TINKOFF

Doubling the Base

ANNUAL REPORT 2020 TCS GROUP HOLDING PLC

CONTENTS

TCS Group is Russia's leading provider of online financial and lifestyle services via its Tinkoff Ecosystem.

STRATEGIC REVIEW

DIRECTORS' REVIEW

FINANCIALS

Summary of presentation of financial and other information: All financial information in this report is derived from the consolidated financial statements of TCS Group Holding PLC and has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of Cyprus Companies Law, Cap 113, which have been included in this report. A detailed description of the presentation of financial and other information is set out from page F-1 of this report.

Data: Market data used in this report, including statistics in respect of market share, have been extracted from official and industry sources TCS Group Holding PLC believes to be reliable and is sourced where it appears. Such information, data and statistics may be approximations or estimates. Some of the market data in this document has been derived from official data of Russian government agencies, including the CBRF, Rosstat and the FSFM. Data published by Russian federal, regional and local governments are substantially less complete or researched than those of Western countries.

Forward looking statements: Certain statements and/or other information included in this document may not be historical facts and may constitute "forward looking statements". The words "believe", "expect", "anticipate", "intend", "estimate", "plan", "forecast", "target", "project", "will", "may", "should" and similar expressions may identify forward looking statements but are not the exclusive means of identifying such statements. Forward looking statements include statements concerning our plans, expectations, projections, objectives, targets, goals, strategies, future events, future revenues, operations or performance, capital expenditures, financing needs, our plans or intentions relating to the expansion or contraction of our business as well as specific acquisitions and dispositions, our competitive strengths and weaknesses, our plans or goals relating to forecasted operations, reserves, financial position and future operations and development, our business strategy and the trends we anticipate in the industry and the political, economic, social and legal environment in which we operate, together with the assumptions underlying these forward looking statements. We do not make any representation, warranty or prediction that the results anticipated by such forward looking statements will be achieved.

Nothing in this document constitutes an invitation to invest in securities of TCS Group.

THE LEADING LIFESTYLE AND FINANCIAL SERVICES ECOSYSTEM

Daily banking
- Debit cards
- Credit products
- Payments
- P2P transfers
- Utilities payments

Small business
- Business account
- Salary projects
- Overdraft
- Business loans
- Accounting

Savings & Investments
- Deposits
- Securities
- Pensions
- Investment strategy

Auto
- Fines
- Insurance
- Auto loans

TINKOFF

13.3mn Total customers

9.3mn monthly active users

9.1mn Active customers

3.2mn daily active users

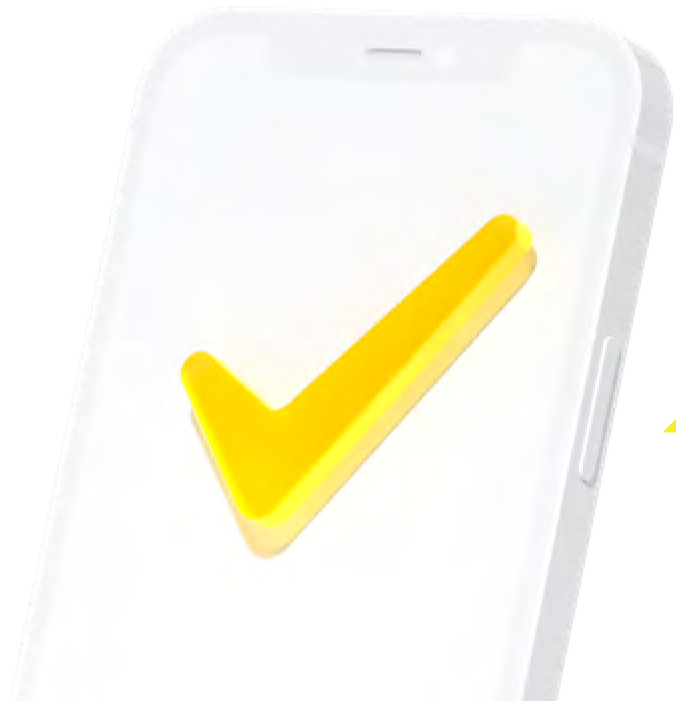
Mobile
- Own number
- Own mobile network code
- Own SIM cards

Insurance
- Cars
- Travel
- Property
- Health
- Life

Entertainment
- E-commerce
- Ticketing
- Restaurant reservations
- Stories
- Travel

Tinkoff Pro Subscription
- Higher deposit rates
- More cashback categories
- Free SMS notifications
- Higher P2P transfer limits

№1 World's Best Consumer Digital Bank*



ONE CLICK
LIFESTYLE BANKING IN YOUR MOBILE PHONE

*Source: Global Finance

PROVEN TRACK RECORD OF DRIVING SUSTAINABLE GROWTH

HIGHLIGHTS

Growth

- 3.1 million acquired customers, reaching 13.3 million
- Loan book growth of 14.4% in 2020, despite the pandemic that hit the markets globally
- Highest ever engagement growth on our mobile app: reached DAU of 3.2m and MAU 9.3m at YE20
- Exponential growth of our retail brokerage platform, opening >2.5m accounts in 2020
- Retail current accounts growth of 62% YoY, amounting to a record 52% of total customer accounts

New business lines

- Share of non-credit cards in the loan book portfolio at a historic high of 43%, with secured lending accounting for 20% of the total loan book
- Tinkoff Investments assets under custody growth x6 YoY, transaction volume growth x8 YoY
- Tinkoff Business balances reached almost RUB 90 billion at YE20
- Insurance contribution to Net Income stays at 19% in 2020
- Super App new feature Tinkoff Pro subscriptions launched

Profitability

- Record high net income of RUB 44.2 billion, growing 22% YoY, with industry leading ROAE of 40.6%
- Tinkoff's net income CAGR of 41.6% in 2016-20 in line with ambition declared in 2016 of 20-40% annual growth

Capital Markets

- Fitch reaffirmed its rating at BB with Stable Outlook
- Moody's rating reaffirmed at Ba3 Stable
- ACRA reaffirmed its rating at A(RU) with Stable Outlook
- Expert-RA rating reaffirmed at ruA Stable

Liquidity and capitalisation

- Total assets up by 48.1% to RUB 859.3 bn, with cash and treasury portfolio up to RUB374.8 bn
- Total equity up by 32.2% to RUB 127 bn
- 31 December 2020 CBRF N1 statutory capital ratio of 13.07% and Basel III Total capital adequacy ratio is 17,9%.
- Treasury portfolio of RUB238.5 bn of highly liquid CBRF repoable bonds

2020

Customer accounts	Total assets	ROAE 2020
626.8 RUBbn	859.3 RUBbn	40.6 %

Net profit	N1.0 at the end of 2020	New credit customers
44.2 RUBbn	13.1 %	+0.8 mn

OUR HISTORY

HIGHLIGHTS OF TCS GROUP'S INNOVATIVE DEVELOPMENT — NET PROFIT (RUBBN)

2020 — 44.2

- Many new products launched, such as Tinkoff Pro, version 2.0 of our trailblazing voice assistant Oleg, 'Business Savings Box', 'Call Defender', 'Who is calling?' and 'Tinkoff Checkout'
- Tinkoff becomes the largest player in the CBR's Faster Payments System
- Tinkoff GDRs included in the MSCI Russian Main Index
- Tinkoff joined Top 50 Most Valuable Russian Brands (as ranked by Brand Finance)
- Tinkoff Capital launched Russia's first ETF tracking the Nasdaq (*) -100 Technology Sector Index (NDXT)
- Launch of CoronaIndex, to showcase how transactional activity across the Tinkoff customer base responded to the pandemic
- Voice assistant 'Oleg' integrated into the mobile apps of Tinkoff Investments and Tinkoff Mobile
- Tinkoff non-credit product customers overtakes the number of credit product customers for the first time
- Tinkoff deploys its cloud home call centre platform to assist the Moscow City Government in fielding calls on pandemic-related problems
- Tinkoff maintains dividend policy through 2020, paying four interim dividends (total $0.80 per GDR).

2017–2019 — 82.2

- The Company's GDRs are listed on MOEX
- Launch of the first "Super App" in Russia
- Raised $300m in equity financing
- Introduction of Oleg, the world's first voice assistant for financial and lifestyle tasks
- Full brokerage and depositary services license obtained
- Launch of Tinkoff Junior app, a service for children and teenagers
- Launched Cyprus-based home call centre
- Increased equity stake in CloudPayments from 55% to 95%
- Launch of Tinkoff Mobile
- Roll-out of own ATM's across Russia
- Acquisition of a 55% stake in CloudPayments
- Launch of Stories for mobile app
- A partnership with Skolkovo Innovation Center announced
- Tinkoff joined the FinTech Association

2014–2016 — 16.3

- Launched a network of software development hubs countrywide, the first in St Petersburg
- Joined the Russian blockchain consortium
- Introduced a face recognition system for scoring
- Launched a new management long term incentive plan
- One of the first launching Apple Pay and Samsung Pay in Russia
- Became Russia's second largest credit card provider
- Launched a range of new business lines, transitioning to online financial marketplace Tinkoff.ru
- Issued new co-branded cards
- New brand - Tinkoff Bank
- Launch of a number of mono mobile applications

2010–2013 — 11.8

- TCS Group IPO on the London Stock Exchange Main Market
- Launch of Tinkoff Insurance
- Launch of cash loans
- Minority stakes sold to Baring Vostok and Horizon
- Launch of online POS loan programme
- Launch of mobile banking
- Launch of the mobile and telesales sub-channels of Tinkoff Bank online customer acquisition platform
- Launch of online acquisition channel for credit cards
- Launch of "smart courier" service

2006–2009 — -0.6

- Launch of the retail deposit programme
- First debit card issued
- Minority stakes sold to Goldman Sachs and Vostok Nafta
- Launch of internet bank
- First credit card issued
- Tinkoff Credit Systems Bank was created by Oleg Tinkov

BUSINESS MODEL

TCS GROUP'S RAPIDLY EVOLVING FULLY DIGITAL BUSINESS MODEL IS SCALABLE WELL BEYOND FINANCIAL SERVICES. COMBINED WITH A SMART BALANCE SHEET, A BEST IN CLASS BROKER PLATFORM SOLUTION AND AN INTEGRATED ARTIFICIAL INTELLIGENCE AND MACHINE LEARNING ALGORITHMS IT GIVES THE UNIQUE COMPETITIVE ADVANTAGE IN A RAPIDLY DEVELOPING FINTECH MARKET

Tinkoff is a fully digital ecosystem offering customers the full range of financial, transactional, and lifestyle services. Through our mobile and internet platforms we offer Tinkoff-branded products – credit products, current accounts, deposits, securities dealing, insurance and mobile solutions, as well as non-Tinkoff products through our lifestyle marketplace. For small businesses, we offer current accounts, transactional services, credit products salary projects and on- line merchant acquiring. We deliver premium services to mass market and mass affluent customers in Russia through a unique online, branchless platform.

OPERATING FLEXIBILITY

TCS Group has built an advanced platform that is highly suit- ed for the Russian market and operating environment. The Group's platform is entirely branchless, with a low fixed cost base and high degree of operating flexibility. Cost efficien- cies are enhanced by its best-in-class centralised IT system, with continued investments and advancements in the field of artificial intelligence and machine learning. The low level of retail financial services penetration in Russia, the rapid growth of online and mobile payments, and high margins and barriers to entry make our business model attractive in terms of sustainable profitability, growth potential and competitive edge.

ROBUST DATA AND RISK MANAGEMENT

TCS Group employs a highly scientific, data-driven and con- servative risk management approach, which underpins the success of the business model. All aspects of the client life cycle – from acquisition to services and collections – are carefully monitored and evaluated. We make loan approval decisions based on a range of available information, includ- ing credit bureau data, a rigorous application verification process and proprietary scoring models.

DIVERSIFIED PROVIDER OF RETAIL FINANCIAL, INSURANCE AND LIFESTYLE SERVICES

Originally the first purpose-built credit card focused lender in Russia, Tinkoff has evolved into a fully digital advanced on- line financial and lifestyle ecosystem, providing a wide range of its own retail financial services such as retail lending, transactional, savings products, insurance, SME, internet acquiring, securi- ties dealing, mobile solutions as well as non-Tinkoff products through its marketplace built-in the superapp. Tinkoff continues to operate both in the mass mar- ket and mass affluent segments by way of offering an ever expanding range of financial services and targeted lifestyle recommendations, advice and entertainment features.

HIGH LIQUIDITY AND DIVERSIFIED FUNDING BASE

Tinkoff has established a robust liquidity risk management framework that ensures it maintains sufficient liquidity, including a significant cushion of liquid assets. TCS Group's funding strategy provides effective diversification in the sources and tenor of funding. The Group maintains strong relationships with market participants to promote effective diversification of funding sources.

POWERFUL DISTRIBUTION

Tinkoff offers remote access customer service through its award-winning mobile banking as well as through internet banking and high-volume call centres. Our use of direct marketing channels has revolutionised the way custom- ers are acquired in Russia. Distribution channels, which include online (the Internet, mobile services and telesales) and direct sales agents, allow TCS Group to attract new customers right across the country. Supporting the branch- less platform is a "smart courier" network which allows next day delivery along with unlocking the huge cross-sell potential of that delivery force.

PREMIUM-LEVEL SERVICE AND BRAND

TCS Group is unusual among Russian retail financial ser- vices providers in offering a premium-level service to mass market and mass affluent customers. Our customers enjoy conven ient 24 hours a day, 7 days a week access to their accounts and financial transaction services through the combination of Tinkoff's free mobile, Internet, call centre service and chat bots platforms.

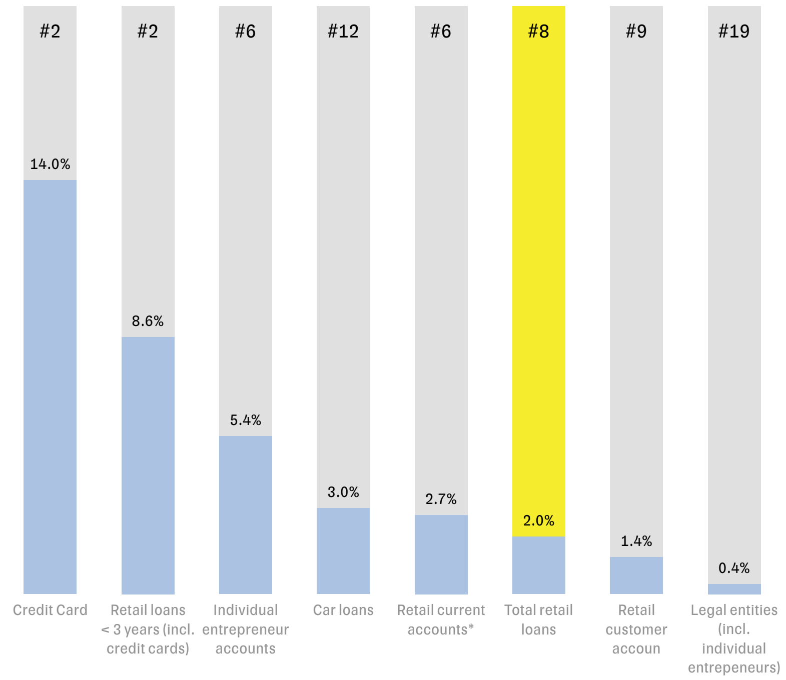
MARKET CONTEXT AND POSITION

Credit business

2020 has been a ground shaking year across the globe in many industries, but in the Russian credit market the dislocations proved less impactful than during the previous crises of 2008-09 or 2013-2015, in part helped by government support and more disciplined lending practices of the biggest banks. In 2020 the CBR relaxed risk weights for the first time in many years. This coupled with re-structuring programs launched by many banks helped the credit card market to still grow by 1.6% in 2020.

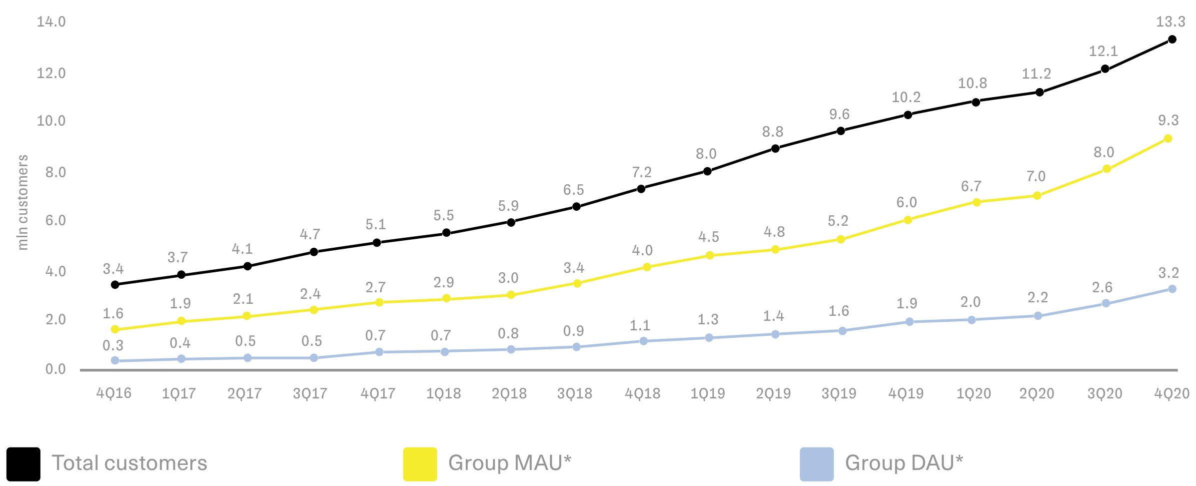
In 2020 Tinkoff further enhanced its position as the number 2 credit card player in Russia after Sberbank increasing its market share to 14%. In the overall consumer credit market (loans < 3 years) Tinkoff market share also increased to 8.6% as it kept its second place. Secured lending (home equity and car loans) remained key contributor to Group's lending portfolio growth due to their continued scale up. Overall despite elevated risk costs amid Covid, Tinkoff's credit business remains extremely profitable and should continue to contribute to growth in future years.

Market shares measured in total RUB balances (as of YE20)



*6th largest player in RUB balances, 3rd largest in number of customers

Growth of customer base and engagement



*Group MAU and Group DAU refers to unique monthly and daily active users of all Tinkoff platforms (including Tinkoff Banking App, Tinkoff Investments, Tinkoff Internet Banking, SME, Tinkoff Junior, and other smaller platforms)

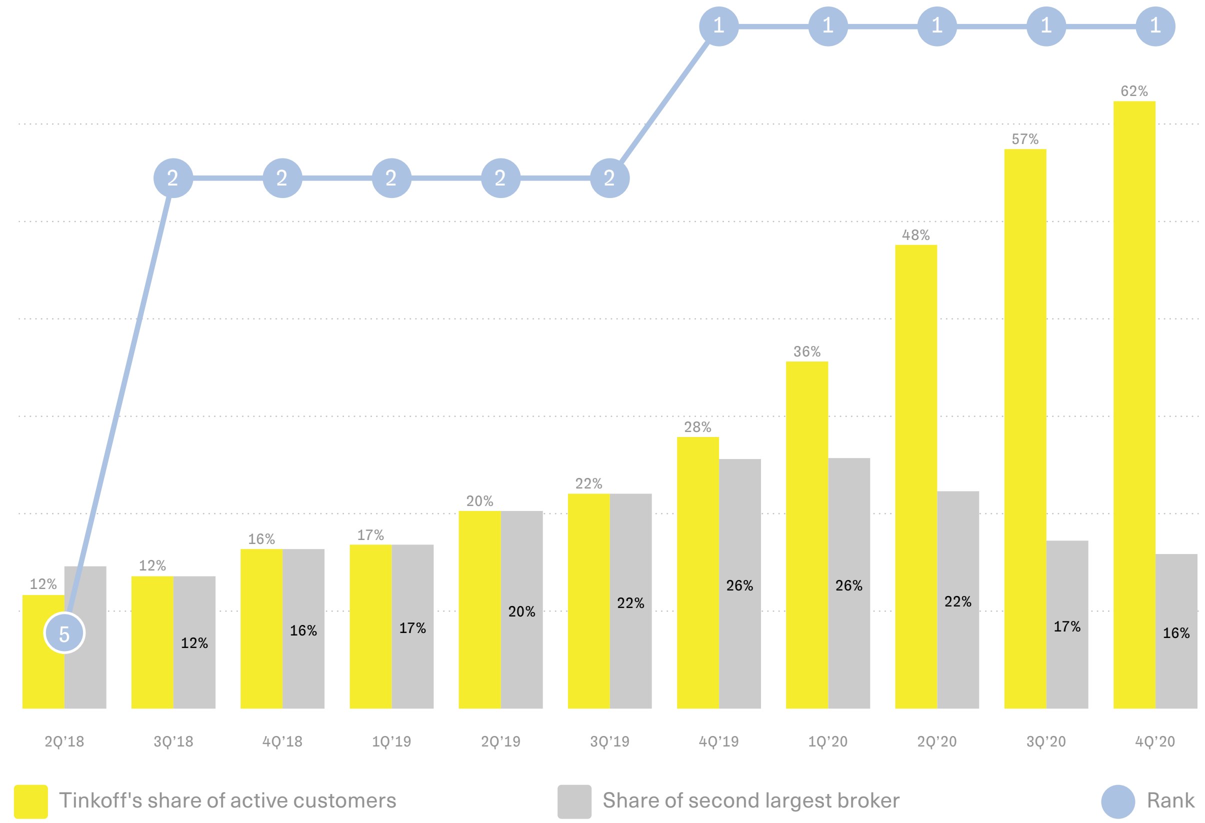
Investment brokerage

2020 saw a surge in retail interest in equity market amid heightened volatility and suppressed deposit interest rates. Tinkoff Investments acted as a primary driver of this market as Tinkoff's Investment's active client base reached 1 mn, quadrupling from a year ago. Tinkoff has solidified its dominant position as it accounts for 60% of active accounts on Moscow Exchange, almost 4x ahead of Sberbank and has been consistently largest by trading volume on Saint Petersburg Exchange. Tinkoff Investments should continue to an important driver of group's revenues and earnings for the years to come.

Transactional business

In 2020, the Tinkoff active client base exceeded 9 million, of which 4.8 million were debit card active clients with total utilized cards reaching 7.5 mln. Tinkoff Black remains the main feeder for Tinkoff ecosystem growth and drives cross-sell potential. This product is key in accessing a younger and more mass affluent customer base: the average user is 34 years old customers and predominantly urban. These customers have shown a higher propensity to utilize more of the Tinkoff product suite and Tinkoff Black remains a key feeder for our Tinkoff Investments, Insurance, Credit and SME business lines. The Tinkoff Black debit card is also the main tool to access Tinkoff's increasingly comprehensive array of lifestyle services - including ticketing, entertainment, and e-commerce services that Tinkoff provides itself and often in conjunction with partners.

Tinkoff - #1 by number of active customers on MOEX



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MARKET CONTEXT AND POSITION

Tinkoff Super-App - a leader in the mobile financial and lifestyle solutions in Russia

The share of mobile internet users in Russia is growing year-on-year. Tinkoff being a leader in the mobile space from its very first day continues to pay a close attention to not only interfaces and seamlessness of processes in its mobile application but also hugely invests into customer satisfaction and retention. Tinkoff Super-App launched in 2019 is a revolutionary product with integrated Tinkoff platform which not only aggregates all of the Tinkoff Group products under one umbrella, but seamlessly allows customers to satisfy their daily banking, credit, transactional, and lfestyle needs. The app is complemented by Stories – targeted AI based tips based on customer's transaction activity, restaurant reservations, shopping experience, cinema, theatre and concert tickets, travel and many more.

Core Lifestyle Apps

Cinema
>360k MAU

Theatre
>130k MAU

Concerts
>135k MAU

Restaurant
>250k MAU

Travel
Monthly Sales of >100k tickets

Shopping
>145k MAU

Sport

Partner Apps

Your app

TINKOFF PRO

Tinkoff Pro – our ecosystem in one subscription

- Higher deposit rates
- Higher P2P transfer limits
- More attractive loyalty program terms
- Free SMS notifications
- More cashback categories
- 15% cashback on Lifestyle offering
- 5-10% cashback on Tinkoff Travel
- Lower card servicing fees

Additional benefits

- 7% cashback on Insurance products
- Special offers on Tinkoff Mobile
- Higher transfer limits for individual entrepreneurs

STRATEGY
Doubling the Base

GROW OUR CUSTOMER BASE PROFITABLY BY BUILDING THE MOST COMPREHENSIVE, ENGAGING, AND INNOVATIVE FINANCIAL AND LIFESTYLE ECOSYSTEM IN THE WORLD

01 Grow

We plan to more than double our number of revenue generating products to >28 million

We continue to see strong growth opportunities across all our business lines. We see two main runways for our growth – we can deepen markets where penetration is still low, and we can continue to gain market share across all the various markets in which we operate. Ranging from credit cards to investments, Russia remains underpenetrated and we think our serviceable addressable net revenue pie can rise from $40 bn to $50 bn in the next 3 years. In 2020 we only captured about 3% of the latter figure and we aim to achieve this through doubling the base of our customer engagement in two ways. First, we target to expand our active customer base from 9.1 mn MAU to over 16.5 mn by 2023. Second, we want to en- gage more with each customer and see average products per customer rising from 1.4x at YE20 to over 1.7x by 2023 helped by our cross-sell initiative. This would allow us to more than double our revenue generating products to over 28 mn. In financial terms we target to maintain >30% ROE and grow earnings >20% per year to Rub75 bn in 2023.

02 Comprehensive

Focus on customer acquisition, retention and driving customer loyalty

The technology and experience acquired by Tinkoff in building its high-tech online customer acquisition and service platform has helped it to expand its transactional and payment products such as current accounts, SME solutions, online acquiring, and mobile mono-applications. We intend to support the growth of these products that constitute an important channel for acquiring new customers and for cross-selling other products, particularly credit cards. These transactional and payment products are also being offered to existing customers of Tinkoff, helping to boost retention rates.

The financial and lifestyle ecosystem platform providing customers with proprietary and partner products

Retail lending remains Tinkoff's core business. IIn 2019/20 we significantly broadened the range of our credit products, with credit cards accounting for 60% of the loan portfolio, while contribution from non-credit related business lines further improved in 2020.

Tinkoff Investments, the final business line, was successfully launched in April. Since our non-credit business lines are up and running our focus now is on scaling, monetization and cross-sell potential within our ecosystem. In 2019 we significantly improved our lifestyle and entertainment offering to the customers - culminating in the launch of our Super App - the aggregator of all Tinkoff Group products and a platform that enables customers to satisfy all their credit, transactional, and lifestyle needs.

The Super App enables seamless integration with partners and now allows customers to access Stories (AI*-based recommendations and user tips based on transactional activity) as well as complete restaurant reservations, purchase cinema, theatre and concert tickets and com- plete e-commerce transactions. The introduction of Oleg, the world's first financial services voice assistant, makes navigation through the Tinkoff platforms seamless and convenient.

03 Engaging

Sell and cross-sell financial, insurance and lifestyle products

By developing and cross-selling new products to existing customers, Tinkoff expects to diversify its revenue streams, increase its revenue per customer and increase its customer retention and life time value rates. Recently launched Tinkoff Pro subscription tool called for driving customer loyalty and engagement by a wide range of value added services, discounts and lower fees on existing products.

Tinkoff Insurance product set consist of personal accident insurance, property, travel and car insurance - KASKO and OSAGO.

04 Innovative

Customer service is a cornerstone of Tinkoff ecosystem

High quality customer service has been a key driver of Tinkoff Bank's rapid growth. Tinkoff invests to maintain and improve key components, such as our simple application processes, convenient and 24/7 access to accounts, the reach of our "smart courier" service, free loan repayments and straightforward complaints resolution process. Through the launch of a new financial supermarket portal Tinkoff Bank is now able to serve not only its existing customers but also non-clients when they are allowed to make transactions without full identification within the legislatively approved limit of 15,000 Roubles. This is a strategic step for Tinkoff Bank to increase its exposure throughout the financial market.

Support business expansion through advanced IT systems and AI Banking

Tinkoff Bank operates a low-cost, branchless model and seeks to outsource wherever feasible while retaining core functions in-house. This complementary outsourcing strategy allows us to retain focus on and develop core competencies to economise on capital expenditures, to manage workflow and to maintain a flexible cost base with low fixed expenses.

The Group's in-house IT team develops a significant part of the software used by Tinkoff, including software used in its online customer acquisition and service platform. This enables Tinkoff to regularly and quickly roll-out new products and services to customers or new versions with enhancements.

Tinkoff Bank continues to expand its technological advantages over traditional Russian banks. In 2020 Tinkoff Bank announced the launch of super-computer Kolmoborov to support AI-based processes and expertise. The toolkit 'speech to text and text to speech', Tinkoff's own software created in-house, became available for third parties

05 Profitably

Solid liquidity and lowest ever funding cost

The Group has established a robust liquidity risk management framework that ensures it maintains sufficient liquidity, including a significant cushion of liquid assets. Tinkoff Group's funding strategy provides effective diversification in the sources and tenor of funding. The Group aims to maintain an on-going presence in a broad range of capital market segments and strong relationships with market participants to promote effective diversification of funding sources.

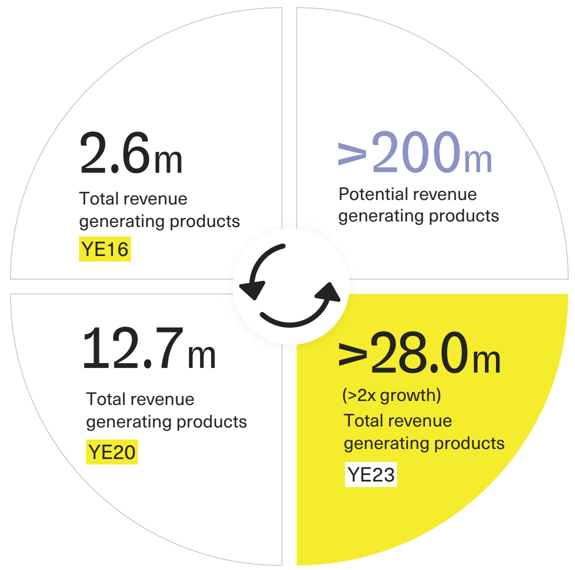
Credit risk is under control

As a data-driven organisation, the Group uses a wide range of databases in its loan approval processes and portfolio management and is constantly in search of new sources of relevant data. We take loan approval decisions based on a range of available information, including credit bureau data and scores, proprietary scoring models, a proprietary application verification process and sophisticated NPV models.

The Group will continue to develop credit risk management capabilities and to use increasingly more sophisticated data analysis and modelling to achieve this goal. Credit risk management remains one of the core strengths of Tinkoff and will remain critical to sustaining its competitive advantage.

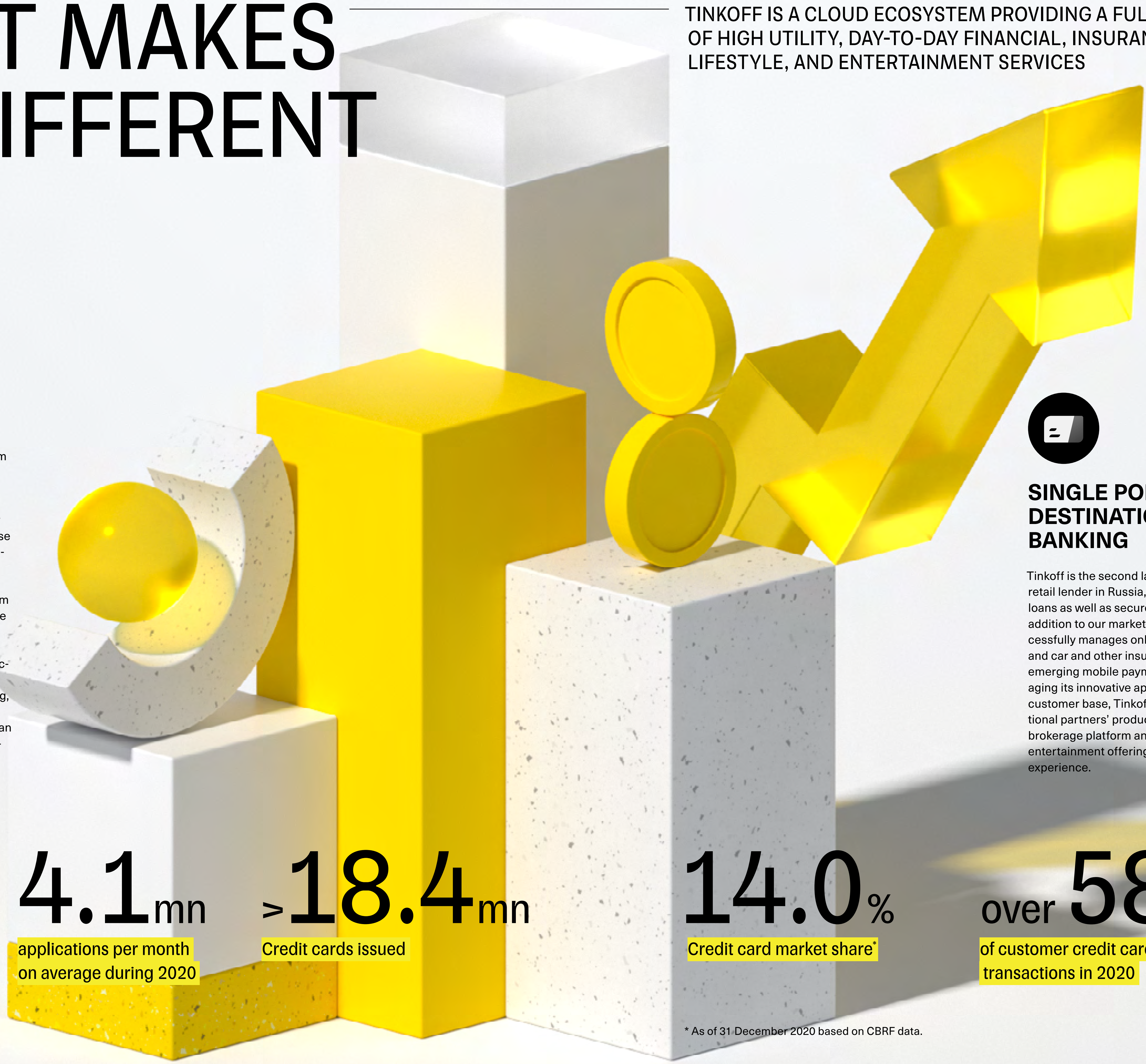
The Group intends to further increase the cost-efficiency of its operations by placing an even greater emphasis on its Internet banking, mobile banking and Home Call Centre operations and constantly seeking new ways to achieve further reductions in operating and customer acquisition costs.

