	52,844,744	11,072,067	364,562,531
Net position	8,206,333	25,452,192	4,900,478	(6,411,190)	29,084,905	61,232,718
Cumulative liquidity position	8,206,333	33,658,525	38,559,003	32,147,813	61,232,718	

As at 31 December 2020, bonds issued in the amount of RUB 8,340,071 thousand and maturing within over 5 years can be claimed for early redemption by the Group subject to the decision of bondholders on the established offer dates in the amount of RUB 2,095,873 thousand during a period of 1 to 6 months, in the amount of RUB 1,338,914 thousand during a period of 6 months to 12 months and in the amount of RUB 4,905,284 thousand during a period of 12 months to 5 years.

As at 31 December 2020, bonds issued in the amount of RUB 598,910 thousand and maturing within 12 months to 5 years can be claimed for early redemption by the Group subject to the decision of bondholders on the established offer dates during a period of 1 month to 6 months.

*(in thousands of Russian rubles, unless otherwise stated)***35 Financial risk management (continued)****Liquidity risk (continued)**

The maturity analysis of assets and liabilities as at 31 December 2019 is as follows:

	<i>On demand and less than 1 month</i>	<i>From 1 to 6 months</i>	<i>From 6 to 12 months</i>	<i>From 12 months to 5 years</i>	<i>Over 5 years / No stated maturity</i>	<i>Total</i>
Assets						
Cash and cash equivalents	4,133,725	-	-	-	-	4,133,725
Financial instruments at fair value through profit or loss	18,994,275	7,965,194	44,892,948	91,377,299	20,220,171	183,449,887
Deposits with banks	-	44,824	-	-	3,993,846	4,038,670
Net investment in leases after impairment allowance	3,879,077	17,039,578	15,943,018	34,701,292	253	71,563,218
Reverse repurchase agreements and accounts receivable	84,087,771	85	-	35,911	-	84,123,767
Assets purchased and advances to suppliers for lease operations	853,007	164,268	-	-	-	1,017,275
Deferred acquisition costs	29,421	147,105	176,526	1,412,210	5,490,390	7,255,652
Current income tax prepayment	5,954	219,085	-	-	-	225,039
Deferred tax assets	-	-	-	-	126,420	126,420
VAT recoverable	831,354	5,645	-	-	-	836,999
Property and equipment and right- of-use assets	-	-	-	-	1,893,853	1,893,853
Investments in associates	-	-	-	-	24,285,166	24,285,166
Goodwill	-	-	-	-	25,139,058	25,139,058
Other assets	327,155	1,886,036	17,502,506	64,542	416,090	20,196,329
Total assets	113,141,739	27,471,820	78,514,998	127,591,254	81,565,247	428,285,058
Liabilities						
Liabilities under compulsory pension insurance contracts	83,445	16,241,983	500,668	52,138,238	182,478,533	251,442,867
Liabilities under non-state pension arrangements	57,035	285,178	342,212	2,487,046	5,171,081	8,342,552
Borrowings	1,148,588	5,928,647	7,632,939	37,001,354	-	51,711,528
Advances received from lessees	1,851,324	358,127	-	-	-	2,209,451
Bonds issued	-	268,874	2,494,912	7,387,398	8,008,334	18,159,518
Current income tax payable	198,882	244,993	-	-	-	443,875
Deferred tax liabilities	-	-	-	-	2,589,162	2,589,162
VAT payable	30,504	61,009	-	-	-	91,513
Lease liabilities	19,490	104,834	131,714	700,071	1,817	957,926
Other liabilities	914,656	1,798,677	563,878	763,811	-	4,041,022
Total liabilities	4,303,924	25,292,322	11,666,323	100,477,918	198,248,927	339,989,414
Net position	108,837,815	2,179,498	66,848,675	27,113,336	(116,683,680)	88,295,644
Cumulative liquidity position	108,837,815	111,017,313	177,865,988	204,979,324	88,295,644	

As at 31 December 2019, bonds issued in the amount of RUB 8,954,283 thousand and maturing within over 5 years can be redeemed by the Group under an offer in the amount of RUB 2,494,912 thousand during a period of 6 to 12 months and in the amount of RUB 6,459,371 thousand during a period of 12 months to 5 years.

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

Geographical risk

All assets and liabilities relate to Russian entities, except for settlements on securities within other assets (Note 18) that relate to a Cyprus resident company.

Pension insurance risk

Insurance risks that the Funds are exposed to include the risk of death or the risk of survival to a certain date.

The principal risk the Fund faces under non-state pension insurance contracts is that the actual payments exceed the carrying amount of insurance liabilities. Thus, the Fund aims to ensure sufficient reserves to cover such liabilities.

*(in thousands of Russian rubles, unless otherwise stated)***35 Financial risk management (continued)****Pension insurance risk (continued)**

Pension liabilities under non-state pension arrangements by type of payment, including discontinued operations, as at 31 December 2020 are presented below:

Type of payment	Savings phase	Payment phase	Other
Lifelong with insurance risk transfer	653,332	2,683,088	34,520
Lifelong without insurance risk transfer	–	101,113	121
Terminable	159,952	336,495	5,765
To exhaustion	154,188	818,949	29,597
Undefined	3,338,720	–	9,718
Total	4,306,192	3,939,645	79,721

Pension liabilities by type of payment as at 31 December 2019 are presented below:

Type of payment	Savings phase	Payment phase	Other
Lifelong with insurance risk transfer	644,799	2,863,958	38,408
Lifelong without insurance risk transfer	–	126,466	1,391
Terminable	180,204	417,446	2,947
To exhaustion	53,793	883,804	18,391
Undefined	3,081,832	–	29,113
Total	3,960,628	4,291,674	90,250

Liabilities under non-state pension insurance arrangements by age and gender, including discontinued operations, as at 31 December 2020 and 31 December 2019 are presented below:

	31 December 2020	31 December 2019
Men aged under 44	–	78
Men aged 45-49	389	824
Men aged 50-54	2,485	4,339
Men aged 55-59	16,650	24,137
Men aged 60-69	307,293	403,280
Men aged 70-79	659,140	684,577
Men aged over 80	164,355	150,195
Total liabilities to men	1,150,312	1,267,430
Women aged under 39	–	–
Women aged 40-44	–	17
Women aged 45-49	–	63
Women aged 50-54	1,238	3,537
Women aged 55-64	373,744	420,663
Women aged 65-74	980,368	987,400
Women aged over 75	213,158	223,399
Total liabilities to women	1,568,508	1,635,079
Total liabilities	2,718,820	2,902,509