We aim to more than double our business



WHAT MAKES US DIFFERENT

TINKOFF IS A CLOUD ECOSYSTEM PROVIDING A FULL SCOPE OF HIGH UTILITY, DAY-TO-DAY FINANCIAL, INSURANCE, LIFESTYLE, AND ENTERTAINMENT SERVICES



HIGH-TECH VIRTUAL PLATFORM

Tinkoff has built an advanced high-tech retail financial services platform that is highly suited for the Russian market and operating environment, particularly in underserved parts of the country. This platform is entirely branchless, with a low fixed cost base and high degree of operating flexibility. This high-tech platform includes the mobile app, internet platform, a real-time voice authentication system which creates voice prints during the traditional Q&A verification process for each new caller and highly efficient chat-bots and call-bots. We successfully implemented robotisation through the use of Machine Learning, Artificial Intelligence and Computer Vision of a number of processes on an operational level that helps to significantly improve operating efficiency and cost control.

SINGLE POINT OF DESTINATION FOR DAILY BANKING

Tinkoff is the second largest credit card and short term retail lender in Russia, offering a variety of retail unsecured loans as well as secured home equity and car loans. In addition to our market-leading credit offering, Tinkoff successfully manages online retail deposits programme, retail and car and other insurance, financial products in the fast emerging mobile payments and retail brokerage. Leveraging its innovative approach, existing infrastructure and customer base, Tinkoff has been expanding to bring additional partners' products and services through its full-cycle brokerage platform and further expanding our lifestyle and entertainment offering with travel, ticketing and shopping experience.

27mn call and chat enquiries solved by bots or cloud service agents in 2020

4.1mn applications per month on average during 2020

>18.4mn Credit cards issued

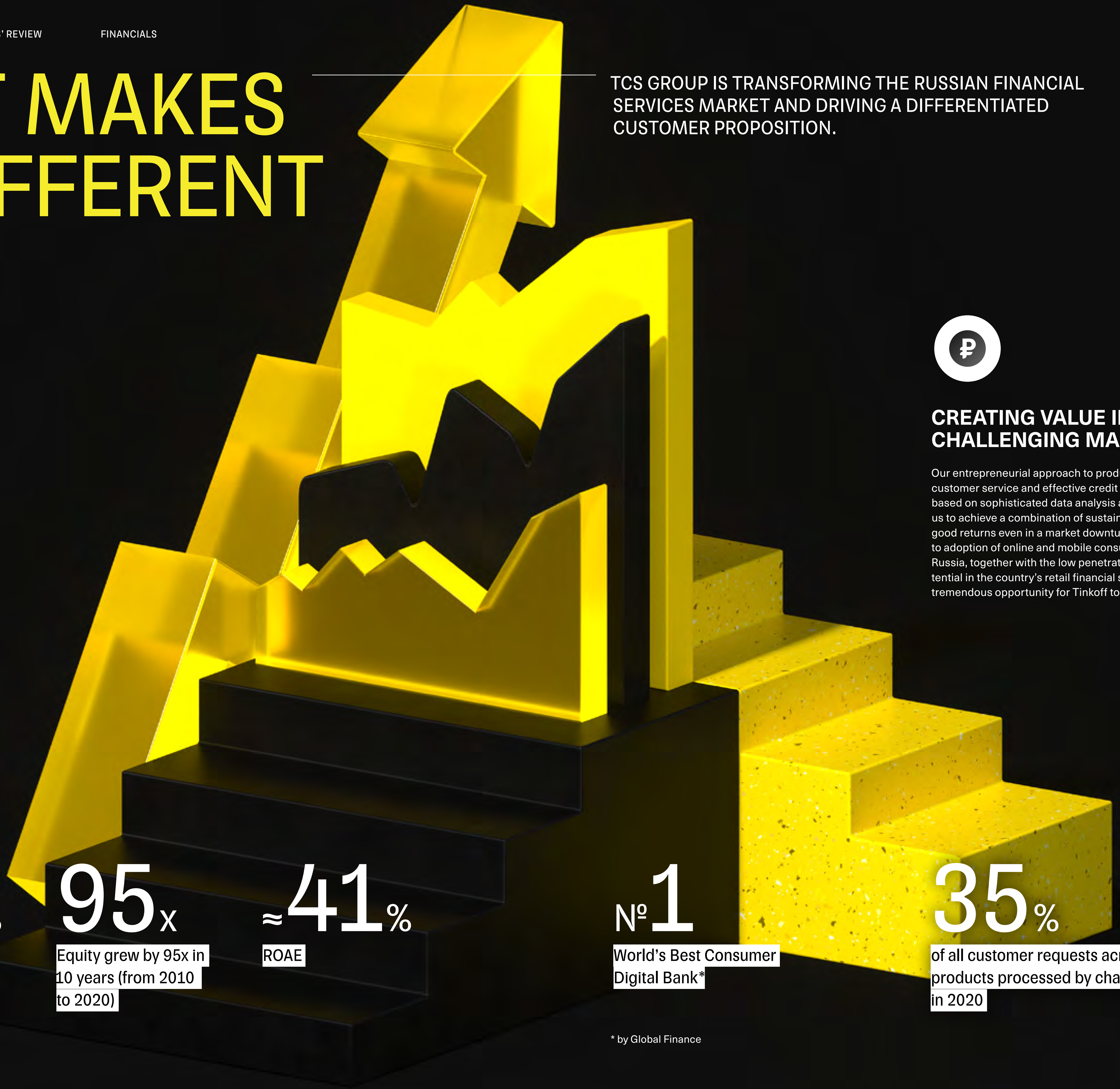
14.0% Credit card market share*

over 581RUBbn of customer credit card transactions in 2020

* As of 31 December 2020 based on CBRF data.

WHAT MAKES US DIFFERENT

TCS GROUP IS TRANSFORMING THE RUSSIAN FINANCIAL SERVICES MARKET AND DRIVING A DIFFERENTIATED CUSTOMER PROPOSITION.



POWERFUL DISTRIBUTION

Tinkoff offers remote access customer service through its award-winning Internet banking as well as through mobile banking and high-volume call centres. Our use of direct marketing channels has transformed the way customers are acquired in Russia. Distribution channels, which include online (the Internet, mobile services and telesales), direct mail and direct sales agents, allow Tinkoff to attract new customers anywhere in the country. Supporting the branchless platform is a "smart courier" network covering around 2,100 cities and towns in Russia which allows next day delivery. In addition, Tinkoff 's online origination process makes extensive use of online data and behavioural profiles, and gives it clear advantages over competitors in terms of underwriting.

CREATING VALUE IN CHALLENGING MARKETS

Our entrepreneurial approach to products, premium-quality customer service and effective credit risk management, based on sophisticated data analysis and modelling, enable us to achieve a combination of sustainable growth and good returns even in a market downturn. The strong trend to adoption of online and mobile consumer technology in Russia, together with the low penetration and growth potential in the country's retail financial services, represent a tremendous opportunity for Tinkoff to continue its success.

44.3%
Net loan portfolio CAGR 2010-2020

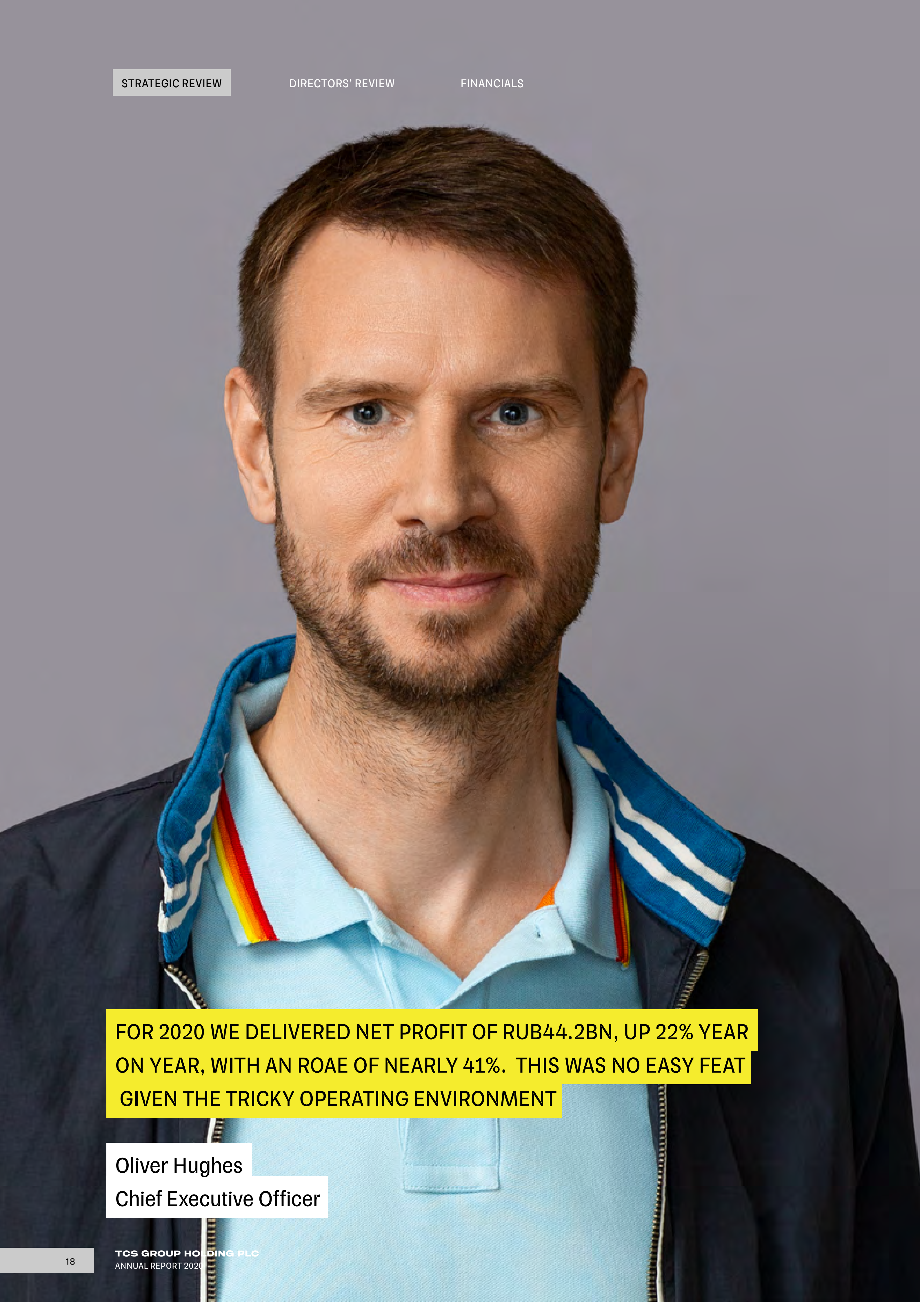
95x
Equity grew by 95x in 10 years (from 2010 to 2020)

≈41%
ROAE

№1
World's Best Consumer Digital Bank*

35%
of all customer requests across the products processed by chat-bots in 2020

* by Global Finance



FOR 2020 WE DELIVERED NET PROFIT OF RUB44.2BN, UP 22% YEAR ON YEAR, WITH AN ROAE OF NEARLY 41%. THIS WAS NO EASY FEAT GIVEN THE TRICKY OPERATING ENVIRONMENT

Oliver Hughes
Chief Executive Officer

CEO STRATEGIC REVIEW

Dear Investors

In mid March I was delighted to report the results of yet another record-breaking year for Tinkoff Group.

For 2020 we delivered net profit of RUB44.2bn, up 22% year on year, with an ROAE of nearly 41%. This was no easy feat given the tricky operating environment, and this once again testifies to the resilience of our business model and the agility of our management team.

In this strategic review I would like to share my thoughts on four areas:

1. The very successful year 2020 and details of how and why it was achieved and is continuing;
2. To follow up my comments from last year on corporate governance;
3. To share my choice of business highlights from 2020;
4. What do we see ahead in 2021.

First I will move onto some of our operational and financial highlights from FY2020.

1 Operational and Financial Highlights of 2020

- Tinkoff's Retail Debit Card business, Tinkoff Black, the main locomotive of our growth, is further accelerating. More and more Russians are realising that this is a product they must have. The main reasons it has gone viral are the ease of onboarding, the highly rewarding customer experience, the rich product and the unparalleled level of service. It also has a strong pull and cool factor. Total Tinkoff Black customers grew by 60% from 4.7m customers to 7.5m customers in 2020, with balances growing by a comparable 62% year on year. In Q4 2020, our debit card TPV reached a record RUB783bn, up 55% year on year. With every quarter this product cements its pivotal role as both a major customer acquisition tool and a high-retention loyalty program for our Ecosystem.
- Our InvestTech business, Tinkoff Investments, concluded the year on a high, and its brand has become synonymous with retail investment in Russia. In 2020, the Tinkoff Investments customer base grew 4x to over 1.25 million, assets under custody grew 6x to over RUB300bn, and quarterly trading volumes grew 8x to RUB4.2tn. 60% of all active customers on the Moscow Exchange are Tinkoff Investments customers, a market share that is 4x higher than that of the second largest player in the market. A key point here is that we are catering to all types of investors – from first-timers, to active traders, all the way to higher net worth individuals who need more of an advisory service. We really can say that we are forming this market as it evolves from an early stage. Our customers typically have a similar profile to those that come through Tinkoff Black – young, urban, more mass affluent. Although this business line only broke even in mid-2019, it has already become a meaningful bottom line driver, with some of the most attractive unit economics in our product portfolio. Over time, we expect this business line can become the largest contributor to our bottom line out of all of our non-credit businesses.
- Tinkoff Business, our provider of SME Services, delivered outstanding results, adding 60K new customers to reach 385K total customers. Our increasing focus on medium sized enterprises that are more NPV accretive is paying off: we grew balances by 48% year on year to almost RUB 90bn, and this business line's profit before tax grew by 71% YoY. Our SME customers see us not only as a financial partner, but also as a partner that can help them grow their business through an impressive array of merchant solutions like cloud accounting, website construction, delivery services, CRM tools, and increasingly SME lending. We believe SME represents a huge addressable market for us.
- Our Acquiring and Payments business, Tinkoff Acquiring, continues to ride the wave of digital payments and ecommerce. In the fourth quarter, our TPV grew by over 50% YoY to RUB220bn, contributing to 33% year on year growth in revenues and 79% year on year growth in profit before tax. The secret to the success of this business is that our entire acquiring platform is developed in-house, in our view making onboarding, integration and customer experience for our corporate customers significantly better than anywhere else in the market. Our conversion and fraud rates are among the best in the industry. We have tailored solutions for different market segments, enabling us to grow across a well-diversified set of

ROAE is 40.6% and total equity climbed to RUB 127bn

≈41%

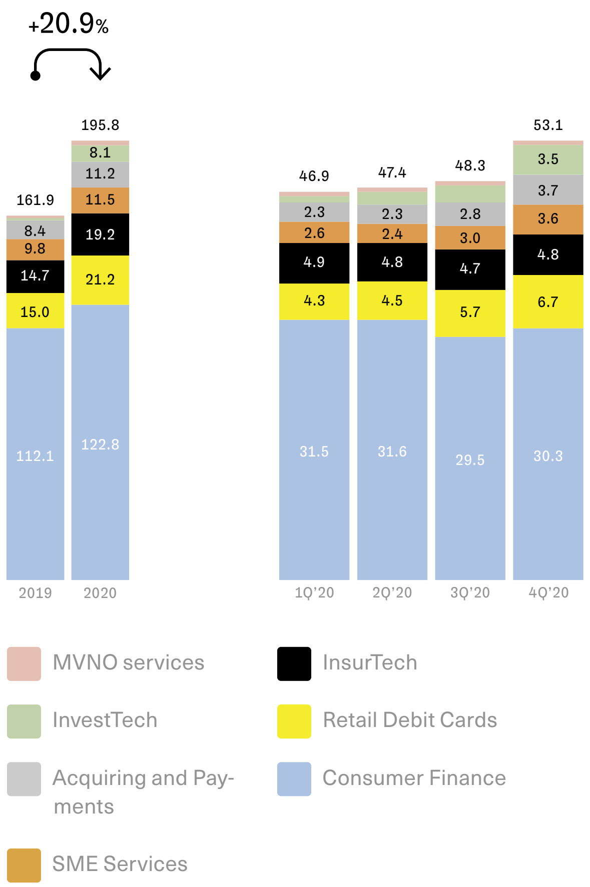
CONTINUED

CEO STRATEGIC REVIEW

merchants and industries. This is a highly technological and innovative business, as shown by the recent launch of 'Tinkoff Checkout'– a one-stop payment platform that will combine all existing payment technologies of the Tinkoff Ecosystem as well as new solutions, including services provided by CloudPayments, a leading Russian online payments aggregator in which we hold a 95% stake. We have big plans for the business line in 2021 as we build more solutions for our partners.

- Our Consumer finance business also ended 2020 on a high, after an understandably slower first half of the year. We delivered 14% net loan growth for the full year, despite virtually no growth in the first half of the year. The share of lower risk, but high NPV, collateralised loans grew to a record 19% of the portfolio, contributing to both growth and diversification of the consumer lending business. Our high frequency asset quality data continues to give us the confidence that we are issuing positive NPV loans as we further ramp up our loan issuance volumes into 2021.

Fee and commission income (RUBbn)



All of these products are integrated into one Ecosystem which is accessible to customers through our award winning super app. Across all our main apps and interfaces, our group MAU reached 9.3m in Q4 2020, up from 6.0m a year ago. And our DAU reached 3.2m up from 1.9m a year ago. Our ability to cross-sell existing products and consequently lengthen the lifetime value of our customers is constantly improving. This underpins the growth in product per customers from 1.3 at the end of 2019 to 1.4 at the end of 2020, in spite of the denominator effect from fast customer growth. With only a 2% market share of the total retail lending market, we believe that our credit business can generate high growth and high returns for many years to come. We believe we will be able to further grow this metric thanks to the 'Tinkoff Pro' subscription, which although at an early stage, is already showing good traction in our customer base.

With regard to the economic impact of the COVID-19 pandemic, we currently do not see any delayed or unrealized negative effects on either our existing portfolio or on new issuance. This is not to downplay the seriousness of the pandemic - the health and safety of our employees is always of paramount importance - and elsewhere in this report, as in last year's report, you will see a very wide range of initiatives in which Tinkoff has actively participated. We take our role as responsible lender and responsible corporate citizen extremely seriously.

2 Aspects of corporate governance and our corporate governance roadmap

Last year in my strategic review, I explained our philosophy here. We have always striven to maintain the highest standards of corporate governance at Tinkoff, to go well beyond the legal minimum, always incorporating as much stakeholder feedback as possible. We want workable, robust solutions to these multi-dimensional issues while safeguarding the viability of the business.

Corporate governance enhancements come in many forms, some more high profile than others, but when taken together, are all tangible marks on our roadmap.

In our financial and other statements for 2020 we have introduced some changes to our reporting formats, which we believe will work to improve investors' understanding of the key growth and profitability drivers of the Tinkoff business. Firstly, we formally introduced two new customer number metrics, total customers and active customers. The concept of "Total customers" represents those customers who have utilised a Tinkoff product and have not closed it. At the end of FY2020, we had 13.3m 'Total customers', up 3.1m from the end of FY2019. And the concept of "Active customers", what we also call Financial MAU, represents those customers that have generated revenue for us over the last month. At the end of 2020, we had 9.1m monthly-active customers. These are real customers who are loyal and have chosen Tinkoff as their main financial services provider. Secondly, we have revamped our segmental disclosure in the notes to our financial statements. We now present our P&L across seven different segments:

- Consumer Finance,
- Retail Debit Cards,
- SME Services,
- InvestTech,
- Acquiring and Payments,
- InsureTech, and
- MVNO Services.

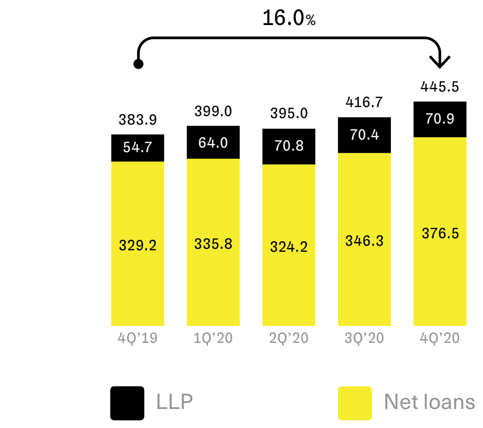
In FY2020 the share of revenues from non-consumer finance businesses (i.e. non-credit revenue) amounted to 37% and the share of non-credit net profit amounted to 36%, up from 31% and 18% respectively in 2019. These new reporting changes give extra visibility on the fundamental changes that have been happening in our business and provide further insight into both the pace of our growth and the diversification of our business.

At the same time, we are pressing ahead with other aspects of our corporate governance enhancement program. The unprecedented voluntary declassification by our Founder Oleg Tinkov of his weighted voting shares and conversion into ordinary shares at the beginning of the year, as a by-product removed the cap on the number of directors allowed and so paved the way for more change, such as increasing the size of the TCSGH Board.

We are looking to build on the great work of our existing Board by bringing in new members that can further enhance existing oversight functions, but also bring new skills, new experience, and add a stronger strategic dimension to the Board. The Board will be responsible for steering Tinkoff Group as it grows its business, makes larger capital allocation decisions and thinks about international moves. We will expand the Board in waves to around nine Directors, most of whom will be independent, non-executive directors. I too will be joining the Board from Q1 2021.

We will soon have four special purpose Board committees: in addition to the existing Audit and Remuneration Committees, we will have a Risk and Emerging Risk (Sustainability) Committee and a Strategy Committee. These initiatives will be rolled out through 2021, and beyond. Your thoughts and feedback on this and all aspects of our corporate governance and ESG initiatives and disclosures are always welcome, to the Tinkoff IR team or through any channel including to stakeholderengagement@tcsgh.com.cy

Gross loans



3 Highlights of 2020

Tinkoff has been involved in number of ground-breaking innovations over 2020 and I would like to mention a few to show the very wide range of Tinkoff activities:

- Tinkoff Mobile unveiled a new version of our trail-blazing voice assistant 'Oleg' which enables customers to create their own mobile concierge with customizable features;
- Tinkoff Business launched 'Business Saving Box' a service that allows our SME customers to automatically save and allocate their income for various purposes such as taxes, rent and salaries and Tinkoff Checkout an online and offline payment service for legal entities which operates as a one-stop shop;
- Tinkoff signed a long-term development contract to rent the AFI Square business centre in Moscow currently under construction to become Tinkoff's new HQ in 2022, an ultra-modern workspace, well equipped for tech professionals and with a smaller environmental footprint;
- Our streamlined response to COVID-19, getting over 95% of our office based employees moved to home working within a few weeks, by the second week of March 2020;
- Tinkoff Capital launched Russia's first ETF tracking the Nasdaq ®-100 Technology Sector Index (NDXT);
- Tinkoff joined the Top 50 most valuable Russian brands as ranked by Brand Finance;
- Tinkoff Education, the team through which we provide educational material for students and graduates, launched free online IT lectures focused on the building blocks of IT companies (on topics like information security, systems analysis, design and product analytics).

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CEO STRATEGIC REVIEW

These are a few of my personal, non-financial highlights; many more have been highlighted in this Report, including by our CFO Ilya Pisemsky in his Financial Review, and feature in our regular market announcements showing what a remarkably creative business Tinkoff is.

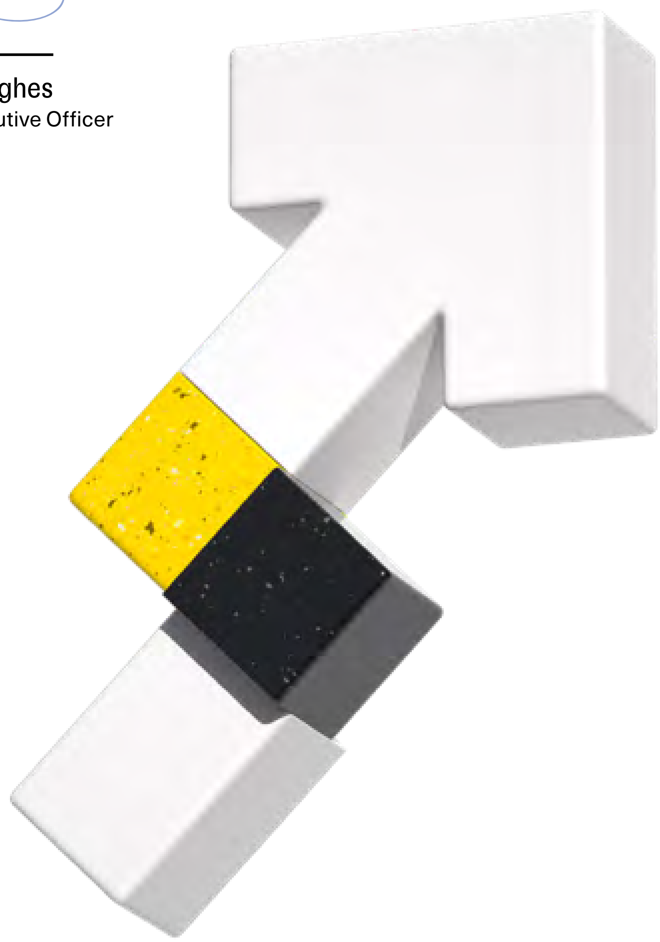
4 What's ahead to look forward to?

Despite all, 2020 was yet another good year for Tinkoff. We launched several new innovative products some of which I highlighted above, we grew our customer base significantly, we deepened relationships with our customers, and we delivered strong and diversified earnings growth in the process. This is a result of our customer-centric approach, our technological capabilities, our disciplined approach to capital allocation and our organisational mind-set. We are confident we can do this for many more years to come, and we will provide more detail about how we will do this and our medium term targets during our virtual Strategy Day in Q2 2021.

2021 will be another interesting year for Tinkoff. As we move into 2021, we feel we have very strong growth momentum and think this is the right time to move up another gear- additional growth now is the best way of guaranteeing a sustainable and profitable business into the future. We also see both organic and potentially inorganic growth opportunities through acquisitions of businesses complementary to Tinkoff.

To close, I am happy to have been able to report another year of record Tinkoff profits; a great many people have contributed to this, worked very hard to deliver this for you, in 2020. It's not possible to name them all but particular mention should go to my colleagues in the Management team, our employees, our investors, our business partners as well as other stakeholders, but above all our customers. We invite more of you to join us, try our suite of transactional, lending and lifestyle offerings, from right across Russia.Keep safe and thank you.

Oliver Hughes
Chief Executive Officer



OUR RECENT AWARDS

Global Finance

- Best Website Design 2020
- Best Mobile Banking App 2020
- Best Open Banking APIs 2020
- Best Online Treasury Services 2020

Forbes

- 50 Best Employers Ranking by Forbes (3rd Place)

Retail Banker International

- Best European Retail Bank of the Year

Brand Finance® Brandirectory

- Joins the Brand Finance global Top 500 most valuable banking brands
- Top 50 most expensive Russian brands

USABILITYLAB

- Best bank for entrepreneurs

banki.ru

- Investment Company of the Year 2020
- Deposit of the Year 2020
- Bank card of the Year 2020

Markswebb Rank&Report

- Best Mobile Banking App at the Core of a Financial Ecosystem
- Best Mobile Banking for Daily Operations for iOS and Android
- Best Daily Banking and Digital Office (Internet Banking Rank 2020)

FRANK RG

- Best daily banking in the premium segment

N. NILSON REPORT

- Named among the Largest Merchant Acquirers in Europe 2019

Romir

- Maximum score in the rating of banks' satisfaction according to the NPS methodology

ANOTHER YEAR OF RECORD HIGH PROFITS. TINKOFF REMAINS THE SECOND LARGEST PLAYER IN THE RUSSIAN CREDIT CARD MARKET WITH A MARKET SHARE OF 14% AT 31 DECEMBER 2020, AND IS THE THIRD LARGEST RETAIL BANK IN RUSSIA IN TERMS OF ACTIVE CLIENT BASE.

Ilya Pisemsky
Chief Financial Officer

FINANCIAL REVIEW

Dear Investors

Last year I wrote that FY2019 was the latest in a string of record breaking years for Tinkoff and it might prove hard to beat-this was at a time of great uncertainty as the impact of the pandemic broadened out. I assured readers that every effort would be made to beat FY2019's results, that I was confident we would deliver in 2020. And this is just how things turned out, another year of record high profits for both Q4 and FY2020. Tinkoff remains the second largest player in the Russian credit card market with a market share of 14% at 31 December 2020, and is the third largest retail bank in Russia in terms of active client base.

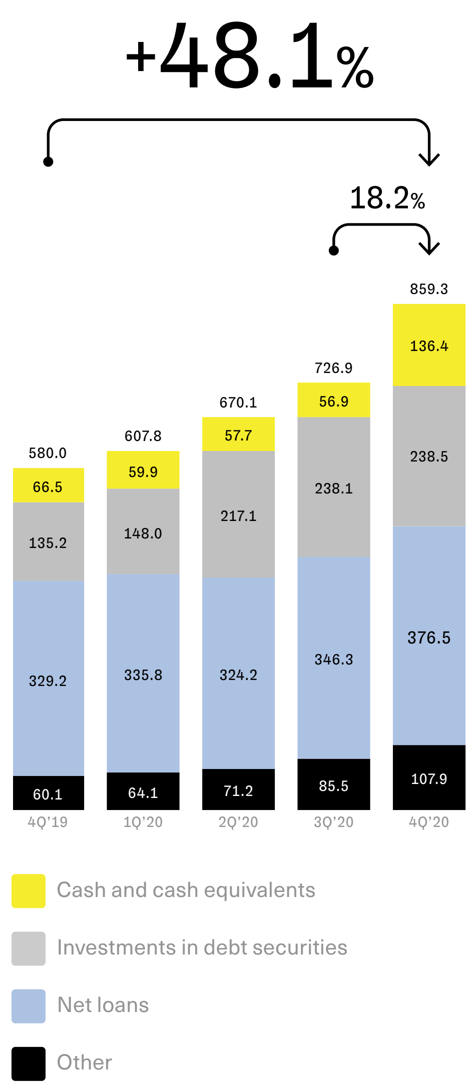
Naturally I will take you through the financial results in my review but as in the past I would like to share with you some particular business highlights of 2020. These showcase the great range of activities the Group carries on as Russia's leading fintech brand. Throughout 2020 we continued to innovate, launching new products, improving existing ones, trialling others, building a sustainable future for the business.

My highlights of the many for 2020 would include these:

- In 2020 Tinkoff became the largest player in the CBR's Faster Payments System;
- In 2020 for the first time the number of our non-credit product customers exceeded the number of credit product customers;
- Tinkoff paid four interim dividends in 2020 (total $0.80 per GDR);
- Tinkoff proactively supported borrowers impacted by the pandemic by offering both government and proprietary restructuring programmes; and deployed our cloud based home call centre platform to assist the Moscow City Government and the People's Social Front (a consumer protection organisation) in fielding calls from people experiencing pandemic- related problems;
- Tinkoff launched Tinkoff Call Defender, a platform designed to prevent fraud and social engineering in the telecom sector developed as part of the comprehensive Tinkoff Security system to protect Ecosystem customers. It was developed in partnership with major Russian mobile operators;
- Tinkoff launched a free service called "Who is Calling?" which identifies incoming caller IDs and helps to protect against scammers and spam calls;
- Tinkoff adopted a cutting-edge approach to credit-scoring based on securely-merged data on oneFactor platform. It includes AI-powered predictive analytics tools, based on combined data from multiple sources, including telecom operators, Russia's largest credit bureau and Tinkoff itself;
- Tinkoff was recognized as among Russia's Top 3 Employers for 2020 (Forbes).

I would now like to describe some of the main trends that we observed in our business through FY2020.

Assets growth RUBmn



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FINANCIAL REVIEW

The Group's Balance Sheet

Following convention I will start with the composition of the Balance Sheet. Total Assets of the Group grew for the full year by 48.1%, with over 18% in Q4. The substantial growth in cash balances during Q4 was a result of strong inflows from SME and retail current accounts, pushing the share of cash on the balance sheet to 16% at the year end. At the same time, in anticipation of the interest rate increase, we decided not to grow the bond investment portfolio during the winter. It remained flat during the quarter at slightly below RUB240 bn and fell proportionally to 28% of the total assets of the Group. Throughout the year we built a significant positive revaluation on this portfolio which was realized during 2020, contributing nicely to our net income.

Our net loan portfolio showed solid 8.7% sequential growth in Q4, commencing the return to the pre-pandemic levels of lending. This allowed us to show double digit growth for 2020 despite the portfolio decrease in H12020. This growth was driven by several components of the credit book, which I will discuss later in detail. Observing the full year dynamic in the total net assets composition, proportionally the net loan book declined to 44% of the total assets due to the faster growth of cash and investment portfolio.

There was an increase in other assets which rose over RUB100bn and reached 13% of our total portfolio. Among usual other assets such as security deposits with Payment Systems, settlements and Fixed Assets there are RUB24 bn of short-term receivables from Tinkoff Investments' customers who made margin trades before the year end. We expect this balance should grow further in 2021.

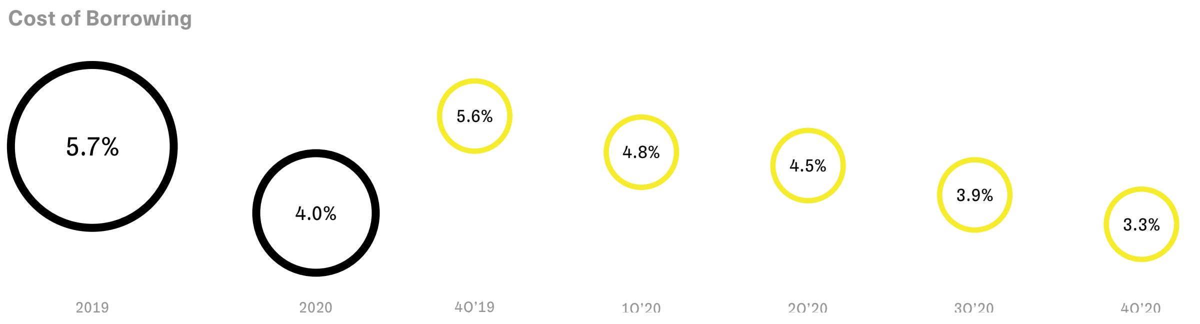
Our funding base is growing strongly, mirroring asset growth. The total funding balance of the Group grew by 48.3% year-on-year and by a stellar 18% in Q4, allowing us to build a significant liquidity buffer on the assets side. Growth is most visible in retail current accounts, brokerage accounts and funds from SME customers which grew by 62%, 500% and 49% respectively during FY2020. At the same time, the term deposits balance remained flat for the year, as deposit rates went down significantly more recently and new possibilities to earn decent returns on the funds through our brokerage platform became widely available to the public. This is positive news for our profitability, as we are spending less on interest expense and earning more in fees, while keeping our customers happy. Ample liquidity on the asset side and generally short duration of our loan book allows to us keep our ALM proportions intact and liquidity ratios at high levels.

Another funding source that did not grow much (apart from currency revaluation) during 2020 was wholesale funding. Nevertheless we are keeping an eye on the wholesale market, especially on the perpetual market, as our unused capacity for AT1 capital will be growing in absolute terms in 2021-2022.

Shareholders' equity increased by 9% in Q4 to RUB127 bn thanks to strong quarterly profits. Our Basel ratios went down a bit due to the yearly re-measuring of operational risk under IFRS. We also recorded a reduction in RWA density as the share of loan portfolio in our assets declined compared to cash and investments. Statutory ratios also came down slightly - the N1.0 and N1.1 to 13.07% and to 10.2% respectively.

By the end of 2020 Tinkoff Bank had issued over 18.4mn credit cards

18,4mn



The Group's Profit and Loss Statement

Now I will turn to the Income Statement and the breakdown of our profit and loss statements by the major business verticals. These are set out in greater detail in "Segment analysis" of our financial statements where both revenue breakdown and net profit breakdown by business line are shown, one of our governance enhancement measures. We hope this new level of granularity will give a better insight into the key drivers of profitability and growth of our business.

Next a few words on revenue dynamics. Compared to 2019 our revenue grew by 21% to almost RUB196 bn, and most of this growth came in Q4 FY2020 when we emerged from the pandemic slowdown. The share of revenue from non-credit business lines rose from 31% in 2019 to 37% in 2020 (and to 43% in Q4 2020), despite the strong growth of the credit business. We expect this trajectory would continue in 2021.

On cost management, there was a return to growth in Q3 in acquisition costs after two quarters of cost preservation, and that continued into Q4. Now we see momentum, and opportunity, to acquire more customers across all business verticals. So our acquisition costs more than doubled in Q4 2020 compared to Q4 2019 or to last year's pandemic period and comprised almost half of total administrative costs. The growth in acquisition costs corresponds to the doubled figures in our operating statistics. It also shows how our business model allows us to manage costs very rapidly depending on market conditions, and we believed this was an appropriate moment to spend more. Looking forward into 2021 we intend to keep our marketing effort on this level in absolute terms, with cost to income normalizing around 40%.

As for the dynamic of our net income and the contribution that credit and non-credit businesses give to that growth, Q4 net income is in line with that of Q3, despite the fact that we have stepped up customer acquisition costs. You can also see that the magnitude of acquisition costs effect is higher for non-credit businesses compared to credit. Despite this, the share of net income coming from non-credit businesses rose from 18% in 2019 to 37% in 2020.

I will turn now the results of each business segment one-by one starting with our bread-and-butter credit business.

Our loan portfolio showed a healthy 8.7% growth during Q4 on a gross basis and 14.4% growth for the year on a net basis. Looking forward into 2021 we see a growth opportunity. Growth in 2020 was driven by several components of the credit book, including unsecured and collateralized loans. SME lending remains in test mode, but even there positive results are starting to come through. In terms of the composition of the book, the share of credit cards is slowly but gradually falling towards half of the loan book, now representing 57% of the total. Credit cards remain a key product and we see huge potential still in this market. In Q4 we added 800K new activated credit cards, 2.3m cards in FY2020. The disbursements in other credit segments were also strong but from a lower base, which is the reason for the declining share of the credit card part of the portfolio.

Turning to the economics of our credit business, in 2020 interest income grew 15% to RUB128 bn. Our headline gross interest yield on the credit portfolio decreased from 32.4% to 28.1% year-on-year, mostly due to the growing share of the non-credit card loan portfolio. This gives roughly a 1% per-quarter reduction in yield, which rarely happens smoothly. Q42020 is a good example as the reduction in yield was less than half-a-percent, after a sharper descent in Q3. It is reasonable to assume that during 2021 gross yield should continue to gradually move down as a result of the changing portfolio mix.

Our blended cost of borrowing declined from 5.7% to 4% year-on-year and was as low as 3.3% in Q4 2020, thanks to large inflows of cheaper SME, retail and brokerage accounts funds. Despite the recent increase in interest rates worldwide, we have hopes of our cost of funding remaining at these lower levels.

CONTINUED

FINANCIAL REVIEW

Net interest margin declined year-on-year by 4% because of the reduction of the gross yield and in Q4 due to exceptional inflows of retail funding. Cost of risk improved marginally in Q4 but more importantly it has improved significantly in the second half of 2020, proving the V-shaped nature of the pandemic crisis in Russia. As a reminder, we also still have RUB 5.6bn of macro-factor adjustment that we incurred throughout 2020. The improvement in cost of risk allowed our risk-adjusted net interest margin to remain over 13%. The annual 4% decrease in our risk-adjusted net interest margin from 15.4% to 11.3% is a result both of the reduction in gross margin and elevated credit risks in H1 2020.

I can share some more granular information about the unsecured and secured parts of the loan book, including gross yield and cost of risk. For the more mature unsecured loan book, we found a mild improvement in asset quality but still very attractive risk-adjusted margins. For the younger secured part of the portfolio, the risk parameters and NPLs are not yet fully shaped on fast-growing portfolios, but are heading in the right direction. This portfolio has a lower cost of risk than our unsecured portfolio – this was the case both during the pandemic crisis and now.

Now some comments on our non-credit businesses, starting with our debit card business. With 7.5 million total customers and with almost RUB323bn of balances, our current account business contributed RUB21.2bn in revenues in 2020, net of the cashback returned to customers. We continue to develop this product as the cornerstone of subsequent cross-sell opportunities. We still intend to keep our bottom-line result for this business close to break-even – and note that in the first half of the year the profit before tax from this segment were in positive territory because of the realized gains on our treasury portfolio. We see more value in growing the customer base and in the potential synergetic effect with other business lines rather than as a source of pure net income.

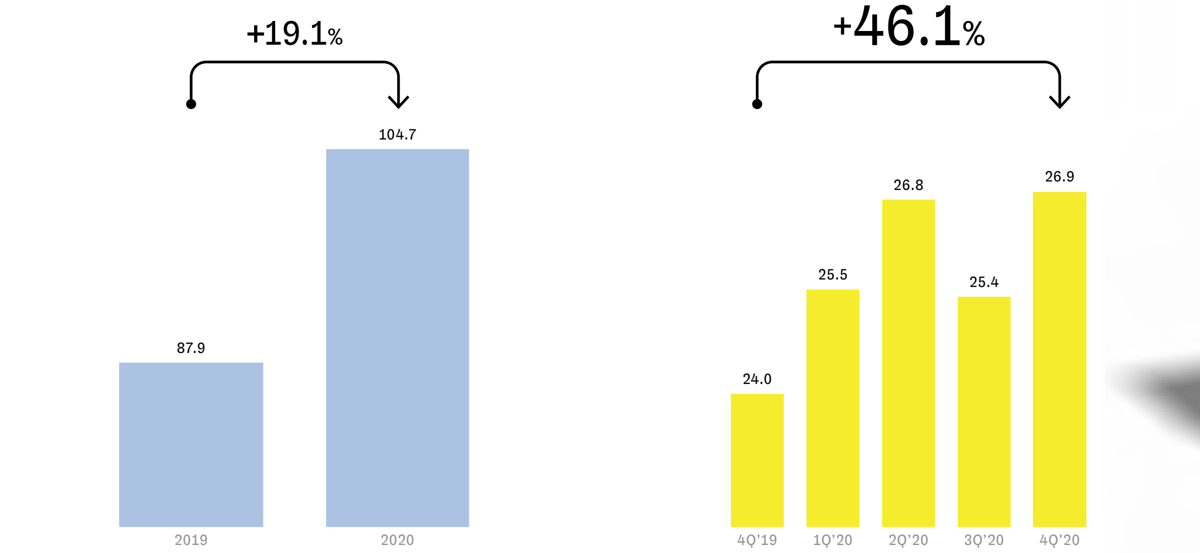
Our SME business is returning to growth after a rebalancing phase, focusing more on per-client profitability rather than the absolute growth in number of customers. At the end of 2020 we had 385K total customers with almost RUB90bn in balances on SME current accounts. We earned revenue of RUB11.5 bn in fees, treasury income and some interest on SME loans. Our focus on per-client profitability is coming through, as profit before tax grew 71% year on year to RUB5.6bn, while revenue grew 17% year on year.

2020 was a year of exponential growth for our investment business. Over 1.5m customers utilized brokerage accounts on our Tinkoff Investments platform, with quarterly transaction volumes well over 4 trillion Rubles compared to half a billion just a year ago. Our assets under custody grew 6x year-on-year to almost RUB315bn. This business line's revenues grew over 8x year-on-year. Tinkoff Investment's contribution to group net results is already visible despite the fact that we still spend proportionally high amounts on product development and customer acquisition. This was particularly visible in Q4, when we ran certain TV campaigns. We will continue to develop our platform, product proposition and grow our customer base in 2021, as ever, trying to find the ideal balance between profitability and growth. We are already a market leader by number of customers but the retail brokerage market itself is only starting to develop, so we feel there is could be lot of room to grow.

Acquiring is a business line which is benefitting from the accelerated transition to ecommerce. Our internet acquiring business is the second largest in Russia, providing best in class conversion metrics for our merchants. Including our offline acquiring business, we processed more than RUB210bn of TPV in Q4, which represents 79% growth year-on-year. Combined with a stable commission of 1.7%, this led to revenues of RUB 11.2bn during 2020, up by 33% year-on-year. Its profit before tax rose 52% year on year to RUB 2.3bn. This business works both with large aggregators and individual merchants, in roughly a 50-50 split. It is also an important part of the value proposition to many of our SME customers.

Last but by no means least, profits. You have already seen our quarterly profit number; to reiterate, it is in line with the previous quarter in spite of acquisition activity stepping up a gear. The Group annual profit of RUB44.2bn is 22% higher than a year ago, despite the pandemic. Return on equity is normalizing around 40%, while remaining industry-leading. Return on assets went down to 6.4% due to additional provisions charged during the pandemic and to the extra liquidity obtained before the year-end by successful current account and investment businesses.

Net interest income RUBbn

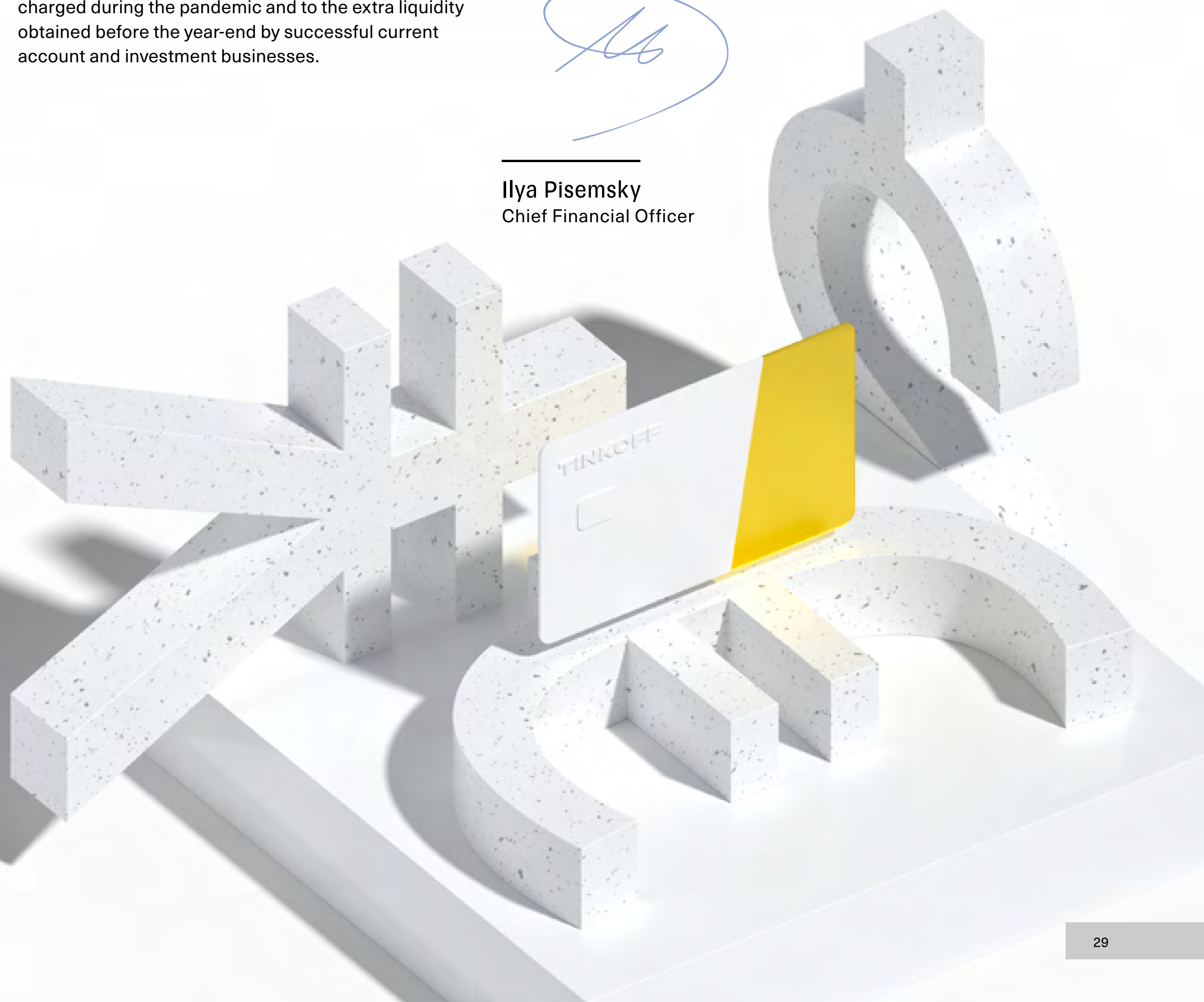


Tinkoff Bank issued over 10.4mn debit cards at YE2020

>10.4mn

How to wind up my review of FY2020? A busy year certainly, the year when the pandemic made its effects felt. But a year too in which the resilience of the Tinkoff business model shone through again, in another crisis. Our robust performance is made possible by our deep bench of first rate talents, attracted to Tinkoff's unique corporate culture and hard work. Looking ahead, FY2021 looks promising and I hope to be writing to you next year with equally good news.

Ilya Pisemsky
Chief Financial Officer



ASSET, LIABILITY AND RISK MANAGEMENT

The purpose of the Group's asset, liability and risk management ("risk management") strategy is to evaluate, monitor and manage the risks arising from the Group's activities. The main types of risk inherent in the Group's business are credit risk, market risk, which includes foreign currency exchange risk, interest rate risk and liquidity risk. The Group designs its risk management policy to manage these risks by establishing procedures and setting limits that are monitored by the relevant departments.

Risk Management Organisational Structure

The Group's risk management organisation is divided between policy making bodies that are responsible for establishing risk management policies and procedures (including the establishment of limits) and policy implementation bodies whose function is to implement those policies and procedures, including monitoring and controlling risks and limits.

Policy Making Bodies

The policy making level of the Group's risk management organisation consists of the Board of Directors, and at the Tinkoff Bank level its Board of Directors and the Management Board, the Finance Committee, the Credit Committee and the Business Development Committee.

These bodies perform the following functions:

Tinkoff Bank Board of Directors

The Board of Directors is responsible for the creation and supervision of the operations of the internal control system of the Group and approves the Group's credit policy ("Credit Policy") and approves certain decisions that fall outside the scope of the Credit Committee's authority.

Tinkoff Bank Management Board

The Bank's Management Board, which, in addition to its Chairman, also includes the Group's Risk Director, Chief Financial Officer, Chief Accountant, Chief Legal Counsel, Chief Operational Officer and Head of Payment Systems, has overall responsibility for the Bank's asset, liability and risk management operations, policies and procedures. The Management Board delegates individual risk management functions to each of the various decision making and execution bodies within the Group's risk management structure.

Finance Committee

The purpose of the Finance Committee is to ensure the long-term economic effectiveness and stability of the Group's operations. The Finance Committee establishes the Group's policy with respect to capital adequacy and market risks, including market limits, manages the Group's assets and liabilities, establishes the Group's medium term and long term liquidity risk management policy and sets interest rate policy and charges with respect to individual loan products. The Finance Committee meets on a weekly basis.

Credit Committee

The Credit Committee supervises and manages the Group's credit risks. With respect to credit cards, the Credit Committee approves the consumer lending policy, the underwriting methodologies and the scoring models used for assessment of the probability of default, the initial credit limit assignment and subsequent account management strategies, provisioning rates and decisions to write off non-performing loans.

Business Development Committee

The Business Development Committee is responsible for the development, design and marketing of the Group's financial products and provides recommendations to the Group's risk management bodies with respect to changes to the Group's lending policies and procedures and the pricing of the Group's loan products.

THE GOAL OF THE GROUP'S RISK MANAGEMENT FUNCTION IS TO IDENTIFY POTENTIAL PROBLEMS BEFORE THEY MATERIALIZE AND HAVE A PLAN FOR ADDRESSING THEM IF AND WHEN, AND IN THE FORM, THEY DO. COVERING BOTH INTERNAL AND EXTERNAL RISKS WHICH MIGHT HAVE AN ADVERSE IMPACT ON THE GROUP, THE GROUP'S APPROACH CAN BE STRIPPED DOWN TO FOUR ESSENTIALS: DEFINING A RISK MANAGEMENT STRATEGY, IDENTIFYING AND ANALYZING AND RE-ANALYZING RISKS, PRO-ACTIVELY MANAGING RISKS THROUGH IMPLEMENTING THAT STRATEGY AND DRAWING UP A CONTINGENCY PLAN AND/OR PREVENTATIVE MEASURES.

Policy Implementation Bodies

The policy implementation level of the Group's risk management organisation consists of the Finance Department, the Risk Management Department, the Collections Department and the Internal Control Service.

Finance Department

The Finance Department is responsible for managing correspondent accounts, daily currency liquidity, money transfer control and daily money transfer modelling to support the required currency liquidity level for correspondent accounts and compliance with the CBR's liquidity ratios.

The Finance Department is also responsible for closing international and local transactions in accordance with the Group's limits as approved by the Finance Committee and in compliance with the CBR's regulations, as well as for short term placements, currency hedging and interest rate hedging.

Risk Management Department

The Risk Management Department is responsible for the development and implementation of the Group's consumer lending policy after the final approval of such policy by the Credit Committee. The Risk Management Department is also responsible for credit risk assessment of all proposed new products and related marketing communications, for approval of credit card applications and other loan products applications and for subsequent account management programmes.

Collections Department

The Collections Department is responsible for collection of amounts due but unpaid by delinquent Group customers. The Management Board approves the Group's collections policy, which is then implemented by the Collections Department.

Internal Control Service

The Internal Control Service assesses the adequacy of internal procedures and professional standards, as well as their compliance with CBR regulations. The Internal Control Service is controlled by, and reports to, the Bank's Board of Directors.

Management Reporting Systems

The Group has implemented an online analytical processing management reporting system based on a common SAS data warehouse; it is updated on a daily basis. The set of daily reports includes sales reports, application processing reports, reports on the risk characteristics of the credit card portfolio, vintage reports, transition matrix (roll rates) reports, reports on pre, early and late collections activities, reports on compliance with the CBR's requirements, capital adequacy and liquidity reports, operational liquidity forecast reports and information on intraday cash flows.

Some reports are submitted for the review of the Tinkoff Bank Board of Directors on a monthly basis. These include selected financial information based on IFRS and adjusted to meet the requirements of internal reporting, analytical reports on credit risk and lending, reports on the status of the Group's credit card business accompanied by management commentary and analysis and reports on the Group's performance versus budget and operational risk reports.

CONTINUED

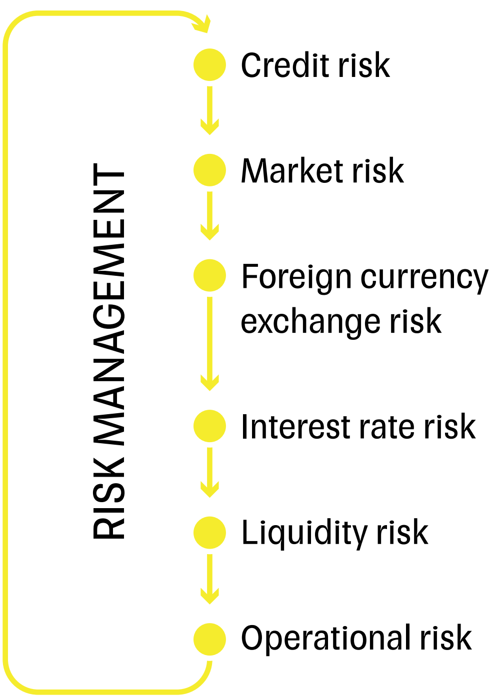
ASSET, LIABILITY AND RISK MANAGEMENT

Overview of principal risks

The Group is subject to a number of principal risks which might adversely impact its performance.

Substantially all of the Group's assets and customers are located in or have businesses related to Russia. Consequently the Group is affected by the state of the Russian economy which is itself to a significant degree dependent on exports of key commodities such as oil, gas, iron ore and other raw materials, on imports of material amounts of consumer and other goods and on access to international sources of financing. During recent years the Russian economy has been significantly and negatively impacted by a combination of macroeconomic and geopolitical factors such as a significant decline in the price of oil, ongoing political tension in the region, economic sanctions imposed against Russian individuals and companies, economic restrictions imposed by Russia on other countries, capital outflows as well as depreciation of the Rouble and a decrease in Russia's international reserves. In addition emerging markets such as Russia are subject to greater risks than more mature markets, including significant political, economic and legal risks. This over-arching risk environment could impact one or more of the principal risks.

The principal activity of the Group is banking operations and so it is within this area that the Principal Risks occur. Management considers that those principal risks, are:



These are discussed on the following pages.

1 Credit Risk

The Group is exposed to credit risk, which is the risk that a customer will be unable to pay amounts in full when due. Credit risk arises mainly in the context of the Group's consumer lending activities.

The general principles of the Group's credit policy are outlined in the Credit Policy approved by the Board of Directors. This document also outlines credit risk controls and monitoring procedures and the Group's credit risk management systems. Credit limits with respect to credit card applications are established by the Credit Committee and by officers of the Risk Management Department.

The Group structures the levels of its credit risk exposure by placing limits on the amount of risk accepted in relation to different online (Internet, mobile and telesales) and offline (sales through retailers) customer acquisition channels and sub-channels. Such risks are monitored on an ongoing basis and are subject to frequent review with the approval of the Management Board.

The Group uses automated systems to evaluate an applicant's creditworthiness ("scoring"). The system is regularly modified to incorporate past experience and new data acquired on an iterative basis. The Group performs close credit risk monitoring throughout the life of a loan.

Loan Approval Criteria and Procedures

In almost all cases, the decision to issue a credit card or other loan product to a potential customer is made automatically, based on the credit bureaus information, verification of the customer's identity and credit score of the applicant calculated using one of the acquisition channel-specific scoring models.

Loan Collection

The Group employs a multi stage collection process that seeks to achieve greater efficiency in the recovery of overdue credit card loans. Collections on loans that are overdue by 0 to 90 days are performed by the Group's internal Collections Department. After 90 days of delinquency, when it is clear that the early collection efforts are unlikely to be effective, a customer's debt may be restructured into instalment loans (which is the option preferred by the Group), transferred to collections through courts or sold to the Group's its internal collection agency or external collection agencies.

The Group's collections methodology is based on customer behaviour and corresponding collection scores. Under this approach, at initial stage of collections (pre collections and early collections), delinquent customers are allocated to one of three groups depending on their risk profile (high risk of default, medium risk of default and low risk of default). This enables the Group to apply a variety of collections tools and collections treatments to different groups of delinquent customers.

All of the stages described may be accelerated in cases where the Group has grounds to believe that the delinquent customer will not repay the debt voluntarily or that fraud has taken place. In such circumstances, the time periods between each collections stage are shortened or omitted (the respective loans are accelerated into collections used for non-performing loans) to increase the chances of recovery.

The Group's management uses monthly second payment default rate (percentage of accounts on which payment has not been received within 30 days of the first due date) as an important measure of asset quality that provides early indication of how non-performing loans levels and provisions might change in the future.

Non-Performing Loans Management.

When loans are overdue by more than 90 days, the Group collection efforts consists of (i) the restructuring of credit card debt to personal instalment loans, which is the preferred option of the Group to handle such delinquency, or, if customers do not agree to such restructuring, then either (ii) collections through courts with the enforcement of judgments with the help of the Federal Service of Court Bailiffs of the Russian Federation or (iii) sales of non-performing loans to its internal collection agency (Feniks) or external collection agencies.

Fraud Prevention

The Group maintains a fraud prevention strategy which is based on identification and fraud monitoring.

Access to customers' accounts is secured via smart identification system, which takes into account various customer profile parameters and sets an identification level. Depending on such identification level, the customer needs to acknowledge the entry into the account by way of a login and password, four-digit access code, fingerprint, security question or a password sent to the customer's contact number. In securing access to customers' accounts a two-factor identification is used.

Customer support centres use a unified identification manager, which allows to request a customer's identification data and passwords without providing access to such data to the customer support service. In addition, a real-time voice authentication system is used to verify the identity of a caller. The system is based on the NICE Real-Time Voice Authentication System. The system is synchronised with the universal authentication manager processing customer calls to the centre. This technology enables customer voice identification during a regular phone call, reducing verification times. This dramatically improved customer experience by saving customer time and helped to reduce traffic costs and enhance security, given the prevalent risk of personal data in the age of social engineering.

Payment operations are generally secured via one-time SMS codes. Any operations with cash and movements on customer accounts are only carried out upon confirmation using a code sent via SMS and push notifications. IMSI system is used to check to authenticate a sim card.

Unauthorised operations are prevented by our fraud monitoring system, which is based on the IBM Safer Payments solution. The system allows us to effectively prevent fraud at various stages of a payment process using a cross-channel monitoring.

The monitoring system may, inter alia, automatically reject or suspend a payment, block an account or send an alert report of a suspicious operation.

Provisioning Policy

Provisioning policy falls under the responsibility of Tinkoff Bank's Management Board that approves internal documents regulating the determination of delinquency groups and creation of allowances for potential losses in connection with the Group's loan portfolio.

Write Off Policy

The Management Board makes decisions on loans to be written off based on information provided by the Risk Management Department. Generally, loans recommended to be written off are those in respect of which further steps to enforce collection are regarded as not economically viable. Loans sold to external collection agencies are also written off from the Group's balance sheet.

CONTINUED

ASSET, LIABILITY AND RISK MANAGEMENT

2 Market Risk

The Group's exposure to market risk arises from open interest rate and foreign currency positions, which are exposed to general and specific market movements.

The Group is generally not engaged in trading operations. It has mismatches in its foreign currency positions that arise generally due to relatively short term lending in Roubles and relatively long term borrowings in U.S. dollars. The Group manages the positions through hedging, matching or controlled mismatching.

The CBR sets limits on the open currency position that may be accepted by the Group on a stand-alone level, which is monitored on a daily basis. These limits prevent the Group from having an open currency position in any currency exceeding five per cent. of the Group's equity.

3 Foreign Currency Exchange Risk

The Group suffered from the Rouble devaluation in November 2008 to February 2009 and has since implemented a "low foreign exchange risk tolerance" policy aiming to minimise exposure to foreign currency exchange risks. The policy imposes neutral hedging that matches assets and liabilities by currency, foreign exchange hedging of funding received in foreign currency and prohibits foreign exchange trading for speculative purposes.

Non-monetary assets are not considered to give rise to any material currency risk.

4 Interest Rate Risk

The Group's exposure to interest rate risks arises due to the impact of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes, but may also decrease or create losses in the event that unexpected movements arise. The Group's management monitors on a daily basis and sets limits on the level of mismatch of interest rate repricing that may be undertaken.

The Group has no significant risk associated with variable interest rates on loans and advances provided to customers or loans received.

The Group monitors interest rates for its financial instruments.

5 Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group is exposed to daily calls on its available cash resources from unused limits on issued credit cards, retail deposits from customers, current accounts and due to banks. The Group does not maintain cash resources to meet all of these needs as experience shows that only a certain level of calls will take place and it can be predicted with a high level of certainty. Liquidity risk is managed by the Finance Committee of the Bank.

The Group seeks to maintain a stable funding base primarily consisting of amounts due to institutional investors, corporate and retail customer deposits and debt securities. The Group keeps all available cash in diversified portfolios of liquid instruments, such as a correspondent account with the CBR and overnight placements in high rated commercial banks, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements. The Group believes that the available cash at all times is sufficient to cover (i) debt repayments due within a month and accrued interest for one month ahead and (ii) a deposit liquidity cushion. The Group believes that it has a proven ability to control loan portfolio cash flows to maintain levels of liquidity reflecting changing market realities. The Group also believes that its loan portfolio is responsive to change in inputs (such as stopping the issuance of any new credit cards or other loans and any increases in credit card limits) and that the Group can go from being cash-negative to being cash positive in a short period of time.

All daily reports also include week-to-day and month-to-day comparisons.

On the basis of all these reports, the CFO then ensures the availability of an adequate portfolio of short term liquid assets, made up of an amount in the correspondent account with the CBR and overnight deposits with banks, to ensure that sufficient liquidity is maintained within the Group as a whole.

Regular liquidity stress testing under a variety of scenarios covering both normal and more severe market conditions and credit card portfolio behaviour is reviewed by the CFO.

All the investment securities available for sale are classified within demand and less than one month as they are easy repoable in the CBR or on the open market securities and can provide immediate liquidity to the Group. All current accounts of individuals are classified within demand and less than one month.

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

6 Operational Risk

The Group is exposed to operational risk which is the risk of losses resulting from inadequate management and control procedures, fraud, poor business decisions, system errors relating to employee mistakes and abuse by employees of their positions, technical failures, settlement errors, natural disasters and misuse of the Group's property.

The Group has established internal control systems intended to comply with Basel guidelines and the CBR's requirements regarding operational risk. The Board of Directors adopts general risk management policy, assesses the efficiency of risk management, approves the Group's management structure, adopts measures designed to ensure continuous business activities of the Group including measures designed for extraordinary and emergency situations and supervises other executive bodies in respect of operational risk management. The Management Board generally oversees the implementation of risk management processes at the Group including relevant internal policies, adopts internal regulations on the Group's risk management, determines limits for monitoring operational risks and allocates duties among various bodies responsible for operational risk management.

Regular monitoring of activities is intended to detect in a timely manner and correct deficiencies in policies and procedures designed to manage operational risk, which can reduce the potential frequency and/or severity of a loss event. Dedicated personnel track all problems the Group encounters in its operations and record all operation errors/issues and remedial measures taken on a special helpdesk system. Reports on such errors or issues are sent to key managers and all such errors are issues are recorded in incident log. In order to minimise operational risk, the Group strives to regularly improve its business processes and its organisational structure as well as incentivise its staff.

The Group insures against operational risks through several insurance policies that cover, among other things, property risks in respect of the Group's offices, IT infrastructure and certain third-party liabilities.

The Group has not experienced any material operational failures in recent years. In order to minimise potential losses from such failures, ensure business continuity in case of disruption to IT systems and provide reliable and continuous access to business data and services, the Group's IT systems are located in two dedicated data centres each connected to separate and independent power supply sources. Both data centres provide 24 hours a day, seven day a week, year round power, cooling, connectivity and security capabilities to protect mission-critical operations and preserve business continuity for IT systems. Moreover, the Group keeps additional hardware on its premises for back-up purposes and has stand-by servers for each key system, including active standby for critical systems such as processing and transaction authorisation. Data connections to the data centres are 100 per cent. reserved via separate physical lines.

Anti-Money Laundering and Terrorist Financing Procedures

As a member country of the FATF, Russia adopted the Anti-Money Laundering Law. Subsequent to the adoption of the Anti-Money Laundering Law, the CBR promulgated a number of anti-money laundering regulations specifically for the banking sector.

The Group has adopted internal regulations on anti-money laundering that are based on, and are in full compliance with, the requirements of the Russian anti-money laundering regulations, related instructions of the CBR and international standards. The supervision of the Russian anti-money laundering regime is shared by the CBR and the FSFMT.

The Group has created a specialised unit and appointed an authorised officer who coordinates activities aimed at preventing money laundering and terrorism financing. The Group conducts identification and review of its customers, customer's representatives, beneficiaries and beneficiary owners, money laundering and terrorism financing risk management, personnel training as well as daily analysis of banking operations, verifies information on operations that are subject to monitoring and sends all required information to the relevant state authorities. Employees of the Group have to take mandatory training on the Group's policies and procedures for preventing money laundering and terrorism financing both as part of the initial training after being hired and as part of the subsequent training activities.

Mandatory internal control checks are conducted by the Group's Internal Control Service. External control is provided by the CBR and, within an annual audit, by a statutory auditor.

The Group cooperates with the FSFMT by timely addressing their requests regarding certain entities or operations.

CORPORATE SOCIAL RESPONSIBILITY

In 2020 the Group continued to contribute to the achievement of the 17 Sustainable Development Goals adopted by the United Nations. To this end, we launched a new service in our super app, which systematically supports the non-profit sector and local communities. The Group considers the following values and goals are firmly embedded in our corporate DNA:

- HEALTH AND WELL-BEING
- QUALITY EDUCATION
- HEALTHY WORK ENVIRONMENT
- INDUSTRY, INNOVATION AND INFRASTRUCTURE
- GLOBAL PARTNERSHIP FOR SUSTAINABLE DEVELOPMENT.

Health and well-being

In 2020 the entire world found itself facing new conditions, specifically a pandemic and its consequences, including self-isolation. The Group reacted very swiftly to this by enabling employees to work remotely and providing comprehensive support to employees. Assistance was also provided to affected communities, low-income families, medical services and the Moscow government.

Our existing T-life program, which covers the five key elements of well-being (physical health, emotional comfort, professional development, finance and social life), was quickly adapted to the meet the needs of employees now working online.

The COVID-19 pandemic

The Group was quick to react to the pandemic with a variety of measures tailored to help our wide range of stakeholders.

In March Tinkoff Mobile launched a feature that allowed customers to open accounts using virtual SIM cards, and cancelled certain roaming charges for customers who found themselves stranded abroad, unable return to Russia.

Tinkoff's home call center was deployed to help the Moscow Government and the Popular Social Front (a consumer protection organization) handle calls from people affected by Covid-19. Tinkoff took a key part in discussions with the Russian government, the Central Bank of Russia and other lenders to the retail and SME sectors regarding debt restructuring programs and what form government-supported debt relief should take.

Tinkoff introduced a cash-back offer called "Surviving quarantine" allowing customers to benefit from significant discounts on online services, products and subscriptions that were particularly in demand during isolation (for example online movie streaming, home fitness gadgets, books, language courses, among many).

Tinkoff launched its own flexible loan restructuring packages for retail clients and small and medium-sized businesses in parallel with those promoted by the Russian government.

Some specific examples include the following; 500 Tinkoff Mobile SIM cards with free service packages were gifted to volunteers of the WE TOGETHER project. This project brings together volunteers to provide support for doctors and non-profit initiatives by helping isolated elderly people.

Tinkoff donated RUB10M to buy protective equipment for medical staff working with Covid-19 patients (at the Bakulevsky Center and the Davydovskaya Hospital) as well as RUB2M for the purchase of food kits for low-income families facing hardship (fund Rus).

Support for sports initiatives

The pandemic led to the cancellation of or restricted participation and attendance at almost all scheduled events, and that seriously impacted our plans to support sporting events. As a result, we were able to host just one of our planned events in 2020 many of which we have supported over many years.