*(in thousands of Russian rubles, unless otherwise stated)***35 Financial risk management (continued)****Pension insurance risk (continued)**

Liabilities under compulsory pension insurance contracts by age and gender, including discontinued operations, as at 31 December 2020 and 31 December 2019 are presented below:

	31 December 2020	31 December 2019
Men aged under 44	74,062,260	81,944,518
Men aged 45-49	26,942,507	25,329,553
Men aged 50-54	19,793,162	12,796,425
Men aged 55-59	284,740	264,971
Men aged 60-69	171,208	106,162
Men aged 70-79	3,240	1,978
Men aged over 80	127	126
Total liabilities to men	121,257,244	120,443,733
Women aged under 39	40,875,585	49,258,372
Women aged 40-44	30,324,740	31,521,102
Women aged 45-49	33,702,558	33,230,210
Women aged 50-54	25,458,960	16,683,810
Women aged 55-64	431,721	295,891
Women aged 65-74	15,028	8,755
Women aged over 75	1,436	994
Total liabilities to women	130,810,028	130,999,134
Total liabilities	252,067,272	251,442,867

In accordance with Russian legislation, the insured person can receive a non-recurring 100% disbursement of the entire amount of pension savings under the CPI contract if the calculated funded pension is less than 5% of the designated insurance pension and calculated funded pension. This option reduces the insurance risk but increases the liquidity risk.

Key assumptions

Assumptions are necessary to test whether the pension liabilities accrued are adequate. Assumptions used present the best estimation of variables which determine future cash flows under NSP arrangements and CPI contracts. Such estimation takes into consideration the most probable course of events in future, not only facts and circumstances before the reporting date, using all information available at the estimation date.

The Group makes separate assumptions to test whether non-state pension liabilities and compulsory pension insurance liabilities are adequate.

The key assumptions to which the estimation of liabilities is particularly sensitive are as follows.

Mortality tables

To assess mortality rates for compulsory pension insurance purposes, the Fund uses a mortality table of the Federal State Statistics Service adjusted on the basis of historical data on mortality of the insured persons using the assumption on future decrease in mortality rates that reduces the number of deaths. Mortality rates for non-state pension insurance are determined on the basis of a table recommended by self-regulated organization of actuaries "Association of Professional Actuaries."

Mortality rates vary depending on the age and gender of the participant (insured person).

A decline in mortality rates will cause an increase in life expectancy rates and, accordingly, a reduction in profit.

*(in thousands of Russian rubles, unless otherwise stated)***35 Financial risk management (continued)****Pension insurance risk (continued)***Discount rate*

The discount rate reflects current market assessments of the time value of money and the risks specific to the liability. The discount rate does not take into account risks already assessed to estimate future cash inflows and outflows.

A decrease in the discount rate will increase insurance liabilities and therefore reduce the profits.

Early termination ratios

Early termination ratios for NSP arrangements and CPI contracts are based on the Fund's statistics. Professional judgment about possible rates of early transfers of insured persons between insurers during the forecast periods is used to estimate early termination ratios for CPI contracts.

Early termination ratios vary depending on such factors as gender, age and contribution period.

A reduction in early termination ratios causes a decrease in the Fund's profits.

Expenses

Assumptions related to operating expenses reflect the expected costs to maintain and service the effective NSP arrangements and CPI contracts. The current level of expenses is taken as an expense base, subsequently adjusted for the expected expense growth rate.

An increase in expenses causes a decrease in profits.

Assumptions used to test whether the non-state pension liabilities accrued, including discontinued operations, are adequate are presented below.

	31 December 2020	31 December 2019
Discount rate	6.37%	5.76%
Expected distribution of income	5.09%	4.90%
Expected indexation of pensions	In accordance with contractual terms	Based on income accrued
Termination (savings phase)	Depending on length of pensionable service: from 0.58% to 11.63%	Depending on length of pensionable service: from 0.55% to 10.3%
Termination (payment phase):		
- Men	0%	0.1%
- Women	0%	0.2%
Average retirement age:		
- Men	58 years old	60-65 years old
- Women	56 years old	55-60 years old
Mortality table (probability of death depends on gender and age and considers expected future improvements)		
Life expectancy after retirement		
- Men	22 years old	20 years old
- Women	28 years old	29 years old
Expense growth rate	4%	4.0%

*(in thousands of Russian rubles, unless otherwise stated)***35 Financial risk management (continued)****Pension insurance risk (continued)**

Assumptions used to test whether the compulsory pension insurance liabilities accrued, including discontinued operations, are adequate are presented below.

	31 December 2020	31 December 2019
Discount rate	6.37%	5.83%
Expected distribution of income	4.67%	2020-23: 4.2% From 2024 onwards: 4.2%
Termination (upon applying for early transfer)	Depending on length of pensionable service: from 1.12% to 5.14%	Depending on length of pensionable service: from 1.07% to 9.07%
Termination (upon applying for transfer after 5-year period)		
Average retirement age:		
- Men	60 years old	60 years old
- Women	55 years old	55 years old
Mortality table (probability of death depends on gender and age and considers expected future improvements)		
Life expectancy after retirement:		
- Men	18 years old	20 years old
- Women	28 years old	29 years old
Expense growth rate	4.0%	4.0%

The liability adequacy testing (using the above assumptions) does not result in a deficit (shortage) of liabilities accrued under NSP arrangements or CPI contracts.

The Fund conducted a sensitivity analysis of estimated future cash flows to changes in actuarial assumptions, namely, to the following changes in assumptions:

	Changes in assumptions
Discount rate	+1 pp
Discount rate	-1 pp
Expense growth rate	+1 pp
Expense growth rate	-1 pp
Probability of death	+10%
Probability of death	-10%

Changes in the above factors had no effect on the results of the liabilities adequacy test; it was not necessary to accrue additional liabilities under compulsory pension insurance contracts and non-state pension arrangements. Minimum effective discount rate resulting in deficit of liabilities under compulsory pension insurance agreements is 1%.

Market risk

Market risk is the risk that the fair value of future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates, and equity prices. The main objectives of the Group's market risk management are to optimize the level of market risk within the Group, keep the level of risks within the established limits, and minimize losses from unfavorable events.