Tinkoff Rosafest Ski Festival 2020 - Key results:

- more than 12,500 attendees;

- more than 2,800 took part in the quest "Game";

- more than 30,000 prizes;

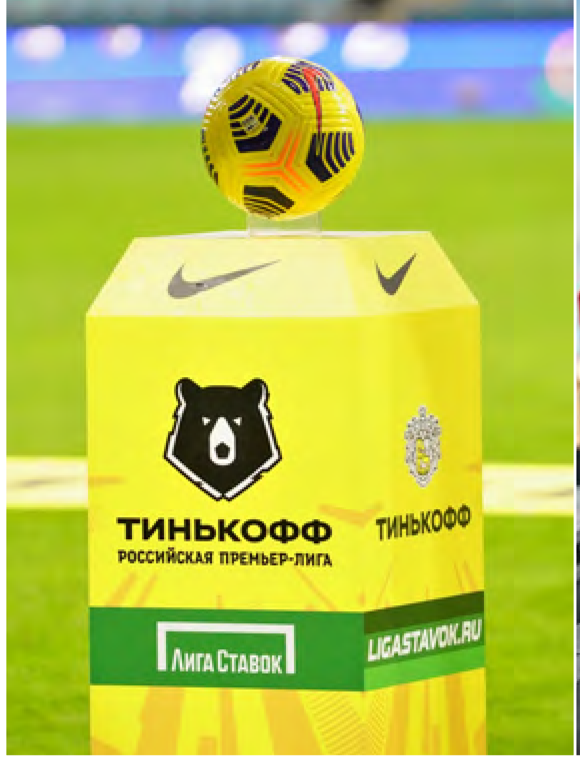
- more than 3,000,000 online views of the night freestyle show.

In February 2020 Tinkoff became the title sponsor of the Russian Premier League in football.

To maintain the Company's path to well-being, Tinkoff continues to organise and maintain various initiatives:

Employees in all offices continue to collect plastic covers and batteries for recycling.

In 2020, Tinkoff quickly moved social initiatives online, and employees continued to participate in charity fairs as well as fundraising initiatives dedicated to Valentine's Day, Children's Day, the beginning of the school year and the lead-up to New Year holidays. Thanks to these initiatives, more than RUB800K were donated to charitable foundations supporting primarily orphans and the elderly.



Tinkoff Russian Premier League

Tinkoff team race

Quality education

In 2020 Tinkoff celebrated its fifth year successfully implementing its Tinkoff educational programs for school pupils and students. The main goal of these educational programmes is to teach best industry practices to the most talented and motivated school pupils, university students and graduates from all across the Russian Federation. All programmes are free to participants. Tinkoff Education has had a government license for educational activities since July 2019. The main difference in 2020 is that we ensured these courses were accessible online for everyone in Russia.

1) Tinkoff Fintech – blended learning IT and analytics courses for students. In 2020, we organised 15 online courses for Russian students and graduates that were attended by 400 participants. 244 students successfully completed these courses, and 63 were ultimately hired by Tinkoff.

2) We improved programmes for existing courses such as Frontend development, iOS & Android, Python, Kotlin, Scala, Java to Scala, QA Automation, and added new courses such as Business Analysis and System Analysis.

   Tinkoff Fintech Middle is the new stream for mid-level Engineers. We organised si online courses (SRE, Java to Scala, Java to Kotlin, iOS) for 187 specialists. 72 individuals ended up completing the courses and seven of these now work in the Tinkoff team.

3) Tinkoff Generation – blended learning informatics and mathematics classes for school pupils. We have four streams : Mathematics for Olympiads, Algorithms and data structures, Machine learning, and Deep learning. These streams are available in Moscow and Saint Petersburg offline, and in over 20 cities across Russia as an online project. In total, 1,189 school pupils participated, 118 of whom progressed to become participants in the All-Russian Student Olympiad in mathematics, informatics and physics and astronomy - the most prominent and renowned competition for school pupils in Russia.

   Tinkoff Generation now represents the biggest community of gifted and motivated school pupils under the patronage of a private business company.

4) Partnership with Educational Centre Sirius. Sirius is the premier government-backed project for the support of talended children. Tinkoff was involved in a partnership event with INTS Sirius, Yandex and Russian Railways.

5) Tinkoff Academy – educational programs for Universities. We have a master's degree programme in partnership with the Moscow Institute of Physics and Technology, in which we offer three majors: Machine Learning, Analytics and Scala Development. We also opened a research laboratory as an additional facility there 20 students recently working on 7 projects.

   We continued our partnership with the Department of Mechanics and Mathematics at Moscow State University and formed new partnerships with St Petersburg University and Ural Federal University. More than 1,000 students were registered in these university courses in 2020.

6) We also support summer IT school and other summer and winter schools for school pupils in different regions of Russia. We share both financial aid and organisational support and expertise with different local Olympiads in informatics and mathematics.

7) We started a Mathematics Competition, which registered 1,863 participants from 131 cities (across Russia and internationally).

   A new project we are offering is an online course called "Fintech Trends". It is available on YouTube and has over 3,000 views on each video.

CONTINUED

CORPORATE SOCIAL RESPONSIBILITY

Healthy work environment

We provide employment for thousands of our employees throughout Russia. More details on this can be found in the next section.

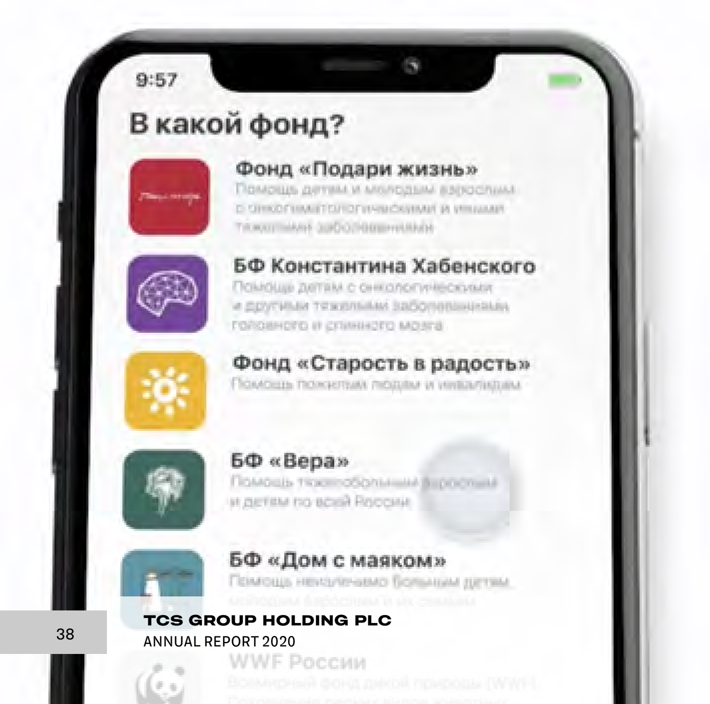
Tinkoff once again ordered New Year's gifts from its social partner Buy Social amounting to over RUB2.8M. This supported people with mental disabilities in Orenburg and elderly people in the Sverdlovsk region who work in social enterprises. It is also how we generated a significant donation to the the Zhivoi foundation for the treatment of adults struggling with illness.

Industry, innovation and infrastructure

1) Tinkoff payment systems continues to develop its "Charity" section for the Group's customers to make donations. We launched a partnership with the "Need Help" charitable platform and brought in experts to evaluate various charitable organizations. In 2020, the number of charitable non-profit organizations receiving donations increased from 294 to 358, more than double that of 2019. Customers can donate through Tinkoff.ru or our mobile application, both in the form of regular payments throughout the year and in the form of one-time fixed contributions, as well as donation of cashback. In 2020, Tinkoff customers increased the number of transfers they made to charitable foundations by almost 3 times to over two hundred thousand. Tinkoff does not charge for such transactions.
2) During 2020, Tinkoff donated 260 working computers to underprivileged families, the elderly, and a foundation's office for helping children with brain cancer.
3) The partnership between Tinkoff and the World Wildlife Fund (WWF) in 2020 was particularly significant. Since the creation of the Tinkoff-WWF eco-credit card in 2018, the amount of donated cashback has grown from RUB2.7M to 5.7M. Tinkoff trainers also conducted a training course for the staff of the WWF call center and for the first time became the General Partner of Earth Hour. This latter initiative led Tinkoff to join thousands of other buildings around the world in turning off their lights simultaneously. On the day of the campaign, a lecture by one of the leading Russian climatologists was held for Tinkoff employees.
4) In 2020, Tinkoff continued to provide structured support for four non-profit organizations. The total budget of donated funds was RUB7.2M. Tinkoff funds helped to support various socially vulnerable groups and their supporting organizations, for example:

- Soedinenie (The Connection) Charitable Foundation which helps deaf and visually impaired adults;
- Tzentr Lechebnoy Pedagogiki (The Center for Clinical Pedagogy) which is involved in the training and rehabilitation of children with mental illnesses (Down syndrome, autism.);
- The Charity Foundation Starost v radost (Old Age in Joy) which supports lonely elderly people and people with disabilities living in public institutions;
- Zhuravlik Charitable Foundation, which is engaged in inclusive education for children and anti-bullying programs in Russian schools.

Screen of the "Cashback for Good" social service in the Tinkoff app



Global partnership for sustainable development

In August 2020, Tinkoff launched its first philanthropic service "Cashback for Good". Now Tinkoff customers can donate their cashback quickly and conveniently without leaving the super app. The project includes more than 350 charitable foundations whose credentials have been verified by experts. Foundations and their public foundation ambassadors supported the project by filming a support video which showed donors new way to donate to their charitable foundation of choice. Over the 5 months of the service's operation, about 10,000 customers have connected to it and over RUB3.5M has been donated. Donations and connections to the service continue to grow on average by 20% month on month.

EMPLOYEES AND CORPORATE SOCIAL RESPONSIBILITY

COVID-19 pandemic situation and employees

In February 2020, additional health and safety measures were launched across all the Group's offices, including regular disinfection of public areas.

In March Tinkoff began the mass migration of employees to the cloud and provided online help to over 140 employees obtaining compulsory health insurance policies. Tinkoff also adopted enhanced security measures for its smart couriers and more broadly in its offices.

The Tinkoff hotline and Slack channel were also created, used by over 1,500 employees.

By the end of March, Tinkoff had successfully migrated 95% of office workers to the cloud, leaving only about 200 mission-critical employees left to work physically in the offices.

Tinkoff refocused its Tinkoff Life program to support the physical and emotional well-being of employees online during the pandemic. At the Tinkoff Life Club, more than 50 volunteer interest clubs were organized.

Individual support sessions with a psychologist and webinars on burnout prevention were organized for employees.

The Tinkoff Training Center adapted its training courses for employees into online formats in just a few weeks.

All social initiatives for employees - charity fairs, fundraising and eco-webinars - were quickly transferred to online formats.

In June, employees were given the opportunity to become online volunteers, and the Group entered the ProCharity volunteering program.

The HR department switched to electronic document management in two weeks, automating the human resource and processes alongside other key tasks. The internal communications team in 2020 issued 173 communications with supportive and important information for employees. The communication portal SPACE was successfully launched. We also launched the T-mood bot, which collects information about the mood of employees in Slack, and a welcome bot was successfully launched. A system to rapidly test employees for COVID-19 was launched in our offices, and medical support was launched within the framework of the insurance program.

Tinkoff Team

Throughout 2020, we continued to hire the best professionals on the market to support our new and existing business lines. By the end of 2020, the Group's headcount exceeded 29,500, 14,400 of whom are permanent office-based employees and 15,100 of whom work remotely. Mathematicians and IT specialists account for 80% of the total headcount at Tinkoff headquarters. The average employment term in the Group is over 2.4 years, with 12% of employees working at the Company for longer than five years. The share of vacancies filled internally is 12%, and the average period of reviewing new candidate applications ranges from three to five days. Our team is still among the youngest on the market: the average age of employees Group-wide stands at 28.

Morning online show "Morning with taste" for employees, a comic demonstration of the importance of masks and antiseptics

CONTINUED

EMPLOYEES AND CORPORATE SOCIAL RESPONSIBILITY

The Group's human resources policy focuses on:

- bringing together smart people with analytical skills;
- a transparent structure with zero tolerance of bureaucracy or excessive hierarchy;
- a smart working environment;
- an effective learning environment;
- encouraging initiative and taking on responsibility;
- ensuring creativity and open dialogue between employees;
- promoting team spirit and an entrepreneurial culture;
- broadening employee capabilities and delegating responsibilities;
- ensuring an environment where employees can experiment, make mistakes and learn lessons.

Tinkoff charity flower fair

In line with our Test and Learn approach, we test many concepts and implement only the most successful. Our employees are not afraid of making mistakes: in our quest for the most successful models we support experiments and promote open communication between colleagues. We welcome innovative ideas that seek to solve challenges in different ways, and believe in the importance of creating an environment that grants talented people far-reaching authority. We consider granting our team's greater freedoms and opportunities to be a crucial element of our success.

To achieve outstanding collaboration within our matrix orgstructure and deliver on the Group's objectives, we use various channels to facilitate communication between employees, including Intranet, internal messenger, project trackers and other digital means of communication uniting people from different locations and time zones. Any employee can address anyone in the Company regardless of their position and we are proud of our liberal values and open-door policy which help us to enhance our spirit of creativity and success.

Recruitment

We continue to strive to attract the best talent in the market using a variety of tools to motivate and retain people. the Group is recruiting new team members through advertising and job sites, student forums, social media and other online channels. We are actively looking for top students at leading national and global universities, including Olympiad winners in mathematics, physics and programming.

We offer career and training opportunities for professionals of all levels.

In 2020, we hired 1,581 people, which is 29% more than in 2019. Of these, 867 work in IT. The net increase in 2020 was + 1087, and the increase in the number of IT employees was 628.

Every sixth new employee came to Tinkoff on the recommendation of a friend.

Morning online show "Morning with taste" for employees

HR Training Center

Tinkoff Training Center recorded the following results in 2020:

1) We organised and held 3,486 educational events, of which 674 were offline and 2,812 online;
2) 8 598 people were trained, includ-ing 1,327 managers and 7,274 specialists;
3) The average rating of events by participants was 4.7 out of 5;
4) We carried out 180 electronic courses on soft and hard skills;
5) Career coaching for high-potential employees covered 63 people, with 10 meetings organised for each, while our NPS was 9.56 out of 10;
6) Life coaching sessions were attended by 209 team members. NPS was 9 out of 10;
7) 190 employees attended external training.

Compensation and incentives

The Group offers its employees a unique working environment and a transparent system of career growth. We provide fixed-rate salaries and bonuses, regularly assess employees' performance against KPIs, determine the amount of compensation and give feedback for future career development. The Group has a market-based salary structure, with KPI-related pay rises and bonuses.

In April 2020 we launched a new long-term incentive program – KERP (Key-Employee Retention Programme). It's cash-settled, equity-linked, and currently covers around 250 employee participants. These are top-and mid-level managers who work in all operational divisions of the Group. We expect to significantly expand KERP in the coming years. Income from this program is linked to the performance of individual participants.

The equity-based MLTIP was also redesigned with a number of the top managers receiving new awards in 2020/21.

Diversity and inclusion

Tinkoff 's flexible business model, based on a high-tech contactless platform, allows individuals with disabilities more easily to join our team. This helps us to expand and diversify the Group's recruiting pool and recruit people based on professional skills and merits alone. In 2020, we continued developing our home call centre where people can work for the Company at any hours and locations convenient for them. This working format is suitable for those residing in remote areas with limited access to transportation as well as those who can only work remotely (for example, women on maternity leave). By the end of 2020, 15,100 people across Russia were working in our home call centre.

Employees also include individuals with disabilities, who we allow to choose the work hours and locations that best suit their circumstances. These employees are trained online, having access to all the necessary corporate tools and materials by way of a special cloud platform.

Tinkoff took 4th place in the Forbes Woman ranking of the 25 Best Companies in Russia for Female Professionals, published in February 2020. Among IT companies and banks, Tinkoff has the highest ranking. The metrics considered included gender composition, remuneration, career opportunities and corporate programmes.

Photo zone for employees on St Valentine's Day 2020

CONTINUED

EMPLOYEES AND CORPORATE SOCIAL RESPONSIBILITY

The growing attractiveness of the Tinkoff employer brand, in the Forbes Russia 2020 ranking of the 50 Best Employers in Russia, Tinkoff Bank took 3rd place, rising from 28th place in 2019, overtaking such IT industry leaders as Sber and Mail.ru. Forbes' assessment methodology is very detailed and scientific: criteria such as salary, training programs, social benefits, working conditions, charity, investment in infrastructure and much more are taken into account, including assessments by experts from the Forbes board of directors and heads of reputable universities.

Another boost for the Tinkoff HR brand was that for the second year in a row we were a winner of the IT HR AWARDS. The Tinkoff Life program won first place in the Employee Development and Training nomination.

Thanks to Tinkoff Life, employees' work-life balance has improved significantly over the year, and employees continue to feel like a team despite working remotely.

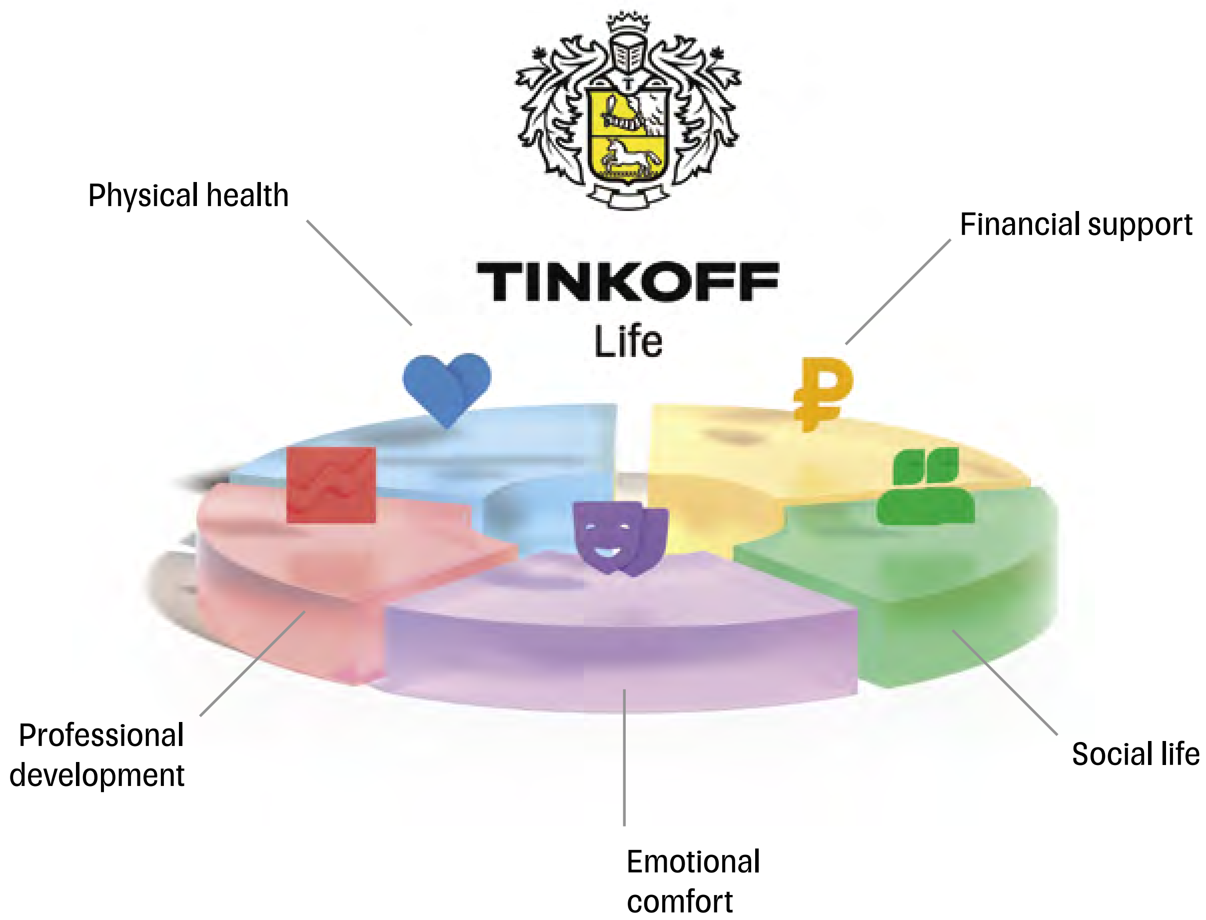
New Year 2020 employees' party at the Tinkoff HQ cafe in Moscow. Employees were gifted branded winter hats and pins.

Health and safety

The Tinkoff Life program focused on wellbeing, created in 2019, has become a real ecosystem of services and events for our employees in 2020.

The Group sees 5 key elements of well-being and the way the Group aims to improve them are these:

1. Physical health: health insurance, vaccinations, office-based doctor, COVID-19 testing, corporate sports initiatives, support for football, volleyball, basketball, running teams, healthy eating days in the canteen, sports programs from Adidas.
2. Emotional comfort: psychological support, yoga, Pilates, personal life coaching and mental health programs, gifts to employees' children twice a year.
3. Professional development: training, career coaching programs, library, employee participation in external conferences, professional development workshops.
4. Financial support: loyalty programs, legal advice and tax consultants, promotions and discounts from partners, financial assistance in difficult situations.
5. Social life: charity, volunteering, social projects, environmental initiatives, volunteer interest clubs, developmental lectures.



BOARD OF DIRECTORS

Constantinos Economides (45)

Chairman of the Board of Directors

Constantinos Economides has been a director of TCS Group Holding PLC since November 2008 and Chairman since June 2015.

Mr. Economides is also the Managing Director of Royal Pine & Associates Ltd since January 2016. He was previously the Managing Director of Orangefield Cyprus from October 2006 to December 2015. Prior to 2006, he worked with Deloitte Ltd in Cyprus from 2003 to 2006 and Ernst & Young in the United Kingdom from 1999 to 2002.

Mr. Economides is a Fellow Member of the Institute of Chartered Accountants in England & Wales (ICAEW) and holds an MSc in Management Sciences from Warwick Business School, United Kingdom. In addition, he is a Licensed Insolvency Practitioner of the Institute of Certified Public Accountants of Cyprus (ICPAC) since October 2015.

Martin Cocker (61)

Member of the Board of Directors
Independent Non-Executive Director
Chairman of the Audit Committee
Member of the Remuneration Committee

Martin Cocker has been a non-executive director since October 2013.

Mr Cocker also serves on the boards of Etalon Group plc, Beverley Building Society, Nostrum Oil and Gas PLC and Headhunter Group plc. Mr. Cocker previously held positions at Ernst & Young, Amerada Hess, Deloitte & Touche and KPMG in the United Kingdom, Russia and Kazakhstan.

Mr. Cocker is a member of the ICAEW and holds a bachelor of science (joint honours) degree in mathematics and economics from the University of Keele, United Kingdom.

Directors of the Company.
Left to right: Alexios Ioannides (Director), Mary Trimithiotou (Director), Constantinos Economides (Chairman of the Board), Jacques Der Megreditchian (Director) and Martin Cocker (Director).

Alexios Ioannides (44)

Member of the Board of Directors

Alexios Ioannides has been a director of TCS Group Holding PLC since November 2008. Mr. Ioannides previously worked for Deloitte from 2001 to 2008 where he trained and qualified as a Chartered Accountant in 2004. Mr. Ioannides is also a member of the Board of Directors of The Copperlink Partners Limited (since 2015).

Mr. Ioannides is a fellow member of the Institute of Chartered Accountants in England & Wales (ICAEW) and a member of the Institute of Certified Public Accountants of Cyprus (ICPAC) and holds a BSc. in Business Administration from the University of Alabama, USA.

Jacques Der Megreditchian (61)

Member of the Board of Directors
Independent Non-Executive Director
Chairman of the Remuneration Committee
Member of the Audit Committee

Jacques Der Megreditchian has been a non-executive director since October 2013.

Mr. Der Megreditchian previously served as Chairman of the Exchange Council of the Moscow Exchange. Mr. Der Megreditchian has over 30 years of experience in finance from CCF, Societe Generale and Troika Dialog where he held the position of Chief Business Officer.

Mr. Der Megreditchian holds a degree in business administration from the European Business Institute, France and in financial analysis from the French Center for Financial Analysis, France.

Maria Trimithiotou (43)

Member of the Board of Directors

Maria (Mary) Trimithiotou has been a director since May 2012.

Mrs. Trimithiotou previously worked for Deloitte Ltd holding the position of audit manager from October 2001 to February 2009 and subsequently, moved to Orangefield Fidelico Ltd where she held the position of Director from 2012 until 2015. Currently, Mrs. Trimithiotou is a member of the Board of Directors of Royal Pine & Associates Ltd (since 2016).

Mrs. Trimithiotou is a Fellow Chartered Certified Accountant and a Member of the Association of Chartered Certified Accountants as well as Member of the Institute of Certified Public Accountants of Cyprus (ICPAC). Mrs. Trimithiotou is also a licensed Insolvency Practitioner (from October 2015). She is also registered with CySEC as a holder of the Financial Services Regulatory Framework Advanced Certificate, and a holder of the CySEC AML certificate.

TINKOFF GROUP: DECISION MAKING BODIES AT A GLANCE

Decision making body	Members (31/12/2020)	Relationship to other key governing bodies	Key powers	Number of meetings in 2020
TCS Group Holding PLC (Cyprus) Board of Directors	Constantinos Economides (Chairman) Mary Trimithiotou Alexios Ioannides Martin Cocker (INED) Jacques Der Megreditchian (INED)	Appoints members of the Tinkoff Bank Board of Directors. The Company is sole shareholder of Tinkoff Bank and determines all the matters reserved to shareholders.	-Provides leadership and oversight to the Group within a framework of prudent and effective controls which enable risk to be assessed and managed; -Sets the Group's strategic objectives and ensures the necessary financial and human resources are in place for the Group to meet its objectives; -Appoints the Group's external auditors; -Sets the Group's values and standards and ensures its obligations to shareholders/investors and other stakeholders are understood and met; -Reviews management performance; -Decides the Group's remuneration policy; -Approves the Group's credit policies: -Makes the Group's dividend policy and decides the level of dividends. A more detailed description can be found on pages 48-51.	30
Tinkoff Bank Board of Directors	Stanislav Bliznyuk (Chairman) Oliver Hughes Sergey Pirogov Vadim Stasovsky Svetlana Ustilovskaya (Independent)	Appoints and oversees the Tinkoff Bank Management Board	-Determines the strategic priorities of the Bank; -Approves capital markets operations of the Bank, major and related party transactions, risk and capital management strategy, procedures for managing conflicts of interest, HR policies, employee and management compensation and bonus policies; -convenes annual and extraordinary meetings of shareholders, decides on the agenda and the record date for meetings; -Recommends dividends;	20
Tinkoff Bank Management Board	Oliver Hughes (Chairman) Valeriya Pavlyukova Anatoliy Makeshin Evgeniy Ivashkevich Ilya Pisemsky Natalia Izyumova Viacheslav Tsyganov	Reports to the Tinkoff Bank Board of Directors	-Determines the Bank's asset, liability and risk management operations, policies and procedures; -The Chairman appoints the members of the Finance, Credit, Technology and Business Development Committees. The decisions of these Committees frame most of the day to day operations of Tinkoff Bank. A more detailed description can be found on page 30-31.	44

CORPORATE GOVERNANCE

THE ROLE OF THE BOARD IS TO PROVIDE LEADERSHIP TO THE GROUP WITHIN A FRAMEWORK OF PRUDENT AND EFFECTIVE CONTROLS WHICH ENABLES RISK TO BE ASSESSED AND MANAGED.

Overview

Global Depositary Receipts (GDRs) of TCS Group Holding PLC (a Cyprus incorporated company), with each GDR issued under a deposit agreement dated on or about 24th October 2013 with JPMorganChase Bank N.A. as depositary representing one Ordinary (formerly Class A) share, are listed on London Stock Exchange. The Company's GDRs are also listed on the Moscow Exchange. No shares of TCS Group Holding PLC are listed on any exchange.

The Company is required to comply with the UK corporate governance regime to the extent it applies to foreign issuers of GDRs listed on London Stock Exchange. The Company has not adopted corporate governance measures of the same standard in all respects as those adopted by UK incorporated companies or companies with a premium listing on the London Stock Exchange.

As the shares themselves are not listed on the Cyprus Stock Exchange (or elsewhere), the Cypriot corporate governance regime, which only relates to companies that are listed on the Cyprus Stock Exchange, does not apply to the Company and accordingly the Company does not monitor its compliance with that regime.

From IPO in 2013 until 7th January 2021, the Company maintained a capital structure with two classes of shares, Class A and Class B. On 7th January 2021, all Class B shares were converted to Class A and simultaneously all shares were reclassified and redesignated as Ordinary shares all ranking pari passu for all purposes and in all respects with the other existing shares, with the provisions in the Articles of Association of the Company relating to B Class shares deemed deleted.

The Company's Home State is Cyprus.

A description of the terms and conditions of the GDRs can be found at 'Terms and Conditions of the Global Depositary Receipts', 'Summary of the Provisions relating to the GDRs whilst still in Master Form' and 'Description of Arrangements to Safeguard the Rights of the Holders of the GDRs' in the Prospectus issued by the Company dated 22 October 2013 and on the website at www.tinkoff.ru/eng.

Copies of the Articles of Association of the Company adopted on 21 October 2013 as amended, the terms of reference of the Committees, and other corporate governance related as well as investor relations related materials can also be found on the websites www.tinkoff.ru/eng, at the Company's main website www.tcsgh.com.cy, on the Company's page on the London Stock Exchange website (www.londonstockexchange.com/exchange/prices-and-markets/stocks/summary) and at the official site of the Department of Registrar of Companies, Cyprus (http://www.mcit.gov.cy/).

The Board of directors

The role of the Board is to provide entrepreneurial leadership to the Group within a framework of prudent and effective controls which enable risk to be assessed and managed. The Board sets the Group's strategic objectives, ensures that the necessary financial and human resources are in place for the Group to meet its objectives and reviews management's performance. The Board also sets the Group's values and standards and ensures that its obligations towards the shareholders and other stakeholders are understood and met.

The Board operates under a formal schedule of matters reserved to the Board for its decision, approved by shareholders in 2013.

The authorities of the members of the Board are specified by the Articles of Association of the Company and by law. The current five strong Board of directors is comprised of three executive directors including the chairman, and two non-executive directors both of whom are independent. There was no change in the composition of the Board or status of the directors in 2020. The Board of directors contains no Director B.

The longest serving director Mr. Constantinos Economides took over the role of Chairman of the Board of directors in June 2015. The names of the people who served on the Board during 2020 are listed at F–5.

The Group has established two Committees of the Board. Specific responsibilities have been delegated to those committees as described below.

The Board is required to undertake a formal and rigorous review annually of its own performance, that of its committees and of its individual directors. That review was recently carried out, in-house, in relation to 2020, looking at overall performance. All directors completed detailed questionnaires on the Board's, the committees' and individual director's performance. The role of appraising the Chairman of the Board for 2020 was performed by the Chairman of the Audit Committee. Analysis of the resultant feedback, which was discussed at a meeting of the Board of Directors in March 2021 did not show up any deficiencies in the performance of the Board, its committees or individual directors of a nature that required changes to be made.

The Board has not appointed a senior independent director. There are now only two independent directors of whom at least one will retire by rotation each year.

Number of directors

Unless and until otherwise determined by the Company in general meeting, the number of directors shall be no less than four, of whom two must be non-executive, and until 7 January 2021 was not permitted to exceed seven, when Class B shares were in issue. From 7 January 2021, there is no maximum number of directors.

The Articles of Association of the Company provide for the retirement by rotation of certain directors at each Annual General Meeting. At the AGM 2020 on 24th August the director who retired by rotation was Mr. Jacques Der Megreditchian who was duly reappointed that day by vote of all the shareholders.

Director's powers

The business of the Company is managed by the directors, who are empowered to exercise all such powers of the Company as are not, by the Cyprus Companies Law or by the Articles of Association, required to be exercised by the shareholders in general meeting, subject nevertheless to any provisions of the Articles of Association, of the Cyprus Companies Law and of any directions given by the general meeting by ordinary resolution; but no alteration of the Articles of Association and no direction made by the Company in general meeting shall invalidate any prior act of the directors which would have been valid had that alteration or direction not been made or given.

Proceedings of the Board of Directors

The quorum necessary for the transaction of the business of the directors shall be at least four directors.

Questions arising at any meeting of the Board of directors shall be decided by a majority of votes. In the case of equality of votes, the chairman shall have a second or casting vote. A director may, and the secretary on the requisition of a director shall, at any time, summon a meeting of the directors. A resolution in writing signed or approved by letter, telex, facsimile or telegram by all directors or in relation to a committee by all its directors, shall be as valid and effectual as if it had been passed at a meeting of the Board of directors or (as the case may be) at a committee meeting duly convened and held. Any such resolution in writing signed may consist of several documents each signed by one or more of the persons described.

Any notice shall include an agenda identifying in reasonable detail the matters to be discussed at the meeting together with copies of any relevant documents.

The directors may delegate any of their powers to a committee or committees consisting of one or more members of their body as they think fit; any committee so formed shall, in the exercise of the powers so delegated to it, comply with the rules which may have been imposed on it by the directors, in respect of its powers, composition, proceedings, quorum or any other matter.

ATTENDANCE TABLE FOR BOARD OF DIRECTORS AND COMMITTEE MEETINGS 2020

Director	Board Attendance 2020	AC Attendance 2020	RC attendance 2020
Constantinos Economides (Chairman)	30/30	n/a	n/a
Maria Trimithiotou	30/30	n/a	n/a
Alexios Ioannides	30/30	n/a	n/a
Martin Cocker	30/30	4/4	7/7
Jacques Der Megreditchian	30/30	4/4	7/7

Dear stakeholders

Last year I wrote that 2020 was shaping up to be a more turbulent, volatile and challenging year. Even though all that turned out to be a fair assessment of last year and the pandemic is still ongoing, I always felt our deep and ever-deepening pool of management talent would be capable of handling whatever was thrown at them. Tinkoff has survived a number of crises in its life-even though these crises have all been 'different', the Tinkoff business model has always been and remains highly flexible, very resilient and led by a skillful management team which has proved true this time around too. But Tinkoff has done more than survive, far more. It is emerging even stronger; crises amplify Tinkoff's strengths. Another set of super financial results for FY2020 evidence this and I recommend reading our CFO Ilya's Financial Review.

As COVID-19 has spread throughout the world, all of us I believe have been forced to change our behaviours, in so many aspects of our lives. But as and when we come through the worst of it and reach a new state of normal, I feel it will not be a return to 2019, but there will be long lasting effects on societies, on our economies, our behaviours. COVID-19 hit the fast forward button on a number of existing trends from e-commerce to workplace culture and much else. So whether its avoiding queues and busy places, spending more of one's life at a screen, working from home or at least more flexible work patterns, the move away from cash to online spending, the general disruption of consumer spending patterns among many, these trends are Tinkoff's opportunities, where Tinkoff can help its customers in more and better ways. Tinkoff has consistently shown itself very quick to anticipate trends in this as in many other spheres -on employee and customer health and safety, to offering products tailored for customers' changed and changing needs under lockdown, to assisting those whose financial health and mental wellness were impacted by the pandemic, to helping governmental authorities in meeting their responsibilities, to mention a few. We set these out in some detail in last year's annual report.