The Group classifies market risk as follows:

- ▶ Currency risk – risk of losses or reduced profit due to changes in foreign exchange rates;
- ▶ Interest rate risk – risk of losses or reduced profit due to changes in interest rates;
- ▶ Equity risk – risk of losses or reduced profit due to changes in the fair value of equity securities.

*(in thousands of Russian rubles, unless otherwise stated)***35 Financial risk management (continued)****Market risk (continued)****Currency risk**

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Group minimizes currency risk by matching its fundraising to the ongoing demand for its lease products. In case of discrepancy between its borrowings and the lease portfolio the Group may face significant currency risk. This could occur in the event of a drastic shift in currency demanded by its customers for lease contracts, rapidly changing the currency composition of the lease portfolio. On the other hand, the loan portfolio will only change in a material way at a slower pace through new borrowings.

Movements in foreign exchange rates pose a risk to the Group's operations and competitive position, since they may affect the profitability and cash flows.

The table below summarizes the Group's exposure to currency risk as at 31 December 2020:

	RUB	USD	Other	Total
Financial assets				
Cash and cash equivalents	3,609,032	703	520	3,610,255
Financial instruments at fair value through profit or loss	13,222,258	-	-	13,222,258
Assets held for sale	246,367,011	16,665,017	-	263,032,028
Net investment in leases after impairment allowance	89,745,426	-	1,661	89,747,087
Reverse repurchase agreements and accounts receivable	486,976	-	-	486,976
Assets purchased and advances to suppliers for lease operations	1,725,235	-	-	1,725,235
Other financial assets	714,421	-	-	714,421
Total financial assets	355,870,359	16,665,720	2,181	372,538,260
Financial liabilities				
Liabilities under compulsory pension insurance contracts	-	-	-	-
Liabilities under non-state pension arrangements	264,337	-	-	264,337
Liabilities directly related to assets held for sale	260,642,009	-	-	260,642,009
Borrowings	74,085,085	-	-	74,085,085
Advances received from lessees	1,986,296	1,065	131	1,987,492
Bonds issued	19,575,903	-	-	19,575,903
Lease liabilities	662,274	-	-	662,274
Other financial liabilities	1,518,865	5,450	386	1,524,701
Total financial liabilities	358,734,769	6,515	517	358,741,801
Net position	(2,864,410)	16,659,205	1,664	

*(in thousands of Russian rubles, unless otherwise stated)***35 Financial risk management (continued)****Market risk (continued)**

The table below summarizes the Group's exposure to currency risk as at 31 December 2019:

	RUB	USD	Other	Total
Financial assets				
Cash and cash equivalents	4,123,673	1,279	8,773	4,133,725
Financial instruments at fair value through profit or loss	180,260,388	3,189,499	-	183,449,887
Deposits with banks	4,038,670	-	-	4,038,670
Net investment in leases after impairment allowance	71,561,006	-	2,212	71,563,218
Reverse repurchase agreements and accounts receivable	58,982,229	25,141,538	-	84,123,767
Assets purchased and advances to suppliers for lease operations	1,017,275	-	-	1,017,275
Other financial assets	1,584,953	-	-	1,584,953
Total financial assets	321,568,194	28,332,316	10,985	349,911,495
Financial liabilities				
Liabilities under compulsory pension insurance contracts	251,442,867	-	-	251,442,867
Liabilities under non-state pension arrangements	8,342,552	-	-	8,342,552
Borrowings	51,711,528	-	-	51,711,528
Advances received from lessees	2,208,527	891	33	2,209,451
Bonds issued	18,159,518	-	-	18,159,518
Lease liabilities	957,926	-	-	957,926
Other financial liabilities	2,153,862	924	172	2,154,958
Total financial liabilities	334,976,780	1,815	205	334,978,800
Net position	(13,408,586)	28,330,501	10,780	

The following table presents sensitivities of profit and loss to possible changes in exchange rates based on currency volatility in the reporting year as applied to the end of reporting period positions with all other variables held constant:

	31 December 2020			31 December 2019		
	Change in currency rate in %	Impact on profit before tax, gain (loss)	Impact on net profit and equity, gain (loss)	Change in currency rate in %	Impact on profit before tax, gain (loss)	Impact on net profit and equity, gain (loss)
USD	10.00	1,665,921	1,332,736	11.00	3,116,355	2,493,085
USD	(10.00)	(1,665,921)	(1,332,736)	(13.00)	(3,682,965)	(2,946,372)
Other	10.00	166	133	11.00	1,186	949
Other	(10.00)	(166)	(133)	(13.00)	(1,401)	(1,121)

A strengthening of the RUB against the above currencies as at 31 December 2020 and 31 December 2019 would have had the opposite effect provided that all other variables are held constant.

Interest rate risk

Interest rate risk is the risk of losses from interest rate sensitive financial assets because of changes in market interest rates.

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments.

*(in thousands of Russian rubles, unless otherwise stated)***35 Financial risk management (continued)****Market risk (continued)***Net investment in leases*

The Group only offers lease products on a fixed rate basis; therefore, it is only exposed to interest rate risk through its borrowings. The treasury policy of the Group is to minimize interest rate risk on its long-term funding. The Group uses swap instruments for the full period of the borrowing.

The Group is not exposed to significant interest rate risk on the partially open position as it arises after the expiry of the average repayment period for its current portfolio (an average of 26 months), and the Group is thus able to change the pricing on its offered leases or elect to have a lower margin.

Bonds within financial instruments measured at fair value through profit or loss

The interest rate sensitivity, with the effect recorded in profit or loss, is calculated by revaluing financial assets at fair value through profit or loss as a result of parallel shifts in the yield curve.

In 2020, an index was selected for each type of bonds (RUCBITR for Russian corporate bonds, RUMBITR for bonds of the constituent entities of the Russian Federation and municipal bonds, RUGBICP3Y for Russian state bonds, and Euro-Cbonds IG Russia YTM for Russian Eurobonds). Standard deviations for 2020 were determined for index yields; the weighted average values of the deviations were assumed to reflect expected possible changes for the entire bond portfolio. Sensitivities were assessed using the duration method.

In 2019, an index was selected for each type of bonds (RUCBITR for Russian corporate bonds, RUMBITR for bonds of the constituent entities of the Russian Federation and municipal bonds, RUGBICP3Y for Russian state bonds, and Euro-Cbonds IG Russia YTM for Russian Eurobonds). Standard deviations for 2019 were determined for index yields; the weighted average values of the deviations plus expert adjustment were assumed to reflect expected possible changes for the entire bond portfolio. Sensitivities were assessed using the duration method. Expert adjustment is based on the analysis of long-term volatility of indexes, forecasts and expectations on the respective markets.

The sensitivity of the consolidated statement of profit or loss is the effect of assumed changes in interest rates on net interest income for one year calculated for floating interest rate bonds at 31 December 2020 and 31 December 2019, including discontinued operations.

	<i>Increase in basis points 2020</i>	<i>Impact on profit/(loss) 2020</i>	<i>Decrease in basis points 2020</i>	<i>Impact on profit/(loss) 2020</i>
Financial instruments at fair value through profit or loss				
RUB				
Russian corporate bonds	1.54%	(4,385,450)	-1.54%	4,385,450
Bonds of constituent entities of the Russian Federation and municipal bonds	1.54%	(532,809)	-1.54%	532,809
Russian government bonds	1.54%	(570,660)	-1.54%	570,660
Total		(5,488,919)		5,488,919
USD				
Russian corporate bonds	1.24%	(304,749)	-1.24%	304,749

*(in thousands of Russian rubles, unless otherwise stated)***35 Financial risk management (continued)****Market risk (continued)**

	<i>Increase in basis points 2019</i>	<i>Impact on profit/(loss) 2019</i>	<i>Decrease in basis points 2019</i>	<i>Impact on profit/(loss) 2019</i>
Financial instruments at fair value through profit or loss				
RUB				
Russian corporate bonds	1.35%	(3,649,593)	-1.35%	3,649,593
Bonds of constituent entities of the Russian Federation and municipal bonds	1.35%	(476,595)	-1.35%	476,595
Russian government bonds	1.35%	(661,908)	-1.35%	661,908
Total		(4,788,096)		4,788,096
USD				
Russian corporate bonds	0.84%	(49,402)	-0.84%	49,402

Equity risk

Equity risk is the risk of losses or reduced profit due to changes in the fair value of equity securities.

To measure equity risk, the Group relies on its estimates of reasonably possible changes in stock market indices and their effect on the equity portfolio. The Group selected a MOEX index for each issue of equity securities based on the industry where issuers operate (MOEX Financials Total Return, MOEX Transport Total Return, MOEX Oil & Gas Total Return, MOEX Consumer Total Return, MOEX Telecom Total Return). A reasonably possible change is calculated for each index; a beta coefficient is calculated for each issue. A sum of products of the Group's position for each issue of equity securities by the related reasonably possible change and beta coefficient plus expert adjustment results in the final equity risk estimate. Expert adjustment is based on the analysis of long-term volatility of indexes, forecasts and expectations on the respective markets.

	31 December 2020		31 December 2019	
	29.38%	-29.38%	21.54%	-21.54%
MOEX index	10,841,619	(10,841,619)	10,118,852	(10,118,852)

Operational risk

Operational risk is the risk arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Group cannot expect to eliminate all operational risks, but a control framework and monitoring and responding to potential risks could be effective tools to manage the risks. Controls should include effective segregation of duties, access, authorization and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

36 Capital management

The primary objective of capital management is to maintain strong credit ratings and healthy capital ratios in order to support the Group's business and maximize its value.

The Group considers equity attributable to shareholders of the Group, recorded in the consolidated statement of financial position, as total capital under management.

As at 31 December 2020, equity attributable to shareholders of the Group amounted to RUB 61,192,361 thousand (31 December 2019: RUB 88,233,601 thousand).

(in thousands of Russian rubles, unless otherwise stated)

37 Fair value measurement

The fair values of financial instruments at fair value through profit or loss for the period are based on quoted market prices at the reporting date without any deduction of transaction costs. If quoted market prices are not available, the fair value is estimated by using valuation techniques, including the discounted cash flow method and other valuation techniques commonly used by market participants.

Fair value hierarchy

The Group measures fair values using the following fair value hierarchy that reflects the significance of inputs used in making the measurements:

- ▶ Level 1: quoted (unadjusted) prices in active markets for identical financial instruments.
- ▶ Level 2: inputs other than quoted prices included in Level 1 that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are not considered active; or other valuation techniques where all inputs are directly or indirectly observable from available market data.
- ▶ Level 3: inputs that are unobservable. This category includes instruments measured using inputs not based on observable data, and such unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments, where significant unobservable adjustments or judgments are required to reflect differences between the instruments.

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.

	31 December 2020			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Debt financial instruments				
Russian corporate bonds	167,768	99,549	-	267,317
Russian government bonds	70,830	-	-	70,830
Total debt financial instruments	238,598	99,549	-	338,147
Equity financial instruments				
Shares of Russian companies and banks	12,884,111	-	-	12,884,111
Total equity financial instruments	12,884,111	-	-	12,884,111
Total financial instruments at fair value	13,122,709	99,549	-	13,222,258
	31 December 2020			
	Level 1	Level 2	Level 3	Total
Assets for which fair values are disclosed				
Cash and cash equivalents	3,610,255	-	-	3,610,255
Net investment in leases after impairment allowance	-	-	90,614,219	90,614,219
Reverse repurchase agreements and accounts receivable	-	-	486,976	486,976
Other financial assets	-	-	714,421	714,421
Total assets for which fair values are disclosed	3,610,255	-	91,815,616	95,425,871
Liabilities for which fair values are disclosed				
Borrowings	-	74,092,734	-	74,092,734
Bonds issued	19,937,733	-	-	19,937,733
Other financial liabilities	-	48,698	1,476,003	1,524,701
Total liabilities for which fair values are disclosed	19,937,733	74,141,432	1,476,003	95,555,168

*(in thousands of Russian rubles, unless otherwise stated)***37 Fair value measurement (continued)****Fair value of financial assets and liabilities not recorded at fair value**

Set out below is a comparison by class of the carrying amounts and fair values of the Group's financial instruments that are not carried at fair value in the statement of financial position. The table does not include the fair values of non-financial assets and non-financial liabilities.