On the governance side the Board was able to continue its supervisory and oversight work much as usual; all of us are now experts in call technologies whose names have entered everyday conversation during the pandemic. The one exception was the Board's visits to Moscow to meet the wider management team face to face in the Bank's HQ which we had to put back; the next such visit is though already in the planning stage. We expect to continue our rollout of corporate governance enhancements-some major some less so but all part of a concerted trend to greater transparency- this year and into the future, following the unprecedented voluntary renunciation of weighted votes by our Founder in January. Some like the recent Board changes and the business segment financial disclosures in FY2020 FS are public already. Others will follow in the coming months.

I would like to close by thanking all of those who have put their faith in Tinkoff. We will not disappoint in 2021, I am confident.

Keep safe in these difficult times.
Yours sincerely

Constantinos Economides
Chairman of the Board of Directors

Martin Cocker

Independent Non-Executive Director, Chairman of the Audit Committee, Member of the Remuneration Committee.

Jacques Der Megreditchian

Independent Non-Executive Director, Chairman of the Remuneration Committee, Member of the Audit Committee.

CONTINUED

CORPORATE GOVERNANCE

Committees of the Board of directors

The Company has established two Committees of the Board of directors: the Audit Committee and the Remuneration Committee. Their terms of reference are summarized below. Both Committees were formed in October 2013. The Board reserves the right to amend their terms of reference and arranges a periodic review of each Committee's role and activities and considers the appropriateness of additional committees.

Committees-current composition

The Audit Committee is chaired by an independent non-executive director Mr. Martin Cocker. From 16 August 2019 the Audit Committee is comprised of its chairman Mr. Martin Cocker and one independent non-executive director.

The Remuneration Committee is also chaired by an independent non-executive director Mr. Jacques Der Megreditchian. From 16 August 2019 the Remuneration Committee is comprised of its chairman Mr. Jacques Der Megreditchian and one independent non-executive director.

The current terms of reference of both Committees are available to the public and can be found on the Group's websites. A short summary of both is set out below.

Role of the Audit Committee

The Audit Committee's primary purpose and responsibility is to assist the Board in its oversight responsibilities. In executing this role the Audit Committee monitors the integrity of the financial statements of the Group prepared under IFRS as adopted by the EU and any formal announcements relating to the Group's and the Company's financial performance, reviewing significant financial reporting judgments contained in them, oversees the financial reporting controls and procedures implemented by the Group and monitors and assesses the effectiveness of the Company's internal financial controls, risk management systems, internal audit function, the independence and qualifications of the independent auditor and the effectiveness of the external audit process. The Audit Committee is required to meet at appropriate times in the reporting and audit cycle but in practice meets more often, as required. In 2020 the Audit Committee convened 4 times.

Under its terms of reference the Audit Committee is required at least once a year to review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and to recommend any changes it considers necessary for Board approval. The Audit Committee met this obligation through members participating in the main Board review described above. After consideration of the review, no changes were proposed to the committee's terms of reference.

The Audit Committee operates a structured framework around the extensive work it does on non-financial statements related matters holding at least two additional meetings annually, which would typically be held at the Bank's head office in Moscow, to consider specific, non-financial statements related areas within its terms of reference. No such meeting was held in 2020 due to COVID-19 travel restrictions but at least two are planned for 2021.

The Audit Committee has developed a risk matrix which constantly evolves to reflect new risks, the perceived impact of, and the Group's appetite for, any given risk and the measures taken to mitigate those risks. This matrix is run in conjunction with the internal audit function.

The Group has further broadened its top management team with a number of senior external hires.

Role of the Remuneration Committee

The Remuneration Committee is responsible for determining and reviewing among other things the framework of remuneration of the executive directors, senior management and its overall cost and the Group's remuneration policies. The objective is to ensure that the executive management of the Group are provided with appropriate incentives to encourage enhanced performance and are in a fair and responsible manner rewarded for their individual contributions to the success of the Group. The Remuneration Committee's terms of reference include reviewing the design and determining targets for any performance related pay schemes and reviewing the design of all share incentive plans for approval by the Board. The Remuneration Committee is required to meet at least twice a year but in practice meets far more often.

The Remuneration Committee continued with its work into 2020 on an ongoing review of the operation of the Group's equity based incentive and retention plan for key, senior and middle management (MLTIP) which launched in 2016 and in considering additional awards to both existing and new participants for this and subsequent years.

The Committee has also been working on plans for an incentive and compensation arrangements within MLTIP for when, in the period 2022 to 2024, existing awards made to MLTIP joiners in 2016-2017 start to go into run off. The Remuneration Committee recommended in 2020 members of key management should be offered new Awards under MLTIP, all on a five year vesting schedule from August 2021.

The Group also introduced in April 2020 15 a new equity linked long term compensation plan for around 250 senior and middle employees with a planned further expansion of around 200 additional employees in 2021. In 2020, Changes were made to the remuneration calendar to enhance its retentive effects.

Under its terms of reference the Remuneration Committee is required at least once a year to review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and to recommend any changes it considers necessary for Board approval. The Remuneration Committee met this obligation through members participating in the main Board review (described above) under which detailed questionnaires were completed by all directors assessing the operation of the Board and both committees as well as individual directors. Although earlier reviews had resulted in certain minor changes to the Remuneration Committee's terms of reference, no further changes were felt required based on the most recent review.

The Committee continues to meet as required. In 2020 it convened 7 times.

Appointment, retirement, rotation and removal of directors

The directors of the Company are appointed by the general meeting of shareholders with the sanction of an ordinary resolution. Such an appointment may be made to fill a vacancy or as an additional director. But no director may be appointed unless nominated by the Board of directors or a committee duly authorized by the Board of directors or by a shareholder or shareholders together holding or representing shares which in aggregate constitute or represent at least 5% in number of votes carried or conferred by the shares giving a right to vote at a general meeting.

The Board of directors may at any time appoint any person to the office of director either to fill a vacancy or as an additional director and every such director shall hold office only until the next following annual general meeting and shall not be taken into account in determining the directors who are to retire by rotation.

One third of the directors (or if their number is not a multiple of three, the number nearest to three but not exceeding one-third) shall retire by rotation at every annual general meeting. Directors holding an executive office are excluded from retirement by rotation.

Directors may be removed from office by the shareholders at a general meeting with the sanction of an ordinary resolution, subject to giving 28 days' notice to that director in accordance with the Articles of Association.

The office of director shall be vacated if the director:

- becomes bankrupt or makes any arrangement or composition with his creditors generally; or
- becomes prohibited from being a director by reason of any court order made under Section 180 (disqualification from holding the position of director on the basis of fraudulent or other conduct) of the Cyprus Companies Law; or
- becomes, or may be, of unsound mind; or
- resigns his office by notice in writing to the Company left at the registered office; or
- is absent from meetings of the board for six consecutive months without permission of the Board of directors and his alternative director (if any) does not attend in his place and the Board of directors resolves that his office be vacated.

CONTINUED

CORPORATE GOVERNANCE

Share capital; redesignation and reclassification of Class B shares

As at 31 December 2020, the Company's issued share capital was US$7,972,219.68 divided in to 199,305,492 shares, each of nominal value of US$0.04 per share and fully paid. Of these 129,391,449 were Class A shares and 69,914,043 Class B shares, each with a nominal value of US$0.04 per share and fully paid. As of 31 December 2020, the Company's authorized share capital was USD8,401,385.92 (with 10,729,156 undesignated shares of nominal value US$0.04 each).

With effect from 7th January 2021 the Company's issued share capital comprised 199,305,492 Ordinary shares.

Neither the Company nor any of its subsidiaries has any outstanding convertible securities, exchangeable securities or securities with warrants or any relevant acquisition rights or obligations over the Company's or any of the subsidiaries' authorised but unissued capital or undertakings to increase its issued share capital.

Certain rights of pre-emption are conferred, by the Cyprus Companies Law and the Articles of Association of the Company, on existing shareholders for issue of new shares to the Company in cash. Please refer to the section below on pre-emption rights for further information.

Articles of Association

In this section Cyprus Companies Law means the Companies Law, Cap. 113 of Cyprus and any successor statute or as the same may from time to time be amended.

The Company's current Articles of Association were adopted on 21 October 2013 and, except as to share capital and conversion of the B Class with deemed deletion of the Class B special rights on 7 January 2021, have not changed since.

The following is a brief summary of certain material provisions of the Articles of Association, in force as at 7 January 2021.

Holders of GDRs are not direct shareholders in the Company but instead derive their rights through holding a GDR. A description of the terms and conditions of the GDRs can be found at 'Terms and Conditions of the Global Depositary Receipts', 'Summary of the Provisions relating to the GDRs whilst still in Master Form' and 'Description of Arrangements to Safeguard the Rights of the Holders of the GDRs' in the Prospectus issued by the Company dated 22 October 2013 and on the website at www.tinkoff.ru/eng.

Rights of shareholders

With effect from 7 January 2021 none of the shareholders of the Company has any rights different from any other holder of shares of the Company. A summary of the rights attached to the shares of the Company is set out below.

Meeting of shareholders

The Company is required to hold an annual general meeting each year on such date and at such place as the directors may determine provided that not more than 15 months should elapse between annual general meetings.

The board of directors or any director may convene general meetings. The board of directors will also convene extraordinary general meetings of the Company on the requisition of a shareholder or shareholders together, holding or representing in aggregate, shares which constitute or represent at least five per cent. of the total number of votes carried or conferred by the shares.

An annual general meeting and a meeting called at which a special resolution will be proposed shall be called by at least twenty-one days' prior written notice. All other general meetings may be convened by the board by issuing at least 14 days' prior written notice. General meetings of the Company may be called by shorter notice and shall be deemed to have been duly called if it is so agreed:

- in the case of a meeting called as the annual general meeting, by all the shareholders entitled to attend and vote; and
- in the case of any other meeting, by a majority in number of the shareholders having a right to attend and vote at the meeting, being a majority together holding not less than 95 per cent. in nominal value of the shares giving the right to attend and vote at the meeting.

Shareholders' rights at meetings

All shareholders are entitled to attend the general meeting or be represented by a proxy authorised in writing.

The quorum for a general meeting will consist of such number of shareholders holding in aggregate more than 50 per cent. of the issued capital. If within half an hour from the time appointed for the meeting a quorum is not present, the meeting shall stand adjourned to the same day in the following week, at the same time and place or to such other day and at such other time and place as the chairman of the general meeting may determine, and if at the adjourned meeting a quorum is not present within half an hour from the time appointed for the meeting, the shareholders present shall be a quorum.

A resolution in writing which has been signed by or on behalf of shareholders conferring in aggregate at least 75 per cent. of the votes exercisable on such resolution at general meeting of the Company is valid and effectual as if the resolution were sanctioned by the general meeting, provided that a notice of the intention to propose the resolution together with a copy of the resolution, are given to all the shareholders conferring the right to vote on the resolution, at least 30 days prior to the date of the resolution. Such a resolution in writing may consist of several documents in the like form each signed by, or on behalf of, one or more shareholders.

Pre-emption rights

Under the Cyprus Companies Law, each existing shareholder has a right of pre-emption to subscribe for any new shares to be issued by the Company in cash, in proportion to the aggregate number of such shares of the shareholder. There are no pre-emption rights with respect to shares issued for non-cash consideration.

Specifically, all new shares and/or other securities giving rights to purchase shares in the Company, or which are convertible into shares in the Company that are to be issued for cash, shall be offered to the existing shareholders on a pro-rata basis to the participation of each shareholder in the capital of the Company, on a specific date fixed by the directors.

Any such offer shall be made upon written notice to all the shareholders specifying the number of the shares and/or other securities giving rights to purchase shares in the Company, or which are convertible into shares in the Company, which the shareholder is entitled to acquire and the time periods (which shall not be less than 14 days from the date of notification of the offer (or)/from the date of the dispatch of the written notice), within which the offer, if not accepted, shall be deemed to have been rejected. If, until the expiry of the said time period, no notification is received from the person to whom the offer is addressed or to whom the rights have been assigned that such person accepts all or part of the offered shares or other securities giving rights to purchase shares in the Company, or which are convertible into shares of the Company, the directors may dispose of them in any manner that they deem fit.

These pre-emption rights may be disapplied by a resolution of the general meeting which is passed by a specified majority, being a majority in favour of over one half of all the votes cast if the attendance represents not less than half the issued share capital and a majority in favour of not less than two-thirds of the votes cast in all other cases ("Special Majority Resolution"). In connection with such a waiver, the directors have an obligation to present to the relevant general meeting a written report which explains the reasons for the proposed disapplication of pre-emption rights and justifies the proposed issue price of the shares.

Voting rights at general meetings

Every holder of shares who is present (if a natural person) in person or by proxy or (if a corporation) is present by a representative, shall have one vote for each Ordinary share of which he is a holder.

The Ordinary shares carry the right to one vote per Ordinary share and confer on the Ordinary shareholders the right:

- on a Hands Vote, to one vote per Ordinary shareholder; and
- on a Poll Vote, to one vote per Ordinary share held by each shareholder,

No shareholder shall be entitled to vote (either in person or by proxy) at any general meeting unless all calls or other sums presently owed by him in respect of those shares have been paid or the Board of directors otherwise determine.

Dividend and distribution rights

The Ordinary shares have the right to an equal share in any dividend or other distribution paid by the Company, and any dividend or other distribution may only be declared and paid by the Company to the holders of all shares together.

MANAGEMENT TEAM

Oliver Hughes (50)

CEO, Chairman of the Management Board of Tinkoff Bank

Oliver oversees the strategic direction of Tinkoff Bank.

He joined Tinkoff as CEO in 2007 and has been at the helm every step of the way, helping Tinkoff grow into the world's largest independent digital bank by customer base. Before joining Tinkoff, Oliver worked for Visa International for a decade, including as Head of Visa in Russia from 2005 until 2007. Prior to Visa, he held various positions including at Reebok, Shell UK and the British Library.

Oliver holds a Master of Arts degree in International Politics from Leeds University and a Master's degree in Information Management and Technology from City University in London. He also has a Bachelor's (First Class) degree in Russian and French from the University of Sussex.

Ilya Pisemsky (45)

Chief Financial Officer, Deputy Chairman of the Management Board of Tinkoff Bank

Ilya is responsible for financial management, corporate strategy and planning. He has been Chief Financial Officer at Tinkoff since July 2008 and Deputy Chairman of the Management Board since April 2010. Prior to joining Tinkoff, he was Deputy Chief Financial Officer at Bank Soyuz and held a managerial position at Ernst & Young CIS.

Ilya graduated from the Finance Academy under the Government of the Russian Federation in Moscow and holds an MBA from the F.W. Olin Graduate School of Business at Babson College in Wellesley, Massachusetts.

Sergei Pirogov (50)

Head of Corporate Finance, Member of the Board of Directors of Tinkoff Bank

Sergey has been responsible for capital raising and debt portfolio management at Tinkoff as Head of Corporate Finance since January 2010. Since July 2016, he has served on Tinkoff Bank's Board of Directors. Previously Sergey worked at Citigroup, where he was Director of Corporate Finance for Russia and the CIS from 2002 to 2008. Prior to that, he was Programme Coordinator and Head of Investment Projects at IBS Intertraining.

Sergey graduated from the Moscow State Institute for International Relations. He also holds an MBA from the Darden Graduate School of Business at the University of Virginia, USA.

George Chesakov (48)

Head of Tinkoff Mobile

George Chesakov is responsible for Tinkoff's mobile virtual network operator (MVNO Tinkoff Mobile) and has been in this role since January 2017. He also served as Chief Operating Officer and Chairman of the Management Board from 2006 until 2011. Prior to his returning to Tinkoff in February 2016, George was President of OTP Bank and co-founder of Revo Technology.

Prior to Tinkoff, George worked at McKinsey & Company, Russian Standard Bank and launched a consumer finance business at Investsberbank (now OTP Bank).

George holds a Master's degree in Computer Science from Princeton University and a Master's degree with honors in Mathematics from Moscow State University.

Stanislav Bliznyuk (40)

Chief Operating Officer, Deputy Chairman of the Management Board of Tinkoff Bank

Stanislav oversees operations at Tinkoff. Before being appointed Chief Operating Officer in June 2012, he was Head of Technologies at the Bank from 2006. Prior to this, Stanislav worked in the banking sector, including as Process & Project Director at Raiffeisen Bank Russia.

Stanislav graduated from Moscow State University with a Master's degree in Mathematics and Economics.

Valeria Pavlyukova (38)

Chief Legal Officer, Deputy Chairman of the Management Board of Tinkoff Bank

Valeria has overseen all legal matters at Tinkoff as Chief Legal Officer and Deputy Chairman of the Board since January 2017. Before joining the Bank, she was Head of Legal for Sberbank's international division and a Legal Director for InBev for/in Russia.

Valeria graduated from the International University in Moscow and studied finance at Hult International Business School.

Management Team positions shown as of 31 December 2020

CONTINUED

MANAGEMENT TEAM

Fedor Bukharov (39)

Head of Tinkoff Business

Fedor joined the Company in 2015 and is responsible for developing Tinkoff's SME offering and is head of Tinkoff Business.

He started his career in banking in 2002 and previously worked on developing the SME business portfolios of UniCredit Bank and other Russia banks.

Fedor graduated from Novosibirsk State Technical University in 2003 and holds a Finance and Credit degree from the Finance Academy under the Government of the Russian Federation.

Nadezhda Serova (45)

Human Resources Director

As Head of Tinkoff's HR department, Nadezhda oversees employee engagement, talent management, development of motivational programs and the overall well-being of employees and all processes related to it.

Nadezhda has been working in HR for more than 15 years, including more than 10 years in senior positions. Before joining the Tinkoff team, she was Head of HR for Yandex Market.

Nadezhda graduated from Novgorod State University. She also holds a bachelor's degree in business administration from the Russian-Norwegian School.

Evgeny Ivashkevich (49)

Risk Director, Deputy Chairman of the Management Board of Tinkoff Bank

Evgeny is in charge of risk management at Tinkoff. He has been in his current role since 2007, having also joined Tinkoff Bank's Management Board as Deputy Chairman in 2011. Before joining Tinkoff, he was a portfolio manager at Renaissance Capital Bank and Head of Product Development at Russian Standard Bank.

Evgeny graduated from the Moscow Institute of Physics and Technology and obtained a PhD in Theoretical Physics from the Joint Institute for Nuclear Research.

Anatoly Makeshin (48)

Head of Payment Systems, Deputy Chairman of the Management Board of Tinkoff Bank

Anatoly has been responsible for Tinkoff's payments systems since 2006. He has also been a member of Tinkoff's Management Board since September 2012.

Anatoly graduated from Moscow Power Engineering Institute and holds a PhD in Technical Science from the Russian Academy of State Service.

Natalia Izyumova (58)

Chief Accountant, Member of the Management Board of Tinkoff Bank

Natalia oversees Tinkoff's accounting. She stepped into her current role and became a member of Tinkoff Bank's Management Board when she joined the Bank in February 2011. Natalia has also been a member of the Financial Committee of Tinkoff Bank since November 2011. Prior to joining Tinkoff, Natalia held a number of senior-level positions, including that of CFO and Deputy Chairwoman of Dvizheniye Bank's Management Committee.

Natalia graduated from Moscow State University with a degree in Economics and holds a PhD in Economics from the Research Institute of Economy.

Viacheslav Tsyganov (45)

Chief Information Officer, Member of the Management Board of Tinkoff Bank

Viacheslav has been with Tinkoff Bank from the beginning of its story. He is in charge of information technology and computer systems at Tinkoff. Viacheslav has been Chief Information Officer since 2009 after transitioning from his role as Head of IT Architecture and Development at the Bank.

Viacheslav holds a Master's degree in Computer Science from Southwest State University.

CONTINUED

MANAGEMENT TEAM

Dmitry Panchenko (39)

Investment Business Director

Dmirty joined the Company in 2019. Prior to joining Tinkoff, Dmitry held a variety of managerial positions in several leading brokerage firms, including head of brokerage business at BCS Broker and Deputy CEO at Freedom Finance. Before that he worked for National Standard Bank, Rosenergobank and the Moscow Capital investment fund.

Dmitry graduated from the Higher School of Economics in 2004 and earned his Master's degree from Moscow State University in 2012.

Neri Tollardo (29)

Head of International Investor Relations and Partnerships

Neri Tollardo joined Tinkoff in 2019 and is responsible for building and developing relationships with international investors and partners. Prior to joining Tinkoff, he was a top-ranked sell-side research analyst at Morgan Stanley for seven years, during which he covered a number of different emerging markets and sectors.

Neri holds a MSc in Finance and Private Equity from the London School of Economics and a BSc in International Economics and Management from Bocconi University Milan.

Artem Lebedev (43)

PR Director

Artem has been in charge of Tinkoff Group's strategic communications and public relations since early 2019.

Previously Artem held managerial positions in PR, GR and marketing with MegaFon, Vnesheconombank, Russian Standard, Avtobank among others.
He has more than 10 years of experience in journalism, having contributed to Kommersant Publishing House, Russian Telegraph and Moskovskiye Novosti. He was also the founder of Russian Policy, an insurance magazine.

Artem graduated from Moscow State University with a degree in PR and advertising and holds a financial degree from the Finance Academy under the Government of the Russian Federation.

Anna Mikhina (33)

Head of Lifestyle Banking

As Head of Lifestyle Banking for Tinkoff, Anna oversees strategic development of partner and non-financial services for the Tinkoff group of companies. Prior to joining the Tinkoff team in November 2012, Anna worked as a mobile product manager for Yandex, Rambler and Mail.ru.

Anna graduated from the Humanities Institute of Television and Radio Broadcasting in Moscow with a degree in journalism.

Larisa Chernysheva (45)

Head of Investor Relations and transaction execution

Larisa oversees two functions in Tinkoff: she leads the IR strategy which covers all aspects of investor communication and interaction as well as being is responsible for supervising fixed income and equity related transactions. Before joining the Tinkoff team in August 2012, Larisa worked as a relationship manager for financial institutions for Citigroup Corporate Bank Moscow.

Prior to Citigroup Larisa worked as a legal assistant for Freshfields Bruckhaus Deringer Moscow office. Larisa holds masters degree in management and media communications from the Moscow State University of Culture and is certified by the College of Ministry of Foreign Affairs of the Russian Federation in Business Administration.

Konstantin Markelov (36)

Business Technologies Director

Konstantin Markelov is responsible for implementing new technologies at Tinkoff, as well as for business analytics, partnerships with technical universities, talent acquisition and educational programmes.

He has been with the Company since 2007, starting out as an analyst and taking an active part in its development. He launched several important projects and led the Company to employ business analysts (technologists).

In 2007, he graduated with honours from the Faculty of Mechanics and Mathematics of Moscow State University.

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TCS Group Holding PLC

International Financial Reporting Standards Consolidated Financial Statements and Independent Auditor's Report

Contents

Board of Directors and other officers

Board of Directors

Constantinos Economides, Chairman
Alexios Ioannides
Mary Trimithiotou
Jacques Der Megreditchian
Martin Robert Cocker

The above all served throughout 2020 and through to the date of these consolidated financial statements.

The Company's Articles of Association include regulations for the retirement by rotation of Directors at each annual general meeting. These regulations will operate in 2021 on the basis of the composition of the Board at the relevant date.

Company Secretary Caelion Secretarial Limited

25 Spyrou Araouzou
Berengaria 25, 5th floor,
3036, Limassol, Cyprus

Registered office

25 Spyrou Araouzou
Berengaria 25, 5th floor,
3036, Limassol, Cyprus

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Consolidated Management Report

The Board of directors presents its report together with the audited consolidated financial statements of TCS Group Holding PLC (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2020.

Principal activities and nature of operations of the Group

1. The Group's principal activities are mainly undertaken within the Russian Federation and consist of on-line retail banking operations, through its subsidiary JSC "Tinkoff Bank" (the "Bank"), and other operations through its subsidiaries, such us insurance operations through JSC "Tinkoff Insurance" (the "Insurance Company"), mobile services through LLC "Tinkoff Mobile" and asset management through LLC "Tinkoff Capital" (Note 1).

2. The Bank specialises in retail banking for individuals, individual entrepreneurs ("IE"), small and medium enterprises ("SME") and brokerage services. The Bank which is fully licensed by the Central Bank of Russia, launched its operations in the Summer of 2007 and is a member of the Russian Deposit Insurance System. The Insurance Company specialises in providing non-life insurance coverage such as accident, property, travel, credit protection and auto insurance. The founder of the Company is Oleg Tinkov who was also the controlling shareholder throughout 2020.

Changes in group structure

3. During 2020 the Group founded an infrastructure company LLC "Tinkoff Invest Lab" to support and optimize the Group's investment services.

4. In August 2020 the Group acquired a 22.15% shareholding in Incantus Holding Limited by transferring its 100% shareholding in LLC "Fintech DC" to Incantus Holding Limited and by providing a convertible loan (Notes 7 and 38). Incantus Holding Limited is a group of fintech start-ups launched in 2020 to provide a range of services to retail customers in Europe (excluding CIS) through the mobile banking platform Vivid Money. In October 2020 a new venture capital fund has invested into the share capital of Incantus Holding Limited. As a result the Company's shareholding in Incantus Holding Limited has decreased to 16.32%.

5. As at 31 December 2020 the Group holds 16.32% of the shares of Incantus Holding Limited.

Review of developments, position and performance of the Group's business

6. The Group operates a flexible business model. Its virtual network enables it to quickly and easily increase business or slow down customer acquisition depending upon the availability of funding and market conditions. The Bank's primary customer acquisition channels are Internet and Mobile, but it also uses Direct Sales Agents and partnerships (co-brands) to acquire new customers. These customer acquisition models, combined with the Bank's virtual network, afford it a geographic reach across all of Russia's regions resulting in a highly diversified portfolio.

7. In 2020 the Group signed a long-term rental contract for space in a business centre in Moscow, which is currently under construction, and which will become the Group's new headquarters. Construction will be completed according to plan in 2022.

8. In 2020 LLC "Tinkoff Capital" launched Russia's first exchange-traded fund (ETF) tracking the Nasdaq Technology Sector Index (NDXT).

9. During 2020 the Company actively continued the development of its call-center and software development services in Cyprus, providing training so that these employees might provide a wider range of services to the Bank and, indirectly, its customers.

10. The key offerings of JSC "Tinkoff Insurance" are personal accident insurance, collective insurance against accidents and illnesses, travel insurance, motor vehicle insurance and property insurance, compulsory third party liability insurance (CTP) and voluntary third party liability insurance (VTP) (Note 23). The Insurance Company focuses on online sales.

11. In terms of financial performance the profit of the Group for the year ended 31 December 2020 was RR 44,213 million (2019: RR 36,123 million). This result is driven by two major continuing trends: the ongoing growth of the Group's consumer finance business and a growing contribution from the non-credit fees-and-commission business lines. Net margin increased by 19.1% to RR 104,702 million (2019: increased by 46.6% to RR 87,926 million) on the back of credit and investment portfolio growth. The growth of the credit portfolio was driven not only by credit card loans but also by other types of loans, such as secured, cash and POS loans. The Group aims to diversify its credit portfolio by the extension of collateralised credit products which represents a business line with lower credit risks. The 90 days plus overdue loans ratio ("NPL") increased to 10.4% as at 31 December 2020 (2019: 9.1%). The NPL coverage ratio reduced to 153% as at 31 December 2020 (2019: reduced to 156%). The Investment in securities portfolio increased by 76.4% and amounted to RR 238,454 million as at 31 December 2020 (31 December 2019: increased by 35% to RR 135,178 million). This growth has been fuelled by the continued development of the debit card and SME business lines. The Group continues to maintain a good quality and diversified securities portfolio. During the year the Bank developed the Tinkoff Investments product by increasing the customer base and providing of new trading instruments to its clients. The Group's Insurance business continues to develop at a good pace. This year insurance premiums earned increased by 31.6% to RR 18,567 million (2019: increase by 111.4% to RR 14,110 million). The growth was as a result of a continuous development of auto (including CTP and VTP) and travel insurance, as well as the growth of personal accident insurance along with the credit portfolio and providing a wider coverage of insured risks. In order to reflect appropriately the uncertainty associated with the COVID-19 pandemic, the Group has made changes to its ECL model, which resulted in approximately RR 5.6 billion of additional credit loss allowance charge in the first half of 2020 and was the main driver of increased cost of risk. Refer to Notes 2 and 3.

Environmental matters

12. As the Group is an online-only financial institution, the management of the Group believes that none of the Group's business relationships, products or services are likely to have any significant actual or potential significant environmental impacts and do not believe its operations are exposed to any material environmental risks. Management, in reaching this view, have taken into account the risk of adverse impacts that may stem from the Company's own activities as well as its business relationships including its supply and subcontracting chains. This belief is based on continuous scrutiny of the business. The Group is continuously reviewing its processes to identify opportunities to reduce their environmental impact.

Human resources

13. Empowerment is an important ingredient in the success of our organization. To achieve this, decision-making is delegated to levels deep below the management team, discussion, idea generation and exchange and transparency are actively promoted and encouraged and an open leadership style ensures that information can move freely. The Group utilizes all types of forums to promote continual dialogue – such as email, online chat rooms, flash meetings, as well as formalized meeting structures. The Group offers clear far-reaching career path for its employees, a unique work environment and fair and transparent compensation.

14. Clear performance evaluation processes and fair compensation are essential. Compensation is a combination of fixed rate salary and supplemental bonuses and is based on employee performance. Employees are evaluated on a regular basis in order to monitor their achievement against their Key Performance Indicators as well as to provide feedback which can be used for their career development and to determine incentive compensation.

15. Prior to its IPO in 2013, the Group set up share-based management long term incentive plans as retention and motivational tools for key and senior managers. In March 2016, the Group announced a consolidated long-term management incentive and retention plan, covering around 50 key, senior and middle managers (MLTIP). Since then the Group has announced the expansion of MLTIP. The total size of the MLTIP pool was 8.13% of the Group's share capital as at 31 December 2020. The plan is designed to align more closely managers' interests with those of shareholders to grow the Group's value. Current MLTIP is awarded over four years with each annual award vesting over the subsequent three years. The Group believes that participation in its share capital is an effective motivation and retention tool. The management incentive and retention plan embraces more managers, for two main reasons: firstly, internal promotions as some employees were promoted to key managerial positions; and, secondly, as part of its expansion and transformation into a financial marketplace, the Group has hired a significant number of new managers to develop and manage new business lines and to strengthen internal controls, including cyber security.

16. In April 2020 the Group launched a key employees retention plan (KERP), which is a new long term incentive program for more than 250 senior and middle management level employees. The purpose of the program is to retain and motivate key employees with high potential. This is a performance-based cash-settled program linked to the market price of the Group's GDRs.

Non-Financial Information and Diversity Statement

17. The Group's policies and other information that provide an understanding of the development, performance, position and impact of the Group's activities in the areas of environmental, social and employee matters, respect for human rights, anti-corruption and bribery matters can be found in the Group's most recently published Non-Financial Information and Diversity Statement (Sustainability Report). The Group will publish its Sustainability Report for the year ended 2020, on the Company's website, www.tcsgh.com.cy (and www.tinkoff.ru/eng) no later than 30 June 2021.

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Consolidated Management Report (Continued)

Principal risks and uncertainties

18. The Group's business and financial results are impacted by uncertainties and volatilities in the Russian economic environment which can be impacted by global factors and/or by national factors.

19. The Group is subject to a number of principal risks which might adversely impact its performance. The principal activities of the Group are banking and insurance operations and so it is within this area that the principal risks occur. Management considers that those principal risks are financial risks, operational risks and legal risks. Financial risk comprises market risks (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

20. The Board has put in place arrangements to identify, evaluate and manage the principal risks and uncertainties faced by the Group. The Group has an established risk management program that focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. This is overseen by a dedicated Risk Management function, which works with senior management of the operating companies in Russia as well as the Board of directors in this area. The primary objectives of the financial risk management function are to establish acceptable risk limits, and then ensure that the exposures remain within these limits. The operational and legal risk management functions are intended to ensure the proper functioning of internal policies and procedures that minimize operational and legal risks. The risk management strategy is established so as to identify, assess, monitor and manage the risks arising from Group's activities. These risks as well as other risks and uncertainties, which affect the Group and how these are managed, are presented in Notes 29 and 31 of the consolidated financial statements.

21. Analysis of impact of COVID-19 pandemic on the Group is disclosed in the Note 2 of the consolidated financial statements.

Contingencies

22. The Group's contingencies are disclosed in Note 31 to the consolidated financial statements.

Future developments

23. The Group's strategic objective is to be a full service, online financial and lifestyle ecosystem with a broad range of financial, insurance and quasi-financial products, serving customers through a high-tech online and mobile platform that offers premium quality service and convenience, while maintaining high growth rates, profitability and effective data-driven risk management.

Results

24. The Group's results for the year are set out on page 2 of the consolidated financial statements. Information on distribution of profits is presented in Note 27.

Any important events for the Group that have occurred after the end of the financial year

25. Important events for the Group that have occurred after the end of the financial year are presented in Note 39.

Share capital, redesignation and conversion of class B and class A shares

26. As at 31 December 2020 the issued share capital of the Company was 199,305,492 shares (2019: same). Of these 129,391,449 were class A shares (2019: 119,291,268) and 69,914,043 class B shares (2019: 80,014,224) with a par value of USD 0.04 per share. In December 2020 10,100,181 class B shares in the Company held by the Rigi Trust were converted to class A shares. As a result of the conversion, Mr. Oleg Tinkov's voting rights in the Group decreased from 87.03% to 84.38%.

27. On 7 January 2021 all 69,914,043 issued class B shares (35.08% of the total number of issued shares) held by the Rigi Trust and the Bernina Trust were converted to class A shares, and on the same date all issued shares were reclassified and redesignated as ordinary shares. Following the conversion, each share carries a single vote, and the total number of votes capable of being exercised is equal to the total number of issued shares (currently 199,305,492 shares following the class B share conversion). As a result of the conversion, Mr. Oleg Tinkov's voting rights in the Group decreased from 84.38% to 35.08%. As a result his control over the Group was ceased.

Treasury shares

28. At 31 December 2020 the Group held 3,013,379 (2019: 4,185,166) of its own GDRs, equivalent to approximately RR 3,238 million (2019: RR 3,164 million) and which represent 1.5% (2019: 2.1%) of the issued shares.

29. Treasury shares are GDRs of TCS Group Holding PLC that are held by a special purpose trust which has been specifically created for the long-term incentive programme for the MLTIP (see Note 38 for further information).

30. During 2020 the Group repurchased 650,000 GDRs at market price for RR 661 million (2019: no GDRs were repurchased).

31. During 2020 the Group transferred 1,809,681 GDRs (2019: 2,419,187 GDRs), representing 0.91% (2019: 1.21%) of the issued shares, upon vesting under the MLTIP. This resulted in a transfer of RR 587 million (2019: RR 506 million) out of treasury shares to retained earnings.

Research and development activities

32. During the years ended 31 December 2020 and 2019 the Group has undertaken research and development activities related to software including greater use of biometrics, voice assistant, social networking, machine learning and intelligence.

Board of Directors

33. The members of the Board of directors as of 31 December 2020 and at the date of this report are presented above. All served throughout the year ended 31 December 2020 and through to the date of these consolidated financial statements.

34. There were no significant changes in the assignment of responsibilities or remuneration of the Board of directors.

Branches

35. The Group did not operate through any branches during the year.

Independent auditor

36. The Independent Auditor, PricewaterhouseCoopers Limited, has expressed its willingness to continue in office. A resolution giving authority to the Board of directors to fix its remuneration will be proposed at the Annual General Meeting (AGM).

Going concern

37. The Directors have access to all information necessary to exercise their duties. The Directors continue to adopt the going concern basis in preparing the consolidated financial statements based on the fact that, after making enquiries and following a review of the Group's budget for 2021, including cash flows and funding facilities, the Directors consider that the Group has adequate resources to continue in operation for the foreseeable future. This assessment was made with the available information to the Group as at the date of approving the financial statements.

Corporate Governance Statement

GDRs of TCS Group Holding PLC (a Cyprus incorporated company), with each GDR issued under a deposit agreement dated on or about 24 October 2013 with JPMorgan-Chase Bank N.A. as depositary representing one ordinary (formerly class A) share, are listed on London Stock Exchange. The Company's GDRs are also listed on the Moscow Exchange. No shares of TCS Group Holding PLC are listed on any exchange.

The Company is required to comply with the UK corporate governance regime to the extent it applies to foreign issuers of GDRs listed on the London Stock Exchange. The Company has not adopted corporate governance measures of the same standard in all respects as those adopted by UK incorporated companies or companies with a premium listing on the London Stock Exchange.

As the shares themselves are not listed on the Cyprus Stock Exchange (or elsewhere), the Cypriot corporate governance regime, which only relates to companies that are listed on the Cyprus Stock Exchange, does not apply to the Company and accordingly the Company does not monitor its compliance with that regime.

From IPO in 2013 until 7 January 2021, the Company maintained a capital structure with two classes of shares, class A and class B. On 7 January 2021, all class B shares were converted to class A and simultaneously all shares were reclassified and redesignated as ordinary shares all ranking pari passu for all purposes and in all respects with the other existing shares, with the provisions in the Articles of Association of the Company relating to class B shares deemed deleted.

The Company's Home State is Cyprus.

A description of the terms and conditions of the GDRs can be found at "Terms and Conditions of the Global Depositary Receipts", "Summary of the Provisions relating to the GDRs whilst still in Master Form" and "Description of Arrangements to Safeguard the Rights of the Holders of the GDRs" in the Prospectus issued by the Company dated 22 October 2013 and on the website at www.tinkoff.ru/eng.

Copies of the Articles of Association of the Company adopted on 21 October 2013, the terms of reference of the Committees, and other corporate governance related as well as investor relations related materials can also be found on the website www.tinkoff.ru/eng, at the Company's main website www.tcsgh.com.cy, on the Company's page on the London Stock Exchange website (www.londonstock-exchange.com/exchange/prices-and-markets/stocks/summary) and at the official site of the Department of Registrar of Companies, Cyprus (http://www.mcit.gov.cy/).

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Consolidated Management Report (Continued)

The Board of directors

The role of the Board is to provide entrepreneurial leadership to the Group within a framework of prudent and effective controls which enable risk to be assessed and managed. The Board sets the Group's strategic objectives, ensures that the necessary financial and human resources are in place for the Group to meet its objectives and reviews management's performance. The Board also sets the Group's values and standards and ensures that its obligations towards the shareholders and other stakeholders are understood and met.

The Board operates under a formal schedule of matters reserved to the Board for its decision, approved by shareholders in 2013.

The authorities of the members of the Board are specified by the Articles of Association of the Company and by law. The current five strong Board of directors is comprised of three executive directors including the chairman, and two non-executive directors both of whom are independent. There was no change in the composition of the Board or status of the directors in 2020. The Board of directors contains no Director B.

The longest serving director Mr. Constantinos Economides took over the role of Chairman of the Board of directors in June 2015. The names of the people who served on the Board during 2020 are listed at the Board of directors and other officers.

The Group has established two Committees of the Board. Specific responsibilities have been delegated to those committees as described below.

The Board is required to undertake a formal and rigorous review annually of its own performance, that of its committees and of its individual directors. That review was recently carried out, in-house, in relation to 2020, looking at overall performance. All directors completed detailed questionnaires on the Board's, the committees' and individual director's performance. The role of appraising the Chairman of the Board for 2020 was performed by the Chairman of the Audit Committee. Analysis of the resultant feedback will be discussed at a meeting of the Board of directors on 10 March 2021 and no changes are expected to be made in the performance of the Board, its committees or individual directors.

The Board has not appointed a senior independent director. There are only two independent directors of whom at least one will retire each year.

Number of directors

Unless and until otherwise determined by the Company in general meeting, the number of directors shall be no less than four, of whom two must be non-executive, and until 7 January 2021 was not permitted to exceed seven, when class B shares were in issue. From 7 January 2021, there is no maximum number of directors.

The Articles of Association of the Company provide for the retirement by rotation of certain directors at each Annual General Meeting (AGM). At the AGM on 24th August 2020 the director who retired by rotation was Mr. Jacques Der Megreditchian who was duly reappointed that day by vote of all the shareholders.

Committees of the Board of directors

The Company has established two Committees of the Board of directors: the Audit Committee and the Remuneration Committee. Their terms of reference are summarized below. Both Committees were formed in October 2013. The Board reserves the right to amend their terms of reference and arranges a periodic review of each Committee's role and activities and considers the appropriateness of additional committees.

Committees-current composition

The Audit Committee is chaired by an independent non-executive director Mr. Martin Cocker, and had, until 16 August 2019, two other members both non-executive directors, one of whom was independent. From 16 August 2019 the Audit Committee has comprised its chairman Mr. Martin Cocker and one independent non-executive director.

The Remuneration Committee is also chaired by an independent non-executive director, Mr. Jacques Der Megreditchian, and had until 16 August 2019 two other members both non-executive directors, one of whom was independent. From 16 August 2019 the Remuneration Committee has comprised its chairman Mr. Jacques Der Megreditchian and one independent non-executive director.

The current terms of reference of both Committees are available to the public and can be found on the Group's websites. A short summary of both is set out below.

Role of the Audit Committee

The Audit Committee's primary purpose and responsibility is to assist the Board in its oversight responsibilities. In executing this role the Audit Committee monitors the integrity of the financial statements of the Group prepared under International Financial Reporting Standards ("IFRS") as adopted by the European Union (EU) and any formal announcements relating to the Group's and the Company's financial performance, reviewing significant financial reporting judgments contained in them, oversees the financial reporting controls and procedures implemented by the Group and monitors and assesses the effectiveness of the Company's internal financial controls, risk management systems, internal audit function, the independence and qualifications of the independent auditor and the effectiveness of the external audit process. The Audit Committee is required to meet at appropriate times in the reporting and audit cycle but in practice meets more often as required.

Under its terms of reference, the Audit Committee is required, at least once each year, to review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and to recommend any changes it considers necessary for Board approval. The Audit Committee met this obligation through members participating in the main Board review described above. After consideration of the review, no changes were proposed to the committee's terms of reference. The Audit Committee operates a structured framework around the extensive work it does on non-financial statements related matters holding at least two additional meetings annually, which would typically be held at the Bank's head office in Moscow, to consider specific, non-financial statements related areas within its terms of reference. No such meeting was held in 2020 due to COVID-19 travel restrictions but at least two are planned for 2021.

The Audit Committee has developed a risk matrix which constantly evolves to reflect new risks, the perceived impact of, and the Group's appetite for, any given risk and the measures taken to mitigate those risks. This matrix is run in conjunction with the internal audit function.

Changes in the top management team

A new post of chief information security officer was created in late 2017 and filled, with additional personnel expert in cyber-security recruited, in a very competitive market, through 2019 and 2020 to support the Group's ever-increasing efforts to stay ahead of trends and threats in this sphere. The Group has further broadened its top management team with a new chief investment officer appointed in 2019 and a new chief operating officer appointed in early 2020.

Role of the Remuneration Committee

The Remuneration Committee is responsible for determining and reviewing among other things the framework of remuneration of the executive directors, senior management and its overall cost and the Group's remuneration policies. The objective is to ensure that the executive management of the Group are provided with appropriate incentives to encourage enhanced performance and are in a fair and responsible manner rewarded for their individual contributions to the success of the Group. The Remuneration Committee's terms of reference include reviewing the design and determining targets for any performance related pay schemes and reviewing the design of all share incentive plans for approval by the Board. The Remuneration Committee is required to meet at least twice a year but in practice meets far more often.

The Remuneration Committee continued with its work into 2020 on an ongoing review of the operation of the Group's MLTIP which launched in 2016 and in considering additional awards to both existing and new participants for this and subsequent years.

In the end of Q2 2020 the Committee approved the proposals of launching a new incentive and retention plan for more than 250 senior and middle managers (KERP).

The Committee has also been working on plans for an incentive and compensation arrangement within MLTIP for when, in the period 2022 to 2024, existing awards made to MLTIP joiners in 2016-2017 start to go into run off. The Remuneration Committee recommended in June 2020 and December 2020 7 and 8 members of key management respectively be granted new awards under MLTIP in Q3 2021.

Under its terms of reference the Remuneration Committee is required at least once each year to review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and to recommend any changes it considers necessary for Board approval. The Remuneration Committee met this obligation through members participating in the main Board review (described above) under which detailed questionnaires were completed by all directors assessing the operation of the Board and both committees as well as individual directors. Although earlier reviews had resulted in certain minor changes to the Remuneration Committee's terms of reference, no further changes were felt required based on the most recent review. The Committee continues to meet as required.

31 DECEMBER 2020

Consolidated Management Report (Continued)

Appointment, retirement, rotation and removal of directors

The directors of the Company are appointed by the general meeting of shareholders with the sanction of an ordinary resolution. Such an appointment may be made to fill a vacancy or as an additional director. But no director may be appointed unless nominated by the Board of directors or a committee duly authorized by the Board of directors or by a shareholder or shareholders together holding or representing shares which in aggregate constitute or represent at least 5% in number of votes carried or conferred by the shares giving a right to vote at a general meeting.

The Board of directors may at any time appoint any person to the office of director either to fill a vacancy or as an additional director and every such director shall hold office only until the next following annual general meeting and shall not be taken into account in determining the directors who are to retire by rotation.

One third of the directors (or if their number is not a multiple of three, the number nearest to three but not exceeding one-third) shall retire by rotation at every annual general meeting. Directors holding an executive office are excluded from retirement by rotation.

Directors may be removed from office by the shareholders at a general meeting with the sanction of an ordinary resolution, subject to giving 28 days' notice to that director in accordance with the Articles of Association.

The office of director shall be vacated if the director:

- becomes bankrupt or makes any arrangement or composition with his creditors generally; or
- becomes prohibited from being a director by reason of any court order made under Section 180 (disqualification from holding the position of director on the basis of fraudulent or other conduct) of the Cyprus Companies Law; or
- becomes, or may be, of unsound mind; or
- resigns his office by notice in writing to the Company left at the registered office; or
- is absent from meetings of the board for six consecutive months without permission of the Board of directors and his alternative director (if any) does not attend in his place and the Board of directors resolves that his office be vacated.

Significant direct/indirect holdings

For the significant direct and indirect shareholdings held in the share capital of the Company, please refer to Note 1 of the consolidated financial statements.

Internal control and risk management systems in relation to the financial reporting process

Policies, procedures and controls exist around financial reporting. Management is responsible for executing and assessing the effectiveness of these controls.

Financial reporting process

The Board of Directors is responsible for the preparation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap.113, and for such internal control as the Board of directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated financial statements, the Board of directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board has delegated to the Audit Committee the responsibility for reviewing the consolidated financial statements to ensure that they are in compliance with the applicable framework and legislation and for recommending these to the Board for approval. The Audit Committee is responsible for overseeing the Group's financial reporting process.

Internal Controls and Risk Management

Management is responsible for setting the principles in relation to risk management. The risk management organisation is divided between Policy Making Bodies and Policy Implementation Bodies. Policy Making Bodies are responsible for establishing risk management policies and procedures, including the establishment of limits. The main Policy Making Bodies are the Board of directors, the Management Board, the Finance Committee, the Credit Committee and the Business Development Committee.

The policy implementation level of the Group's risk management organisation consists of the Finance Department, the Risk Management Department, the Collections Department and the Internal Control Service.

In addition the Group has implemented an online analytical processing management system based on a common SAS data warehouse that is updated on a daily basis. The set of daily reports includes but is not limited to sales reports, application processing reports, reports on the risk characteristics of the card portfolios, vintage reports, transition matrix (roll rates) reports, reports on the pre-, early and late collections activities, reports on compliance with CBR requirements, capital adequacy and liquidity reports, operational liquidity forecast reports and information on intra-day cash flows.

Diversity policy

The Group is committed to offering equal opportunity to all current and prospective employees, such that no applicant or employee is discriminated in favour of or against on the grounds of sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation in recruitment, training, promotion or any other aspect of employment.

Recruitment, training and promotion are exclusively based on merit. All the Group employees involved in the recruitment and management of staff are responsible for ensuring the policy is fairly applied within their areas of responsibility. The Group applies this approach throughout, at all levels. This includes its administrative, management and supervisory bodies, including the Board of directors of the Company.

The composition and diversity information of the Board of directors of the Group for the year ended and as at 31 December 2020 is set out below:

Name	Age	Male/Female	Educational/professional background
Constantinos Economides	45	Male	ICAEW, MSc in Management Sciences, experience in 'Big Four' professional services firms
Alexios Ioannides	44	Male	ICAEW, ICPAC, BSc in Business Administration, experience in 'Big Four' professional services firms
Mary Trimithiotou	43	Female	ICPAC, FCCA, Licensed insolvency practitioner, experience in 'Big Four' professional services firms
Martin Robert Cocker	61	Male	ICAEW, BSc in Mathematics and Economics, experience in 'Big Four' professional services firms
Jacques Der Megreditchian	61	Male	BSc in Business Administration and in Financial Analysis, banking and finance experience

Further details of the corporate governance regime of the Company can be found on the website: https://www.tinkoff.ru/eng/investor-relations/corporate-governance/.

By Order of the Board

Constantinos Economides
Chairman of the Board
Limassol

10 March 2021

Independent Auditor's Report

To the Members of TCS Group Holding PLC

Report on the Audit of the Consolidated Financial Statements

Our opinion

In our opinion, the accompanying consolidated financial statements of TCS Group Holding PLC (the "Company") and its subsidiaries (together the "Group") give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

What we have audited

We have audited the consolidated financial statements which are presented in pages 1 to 118 and comprise:

- the consolidated statement of financial position as at 31 December 2020;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the consolidated financial statements is International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

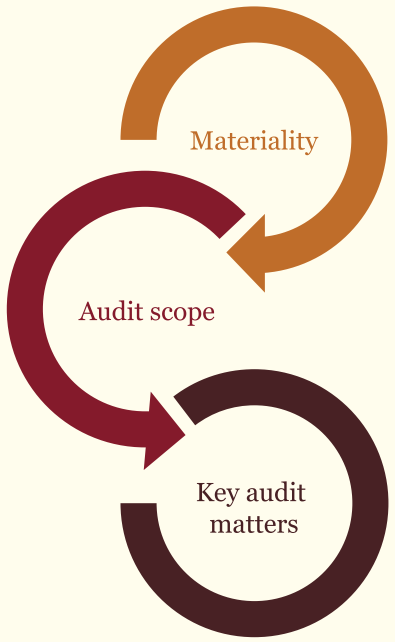
Independence

We remained independent of the Group throughout the period of our appointment in accordance with the *International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)* together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Cyprus and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our audit approach

Overview

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the Board of Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.



- Overall group materiality: Russian Roubles ("RR") 2 800 million, which represents approximately 5% of profit before tax.

- We planned and conducted our audit to cover the two largest business components of the Group, being Banking and Insurance operations, for which we performed full scope audits of each of their complete financial information.
- For the other components, we performed substantive audit procedures where necessary.

We have identified the following key audit matters:

- Credit loss allowance for loans and advances to customers, using the expected credit loss model in line with the requirements of IFRS 9 "Financial Instruments";
- Recognition of interest income calculated using the effective interest rate method on loans and advances to customers.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the consolidated financial statements as a whole.

Overall group materiality	RR 2 800 million
How we determined it	Approximately 5% of profit before tax.
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by the users of the consolidated financial statements, and it is a generally accepted benchmark. We chose 5%, which in our experience is an acceptable quantitative threshold for this materiality benchmark.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above RR 140 million as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

How we tailored our group audit scope

TCS Group Holding PLC is the parent of a group of companies. The financial information of this Group is included in the consolidated financial statements of TCS Group Holding PLC.

Considering our ultimate responsibility for the opinion on the Group's consolidated financial statements we are responsible for the direction, supervision and performance of the group audit. In this context, we tailored the scope of our audit and determined the nature and extent of the audit procedures for the components of the Group to ensure that we perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the significance and/or risk profile of the group entities or activities, the accounting processes and controls, and the industry in which the Group operates.

The Group has two primary business components, being Banking (which includes retail business for individuals and small and medium-sized entities business) and Insurance operations both of which operate primarily in the Russian Federation. The Banking business comprises a number of reporting units being JSC Tinkoff Bank, LLC Microfinance company T-Finans, LLC Phoenix and LLC Tinkoff Capital. The Insurance business comprises solely JSC Tinkoff Insurance. Full scope audit procedures were performed in respect of the Banking and Insurance operations.

Other Group business reporting components are not considered to be primary business components for audit purposes. Where necessary, additional substantive audit procedures were carried out across these non-primary components at the financial statement item level in order to achieve the desired level of audit evidence. The consolidated financial statements are a consolidation of all of the above business reporting components.

We determined the level of involvement we needed to have in the audit work at the business reporting components to be able to conclude whether sufficient appropriate audit evidence was obtained as a basis for our opinion on the consolidated financial statements as a whole. We worked with other PwC network firms in relation to the activity of the Group in the Russian Federation and Cyprus. Overall, we have obtained sufficient and appropriate audit evidence regarding the consolidated financial information of the Group as a whole to provide a basis for our audit opinion on the consolidated financial statements.

Key audit matters incorporating the most significant risks of material misstatements, including assessed risk of material misstatements due to fraud

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

Key Audit Matter	How our audit addressed the Key Audit Matter
Credit loss allowance for loans and advances to customers, using the expected credit loss model in line with the requirements of IFRS 9 "Financial Instruments"	
This is a complex accounting standard for which models have been developed by the Group as a basis to calculate expected credit losses ("ECL"). These calculations involve the application of significant management judgement and estimates. Therefore, we applied focus to the "expected credit loss" models used by the Management for the purpose of compliance with IFRS 9. These models are described in more detail in Note 40 "Significant Accounting Policies" and Note 29 "Financial and Insurance Risk Management" to the consolidated financial statements. An assessment of the credit loss allowance for loans and advances to customers is performed on a portfolio basis, with the key assumptions being the probability of an account falling into arrears and subsequently defaulting (which is impacted by the definitions of "significant increase in credit risk" and "default"), the estimated recoveries from defaulted loans and the lifetime period for revolving credit facilities. Statistical models are used for the assessment of the probability of default, recovery rate and the lifetime period for revolving credit facilities. In addition, calculation of the expected credit loss allowance incorporates forward-looking information, taking into consideration different macro-economic scenarios and adjusting the probability of default. During 2020 the Group refined the methodologies used for calculation of the allowance to address changes in the economic environment associated with the COVID-19 pandemic. Note 40 "Significant Accounting Policies", Note 3 "Critical Accounting Estimates and Judgements in Applying Accounting Policies", Note 7 "Loans and Advances to Customers" and Note 29 "Financial and Insurance Risk Management" to the consolidated financial statements provide detailed information on the credit loss allowance for loans and advances to customers.	In relation to the ECL models for measuring credit loss allowance we assessed the appropriateness of the key assumptions used in the methodologies and models of the Group (including refinements to those made to address changes in the economic environment associated with the COVID-19 pandemic) and their compliance with the requirements of IFRS 9. For a sample of loans, we recalculated their probabilities of default and compared the results with the models' outputs. Additionally, we reviewed the Group's back-testing of probabilities of default estimated on the basis of the models by comparing them to the actual default rates evidenced in the loan portfolios. With regard to the controls relating to the credit loss allowance calculation process, we assessed and tested on a sample basis the design and operating effectiveness of the key controls over credit loss data and calculations. These key controls included those over classification of certain loans by loan portfolios, allocation of cash received from customers to respective loans and advances to customers, identification of the overdue loans and the data transfer from source systems to the credit loss allowance models. We determined that we could place reliance upon these key controls for the purposes of our audit. In addition, we performed testing, on a sample basis, of the statistical models used to calculate the credit loss allowance and we also tested, on a sample basis, the completeness of restructured credit-impaired loans. This testing of the models varied by portfolio including testing of the coding used, re-performance of the calculation including calculation of the effect of forward-looking information on credit loss allowance and testing the system generated data used in the models. We tested a sample of post model accounting adjustments where applicable, including considering the basis for the adjustment, the logic applied, the source data used, the key assumptions adopted and consistency with prior periods. We verified management assumptions in the context of the economic environment that is affected by the COVID-19 pandemic. We assessed the disclosures made against the relevant accounting standards for their completeness and accuracy. Based on the evidence obtained we found the models used to be appropriate and the outputs from the models to be reasonable.
Recognition of interest income calculated using the effective interest rate method on loans and advances to customers	
We focused on this area mainly because management's calculation of interest income applying the effective interest rate method uses, in addition to relevant nominal interest rates, a number of different fees received and costs incurred. Significant management judgement and estimates are involved in determining the expected lives of loans, and which fees and costs are included in interest income instead of net commission income and the pattern of their recognition in income. The Group has from its history of lending in different economic conditions and cycles a significant amount of information from which to assess trends in payments, repayments and product transfers. This detailed information is used to obtain estimates of its customers' behaviour and performance, including the assumptions around expected lives of loans which is then used in the effective interest rate calculation. Note 40 "Significant Accounting Policies", Note 3 "Critical Accounting Estimates and Judgements in Applying Accounting Policies", Note 20 "Net Margin" and Note 29 "Financial and Insurance Risk Management" included in the consolidated financial statements provide	Our audit procedures in relation to the effective interest rates of loans originated by the Group included testing, on a sample basis, the key controls in relation to the nominal interest income, and the fee income and costs incurred which contribute to interest income calculated using the effective interest rate method. These controls included those over calculation and accrual of the nominal interest income and fee income and costs incurred parts of interest income calculated using the effective interest rate method and the data transfer from the source system to the accounting system. We determined that we could place reliance upon these key controls for the purposes of our audit. We analysed the appropriateness and consistency of the methodology and its application across each of the loan portfolios and loans' credit quality stages within these portfolios and assessed the reasonableness of the key assumptions and estimates used in the methodology calculations, including the fee income and costs components of the effective interest income rate and expected repayment

Key Audit Matter	How our audit addressed the Key Audit Matter
detailed information on the interest income calculated using the effective interest rate method and effective interest rates of loans and advances to customers.	periods of the loans by considering historic information. We also assessed the mathematical accuracy of the calculations through re-performance of a sample of them. In addition, we performed substantive analytical procedures to assess the reasonableness of the interest income calculated using the effective interest rate method recognised by the Group. Our testing did not identify any material errors in management's application of the effective interest rate method for interest income from loans and advances to customers.

Reporting on other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Consolidated Management Report including the Corporate Governance Statement, which we obtained prior to the date of this auditor's report, and the Group's complete Annual Report, which is expected to be made available to us after that date. Other information does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Group's complete Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and if not corrected, we will bring the matter to the attention of the members of the Company at the Company's Annual General Meeting and we will take such other action as may be required.

Responsibilities of the Board of Directors and those charged with governance for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the

preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.

Report on Other Legal and Regulatory Requirements

Pursuant to the requirements of Article 10(2) of the EU Regulation 537/2014 we provide the following information in our Independent Auditor's Report, which is required in addition to the requirements of International Standards on Auditing.

Appointment of the Auditor and Period of Engagement

We were first appointed as auditors of the Group by the members of the Company for the audit of the consolidated financial statements for the year ended 31 December 2007. Our appointment has been renewed annually, since then, by shareholder resolution. In December 2008 the Company listed Euro denominated bonds on the Swedish Stock Exchange (NASDAQ OMX Stockholm) and accordingly the first financial year the Company qualified as an EU PIE was the year ended 31 December 2008. Since then, the total period of uninterrupted engagement appointment was 13 years.

Consistency of the Additional Report to the Audit Committee

We confirm that our audit opinion on the consolidated financial statements expressed in this report is consistent with the additional report to the Audit Committee of the Company, which we issued on 10 March 2021 in accordance with Article 11 of the EU Regulation 537/2014.

Provision of Non-audit Services

We declare that no prohibited non-audit services referred to in Article 5 of the EU Regulation 537/2014 and Section 72 of the Auditors Law of 2017 were provided. In addition, there are no non-audit services which were provided by us to the Group and which have not been disclosed in the consolidated financial statements or the consolidated management report.

Other Legal Requirements

Pursuant to the additional requirements of the Auditors Law of 2017, we report the following:

- In our opinion, based on the work undertaken in the course of our audit, the consolidated management report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and the information given is consistent with the consolidated financial statements.
- In light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the consolidated management report. We have nothing to report in this respect.
- In our opinion, based on the work undertaken in the course of our audit, the information included in the corporate governance statement in accordance with the requirements of subparagraphs (iv) and (v) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113, and which is included as a specific section of the consolidated management report, have been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and is consistent with the consolidated financial statements.
- In our opinion, based on the work undertaken in the course of our audit, the corporate governance statement includes all information referred to in subparagraphs (i), (ii), (iii), (vi) and (vii) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113.
- In light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the corporate governance statement in relation to the information disclosed for items (iv) and (v) of subparagraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113. We have nothing to report in this respect.

Other Matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Article 10(1) of the EU Regulation 537/2014 and Section 69 of the Auditors Law of 2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

The engagement partner on the audit resulting in this independent auditor's report is George C. Kazamias.

George C. Kazamias

George C. Kazamias
Certified Public Accountant and Registered Auditor
for and on behalf of

PricewaterhouseCoopers Limited
Certified Public Accountants and Registered Auditors

PwC Central, 43 Demostheni Severi Avenue
CY-1080 Nicosia, Cyprus

10 March 2021

31 DECEMBER 2020

Consolidated Statement of Financial Position

In millions of RR	Note	31 December 2020	31 December 2019
ASSETS			
Cash and cash equivalents	5	136,351	55,564
Mandatory cash balances with the CBRF		5,379	3,448
Due from other banks	6	1,887	2,084
Loans and advances to customers	7	376,521	329,175
Financial derivatives	35	5,035	390
Investments in securities	8	238,454	135,178
Repurchase receivables	8	29	-
Guarantee deposits with payment systems	9	15,475	8,877
Brokerage receivables	10	24,064	2,799
Current income tax assets		3,133	815
Deferred income tax assets	26	947	1,517
Tangible fixed assets and right-of-use assets	11	10,481	10,560
Intangible assets	11	7,082	5,435
Other financial assets	12	31,070	21,673
Other non-financial assets	12	3,386	2,510
TOTAL ASSETS		**859,294**	**580,025**
LIABILITIES			
Due to banks	13	4,819	23
Customer accounts	14	626,837	411,614
Debt securities in issue	15	23,910	26,078
Financial derivatives	35	109	590
Brokerage payables	10	9,206	1,207
Deferred income tax liabilities	26	333	142
Subordinated debt	16	20,755	18,487
Insurance provisions	17	6,067	6,280
Other financial liabilities	18	34,337	14,648
Other non-financial liabilities	18	5,905	4,874
TOTAL LIABILITIES		**732,278**	**483,943**
EQUITY			
Share capital	19	230	230
Share premium	19	26,998	26,998
Treasury shares	19	(3,238)	(3,164)
Share-based payment reserve	38	1,548	1,039
Retained earnings		99,540	66,880
Revaluation reserve for investments in debt securities		1,849	3,996
Equity attributable to shareholders of the Company		**126,927**	**95,979**
Non-controlling interest	**34**	**89**	**103**
TOTAL EQUITY		**127,016**	**96,082**
TOTAL LIABILITIES AND EQUITY		**859,294**	**580,025**

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

Constantinos Economides
Director

Mary Trimithiotou
Director

The notes № 1-42 are an integral part of these Consolidated Financial Statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

In millions of RR	Note	2020	2019
Interest income calculated using the effective interest rate method	20	128,084	111,129
Other similar income	20	83	118
Interest expense calculated using the effective interest rate method	20	(21,581)	(21,317)
Other similar expense	20	(139)	(134)
Expenses on deposit insurance	20	(1,745)	(1,870)
Net margin	**20**	**104,702**	**87,926**
Credit loss allowance for loans and advances to customers and credit related commitments	7,18	(38,972)	(26,551)
Credit loss allowance (charge)/reversal for debt securities at FVOCI	8	(369)	139
Total credit loss allowance for debt financial instruments		**(39,341)**	**(26,412)**
Net margin after credit loss allowance		**65,361**	**61,514**
Fee and commission income	21	47,609	35,858
Fee and commission expense	21	(21,599)	(15,123)
Customer acquisition expense	22	(22,588)	(18,177)
Net gains/(losses) from derivatives revaluation		4,163	(2,563)
Net (losses)/gains from foreign exchange translation		(6,850)	2,216
Net gains/(losses) from operations with foreign currencies		1,595	(968)
Net gains from disposals of debt securities at FVOCI		7,210	301
Net gains from financial assets at FVTPL		603	389
Insurance premiums earned	23	18,567	14,110
Insurance claims incurred	23	(3,814)	(4,891)
Administrative and other operating expenses	24	(35,621)	(27,852)
Net gains from repurchase of subordinated debt		168	-
Other operating income	25	1,445	722
Profit before tax		**56,249**	**45,536**
Income tax expense	26	(12,036)	(9,413)
Profit for the year		**44,213**	**36,123**
Other comprehensive (loss)/income			
Items that may be reclassified to profit or loss			
Debt securities at FVOCI and Repurchase receivables:			
- Net gains arising during the year, net of tax		3,621	5,381
- Net gains reclassified to profit or loss upon disposal, net of tax		(5,768)	(241)
Other comprehensive (loss)/income for the year, net of tax		**(2,147)**	**5,140**
Total comprehensive income for the year		**42,066**	**41,263**
Profit is attributable to:			
- Shareholders of the Company		44,209	36,122
- Non-controlling interest		4	1
Total comprehensive income is attributable to:			
- Shareholders of the Company		42,062	41,262
- Non-controlling interest		4	1
Earnings per share for profit attributable to the Shareholders of the Company, basic (expressed in RR per share)	**19**	**225.60**	**193.62**
Earnings per share for profit attributable to the Shareholders of the Company, diluted (expressed in RR per share)	**19**	**223.73**	**190.05**

The notes № 1-42 are an integral part of these Consolidated Financial Statements.

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Consolidated Statement of Changes in Equity

In millions of RR	Note	Attributable to shareholders of the Company: Share capital	Share premium	Share-based payment reserve	Revaluation reserve for investments in debt securities	Treasury shares	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 31 December 2018		**188**	**8,623**	**1,232**	**(1,144)**	**(3,670)**	**36,785**	**42,014**	**236**	**42,250**
Profit for the year		-	-	-	-	-	36,122	36,122	1	36,123
Other comprehensive income:										
Investments in debt securities at FVOCI and Repurchase receivables		-	-	-	5,140	-	-	5,140	-	5,140
Total comprehensive income for the year		**-**	**-**	**-**	**5,140**	**-**	**36,122**	**41,262**	**1**	**41,263**
Shares issued	19	42	18,874	-	-	-	-	18,916	-	18,916
Secondary public offering costs	19	-	(499)	-	-	-	-	(499)	-	(499)
Acquisition of non-controlling interest in subsidiaries		-	-	-	-	-	(327)	(327)	(134)	(461)
Share-based payment reserve	19	-	-	(193)	-	506	156	469	-	469
Dividends declared	27	-	-	-	-	-	(5,856)	(5,856)	-	(5,856)
Balance at 31 December 2019		**230**	**26,998**	**1,039**	**3,996**	**(3,164)**	**66,880**	**95,979**	**103**	**96,082**
Profit for the year		-	-	-	-	-	44,209	44,209	4	44,213
Other comprehensive loss:										
Investments in debt securities at FVOCI and Repurchase receivables		-	-	-	(2,147)	-	-	(2,147)	-	(2,147)
Total comprehensive (loss)/income for the year		**-**	**-**	**-**	**(2,147)**	**-**	**44,209**	**42,062**	**4**	**42,066**
GDRs buy-back	19	-	-	-	-	(661)	-	(661)	-	(661)
Share-based payment reserve	19	-	-	509	-	587	(4)	1,092	-	1,092
Dividends declared	27	-	-	-	-	-	(11,545)	(11,545)	(18)	(11,563)
Balance at 31 December 2020		**230**	**26,998**	**1,548**	**1,849**	**(3,238)**	**99,540**	**126,927**	**89**	**127,016**

The notes № 1-42 are an integral part of these Consolidated Financial Statements.

Consolidated Statement of Cash Flows

In millions of RR	Note	2020	2019
Cash flows from operating activities			
Interest income received calculated using the effective interest rate method		129,555	107,854
Other similar income received		11	175
Interest expense paid calculated using the effective interest rate method		(22,280)	(21,334)
Recoveries from written-off loans	7	4,063	3,420
Expenses on deposits insurance paid		(1,792)	(1,673)
Fees and commissions received		47,613	35,802
Fees and commissions paid		(22,236)	(15,993)
Customer acquisition expense paid		(21,116)	(19,272)
Gains/(losses) from operations with foreign currencies received/(paid)		831	(968)
Losses from operations with derivatives paid		(934)	(647)
Insurance premiums received		18,193	16,254
Insurance claims paid		(3,629)	(4,337)
Recoveries from the purchased loans received		1,750	693
Other operating income received		1,053	1,137
Administrative and other operating expenses paid		(30,456)	(26,119)
Income tax paid		(12,930)	(13,606)
Cash flows from operating activities before changes in operating assets and liabilities		**87,696**	**61,386**
Changes in operating assets and liabilities			
Net increase in CBRF mandatory reserves		(1,931)	(1,013)
Net decrease/(increase) in due from banks		197	(1,308)
Net increase in loans and advances to customers		(81,724)	(151,771)
Net increase in brokerage receivables		(21,265)	(2,799)
Net (increase)/decrease in debt securities measured at FVTPL		(3,788)	5,879
Net increase in guarantee deposits with payment systems		(4,325)	(4,848)
Net increase in other financial assets		(9,708)	(4,046)
Net (increase)/decrease in other non-financial assets		(1,038)	19
Net increase/(decrease) in due to banks		4,777	(2,685)
Net increase in customer accounts		201,922	135,633
Net increase in brokerage payables		7,999	1,207
Net increase in other financial liabilities		16,512	1,387
Net decrease in non-financial liabilities		(39)	(524)
Net cash from operating activities		**195,285**	**36,517**
Cash flows (used in)/from investing activities			
Acquisition of tangible fixed assets		(2,076)	(1,783)
Acquisition of intangible assets		(3,642)	(2,539)
Acquisition of investments in securities, repurchase receivables and other investments		(375,444)	(108,246)
Proceeds from sale and redemption of investments in securities		282,288	71,000
Net cash used in investing activities		**(98,874)**	**(41,568)**
Cash flows (used in)/from financing activities			
Dividends paid	27	(11,853)	(5,601)
Repayment of debt securities in issue	28	(2,894)	(6,583)
Repayment of subordinated debt	28	(1,937)	-
GDRs buy-back	19	(661)	-
Repayment of principal of lease liabilities	28	(758)	(1,087)
Proceeds from subordinated debt	28	710	46
Proceeds from debt securities in issue	28	331	23,254
Proceeds from secondary public offering	19	-	18,916
Secondary public offering costs paid	19	-	(499)
Other financing activities cash flows		-	(461)
Net cash (used in)/from financing activities		**(17,062)**	**27,985**
Effect of exchange rate changes on cash and cash equivalents		**1,438**	**(1,172)**
Net increase in cash and cash equivalents		**80,787**	**21,762**
Cash and cash equivalents at the beginning of the year	**5**	**55,564**	**33,802**
Cash and cash equivalents at the end of the year	**5**	**136,351**	**55,564**

The notes № 1-42 are an integral part of these Consolidated Financial Statements.