	2020			2019		
	Carrying amount	Fair value	Unrecognized gain/(loss)	Carrying amount	Fair value	Unrecognized gain/(loss)
Financial assets						
Cash and cash equivalents	3,610,255	3,610,255	–	4,133,725	4,133,725	–
Deposits with banks	–	–	–	4,038,670	4,038,670	–
Net investment in leases after impairment allowance	89,747,087	90,614,219	867,132	71,563,218	72,434,131	870,913
Reverse repurchase agreements and accounts receivable	486,976	486,976	–	84,123,767	84,123,767	–
Other financial assets	714,421	714,421	–	1,584,953	1,584,953	–
Financial liabilities						
Borrowings	74,085,085	74,092,734	(7,649)	51,711,528	52,322,368	(610,840)
Bonds issued	19,575,903	19,937,733	(361,830)	18,159,518	18,610,271	(450,753)
Other financial liabilities	1,524,701	1,524,701	–	2,154,958	2,154,958	–
Total unrecognized change in the fair value			497,653			(190,680)

Valuation models and assumptions

The following describes the models and assumptions used to determine fair values of assets and liabilities recorded at fair value in the financial statements and of those items that are not measured at fair value in the consolidated statement of financial position, but their fair value is disclosed.

Fair values of quoted shares are based on price quotations at the reporting date.

Fair values of quoted bonds are based on price quotations at the reporting date. Fair values of bonds quoted on inactive markets are measured by discounting future cash flows based on the average return on financial instruments issued on similar terms.

Level 3 securities at fair value were measured with the use of the income approach. The discount rate was based on the average cost of similar borrowings and was set at 17.8% (31 December 2019: 14.29%). An increase in the discount rate by 1% would have resulted in a decrease in the fair value by RUB 265,283 thousand. A decrease in the discount rate by 1% would have resulted in an increase in the fair value by RUB 287,856 thousand.

Independent appraisers are engaged to measure mortgage participation certificates using a discounted cash flow model. The discount rate is calculated based on the average return on borrowed funds.

Assets and liabilities for which fair value approximates carrying amount

For financial assets and financial liabilities that are liquid or have a short-term maturity it is assumed that their fair value approximates their carrying amount.

Financial assets and financial liabilities at amortized cost

Fair values of net investment in leases less allowance for expected credit losses are measured by discounting future cash flows based on internal unobservable inputs on placements rates of net investment in leases.

Financial instruments at fair value through profit or loss

Transfers between levels of the fair value hierarchy are considered to be made at the end of each reporting period.

(in thousands of Russian rubles, unless otherwise stated)

37 Fair value measurement (continued)**Valuation models and assumptions (continued)****Movements in financial instruments within Level 3 of the fair value hierarchy**

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

	1 January 2020	Transfers between levels	Total gains recognized in profit or loss	Disposals/ repayments	Transfer into assets held for sale	31 December 2020
Financial assets						
Mortgage participation certificates	4,977,853	-	141,644	(188,430)	(4,931,067)	-
Shares of Russian companies	-	1,761,857	-	(1,158,481)	(603,376)	-
Total Level 3 financial assets	4,977,853	1,761,857	141,644	(1,346,911)	(5,534,443)	-

	1 January 2019	Total gains/(losses) recognized in profit or loss	Disposals/ repayments	31 December 2019
Financial assets				
Mortgage participation certificates	5,041,543	656,764	(720,454)	4,977,853
Corporate bonds	6,414,210	(485,128)	(5,929,082)	-
Total Level 3 financial assets	11,455,753	171,636	(6,649,536)	4,977,853

	2020			2019		
	Realized gains/(losses)	Unrealized gains/(losses)	Total	Realized gains/(losses)	Unrealized gains/(losses)	Total
Gains (losses) recorded in profit or loss for the period	141,644	(1,346,911)	(1,205,267)	235,325	(63,689)	171,636

Transfers between Level 1 and Level 2

The tables below show transfers between Level 1 and Level 2 of the fair value hierarchy for financial assets recorded at fair value.

The financial instruments below were transferred from Level 1 to Level 2 as they ceased to be actively traded during the period and their fair values were consequently obtained through valuation techniques using observable market inputs.

	2020	2019
Russian corporate bonds	75,986	959,933
Bonds of constituent entities of the Russian Federation and municipal bonds	-	677,220
	75,986	1,637,153

The financial instruments below were transferred from Level 2 to Level 1, as they became actively traded during the reporting period and their prices were quoted in the stock market.

	2020	2019
Russian corporate bonds	-	11,129,973
Bonds of constituent entities of the Russian Federation and municipal bonds	-	2,458,620
	-	13,588,593

When analyzing activity of organized markets, the Group considers the number and volume of concluded transactions.

(in thousands of Russian rubles, unless otherwise stated)

38 Contingencies

Legal proceedings

In the normal course of business, the Group may be subject to various claims. Based on its own estimates and internal professional advice, the Group created a provision of RUB 141,113 thousand in these consolidated financial statements as at 31 December 2020 (31 December 2019: RUB 87,654 thousand) (Note 22).

Taxation contingencies

The Group's principal activities are carried out in the Russian Federation. Russian tax, currency and customs legislation as currently in effect is vaguely drafted and is subject to varying interpretations, selective and inconsistent application and changes, which can occur frequently, at short notice and may apply retrospectively. Management's interpretation of Russian legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and federal authorities.

The tax authorities may be taking a more assertive position in their interpretation of legislation and in performing tax reviews. It is therefore possible that transactions, activities and accounting methods of the Group that have not been challenged in the past may be challenged in the future. As a result, taxes, penalties and interest may be assessed by the relevant authorities.

Fiscal periods are subject to review by the Russian tax authorities 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.

The Group includes companies registered outside of Russia. Currently, tax liabilities of the foreign companies are determined on the basis that these companies are subject to taxation in the countries of their incorporation and are not subject to taxation in other countries (except for the income from sources in other countries). Recently, the tax authorities have been paying increased attention to taxation of foreign companies the course of the tax reviews. The concepts of "controlled foreign company," "tax residency of legal entities" and the rules to determine an individual who is ultimately entitled to the income are effective in the Russian Federation. Currently, there is no uniform practice for applying these concepts. In addition, the Russian tax authorities continue to cooperate with tax authorities in other countries supporting international exchange of tax information. As a result, international activities of companies become more transparent, including in the course of tax reviews. Therefore, it is impractical to predict the impact of the respective provisions of the Russian tax legislation on the Group, how these provisions will be applied by tax the authorities, as well as the extent to which the Group's approach to interpretation and application of the respective provisions will be accepted by the tax authorities.

In accordance with the Russian transfer pricing legislation, tax authorities are entitled to apply tax base adjustments and impose additional income tax and value added tax (VAT) liabilities in respect of "controlled" transactions, where the transaction price differs from the market price. Despite the fact that pursuant to the Russian tax legislation, most domestic transactions are no longer subject to transfer pricing control, intergroup transactions may be reviewed by the regional tax authorities for the purpose of identifying an unjustified tax benefit, and transfer pricing methods may be applied to determine the amounts of additional accruals.

In 2020, the Group determined its tax liabilities arising from controlled transactions using actual transaction prices.

The Group's management believes that as at 31 December 2020, the interpretation of the respective provisions of the legislation applicable to the Group is appropriate and the Group will be able to defend its position in case of disputes with supervisory authorities.

Compliance with covenants

The Group is subject to certain covenants related primarily to its borrowings. Non-compliance with such covenants may result in negative consequences for the Group, including an increase in the cost of borrowings and declaration of default. As at 31 December 2020 and 31 December 2019, the Group was in full compliance with all its covenants.

*(in thousands of Russian rubles, unless otherwise stated)***39 Related party transactions**

For the purposes of these 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. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. In 2020 and 2019, related party transactions were concluded on an arm's length basis.

Amounts of related party transactions as at 31 December are as follows:

	2020				2019			
	Shareholders	Entities under common control or significant influence of shareholders	Associates	Key management personnel	Shareholders	Entities under common control or significant influence of shareholders	Associates	Key management personnel
For the year ended 31 December								
Other interest income	-	24,828	447	-	-	26,839	553	-
Interest expense	-	(335,765)	(196,392)	-	-	(90,600)	(197,753)	-
Movements in allowances for expected credit losses on leased assets	-	245	6	-	-	(12)	-	-
Movements in allowances for expected credit losses on other assets	-	-	3	-	-	-	24	-
Income from financial intermediation services	-	2,145,991	-	-	-	2,520,203	-	-
Net gain/(loss) of pension funds from placement of own funds, pension savings and pension reserves	-	(65,951)	-	-	-	901,761	-	-
Net gain from financial instruments at fair value through profit or loss	-	4,115,889	-	-	-	-	-	-
Net other income	-	497	979,012	-	-	135	892,027	-
Net other expenses	-	-	-	-	-	-	(45)	-
Staff expenses	-	-	(38,637)	(81,587)	-	-	(34,768)	(93,968)
Other operating expenses	-	(42,158)	(620)	-	-	(77,830)	(254)	-
Other income	-	-	9,174	-	-	-	6,608	-
At 31 December								
Financial instruments at fair value through profit or loss	-	12,884,112	-	-	-	15,527,061	-	-
Assets held for sale	-	6,511,538	-	-	-	-	-	-
Net investment in leases after impairment allowance	-	117,333	1,358	-	-	162,452	2,522	-
Other assets	-	52,981	7,797	-	-	53,308	860,495	-
Advances received from lessees	-	-	-	-	-	1,533	-	-
Liabilities directly related to assets held for sale	-	2,886	-	-	-	-	-	-
Bonds issued	-	90,113	2,684,120	-	-	-	1,681,886	-
Lease liabilities	-	591,642	-	-	-	805,435	-	-
Other liabilities	-	182,195	-	-	-	154,491	103	-

In 2020, the remuneration of key management personnel, including salaries, discretionary bonuses and other short-term remuneration, amounted to RUB 81,587 thousand (2019: RUB 93,968 thousand).

(in thousands of Russian rubles, unless otherwise stated)

40 Changes in liabilities arising from financing activities

	Borrowings	Bonds issued	Lease liability	Total liabilities arising from financing activities
Carrying amount at 31 December 2018	31,975,769	12,213,440	–	44,189,209
Proceeds from borrowings/issue	30,655,942	11,396,137	–	42,052,079
Recognition/derecognition of lease liabilities	–	–	1,175,851	1,175,851
Redemption	(11,007,932)	(3,363,204)	(217,925)	(14,589,061)
Repurchased by the Group	–	(1,910,688)	–	(1,910,688)
Other	87,749	(176,167)	–	(88,418)
Carrying amount at 31 December 2019	51,711,528	18,159,518	957,926	70,828,972
Proceeds from borrowings/issue	45,270,159	3,090,192	–	48,360,351
Recognition/derecognition of lease liabilities	–	–	17,684	17,684
Redemption	(23,238,566)	(175,287)	(248,070)	(23,661,923)
Repurchased by the Group	–	(1,540,517)	–	(1,540,517)
Reclassified to liabilities directly related to assets held for sale (Note 9)	–	–	(64,426)	(64,426)
Other	341,964	41,997	(840)	383,121
Carrying amount at 31 December 2020	74,085,085	19,575,903	662,274	94,323,262

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

41 Segment information

The Group has five reportable segments, as described below, which are the Group's strategic business components. These strategic business components offer different products and services and are managed separately because they require different technology and marketing strategies. Each strategic business component may earn revenues or incur expenses, and the respective operating results are regularly reviewed by the chief operating decision maker (the "CODM") based on discrete financial information. The CODM is a person or a group of persons who allocate resources and assess the performance of the Group.

The following describes the operations of each reportable segment:

- ▶ Leasing activity includes conclusion and further monitoring of lease agreements with legal entities.
- ▶ Pension activity includes accumulation of pension contributions and pension savings, investment of pension savings and placement of pension reserves, accounting for pension liabilities, assignment and payment of funded pension to insured persons and non-state pension to the participants, term and non-recurring pension disbursements, and payment of cash surrender values and compulsory and non-state pensions to assignees.
- ▶ Insurance activity includes sale of insurance products and provision of services under insurance contracts.
- ▶ The corporate center includes strategic management of the Group, making key decisions on the Group's financial investments and capital structure, and general control over the Group's activities.
- ▶ Other financial services include financial intermediation advisory services.