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Notes to the Consolidated Financial Statements

1 Introduction

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS") for the year ended 31 December 2020 for TCS Group Holding PLC (the "Company") and its subsidiaries (together referred to as the "Group"), and in accordance with the requirements of the Cyprus Companies Law, Cap.113.

The Company was incorporated, and is domiciled, in Cyprus in accordance with the provisions of the Companies Law, Cap. 113.

The Board of directors of the Company at the date of authorisation of these consolidated financial statements consists of: Constantinos Economides, Alexios Ioannides, Mary Trimithiotou, Jacques Der Megreditchian and Martin Robert Cocker.

The Company Secretary is Caelion Secretarial Limited, 25 Spyrou Araouzou, 25 Berengaria, 5th floor, Limassol 3036, Cyprus.

At 31 December 2020 and 2019 the share capital of the Company is comprised of class A shares and class B shares. A "class A" share is an ordinary share with a nominal value of USD 0.04 per share and carrying one vote. A "class B" share is an ordinary share with a nominal value of USD 0.04 per share and carrying 10 votes. As at 31 December 2020 the number of issued class A shares is 129,391,449 (2019: 119,291,268) and issued class B shares is 69,914,043 (2019: 80,014,224). Refer to Note 19 for further information on the share capital. On 25 October 2013 the Group completed an initial public offering of its class A ordinary shares in the form of global depository receipts (GDRs) listed on the London Stock Exchange plc. On 2 July 2019 the Group completed a secondary public offering (SPO) of its class A shares in the form of GDRs. On 28 October 2019 the Group's GDRs started trading also on the Moscow Exchange.

As at 31 December 2020 and 2019 the entities and the individuals holding either class A or class B shares of the Company were:

	Class of shares	31 December 2020	31 December 2019	Country of Incorporation
Guaranty Nominees Limited (JP Morgan Chase Bank NA)	Class A	64.92%	59.85%	United Kingdom
Virtue Trustees (Switzerland) AG as Trustee of the Bernina Trust	Class B	18.47%	-	Switzerland
Virtue Trustees (Switzerland) AG as Trustee of the Rigi Trust	Class B	16.61%	-	Switzerland
Ioanna Georgiou	Class A	0.00%	0.00%	Cyprus
Panagiota Charalambous	Class A	0.00%	0.00%	Cyprus
Maria Vyra	Class A	0.00%	0.00%	Cyprus
Chloi Panagiotou	Class A	0.00%	0.00%	Cyprus
Leonora Chagianni	Class A	0.00%	0.00%	Cyprus
Antonis Strati	Class A	0.00%	-	Cyprus
Marios Panayides	Class A	-	0.00%	Cyprus
Altoville Holdings Limited	Class B	-	18.47%	Cyprus
Nemorenti Limited	Class B	-	21.68%	Cyprus
Total		**100.00%**	**100.00%**	

Guaranty Nominees Limited is a company holding class A shares of the Company for which GDRs are issued under a deposit agreement made between the Company and JP Morgan Chase Bank NA signed in October 2013.

On 19 March 2020 Altoville Holdings Limited and Nemorenti Limited transferred all of the Company's class B shares owned by them to two Tinkov family trusts. Russian entrepreneur Mr. Oleg Tinkov, who was the beneficial owner of Altoville Holdings Limited and Nemorenti Limited at 31 December 2019, remained the ultimate beneficiary of these B shares.

On 14 December 2020 10,100,181 class B shares of the Group held by the Rigi Trust were converted to class A shares. As a result of the conversion, Mr. Oleg Tinkov's voting rights in the Group decreased from 87.03% to 84.38%.

As at 31 December 2020 the ultimate controlling party of the Company was Mr. Oleg Tinkov, who controlled approximately 84.38% (2019: 87.03%) of the aggregated voting rights attached to the class A and B shares, excluding voting rights attaching to TCS Group Holding PLC GDRs he holds, if any.

On 7 January 2021 all 69,914,043 class B shares (35.08% of the total number of issued shares) held by the Rigi Trust and the Bernina Trust were converted to class A shares, and on the same date all issued shares were reclassified and redesignated as ordinary shares. Following the conversion, each share carries a single vote, and the total number of votes capable of being exercised are equal to the total number of issued shares (currently 199,305,492 shares following the class B share conversion). The number of GDRs in issue remained unchanged. As a result of the conversion, Mr. Oleg Tinkov's voting rights in the Group decreased from 84.38% to 35.08%. As a result his control over the Group was ceased.

As at 31 December 2020 and 2019 the six individuals listed in the table above each held one share. The individuals hold them as nominees of Mr. Oleg Tinkov (31 December 2019: as nominees of Altoville Holdings Limited).

The subsidiaries of the Group are set out below. Except where stated the Group owns 100% of shares and has 100% of voting rights of each of these subsidiaries as at 31 December 2020 and 2019.

JSC "Tinkoff Bank" (the "Bank") provides on-line retail banking services in Russia. The Bank specialises in issuing credit cards and other credit products.

JSC "Tinkoff Insurance" (the "Insurance Company") provides insurance services such as accident, property, travellers, financial risks and auto insurance.

LLC Microfinance company "T-Finans" provides micro-finance services.

TCS Finance D.A.C. is a structured entity which issued debt securities including subordinated perpetual bonds for the Group. The Group neither owns shares nor has voting rights in this company. However, this entity was consolidated as it was specifically set up for the purposes of the Group, and the Group has exposure to substantially all risks and rewards through outstanding guarantees of the entity's obligations.

LLC "TCS" provides printing, distribution and other services to the Group.

LLC "Phoenix" is a debt collection agency.

LLC "Tinkoff Software DC" and LLC "Fintech DC" provide software development services. In August 2020 the Group acquired a 22.15% shareholding in Incantus Holding Limited by transferring its 100% shareholding in LLC "Fintech DC" to Incantus Holding Limited and by providing a convertible loan (Notes 7 and 38). Incantus Holding Limited is a group of fintech start-ups launched in 2020 to provide a range of services to retail customers in Europe (excluding CIS) through the mobile banking platform Vivid Money. In October 2020 a new venture capital fund has invested into the share capital of Incantus Holding Limited. As a result the Company's shareholding in Incantus Holding Limited has decreased to 16.32%.

LLC "Tinkoff Mobile" is a mobile virtual network operator set up in 2017 to provide mobile services.

LLC "CloudPayments" is a developer of online payment solutions whose core business is online merchant acquiring in Russia. As at 31 December 2020 and 2019 the Group held 95% of the shares of LLC "CloudPayments".

ANO "Tinkoff Education" is a non-commercial organization set up by the Bank as the sole founder.

LLC "Tinkoff Capital" is an asset management company established in June 2019 to manage investment funds, mutual funds and non-state pension funds.

LLC "Tinkoff Invest Lab" is an infrastructure company created for supporting and optimizing of the Group's investment services.

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Notes to the Consolidated Financial Statements (Continued)

1 Introduction (Continued)

EBT is a special purpose trust which has been specifically created for the long-term incentive programme for Management of the Group (MLTIP). The Group neither owns shares nor has voting rights in EBT.

Principal activity. The Group's principal business activities are retail banking to private individuals, individual entrepreneurs' ("IE") and small and medium enterprises' ("SME") accounts and banking services, brokerage services and insurance operations within the Russian Federation through the Bank and the Insurance Company. The Bank operates under general banking license No. 2673 issued by the Central Bank of the Russian Federation ("CBRF") on 8 December 2006. The Insurance Company operates under an insurance license issued by the CBRF.

The Bank participates in the state deposit insurance scheme, which was introduced by Federal Law No. 177-FZ "Deposits insurance in banks of the Russian Federation" dated 23 December 2003. The State Deposit Insurance Agency guarantees repayment of up to RR 1.4 million per individual, individual entrepreneur and small enterprise deposits in case of the withdrawal of a license of a bank or a CBRF-imposed moratorium on payments.

Registered address and place of business. The Company's registered address is 25 Spyrou Araouzou, Berengaria 25, 5th floor, Limassol, Cyprus, and place of business is Office 403, Lophitis Business Centre I, Corner of 28th October/Emiliou Chourmouziou Streets, Limassol 3035 Cyprus. The Bank's registered address is 1-st Volokolamsky proezd, 10, building 1, 123060, Moscow, Russian Federation. The Insurance Company's registered address is 2-nd Khutorskaya Street, building 38A, 127287, Moscow, Russian Federation. The Group's principal place of business is the Russian Federation.

Presentation currency. These consolidated financial statements are presented in millions of Russian Rubles (RR).

2 Operating Environment of the Group

Russian Federation. The Group operates mainly within the Russian Federation. There were a number of significant changes in the operating and economic environment during 2020, which had an impact on the Group's business including:

- In March 2020 the World Health Organization (WHO) announced that the spread of the COVID-19 virus across the globe is a pandemic. Significant restrictions on travel and movement of individuals and the closure of non-essential businesses have either been imposed in most countries or have happened as a result of the pandemic. This has led to significant declines in GDP in most if not all large economically strong countries. Russia has not been immune to the negative personal and economic hardships arising from this virus and from the response to it trying to limit its spread.
- Oil prices have decreased significantly due to the significant reduction in oil consumption in the current economic climate but demonstrated stable growth during the second quarter of 2020 and the rest of the year. This in turn has led to significant volatility and depreciation of the Russian Rouble exchange rate against the US dollar and the Euro.
- Further, the capital markets (equities and bonds) have seen a substantial volatility in prices in many sectors.

As of the reporting date and subsequently some of the restrictions imposed by government authorities in the Russian Federation due to the COVID-19 pandemic have been lifted and the Group observes that business activity in the Russian Federation is recovering. However, the level of ongoing uncertainty in relation to further negative developments around the COVID-19 pandemic and possible impact on the Group remains high. Hence it is practically impossible to make a comprehensive quantitative assessment with a high degree of certainty of the impact of these changes to the economic environment on the Group's financial position, and in particular in considering credit loss allowances on the loan portfolio which requires to consider the probability of default of most borrowers in the next 12 months and for others over the life of their loan. Some other factors impacting on this are set out below.

The Government of the Russian Federation has implemented various support measures for individuals and corporates impacted by the COVID-19 pandemic including their right in certain circumstances to obtain repayment holidays on their loans for up to 6 months and reduced rates of interest in this period.

The Group has itself implemented several measures to support its clients, especially those who face financial difficulties and a significant decrease of current income due to the situation, including the below:

- proposing internally developed loan restructuring programs as an alternative to the State announced programs which will result in either deferral or decrease in the minimal payments of outstanding loan balance for one or more months;
- broadened cashback offers for debit cards more tailored to customer individual needs and spending behaviour;
- provided several educational resources on its mobile app and website for borrowers to learn how to deal with potential unemployment or income decline, and how to request and obtain the most suitable debt restructuring program;
- supported its small and medium-sized entities client base during the pandemic by lowering acquiring and account fees, offering payment holidays, helping SMEs to move online and launching 0% loans to pay salaries in partnership with the Russian Bank for SME support.

According to IFRS 9 "Financial Instruments", the Group uses forecast information in the expected credit loss models, including forecasts of macroeconomic indicators. For the purpose of calculating credit loss allowances as at 31 December 2020, the Group took into account expectations regarding the following macro-factors and allocated higher weight to the pessimistic macroeconomic scenario:

- Russian stock market index MOEX;
- Moscow Prime Offered Rate;
- Debt load of Russian population based on statistics from bureaus of credit history.

In order to reflect appropriately the uncertainty associated with the COVID-19 pandemic the Group has made the following changes to their ECL model:

- the macro-adjustment calculation approach was refined to reflect the most recent impact of economic developments;
- an adjustment to the loss given default was made to address lower expected recoveries during the upcoming quarters;
- higher probabilities of default were applied to the loans which have been restructured.

More detailed information about the changes and their impact on the results of the Group's operations for the year ended 31 December 2020 is disclosed in Note 3.

The management of the Group considers that the Group has demonstrated over the years and during the current COVID-crisis its ability to withstand shocks and retains its positive long-term outlook in particular due to the following advantages of the Group's business model:

- using flexible business structure, the Group swiftly shifted some of its resources from businesses that were needed to run more conservatively to businesses with higher growth prospects;
- the Group has a highly liquid, diversified, foreign exchange hedged, and well-capitalized consolidated statement of financial position;
- the Group's digital model is exactly what is needed in the current environment and this can be seen in the ongoing increased online payment volumes as well as increased take up of its mobile lifestyle app, current accounts, and brokerage business;

The Group regularly stress tests its business to assess the sustainability of its liquidity and capital positions. These tests demonstrate that Group's current levels of capital and liquidity are more than sufficient to absorb potential economic and operational shocks related to a second wave of the COVID-19 pandemic.

Notes to the Consolidated Financial Statements (Continued)

3 Critical Accounting Estimates and Judgements in Applying Accounting Policies

The Group makes estimates and assumptions that affect the amounts recognized in the consolidated financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognized in the consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

ECL measurement. Calculation and measurement of ECLs is an area of significant judgement and involves methodology, models and data inputs. The following components of ECL calculation have a major impact on credit loss allowance: probability of default ("PD") (impacted by definition of default, SICR, forward-looking scenarios and theirs weights) and loss given default ("LGD"). Refer to Note 29 for explanation of terms. The Group makes estimates and judgments, which are constantly analyzed based on statistical data, actual and forecast information, as well as management experience, including expectations regarding future events that are considered reasonable in the current circumstances. Refer to Note 29 for further information on ECL measurement.

In order to address rising credit risks the Group adjusted the main approaches to assessing the level of expected credit losses that have the most significant effect on the amounts recognised in the consolidated financial statements:

- the macroeconomic model has become more conservative, based on different scenarios: base, optimistic and pessimistic, and higher weight is assigned to the pessimistic scenario;
- for loans in default the Group has applied increased coefficients of LGD;
- the Group has estimated the volume of loans to individuals which were restructured despite no evidence of any SICR, as of the reporting date and applied higher PDs to such loans for the purposes of estimation of expected credit losses;

The impact of the changed macroeconomic conditions assessed using the approaches described above was approximately RR 5.6 billion of additional credit loss allowance charge in the first half of 2020 and was the main driver of increased cost of risk. This additional credit loss allowance was charged at the end of the first quarter of 2020 in the early days of the pandemic. Despite most problems arising from such loans have rolled into the general ECL model, and also most loans that were restructured in early 2020 as a result of the government of the Russian Federation and the bank's response to the pandemic have subsequently been repaid and/or normalised, but given the unpredictability of current economic environment and uncertainty regarding its development the Group made a decision to keep the macro-adjustment at this level at 31 December 2020.

In the second quarter of 2020 for the purposes of LGD estimation the Group has refined the approach to calculation of the rate used for discounting expected cash flows from defaulted loans. The refined approach is that the Group uses more disaggregated and specific discount rates for each credit product in the overall loan portfolio of the Group rather than one generic rate, which makes the estimate more precise. The impact of introducing this change comprised RR 0.9 billion of additional credit loss allowance charge.

In the fourth quarter of 2020 having accumulated additional information the Group has refined its behavioural PD model used for PD estimation for credit card loans. Also the Group has refined PD models for secured loans and car loans using the most recent statistical data. The impact of introducing these changes comprised RR 0.2 billion of credit loss allowance recovery.

In 2020 the Group has refined its approach to calculation of the impact of modification of original cash flows without derecognition on stage 3 loans credit loss allowance and gross carrying amount (refer to Note 7).

In particular the Group refined the approach to estimation of timing of receipt of expected cash flows and related discounting effect.

This refinement has not affected either amounts recognised in the consolidated statement of profit or loss and other comprehensive income or the amounts recognised in consolidated statement of financial position.

An increase or decrease in PDs by 2% compared to PDs used in the ECL estimates calculated at 31 December 2020 would result in an increase or decrease in credit loss allowances of RR 5.2 billion (31 December 2019: by 1% RR 2.1 billion).

An increase or decrease in LGDs by 2% compared to LGDs used in the ECL estimates calculated at 31 December 2020 would result in an increase or decrease in credit loss allowances of RR 1.5 billion (31 December 2019: by 1% RR 0.5 billion).

Credit exposure on revolving credit facilities. For credit card loans, the Group's exposure to credit losses extends beyond the maximum contractual period of the facility. For such facilities the Group measures ECLs over the period that the Group is exposed to credit risk and ECLs are not mitigated by credit risk management actions. Application of this approach requires judgement: determining a period for measuring ECLs — the Group considers historical information and experience about: (a) the length of time for related defaults to occur on similar financial instruments following a SICR and (b) the credit risk management actions that the Group expects to take once the credit risk has increased (e.g. the reduction or removal of undrawn limits).

For details of the period over which the Group is exposed to credit risk on revolving facilities and which is used as an approximation of lifetime period for ECL calculation for stage 2 and stage 3 loans and advances to customers, refer to Note 29.

Perpetual subordinated bonds. A perpetual subordinated bond issue in June 2017 was initially recognised in the amount of USD 295.8 million (RR 16.9 billion) represented by the funds received from investors less issuance costs. Subsequent measurement of this instrument is consistent with the accounting policy for debt securities in issue. Interest expense on the instrument is calculated using the effective interest rate method and recognised in profit or loss for the year.

In the event the accrued interest is paid, the payment decreases the balance of the liability. A cancellation of accrued interest for a given period results in its conversion, at the Group's option, into equity and therefore the respective amount of the liability is reclassified to equity. Foreign exchange translation gains and losses on the bond are recognised in profit or loss for the period. Application of this approach requires judgement: the Group has taken into consideration that there are contingent settlement provisions that could genuinely arise and as such has classified the perpetual subordinated bond instrument in its entirety as a liability, rather than equity, on the basis of the terms of issue which stipulate the possible redemption of the instrument in several cases other than liquidation of the issuer. If the Group had recognized this instrument as equity, then interest expense would only have been recognized when it was paid and treated as a distribution from equity rather than an expense in profit or loss.

The Group also from time to time invests in perpetual subordinated bonds issued by third parties. The Group has taken into consideration that there are genuine contingent settlement provisions that could arise and as such has classified the investments in perpetual subordinated bonds as investments in debt securities on the basis of terms of issue which stipulate the possible redemption of the instrument in several cases other than liquidation of the issuer.

The investments in these instruments are classified as debt investment securities measured at FVTPL since the analysis of the contractual cash flow characteristics resulted in acquired perpetual bonds not passing SPPI test. If the Group had recognized this instrument as equity instrument, then it could have been measured at FVTPL or FVOCI as the Group does not hold it for trading purposes.

Interest income recognition. The effective interest method incorporates significant assumptions around expected loan lives as well as judgements of type of fees and costs that are included in interest income. Refer to Note 40.

Unbundling of loans and insurance products. Certain loans issued by the Group are forgivable upon events such as the borrower's death, or the borrower becoming unemployed because the borrower had opted to purchase the Insurance Company's products to cover repayments of the related loan products issued by the Bank in such cases. The Group is able to measure the loans separately. Also the borrowers are able to take a loan without insurance at the time of issuance with no different interest rate and the borrowers can cancel the insurance products at any time, separately from the loan. Accordingly, the Group unbundles the loans from the insurance arrangement.

The portion of the fee attributable to the insurance component (i.e. the amount paid to the Insurance Company to cover the insured risk) is recognised within Insurance premiums earned line (refer to Note 23). The remaining portion of the fee approximates a fee that the Bank would have earned on market terms for selling third party insurance products and it is recognised as a fee for selling credit protection within Fee and commission income line (refer to Note 21). The timing of recognition of the two income streams does not materially vary as the insurance coverage is sold on a monthly basis.

Tax legislation. Russian and Cypriot tax, currency and customs legislation are subject to varying interpretations. Refer to Note 31.

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Notes to the Consolidated Financial Statements (Continued)

4 Segment Analysis

Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM) and for which discrete financial information is available. The CODM is the person or group of persons who allocates resources and assesses the performance for the Group. The functions of CODM are performed by the Management of the Bank and the Management of the Insurance Company.

Description of products and services from which each reportable segment derives its revenue

Since the business of the Group is expanding certain operating segments became significant enough to be considered as separate reportable segments. This triggered changes in the number and composition of segments to be presented. Disclosures for comparative periods were amended accordingly. The Group is organised on the basis of 7 main business segments:

Consumer finance – representing retail loans (credit cards, cash loans, consumer loans, car loans, secured loans), deposits and savings, also lifestyles and travel services to individuals.

Retail debit cards – representing customer current accounts services to individuals with the loyalty programmes, co-branded offers, and also lifestyles and travel services to individuals. Assets of the segment are represented by placements of the funds attracted in investments in securities, treasury transactions, other financial and non-financial assets.

InsurTech – representing insurance services provided to individuals, such as personal accident insurance, personal property insurance, travel insurance and vehicle insurance (Note 23).

SME services – representing customer current accounts, savings, deposits services and loans to individual entrepreneurs and small to medium businesses. Assets of the segment are represented by placements of the funds attracted into investments in securities, treasury transactions, other financial and non-financial assets.

Acquiring and payments – providing merchants and businesses the ability to process payments online using internet and offline acquiring services, through direct-to-merchant agreements, aggregators and the Group's own aggregator CloudPayments.

InvestTech - representing online brokerage platform for investing in a range of securities including Russian and international securities (ETFs, stocks, bonds, etc.).

Mobile virtual network operator (MVNO) services - providing full coverage across Russia and international roaming, offering a number of value-added options such as virtual numbers, music and video streaming services, etc.

The Group's principal activities are mainly undertaken within the Russian Federation. Given the retail nature of business of the segments, the Group does not have any significant revenue stream from any single customer.

Factors that management used to identify the reportable segments

The Group's segments are strategic business units that focus on different services to the customers of the Group. Their performance is analysed separately by the CODM and they are managed separately because each business unit requires different marketing strategies and represents different types of businesses.

Measurement of operating segment profit or loss, assets and liabilities

The CODM reviews financial information prepared based on International financial reporting standards adjusted to meet the requirements of internal reporting. The CODM evaluates performance of each segment based on profit before tax.

Information about reportable segment assets and liabilities, profit or loss

Segment reporting of the Group's assets and liabilities as at 31 December 2020 is set out below:

In millions of RR	Consumer Finance	Retail Debit Cards	InsurTech	SME Services	Acquiring and Payments	InvestTech	MVNO services	Eliminations	Total
Reportable segment assets	458,245	245,923	12,437	55,517	15,563	73,773	755	(2,919)	859,294
Reportable segment liabilities	203,723	345,585	6,901	91,412	649	83,428	3,499	(2,919)	732,278

Segment reporting of the Group's assets and liabilities as at 31 December 2019 is set out below:

In millions of RR	Consumer Finance	Retail Debit Cards	InsurTech	SME Services	Acquiring and Payments	InvestTech	MVNO services	Eliminations	Total
Reportable segment assets	386,690	135,925	10,911	36,566	8,812	4,666	734	(4,279)	580,025
Reportable segment liabilities	198,057	205,840	7,032	62,054	644	13,625	970	(4,279)	483,943

All jointly used assets, such as fixed assets, rights of use assets and intangible assets were allocated to the segments on the basis of detailed analysis of usage of those assets by segments.

Segment reporting of the Group's income and expenses for the year ended 31 December 2020 is set out below:

In millions of RR	Consumer Finance	Retail Debit Cards	InsurTech	SME Services	Acquiring and Payments	InvestTech	MVNO services	Eliminations	Total
External revenues									
Interest income calculated using the effective interest rate method	113,494	9,092	409	2,358	-	2,804	10	-	128,167
Fee and commission income									
- Fee and commission income on cards' and current accounts' services	2,715	11,154	-	9,147	-	261	15	-	23,292
- Fee for selling credit protection	4,657	-	-	-	-	-	-	-	4,657
- Acquiring commission	-	-	-	-	11,049	-	-	-	11,049
- MVNO and investments services	-	-	-	-	-	4,998	1,815	-	6,813
- Other fees receivable	739	982	-	-	77	-	-	-	1,798
Timing of fee and commission income recognition:									
- At point in time	5,906	10,396	-	5,346	11,126	4,927	511	-	38,212
- Over time	2,205	1,740	-	3,801	-	332	1,319	-	9,397

Notes to the Consolidated Financial Statements (Continued)

4 Segment Analysis (Continued)

In millions of RR	Consumer Finance	Retail Debit Cards	Insur-Tech	SME Services	Acquiring and Payments	In-vest-Tech	MVNO services	Elimina-tions	Total
Total fee and commission income	8,111	12,136	-	9,147	11,126	5,259	1,830	-	47,609
Insurance premiums earned	-	-	18,567	-	-	-	-	-	18,567
Other operating income	1,169	-	250	-	26	-	-	-	1,445
Total external revenues	**122,774**	**21,228**	**19,226**	**11,505**	**11,152**	**8,063**	**1,840**	**-**	**195,788**
Revenues from other segments									
Interest income	-	2,737	56	1,244	-	-	-	(4,037)	-
Fee and commission income									
- Acquiring commission	-	-	-	-	85	-	-	(85)	-
- Other fees receivable	2	251	-	-	-	-	379	(632)	-
Insurance premiums earned	-	-	72	-	-	-	-	(72)	-
Other operating income	371	-	-	-	-	-	-	(371)	-
Total revenues from other segments	**373**	**2,988**	**128**	**1,244**	**85**	**-**	**379**	**(5,197)**	**-**
TOTAL REVENUES	**123,147**	**24,216**	**19,354**	**12,749**	**11,237**	**8,063**	**2,219**	**(5,197)**	**195,788**
Interest expense	(16,965)	(9,322)	-	(1,215)	-	-	-	4,037	(23,465)
Credit loss allowance charge	(38,243)	(372)	-	(726)	-	-	-	-	(39,341)
Fee and commission expense	(1,889)	(9,266)	(88)	(803)	(6,976)	(1,491)	(1,214)	128	(21,599)
Customer acquisition expense	(12,466)	(4,042)	(1,143)	(1,385)	(311)	(3,111)	(1,028)	898	(22,588)
Insurance claims incurred	-	-	(3,842)	-	-	-	-	28	(3,814)
Administrative and other operating expenses	(17,304)	(5,698)	(3,759)	(4,322)	(1,656)	(2,027)	(961)	106	(35,621)
Other (losses)/ gains	(610)	5,935	219	1,345	-	-	-	-	6,889
SEGMENT RESULT	**35,670**	**1,451**	**10,741**	**5,643**	**2,294**	**1,434**	**(984)**	**-**	**56,249**

Segment reporting of the Group's income and expenses for the year ended 31 December 2019 is set out below:

In millions of RR	Consumer Finance	Retail Debit Cards	Insur-Tech	SME Services	Acquiring and Pay-ments	Invest-Tech	MVNO services	Elimina-tions	Total
External revenues									
Interest income calculated using the effective interest rate method	103,077	5,673	322	1,883	-	284	8	-	111,247
Fee and commission income									
- Fee and commission income on cards' and current accounts' services	2,665	8,759	-	7,867	-	33	15	-	19,339
- Fee for selling credit protection	5,550	-	-	-	-	-	-	-	5,550
- Acquiring commission	-	-	-	-	8,342	-	-	-	8,342
- MVNO and investments services	-	-	-	-	-	635	890	-	1,525
- Other fees receivable	456	592	-	-	54	-	-	-	1,102
Timing of fee and commission income recognition:									
- At point in time	6,656	8,122	-	4,791	8,396	530	235	-	28,730
- Over time	2,015	1,229	-	3,076	-	138	670	-	7,128
Total fee and commission income	8,671	9,351	-	7,867	8,396	668	905	-	35,858
Insurance premiums earned	-	-	14,110	-	-	-	-	-	14,110
Other operating income	364	-	288	69	-	-	1	-	722
Total external revenues	**112,112**	**15,024**	**14,720**	**9,819**	**8,396**	**952**	**914**	**-**	**161,937**
Revenues from other segments									
Interest income	-	3,739	83	1,327	-	-	1	(5,150)	-
Fee and commission income									
- Acquiring commission	-	-	-	-	85	-	-	(85)	-
- Other fees receivable	-	83	-	-	-	-	250	(333)	-
Insurance premiums earned	-	-	135	-	-	-	-	(135)	-
Other operating income	380	-	-	-	-	-	-	(380)	-

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Notes to the Consolidated Financial Statements (Continued)

4 Segment Analysis (Continued)

In millions of RR	Consumer Finance	Retail Debit Cards	Insur-Tech	SME Services	Acquir-ing and Pay-ments	Invest-Tech	MVNO services	Elimina-tions	Total
Total revenues from other segments	**380**	**3,822**	**218**	**1,327**	**85**	**-**	**251**	**(6,083)**	**-**
TOTAL REVENUES	**112,492**	**18,846**	**14,938**	**11,146**	**8,481**	**952**	**1,165**	**(6,083)**	**161,937**
Interest expense	(18,273)	(8,561)	-	(1,632)	-	-	(5)	5,150	(23,321)
Credit loss allowance (charge)/reserval	(26,429)	61	-	(44)	-	-	-	-	(26,412)
Fee and commission expense	(2,581)	(4,682)	(21)	(729)	(6,119)	(166)	(910)	85	(15,123)
Customer acquisition expense	(11,380)	(2,024)	(1,392)	(2,150)	(112)	(841)	(1,064)	786	(18,177)
Insurance claims incurred	-	-	(4,891)	-	-	-	-	-	(4,891)
Administrative and other operating ex-penses	(15,052)	(4,615)	(2,320)	(3,408)	(967)	(715)	(837)	62	(27,852)
Other (losses)/ gains	(1,299)	581	(16)	109	-	-	-	-	(625)
SEGMENT RESULT	**37,478**	**(394)**	**6,298**	**3,292**	**1,283**	**(770)**	**(1,651)**	**-**	**45,536**

Fee and commission income on cards' and current accounts' services include SME services commission, SMS fee, inter-change fee, foreign currency exchange transactions fee, fee for money transfers, cash withdrawal fee and replenishment fee.

Interest income and interest expense from other segments amounted to RR 4,037 million for the year ended 31 December 2020 (2019: RR 5,150 million) are calculated using the funds transfer pricing curve.

5 Cash and Cash Equivalents

In millions of RR	31 December 2020	31 December 2019
Cash on hand	21,069	11,118
Cash balances with the CBRF (other than mandatory reserve deposits)	38,646	16,599
Placements with other banks with original maturities of less than three months:		
- AA- to AA+ rated	6,404	2,302
- A- to A+ rated	1,328	599
- BBB- to BBB+ rated	1,276	1,430
- BB- to BB+ rated	646	503
- B- to B+ rated	499	67
- CCC+ rated	-	2
Non-bank credit organizations:		
- BBB- to BBB+ rated	53,764	20,088
- Unrated	12,719	2,856
Total Cash and Cash Equivalents	**136,351**	**55,564**

Cash on hand includes cash balances in ATMs and cash balances in transit. Placements with other banks and organizations with original maturities of less than three months include placements under reverse sale and repurchase agreements in the amount of RR 33,210 million as at 31 December 2020 (31 December 2019: RR 18,449 million). The Group has a right to sell or repledge securities received under reverse sale and repurchase agreements.

The table below discloses the credit quality of cash and cash equivalents balances based on credit risk grades at 31 De-cember 2020:

In millions of RR	Cash balances with the CBRF	Placements with other banks and non-bank credit organizations	Total
Excellent	-	7,732	7,732
Good	38,646	55,686	94,332
Monitor	-	12,956	12,956
Sub-standard	-	262	262
Total cash and cash equivalents, excluding cash on hand	**38,646**	**76,636**	**115,282**

The table below discloses the credit quality of cash and cash equivalents balances based on credit risk grades at 31 De-cember 2019:

In millions of RR	Cash balances with the CBRF	Placements with other banks and non-bank credit organizations	Total
Excellent	-	2,901	2,901
Good	16,599	22,023	38,622
Monitor	-	2,921	2,921
Doubtful	-	2	2
Total cash and cash equivalents, excluding cash on hand	**16,599**	**27,847**	**44,446**

The carrying amount of cash and cash equivalents at 31 December 2020 and 2019 also represents the Group's maximum exposure to credit risk on these assets. Refer to Note 29 for the description of the Group's credit risk grading system.

For the purpose of ECL measurement cash and cash equivalents balances are included in Stage 1 for excellent, good and monitor credit quality, in Stage 2 for sub-standard and Stage 3 for doubtful credit quality. The ECL for these balances represents an immaterial amount, therefore the Group did not recognise any credit loss allowance for cash and cash equiv-alents. Except for reverse sale and repurchase agreements, amounts of cash and cash equivalents are not collateralised. As at 31 December 2020 the fair value of collateral under reverse sale and repurchase agreements was RR 34,527 million (31 December 2019: RR 20,130 million). There is no material impact of collateral on credit loss allowance for cash and cash equivalents.

Refer to Note 36 for the disclosure of the fair value of cash and cash equivalents. ECL measurement approach, interest rate, maturity and geographical risk concentration analysis of cash and cash equivalents are disclosed in Note 29.

Notes to the Consolidated Financial Statements (Continued)

6 Due from Other Banks

In millions of RR	31 December 2020	31 December 2019
Placements with other banks with original maturities of more than three months		
- BBB- rated	-	204
- BB- to BB+ rated	1,406	1,419
- B- to B+ rated	481	461
Total due from other banks	**1,887**	**2,084**

The table below discloses the credit quality of due from banks balances based on credit risk grades:

In millions of RR	31 December 2020	31 December 2019
Good	1,406	1,577
Monitor	481	507
Total due from other banks	**1,887**	**2,084**

The carrying amount of due from other banks at 31 December 2020 and 2019 also represents the Group's maximum exposure to credit risk on these assets. Refer to Note 29 for the description of credit risk grading system used by the Group. For the purpose of ECL measurement due from other banks balances are included in Stage 1.

The ECL for these balances represents an immaterial amount, therefore the Group did not create any credit loss allowance for due from other banks. Refer to Note 29 for the ECL measurement approach. Refer to Note 36 for the disclosure of the fair value of due from other banks. Interest rate, maturity and geographical risk concentration analysis are disclosed in Note 29.