*(in thousands of Russian rubles, unless otherwise stated)***41 Segment information (continued)**

Information on the reporting segments for the year ended 31 December 2020 is set out below:

	Leasing activity	Pension operations	Insurance activity	Corporate center	Other financial services	Intersegment adjustments	Total
Interest income calculated using the effective interest rate	179,184	-	-	22,688	19,909	-	221,781
Other interest income	14,106,901	-	-	2,069,802	-	(1,953,751)	14,222,952
Interest expense	(5,428,666)	-	-	(3,570,402)	(2,620)	2,210,507	(6,791,181)
Net interest income	8,857,419	-	-	(1,477,912)	17,289	256,756	7,653,552
Credit loss (expense)/income	(252,109)	(149)	-	625	(11)	-	(251,644)
Net interest income after credit loss expense	8,605,310	(149)	-	(1,477,287)	17,278	256,756	7,401,908
Pension contributions	-	1,259	-	-	-	-	1,259
Pension payments	-	(78,105)	-	-	-	-	(78,105)
Net gain of pension funds from placement of own funds, pension savings and pension reserves	-	(23,132)	-	-	-	-	(23,132)
Change in pension liabilities	-	56,889	-	-	-	-	56,889
Share in net profit of associates	-	-	1,952,312	-	-	-	1,952,312
Income from financial intermediation services	-	-	-	-	2,234,321	-	2,234,321
Net gain from financial instruments at fair value through profit or loss	-	-	-	3,835,451	-	-	3,835,451
Net other income	4,452,422	-	-	5,820,430	18,986	(5,977,720)	4,314,118
Net other expense	(263,509)	-	-	(1,904,963)	-	1,828,219	(340,253)
Net foreign exchange losses	181	-	-	188,241	-	-	188,422
Total income from operations and finance income	12,794,404	(43,238)	1,952,312	6,461,872	2,270,585	(3,892,745)	19,543,190
Staff expenses	(3,935,040)	(23,835)	-	(176,989)	(1,592,957)	-	(5,728,821)
Other operating expenses	(1,175,214)	(6,719)	-	(188,346)	(391,207)	-	(1,761,486)
Other losses from impairment and provisions	(111,973)	-	-	-	-	-	(111,973)
Other income	9,174	-	-	169,884	-	(169,884)	9,174
Other expenses	-	(313)	-	(237,359)	-	29,884	(207,788)
Profit (loss) before tax from continuing operations	7,581,351	(74,105)	1,952,312	6,029,062	286,421	(4,032,745)	11,742,296
Income tax (expense)/benefit	(1,537,347)	649	(356,280)	(68,949)	(59,925)	(127,400)	(2,149,252)
Net profit (loss) from continuing operations	6,044,004	(73,456)	1,596,032	5,960,113	226,496	(4,160,145)	9,593,044
Net profit (loss) from discontinued operations	-	(13,178,779)	-	-	-	(90,994)	(13,269,773)
Net profit (loss)	6,044,004	(13,252,235)	1,596,032	5,960,113	226,496	(4,251,139)	(3,676,729)

*(in thousands of Russian rubles, unless otherwise stated)***41 Segment information (continued)**

Information on the reporting segments as at 31 December 2020 is set out below:

	Leasing activity	Pension operations	Insurance activity	Corporate center	Other financial services	Intersegment adjustments	Total
Assets							
Cash and cash equivalents	2,574,139	205,335	–	119,794	710,987	–	3,610,255
Financial instruments at fair value through profit or loss	–	386,807	–	39,544,184	–	(26,708,733)	13,222,258
Assets held for sale	–	291,485,842	–	–	–	(8,250,207)	283,235,635
Loans issued	–	–	–	31,728,608	–	(31,728,608)	–
Net investment in leases after impairment allowance	89,747,087	–	–	–	–	–	89,747,087
Reverse repurchase agreements and accounts receivable	–	627	–	486,349	–	–	486,976
Assets purchased and advances to suppliers for lease operations	1,725,235	–	–	–	–	–	1,725,235
Current income tax prepayment	7,936	43	–	124,180	28,203	–	160,362
Deferred tax assets	–	621	–	80,303	47,747	(38,817)	89,854
VAT recoverable	1,682,704	–	–	3,147	–	–	1,685,851
Property and equipment and right-of-use assets	1,573,903	2,118	–	31,229	85,750	–	1,693,000
Investments in subsidiaries and associates	–	–	25,295,296	–	–	–	25,295,296
Goodwill	–	–	–	–	154,787	–	154,787
Other assets	1,758,021	2,400	–	4,831,430	114,533	(2,017,731)	4,688,653
Total assets	99,069,025	292,083,793	25,295,296	76,949,224	1,142,007	(68,744,096)	425,795,249
Liabilities							
Liabilities under non-state pension arrangements	–	264,337	–	–	–	–	264,337
Liabilities directly related to assets held for sale	–	260,721,927	–	–	–	–	260,721,927
Borrowings	51,119,185	–	–	56,712,239	–	(33,746,339)	74,085,085
Advances received from lessees	1,987,492	–	–	–	–	–	1,987,492
Bonds issued	23,021,724	–	–	–	–	(3,445,821)	19,575,903
Current income tax payable	187,072	–	–	–	8	–	187,080
Deferred tax liabilities	1,712,937	–	1,424,487	–	–	12,440	3,149,864
VAT payable	140,794	–	–	–	–	–	140,794
Lease liabilities	605,106	–	–	21,071	36,097	–	662,274
Other liabilities	3,156,478	3,320	–	47,167	580,810	–	3,787,775
Total liabilities	81,930,788	260,989,584	1,424,487	56,780,477	616,915	(37,179,720)	364,562,531

*(in thousands of Russian rubles, unless otherwise stated)***41 Segment information (continued)**

Information on the reporting segments for the year ended 31 December 2019 (restated) is set out below:

	Leasing activity	Pension operations	Insurance activity	Corporate center	Other financial services	Intersegment adjustments	Total
Interest income calculated using the effective interest rate	107,990	5,623	-	10,863	28,298	-	152,774
Other interest income	12,466,106	-	-	607,244	-	(235,251)	12,838,099
Interest expense	(5,042,103)	(21,729)	-	(256,072)	(3,723)	350,693	(4,972,934)
Net interest income	7,531,993	(16,106)	-	362,035	24,575	115,442	8,017,939
Credit loss (expense)/income	(243,507)	6,428	-	410	54	-	(236,615)
Net interest income after credit loss expense	7,288,486	(9,678)	-	362,445	24,629	115,442	7,781,324
Pension payments	-	(75,541)	-	-	-	-	(75,541)
Net gain of pension funds from placement of own funds, pension savings and pension reserves	-	68,566	-	-	-	-	68,566
Change in pension liabilities	-	39,521	-	-	-	-	39,521
Share in net profit of associates	-	-	3,430,626	-	-	-	3,430,626
Income from financial intermediation services	-	-	-	-	2,665,635	-	2,665,635
Net other income	3,814,609	335	-	6,536,058	2,238	(6,533,900)	3,819,340
Net other expenses	(159,565)	(1,147)	-	(198,015)	-	195,410	(163,317)
Net foreign exchange losses	2	-	-	(223,852)	-	-	(223,850)
Total income from operations and finance income	10,943,532	22,056	3,430,626	6,476,636	2,692,502	(6,223,048)	17,342,304
Staff expenses	(3,606,540)	(21,855)	-	(243,771)	(1,930,894)	-	(5,803,060)
Other operating expenses	(1,183,654)	(11,830)	-	(284,802)	(500,912)	-	(1,981,198)
Other losses from impairment and provisions	(94,706)	-	-	-	-	-	(94,706)
Other income	6,600	-	-	12,784,395	-	(12,784,395)	6,600
Other expenses	-	(124,501)	-	(12,501,915)	-	12,418,192	(208,224)
Profit (loss) before tax from continuing operations	6,065,232	(136,130)	3,430,626	6,230,543	260,696	(6,589,251)	9,261,716
Income tax (expense) benefit	(1,239,399)	2,100	(250,113)	67,468	(55,129)	(120,768)	(1,595,841)
Net profit (loss) from continuing operations	4,825,833	(134,030)	3,180,513	6,298,011	205,567	(6,710,019)	7,665,875
Net profit from discontinued operations	-	1,259,592	-	-	-	322,432	1,582,024
Net profit (loss)	4,825,833	1,125,562	3,180,513	6,298,011	205,567	(6,387,587)	9,247,899

*(in thousands of Russian rubles, unless otherwise stated)***41 Segment information (continued)**

Information on the reporting segments as at 31 December 2019 is set out below:

	Leasing activity	Pension operations	Insurance activity	Corporate center	Other financial services	Intersegment adjustments	Total
Assets							
Cash and cash equivalents	2,762,117	347,815	-	226,738	797,055	-	4,133,725
Financial instruments at fair value through profit or loss	-	190,702,551	-	4,850,728	-	(12,103,392)	183,449,887
Deposits with banks	49,703	3,988,967	-	-	-	-	4,038,670
Loans issued	-	-	-	17,700,000	-	(17,700,000)	-
Net investment in leases after impairment allowance	71,563,218	-	-	-	-	-	71,563,218
Reverse repurchase agreements and accounts receivable	-	79,537,388	-	4,586,379	-	-	84,123,767
Assets purchased and advances to suppliers for lease operations	1,017,275	-	-	-	-	-	1,017,275
Deferred acquisition costs	-	7,255,652	-	-	-	-	7,255,652
Current income tax prepayment	5,954	6,986	-	197,337	14,762	-	225,039
Deferred tax assets	-	5,016	-	78,533	50,182	(7,311)	126,420
VAT recoverable	831,354	-	-	5,645	-	-	836,999
Property and equipment and right-of-use assets	1,639,718	103,199	-	47,430	103,506	-	1,893,853
Investments in subsidiaries and associates	-	-	24,285,166	-	-	-	24,285,166
Goodwill	-	24,984,271	-	-	154,787	-	25,139,058
Other assets	1,552,063	309,881	307,262	18,051,288	71,321	(95,486)	20,196,329
Total assets	79,421,402	307,241,726	24,592,428	45,744,078	1,191,613	(29,906,189)	428,285,058
Liabilities							
Liabilities under compulsory pension insurance contracts	-	251,442,867	-	-	-	-	251,442,867
Liabilities under non-state pension arrangements	-	8,342,552	-	-	-	-	8,342,552
Borrowings	38,055,638	-	-	31,419,870	-	(17,763,980)	51,711,528
Advances received from lessees	2,209,451	-	-	-	-	-	2,209,451
Bonds issued	20,070,206	-	-	-	-	(1,910,688)	18,159,518
Current income tax payable	198,205	235,465	-	-	10,205	-	443,875
Deferred tax liabilities	1,500,803	12,839	1,068,207	-	-	7,313	2,589,162
VAT payable	91,513	-	-	-	-	-	91,513
Lease liabilities	822,400	85,924	-	27,772	21,830	-	957,926
Other liabilities	2,542,417	775,604	-	67,654	655,414	(67)	4,041,022
Total liabilities	65,490,633	260,895,251	1,068,207	31,515,296	687,449	(19,667,422)	339,989,414

(in thousands of Russian rubles, unless otherwise stated)

42 Subsequent events

Due to the approval of large transactions at the extraordinary general shareholders' meeting held on 20 January 2021, under Article 75 of the Federal Law *On Joint-Stock Companies*, the Company used the offers to purchase treasury shares. The established period for claiming shares for redemption by shareholders expired on 6 March 2021. The shares were redeemed at a price of 519 rubles and 20 kopecks; 62,641 shares were subject to redemption, which were purchased by the Company on 5 April 2021.

On 1 February 2021, Amendment No. 1 to the Agreement for the Further Pledge of 100% Shares of JSC NPF "SAFMAR," Agreement for the Further Pledge of 100% Shares of JSC "LC "Europlan," Agreement for the Further Pledge of 100% Shares of WERIDGE INVESTMENTS LIMITED were concluded to provide collateral under a loan agreement with WERIDGE INVESTMENTS LIMITED (Note 20).

On 23 March 2021, PJSC "SAFMAR Financial investments" acting as a seller, entered into a sale and purchase agreement regarding 100% of shares of JSC NPF "SAFMAR" with LLC "IC Leningradskoye Adazhio." On 26 March 2021, this transaction was approved at the extraordinary general shareholders' meeting (Note 9).

On 26 March 2021, the extraordinary general shareholders' meeting approved Amendment No. 2 to *Loan Agreement* No. 4957 of 16 December 2019 concluded between VTB Bank (PJSC) as a lender and PJSC "SAFMAR Financial investments" as a borrower. This agreement together with other transactions comprised a large transaction exceeding 50% of the carrying amount of the Company's assets that entailed an obligation to use the offer to purchase treasury shares under Article 75 of the Federal Law *On Joint-Stock Companies*. The established claim period expires on 11 May 2021; the purchase price of 1 share is 545 rubles and 00 kopecks.

On 31 March 2021, an agreement to terminate the agreements for the pledge and further pledge of shares of JSC NPF "SAFMAR" was concluded (Note 20).

In April 2021, the Group purchased 11.1% of ordinary shares of PJSC "RussNeft."