7 Loans and Advances to Customers

In millions of RR	31 December 2020	31 December 2019
Gross carrying amount of loans and advances to customers at AC	445,529	383,912
Less credit loss allowance	(70,900)	(54,737)
Total carrying amount of loans and advances to customers at AC	**374,629**	**329,175**
Loans and advances to customers at FVTPL	1,892	-
Total loans and advances to customers	**376,521**	**329,175**

Loans and advances to customers at FVTPL represent a loan that does not meet SPPI requirement and that was issued to related party (refer to Note 38).

Gross carrying amount and credit loss allowance amount for loans and advances to customers at AC by classes at 31 December 2020 and 2019 are disclosed in the table below:

	31 December 2020			31 December 2019		
In millions of RR	Gross carrying amount	Credit loss allowance	Carrying amount	Gross carrying amount	Credit loss allowance	Carrying amount
Credit card loans	267,586	(54,242)	213,344	244,937	(44,129)	200,808
Cash loans	68,131	(11,055)	57,076	62,265	(8,029)	54,236
Secured loans	40,232	(1,099)	39,133	29,601	(496)	29,105
POS loans	32,690	(1,611)	31,079	25,940	(1,057)	24,883
Car loans	33,991	(2,144)	31,847	20,156	(913)	19,243
Loans to IE and SME	2,899	(749)	2,150	1,013	(113)	900
Total loans and advances to customers at AC	**445,529**	**(70,900)**	**374,629**	**383,912**	**(54,737)**	**329,175**

Credit cards are issued to customers for cash withdrawals or payment for goods or services, within the range of limits established by the Bank. These limits may be increased or decreased from time-to-time based on management decision. Credit card loans are not collateralized.

Cash loans represent a product for the borrowers who have a positive credit history and who do not have overdue loans in other banks. Cash loans are loans provided to customers via the Bank's debit cards. These loans are available for withdrawal without commission.

Secured loans represent loans secured with a car or real estate.

POS ("Point of sale") loans represent loans to fund online and offline purchases through internet and offline shops for individual borrowers.

Car loans represent loans for the purchase of a vehicle which is used as collateral under the loan.

Loans to IE and SME represent loans provided by the Bank to individual entrepreneurs and small and medium businesses for the purpose of working capital management.

The credit loss allowance for loans and advances to customers recognised in the period is impacted by a variety of factors. The main movements in the tables presented below are described as follows:

- new originated or purchased category represents the gross carrying amounts and the related ECL of purchased loans and loans issued during the reporting period (and withdrawals of limits of new credit card borrowers) as at the end of the reporting period or as at the date of transfer of loan out of stage 1 (whichever date is earlier);
- transfers between Stage 1, 2 and 3 due to balances experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and lifetime ECL. Transfers present the amount of credit loss allowance charged or recovered at the moment of transfer of a loan among the respective stages;
- changes to ECL measurement model assumptions and estimates represent movements due to changes in PDs, EADs and LGDs models during the period;
- movements other than transfers and new originated or purchased loans category represent all other movements of ECL in particular related to changes in gross carrying amounts (including drawdowns, repayments, and accrued interest), as well as updates of inputs to ECL model in the period;
- write-offs of allowances are related to assets that were written-off during the period;
- unwinding of discount (for Stage 3) category represents adjustment to credit loss allowance and gross carrying amount for Stage 3 loans to increase it to discounted amount of the expected cash shortfalls to the reporting date using the effective interest rate;
- Modification of original cash flows without derecognition represents adjustment to credit loss allowance and gross carrying amount of Stage 3 loans caused by the modification of terms of those loans which is not substantial.

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Notes to the Consolidated Financial Statements (Continued)

7 Loans and Advances to Customers (Continued)

The following tables disclose the changes in the credit loss allowance and gross carrying amount for loans and advances to customers between the beginning and the end of the reporting and comparative periods:

	Credit loss allowance				Gross carrying amount				
In millions of RR	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Purchased/ originated credit impaired	Total
Credit card loans									
At 31 December 2019	**11,704**	**6,853**	**25,572**	**44,129**	**197,796**	**11,432**	**35,373**	**336**	**244,937**
Movements with impact on credit loss allowance charge for the year:									
New originated or purchased	4,037	-	-	4,037	49,264	-	-	130	49,394
Transfers:									
- to lifetime (from Stage 1 to Stage 2)	(2,520)	6,396	-	3,876	(11,557)	11,557	-	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(5,642)	(6,697)	29,371	17,032	(27,133)	(9,677)	36,810	-	-
- recovered (from Stage 3 to Stage 2 and from Stage 2 to Stage 1)	328	(784)	(23)	(479)	1,416	(1,388)	(28)	-	-
Changes to ECL measurement model assumptions and estimates	2,960	633	1,936	5,529	-	-	-	-	-
Movements other than transfers and new originated or purchased loans	5,574	1,159	(4,307)	2,426	288	(166)	(4,089)	(285)	(4,252)
Total movements with impact on credit loss allowance charge for the year	**4,737**	**707**	**26,977**	**32,421**	**12,278**	**326**	**32,693**	**(155)**	**45,142**
Movements without impact on credit loss allowance charge for the year:									
Unwinding of discount (for Stage 3)	-	-	5,713	5,713	-	-	5,713	-	5,713
Write-offs	-	-	(14,071)	(14,071)	-	-	(14,071)	-	(14,071)
Sales	-	-	(2,134)	(2,134)	-	-	(2,319)	-	(2,319)
Modification of original cash flows without derecognition	-	-	(11,816)	(11,816)	-	-	(11,816)	-	(11,816)
At 31 December 2020	**16,441**	**7,560**	**30,241**	**54,242**	**210,074**	**11,758**	**45,573**	**181**	**267,586**

	Credit loss allowance				Gross carrying amount				
In millions of RR	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Purchased/ originated credit impaired	Total
Credit card loans									
At 31 December 2018	**9,266**	**4,708**	**19,322**	**33,296**	**145,732**	**6,654**	**25,497**	**107**	**177,990**
Movements with impact on credit loss allowance charge for the year:									
New originated or purchased	5,356	-	-	5,356	63,177	-	-	241	63,418
Transfers:									
- to lifetime (from Stage 1 to Stage 2)	(2,478)	6,097	-	3,619	(11,142)	11,142	-	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(4,644)	(4,111)	21,348	12,593	(21,206)	(5,322)	26,528	-	-
- recovered (from Stage 3 to Stage 2 and from Stage 2 to Stage 1)	233	(756)	(21)	(544)	1,101	(1,077)	(24)	-	-
Changes to ECL measurement model assumptions and estimates	(387)	-	(26)	(413)	-	-	-	-	-
Movements other than transfers and new originated or purchased loans	4,358	915	(4,267)	1,006	20,134	35	(5,771)	(12)	14,386
Total movements with impact on credit loss allowance charge for the year	**2,438**	**2,145**	**17,034**	**21,617**	**52,064**	**4,778**	**20,733**	**229**	**77,804**
Movements without impact on credit loss allowance charge the year									
Unwinding of discount (for Stage 3)	-	-	3,133	3,133	-	-	3,133	-	3,133
Write-offs	-	-	(10,999)	(10,999)	-	-	(10,999)	-	(10,999)
Sales	-	-	(986)	(986)	-	-	(1,059)	-	(1,059)
Modification of original cash flows without derecognition	-	-	(1,932)	(1,932)	-	-	(1,932)	-	(1,932)
At 31 December 2019	**11,704**	**6,853**	**25,572**	**44,129**	**197,796**	**11,432**	**35,373**	**336**	**244,937**

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Notes to the Consolidated Financial Statements (Continued)

7 Loans and Advances to Customers (Continued)

	Credit loss allowance				Gross carrying amount				
In millions of RR	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Purchased/ originated credit im-paired	Total
Cash loans									
At 31 December 2019	**2,358**	**1,882**	**3,789**	**8,029**	**51,925**	**5,034**	**4,670**	**636**	**62,265**
Movements with impact on credit loss allowance charge for the year:									
New originated or purchased	2,532	-	-	2,532	40,074	-	-	259	40,333
Transfers:									
- to lifetime (from Stage 1 to Stage 2)	(686)	3,078	-	2,392	(5,116)	5,116	-	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(1,393)	(1,809)	5,911	2,709	(4,273)	(2,353)	6,626	-	-
- recovered (from Stage 3 to Stage 2 and from Stage 2 to Stage 1)	60	(258)	(2)	(200)	982	(979)	(3)	-	-
Changes to ECL measurement model assumptions and estimates	701	126	291	1,118	-	-	-	-	-
Movements other than transfers and new originated or purchased loans	548	(978)	(876)	(1,306)	(27,406)	(2,051)	(297)	(465)	(30,219)
Total movements with impact on credit loss allowance charge for the year	**1,762**	**159**	**5,324**	**7,245**	**4,261**	**(267)**	**6,326**	**(206)**	**10,114**
Movements without impact on credit loss allowance charge for the year:									
Unwinding of discount (for Stage 3)	-	-	519	519	-	-	519	-	519
Write-offs	-	-	(2,363)	(2,363)	-	-	(2,363)	-	(2,363)
Sales	-	-	(397)	(397)	-	-	(426)	-	(426)
Modification of original cash flows without derecognition	-	-	(1,978)	(1,978)	-	-	(1,978)	-	(1,978)
At 31 December 2020	**4,120**	**2,041**	**4,894**	**11,055**	**56,186**	**4,767**	**6,748**	**430**	**68,131**

	Credit loss allowance				Gross carrying amount				
In millions of RR	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im-paired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im-paired)	Purchased/ originated credit impaired	Total
Cash loans									
At 31 December 2018	**1,116**	**545**	**670**	**2,331**	**32,651**	**1,776**	**767**	**301**	**35,495**
Movements with impact on credit loss allowance charge for the year:									
New originated or purchased	2,628	-	-	2,628	44,199	-	-	422	44,621
Transfers:									
- to lifetime (from Stage 1 to Stage 2)	(587)	2,960	-	2,373	(5,663)	5,663	-	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(897)	(528)	3,927	2,502	(3,536)	(699)	4,235	-	-
- recovered (from Stage 3 to Stage 2 and from Stage 2 to Stage 1)	14	(78)	-	(64)	408	(408)	-	-	-
Changes to ECL measurement model assumptions and estimates	(22)	-	(1)	(23)	-	-	-	-	-
Movements other than transfers and new originated or purchased loans	106	(1,017)	193	(718)	(16,134)	(1,298)	676	(87)	(16,843)
Total movements with impact on credit loss allowance charge for the year	**1,242**	**1,337**	**4,119**	**6,698**	**19,274**	**3,258**	**4,911**	**335**	**27,778**
Movements without impact on credit loss allowance charge the year									
Unwinding of discount (for Stage 3)	-	-	138	138	-	-	138	-	138
Write-offs	-	-	(524)	(524)	-	-	(524)	-	(524)
Sales	-	-	(114)	(114)	-	-	(122)	-	(122)
Modification of original cash flows without derecognition	-	-	(500)	(500)	-	-	(500)	-	(500)
At 31 December 2019	**2,358**	**1,882**	**3,789**	**8,029**	**51,925**	**5,034**	**4,670**	**636**	**62,265**

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Notes to the Consolidated Financial Statements (Continued)

7 Loans and Advances to Customers (Continued)

In millions of RR	Credit loss allowance				Gross carrying amount			
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
Secured Loans								
At 31 December 2019	**150**	**264**	**82**	**496**	**27,366**	**2,037**	**198**	**29,601**
Movements with impact on credit loss allowance charge for the year:								
New originated or purchased	141	-	-	141	21,517	-	-	21,517
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	(40)	954	-	914	(4,120)	4,120	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(15)	(135)	371	221	(524)	(355)	879	-
- recovered (from Stage 3 to Stage 2 and from Stage 2 to Stage 1)	3	(41)	(3)	(41)	516	(509)	(7)	-
Changes to ECL measurement model assumptions and estimates	67	3	9	79	-	-	-	-
Movements other than transfers and new originated or purchased loans	(50)	(563)	(21)	(634)	(9,512)	(1,178)	(119)	(10,809)
Total movements with impact on credit loss allowance charge for the year	**106**	**218**	**356**	**680**	**7,877**	**2,078**	**753**	**10,708**
Movements without impact on credit loss allowance charge for the year:								
Unwinding of discount (for Stage 3)	-	-	46	46	-	-	46	46
Write-offs	-	-	(16)	(16)	-	-	(16)	(16)
Modification of original cash flows	-	-	(107)	(107)	-	-	(107)	(107)
At 31 December 2020	**256**	**482**	**361**	**1,099**	**35,243**	**4,115**	**874**	**40,232**

In millions of RR	Credit loss allowance				Gross carrying amount			
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
Secured Loans								
At 31 December 2018	**15**	**1**	**-**	**16**	**2,641**	**3**	**-**	**2,644**
Movements with impact on credit loss allowance charge for the year:								
New originated or purchased	168	-	-	168	27,907	-	-	27,907
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	(23)	499	-	476	(2,141)	2,141	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(6)	-	81	75	(203)	-	203	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	-	-	-	-	1	(1)	-	-
Movements other than transfers and new originated or purchased loans	(4)	(236)	6	(234)	(839)	(106)	-	(945)
Total movements with impact on credit loss allowance charge for the year	**135**	**263**	**87**	**485**	**24,725**	**2,034**	**203**	**26,962**
Movements without impact on credit loss allowance charge the year								
Unwinding of discount (for Stage 3)	-	-	3	3	-	-	3	3
Modification of original cash flows	-	-	(8)	(8)	-	-	(8)	(8)
At 31 December 2019	**150**	**264**	**82**	**496**	**27,366**	**2,037**	**198**	**29,601**

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Notes to the Consolidated Financial Statements (Continued)

7 Loans and Advances to Customers (Continued)

In millions of RR	Credit loss allowance Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Gross carrying amount Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Purchased/ originated credit impaired	Total
POS loans									
At 31 December 2019	**298**	**190**	**569**	**1,057**	**24,031**	**1,053**	**658**	**198**	**25,940**
Movements with impact on credit loss allowance charge for the year:									
New originated or purchased	525	-	-	525	29,695	-	-	226	29,921
Transfers:									
- to lifetime (from Stage 1 to Stage 2)	(83)	642	-	559	(1,863)	1,863	-	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(119)	(234)	1,023	670	(751)	(354)	1,105	-	-
- recovered (from Stage 3 to Stage 2 and from Stage 2 to Stage 1)	3	(15)	-	(12)	206	(206)	-	-	-
Changes to ECL measurement model assumptions and estimates	40	3	16	59	-	-	-	-	-
Movements other than transfers and new originated or purchased loans	(137)	(359)	(209)	(705)	(21,040)	(1,276)	(173)	(137)	(22,626)
Total movements with impact on credit loss allowance charge for the year	**229**	**37**	**830**	**1,096**	**6,247**	**27**	**932**	**89**	**7,295**
Movements without impact on credit loss allowance charge for the year:									
Unwinding of discount (for Stage 3)	-	-	46	46	-	-	46	-	46
Write-offs	-	-	(360)	(360)	-	-	(360)	-	(360)
Sales	-	-	(50)	(50)	-	-	(53)	-	(53)
Modification of original cash flows without derecognition	-	-	(178)	(178)	-	-	(178)	-	(178)
At 31 December 2020	**527**	**227**	**857**	**1,611**	**30,278**	**1,080**	**1,045**	**287**	**32,690**

In millions of RR	Credit loss allowance Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Gross carrying amount Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Purchased/ originated credit impaired	Total
POS loans									
At 31 December 2018	**190**	**81**	**189**	**460**	**14,560**	**505**	**210**	**105**	**15,380**
Movements with impact on credit loss allowance charge for the year:									
New originated or purchased	357	-	-	357	23,779	-	-	145	23,924
Transfers:									
- to lifetime (from Stage 1 to Stage 2)	(61)	479	-	418	(1,673)	1,673	-	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(71)	(92)	614	451	(518)	(137)	655	-	-
- recovered (from Stage 3 to Stage 2 and from Stage 2 to Stage 1)	1	(7)	-	(6)	112	(112)	-	-	-
Changes to ECL measurement model assumptions and estimates	(15)	(7)	(1)	(23)	-	-	-	-	-
Movements other than transfers and new originated or purchased loans	(103)	(264)	(61)	(428)	(12,229)	(876)	(34)	(52)	(13,191)
Total movements with impact on credit loss allowance charge for the year	**108**	**109**	**552**	**769**	**9,471**	**548**	**621**	**93**	**10,733**
Movements without impact on credit loss allowance charge the year									
Unwinding of discount (for Stage 3)	-	-	19	19	-	-	19	-	19
Write-offs	-	-	(131)	(131)	-	-	(131)	-	(131)
Sales	-	-	(23)	(23)	-	-	(24)	-	(24)
Modification of original cash flows without derecognition	-	-	(37)	(37)	-	-	(37)	-	(37)
At 31 December 2019	**298**	**190**	**569**	**1,057**	**24,031**	**1,053**	**658**	**198**	**25,940**

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Notes to the Consolidated Financial Statements (Continued)

7 Loans and Advances to Customers (Continued)

In millions of RR	Credit loss allowance				Gross carrying amount			
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
Car Loans								
At 31 December 2019	**368**	**285**	**260**	**913**	**18,725**	**1,060**	**371**	**20,156**
Movements with impact on credit loss allowance charge for the year:								
New originated or purchased	485	-	-	485	21,598	-	-	21,598
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	(141)	844	-	703	(1,926)	1,926	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(184)	(232)	770	354	(739)	(352)	1,091	-
- recovered (from Stage 3 to Stage 2 and from Stage 2 to Stage 1)	10	(50)	-	(40)	308	(307)	(1)	-
Changes to ECL measurement model assumptions and estimates	105	13	32	150	-	-	-	-
Movements other than transfers and new originated or purchased loans	21	(302)	38	(243)	(7,250)	(315)	(20)	(7,585)
Total movements with impact on credit loss allowance charge for the year	**296**	**273**	**840**	**1,409**	**11,991**	**952**	**1,070**	**14,013**
Movements without impact on credit loss allowance charge for the year:								
Unwinding of discount (for Stage 3)	-	-	81	81	-	-	81	81
Write-offs	-	-	(63)	(63)	-	-	(63)	(63)
Modification of original cash flows	-	-	(196)	(196)	-	-	(196)	(196)
At 31 December 2020	**664**	**558**	**922**	**2,144**	**30,716**	**2,012**	**1,263**	**33,991**

In millions of RR	Credit loss allowance				Gross carrying amount			
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
Car Loans								
At 31 December 2018	**56**	**25**	**4**	**85**	**2,754**	**78**	**6**	**2,838**
Movements with impact on credit loss allowance charge for the year:								
New originated or purchased	469	-	-	469	18,238	-	-	18,238
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	(98)	466	-	368	(1,087)	1,087	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(72)	(23)	248	153	(320)	(34)	354	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	1	(4)	-	(3)	24	(24)	-	-
Changes to ECL measurement model assumptions and estimates	(1)	-	-	(1)	-	-	-	-
Movements other than transfers and new originated or purchased loans	13	(179)	(1)	(167)	(884)	(47)	2	(929)
Total movements with impact on credit loss allowance charge for the year	**312**	**260**	**247**	**819**	**15,971**	**982**	**356**	**17,309**
Movements without impact on credit loss allowance charge the year								
Unwinding of discount (for Stage 3)	-	-	12	12	-	-	12	12
Modification of original cash flows	-	-	(3)	(3)	-	-	(3)	(3)
At 31 December 2019	**368**	**285**	**260**	**913**	**18,725**	**1,060**	**371**	**20,156**

* Denotes standards, interpretations and amendments which have not yet been endorsed by the European Union.

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Notes to the Consolidated Financial Statements (Continued)

7 Loans and Advances to Customers (Continued)

	Credit loss allowance				Gross carrying amount			
In millions of RR	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
Loans to IE and SME								
At 31 December 2019	**57**	**10**	**46**	**113**	**940**	**21**	**52**	**1,013**
Movements with impact on credit loss allowance charge for the year:								
New originated or purchased	28	-	-	28	676	-	-	676
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	(143)	314	-	171	(375)	375	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(16)	(13)	77	48	(69)	(17)	86	-
Movements other than transfers and new originated or purchased loans	399	(20)	-	379	1,268	(56)	1	1,213
Changes to ECL measurement	10	-	3	13	-	-	-	-
Movements other than transfers and new originated or purchased loans	399	(20)	-	379	1,268	(56)	1	1,213
Total movements with impact on credit loss allowance charge for the year	**278**	**281**	**80**	**639**	**1,500**	**302**	**87**	**1,889**
Movements without impact on credit loss allowance charge for the year:								
Unwinding of discount (for Stage 3)	-	-	11	11	-	-	11	11
Write-offs	-	-	(14)	(14)	-	-	(14)	(14)
At 31 December 2020	**335**	**291**	**123**	**749**	**2,440**	**323**	**136**	**2,899**

	Credit loss allowance				Gross carrying amount			
In millions of RR	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
Loans to IE and SME								
At 31 December 2018	**13**	**10**	**10**	**33**	**332**	**21**	**10**	**363**
Movements with impact on credit loss allowance charge for the year:								
New originated or purchased	13	-	-	13	301	-	-	301
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	(4)	26	-	22	(58)	58	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(8)	(7)	44	29	(39)	(8)	47	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	-	-	-	-	1	(1)	-	-
Movements other than transfers and new originated or purchased loans	43	(19)	(13)	11	403	(49)	(10)	344
Total movements with impact on credit loss allowance charge for the year	**44**	**-**	**31**	**75**	**608**	**-**	**37**	**645**
Movements without impact on credit loss allowance charge the year								
Unwinding of discount (for Stage 3)	-	-	5	5	-	-	5	5
Modification of original cash flows	-	-	-	-	-	-	-	-
At 31 December 2019	**57**	**10**	**46**	**113**	**940**	**21**	**52**	**1,013**

The credit loss allowance charge during the year ended 31 December 2020 presented in the tables above differs from the amount presented in the consolidated statement of profit or loss and other comprehensive income for the year due to RR 4,063 million (2019: RR 3,420 million) recovery of amounts previously written-off as uncollectible, due to RR 1,750 million (2019: RR 693 million) recovery from the purchased loans in excess of their gross carrying amount, and due to RR 1,295 million (2019: RR 201 million) charge of ECL for credit related commitments, including RR 638 million of charge due to changes to ECL measurement model assumptions and estimates. The amount of the recovery received from written-off loans and purchased loans during the year was credited directly to the credit loss allowance line in the consolidated statement of profit or loss and other comprehensive income.

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Notes to the Consolidated Financial Statements (Continued)

7 Loans and Advances to Customers (Continued)

The contractual amount outstanding of loans and advances to customers which were written off during the reporting period ended 31 December 2020 and are still subject to enforcement activity is equal to RR 13,966 million (reporting period ended 31 December 2019: RR 10,095 million).

The amount of the ECL for credit related commitments is accounted separately from ECL for credit cards loans and is included in other financial liabilities in the consolidated statement of financial position.

During the year ended 31 December 2020 the Group sold credit-impaired loans to third parties (external debt collection agencies) with a gross amount of RR 2,798 million (2019: RR 1,205 million) and credit loss allowance of RR 2,581 million (2019: RR 1,123 million). The difference between the carrying amount of these loans and the consideration received was recognised as losses in the amount of RR 186 million within credit loss allowance for loans and advances to customers and credit related commitments for the year ended 31 December 2020 (2019: losses in the amount of RR 73 million).

Presented below is an analysis of issued, activated and utilised cards based on their credit card limits as at the end of the reporting period:

In units	31 December 2020	31 December 2019
Credit card limits		
Up to 20 RR thousand	1,046,228	781,128
20-40 RR thousand	538,746	482,343
40-60 RR thousand	497,940	451,425
60-80 RR thousand	495,431	455,978
80-100 RR thousand	479,786	440,139
100-120 RR thousand	331,606	322,726
120-140 RR thousand	378,547	365,750
140-200 RR thousand	870,503	772,992
More than 200 RR thousand	225,417	180,731
Total number of cards (in units)	**4,864,204**	**4,253,212**

Table above only includes credit cards less than 180 days overdue.

The following table contains an analysis of the credit risk exposure of loans and advances to customers measured at AC and for which an ECL allowance is recognised. The carrying amount of loans and advances to customers below also represents the Group's maximum exposure to credit risk on these loans.

Loans and advances to customers at 31 December 2020 are disclosed as follows:

In millions of RR	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Purchased/ originated credit impaired	Total
Credit card loans					
- Excellent	68,398	-	-	-	68,398
- Good	131,957	1,891	-	-	133,848
- Monitor	9,719	3,757	-	-	13,476
- Sub-standard	-	6,110	9,326	-	15,436
- NPL	-	-	36,247	181	36,428
Gross carrying amount	**210,074**	**11,758**	**45,573**	**181**	**267,586**
Credit loss allowance	(16,441)	(7,560)	(30,241)	-	(54,242)
Carrying amount	**193,633**	**4,198**	**15,332**	**181**	**213,344**
Cash loans					
- Excellent	33,877	-	-	-	33,877
- Good	22,053	3,189	-	-	25,242
- Monitor	256	546	-	-	802
- Sub-standard	-	1,032	989	-	2,021
- NPL	-	-	5,759	430	6,189
Gross carrying amount	**56,186**	**4,767**	**6,748**	**430**	**68,131**
Credit loss allowance	(4,120)	(2,041)	(4,894)	-	(11,055)
Carrying amount	**52,066**	**2,726**	**1,854**	**430**	**57,076**
Secured Loans					
- Excellent	21,201	-	-	-	21,201
- Good	13,937	3,307	-	-	17,244
- Monitor	105	442	-	-	547
- Sub-standard	-	366	-	-	366
- NPL	-	-	874	-	874
Gross carrying amount	**35,243**	**4,115**	**874**	**-**	**40,232**
Credit loss allowance	(256)	(482)	(361)	-	(1,099)
Carrying amount	**34,987**	**3,633**	**513**	**-**	**39,133**

31 DECEMBER 2020

Notes to the Consolidated Financial Statements (Continued)

7 Loans and Advances to Customers (Continued)

In millions of RR	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Purchased/ originated credit impaired	Total
POS loans					
- Excellent	25,159	-	-	-	25,159
- Good	4,998	793	-	-	5,791
- Monitor	121	121	-	-	242
- Sub-standard	-	166	28	-	194
- NPL	-	-	1,017	287	1,304
Gross carrying amount	**30,278**	**1,080**	**1,045**	**287**	**32,690**
Credit loss allowance	(527)	(227)	(857)	-	(1,611)
Carrying amount	**29,751**	**853**	**188**	**287**	**31,079**
Car loans					
- Excellent	21,444	-	-	-	21,444
- Good	9,136	1,427	-	-	10,563
- Monitor	136	263	-	-	399
- Sub-standard	-	322	-	-	322
- NPL	-	-	1,263	-	1,263
Gross carrying amount	**30,716**	**2,012**	**1,263**	**-**	**33,991**
Credit loss allowance	(664)	(558)	(922)	-	(2,144)
Carrying amount	**30,052**	**1,454**	**341**	**-**	**31,847**
Loans to IE and SME					
- Excellent	1,673	-	-	-	1,673
- Good	760	295	-	-	1,055
- Monitor	7	12	-	-	19
- Sub-standard	-	16	-	-	16
- NPL	-	-	136	-	136
Gross carrying amount	**2,440**	**323**	**136**	**-**	**2,899**
Credit loss allowance	(335)	(291)	(123)	-	(749)
Carrying amount	**2,105**	**32**	**13**	**-**	**2,150**

Loans and advances to customers at 31 December 2019 are disclosed as follows:

In millions of RR	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Purchased/ originated credit impaired	Total
Credit card loans					
- Excellent	87,716	-	-	-	87,716
- Good	102,020	1,582	-	-	103,602
- Monitor	8,060	3,722	-	-	11,782
- Sub-standard	-	6,128	6,661	-	12,789
- NPL	-	-	28,712	336	29,048
Gross carrying amount	**197,796**	**11,432**	**35,373**	**336**	**244,937**
Credit loss allowance	(11,704)	(6,853)	(25,572)	-	(44,129)
Carrying amount	**186,092**	**4,579**	**9,801**	**336**	**200,808**
Cash loans					
- Excellent	34,258	-	-	-	34,258
- Good	17,321	3,315	-	-	20,636
- Monitor	346	585	-	-	931
- Sub-standard	-	1,134	758	-	1,892
- NPL	-	-	3,912	636	4,548
Gross carrying amount	**51,925**	**5,034**	**4,670**	**636**	**62,265**
Credit loss allowance	(2,358)	(1,882)	(3,789)	-	(8,029)
Carrying amount	**49,567**	**3,152**	**881**	**636**	**54,236**
Secured Loans					
- Excellent	19,941	-	-	-	19,941
- Good	7,319	1,496	-	-	8,815
- Monitor	106	322	-	-	428
- Sub-standard	-	219	-	-	219
- NPL	-	-	198	-	198
Gross carrying amount	**27,366**	**2,037**	**198**	**-**	**29,601**
Credit loss allowance	(150)	(264)	(82)	-	(496)
Carrying amount	**27,216**	**1,773**	**116**	**-**	**29,105**
POS loans					
- Excellent	19,525	-	-	-	19,525
- Good	4,406	763	-	-	5,169
- Monitor	100	117	-	-	217
- Sub-standard	-	173	26	-	199
- NPL	-	-	632	198	830
Gross carrying amount	**24,031**	**1,053**	**658**	**198**	**25,940**
Credit loss allowance	(298)	(190)	(569)	-	(1,057)
Carrying amount	**23,733**	**863**	**89**	**198**	**24,883**
Car loans					
- Excellent	15,581	-	-	-	15,581
- Good	3,051	702	-	-	3,753

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Notes to the Consolidated Financial Statements (Continued)

7 Loans and Advances to Customers (Continued)

In millions of RR	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Purchased/ originated credit impaired	Total
- Monitor	93	157	-	-	250
- Sub-standard	-	201	-	-	201
- NPL	-	-	371	-	371
Gross carrying amount	**18,725**	**1,060**	**371**	**-**	**20,156**
Credit loss allowance	(368)	(285)	(260)	-	(913)
Carrying amount	**18,357**	**775**	**111**	**-**	**19,243**
Loans to IE and SME					
- Excellent	622	-	-	-	622
- Good	314	6	-	-	320
- Monitor	4	6	-	-	10
- Sub-standard	-	9	-	-	9
- NPL	-	-	52	-	52
Gross carrying amount	**940**	**21**	**52**	**-**	**1,013**
Credit loss allowance	(57)	(10)	(46)	-	(113)
Carrying amount	**883**	**11**	**6**	**-**	**900**

Stage 3 includes restructured loans that are less than 90 days overdue which are not considered as NPL according to the Group's credit risk grading master scale. Refer to Note 29 for the description of credit risk grading system used by the Group.

Loans in courts are included in Stage 3 and are loans to delinquent borrowers, against which the Group has filed claims to courts in order to recover outstanding balances. As at 31 December 2020 the gross carrying amount of the loans in courts was RR 31,082 million (31 December 2019: RR 22,228 million).

Description of collateral held for loans to individuals carried at amortised cost is as follows at 31 December 2020:

In millions of RR	Secured loans	Car loans	Total
Loans collateralised by:			
- residential real estate	37,896	-	37,896
- cars	2,084	24,713	26,797
Total	**39,980**	**24,713**	**64,693**
Unsecured exposures	252	9,278	9,530
Total gross carrying amount (representing exposure to credit risk for each class of loans at AC)	**40,232**	**33,991**	**74,223**

Description of collateral held for loans to individuals carried at amortised cost is as follows at 31 December 2019:

In millions of RR	Secured loans	Car loans	Total
Loans collateralised by:			
- residential real estate	27,437	-	27,437
- cars	1,904	15,256	17,160
Total	**29,341**	**15,256**	**44,597**
Unsecured exposures	260	4,900	5,160
Total gross carrying amount (representing exposure to credit risk for each class of loans at AC)	**29,601**	**20,156**	**49,757**

The disclosure above represents the lower of the carrying value of the loan or collateral taken; the remaining part is disclosed within the unsecured exposures which arise mainly due to application of a discount in determining the carrying value of collateral.

The extent to which collateral and other credit enhancements mitigate credit risk for financial assets carried at amortised cost that are credit impaired, is presented by disclosing collateral values separately for (i) those assets where collateral and other credit enhancements are equal to or exceed carrying value of the asset ("over-collateralised assets") and (ii) those assets where collateral and other credit enhancements are less than the carrying value of the asset ("under-collateralised assets").

The effect of collateral on credit impaired assets at 31 December 2020 is as follows.

	Over-collateralised assets		Under-collateralised assets	
In millions of RR	Gross carrying amount of the assets	Value of collateral	Gross carrying amount of the assets	Value of collateral
Credit impaired assets:				
Secured loans	855	2,136	19	10
Car loans	200	296	1,063	715

The effect of collateral on credit impaired assets at 31 December 2019 is as follows.

	Over-collateralised assets		Under-collateralised assets	
In millions of RR	Gross carrying amount of the assets	Value of collateral	Gross carrying amount of the assets	Value of collateral
Credit impaired assets:				
Secured loans	194	442	4	2
Car loans	25	31	346	208

The values of collateral considered in this disclosure are after a valuation haircut of 20% (2019: 20%) for residential real estate and 30% (2019: 30%) for cars applied to consider liquidity and quality of the pledged assets.

All contractual modifications of loans with the lifetime ECL that did not lead to derecognition did not have gains less losses on modification recognised in profit or loss for the year ended 31 December 2020 (2019: same).

Refer to Note 36 for the disclosure of the fair value of loans and advances to customers. Interest rate, maturity and geographical risk concentration analysis are disclosed in Note 29. Information on related party balances is disclosed in Note 38.

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Notes to the Consolidated Financial Statements (Continued)

8 Investments in Securities and Repurchase Receivables

In millions of RR	31 December 2020	31 December 2019
Debt securities measured at fair value through other comprehensive income	234,189	134,765
Securities measured at fair value through profit or loss	4,265	413
Total investments in securities	**238,454**	**135,178**
Repurchase receivables at fair value through other comprehensive income	29	-
Total investments in securities and repurchase receivables	**238,483**	**135,178**

Repurchase receivables represent securities sold under sale and repurchase agreements which the counterparty has the right, by contract or custom, to sell or repledge. As at 31 December 2020 the sale and repurchase agreements are short-term and mature in January 2021.

1 Investments in securities and repurchase receivables measured at fair value through other comprehensive income

The table below discloses investments in debt securities and repurchase receivables measured at FVOCI by classes:

In millions of RR	31 December 2020	31 December 2019
Investments in securities		
Russian government bonds	123,916	56,382
Corporate bonds	96,200	72,032
Municipal bonds	9,474	6,351
Foreign government bonds	4,599	-
Repurchase receivables		
Corporate bonds	29	-
Total investments in securities and repurchase receivables measured at FVOCI	**234,218**	**134,765**
Including credit loss allowance	714	345

The table below contains an analysis of the credit risk exposure of investments in securities and repurchase receivables measured at FVOCI at 31 December 2020, for which an ECL allowance is recognised, based on credit risk grades:

In millions of RR	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im-paired)	Total
Russian government bonds				
- Good	125,422	-	-	125,422
Total AC gross carrying amount	125,422	-	-	125,422
Credit loss allowance	(255)	-	-	(255)
Fair value adjustment from AC to FV	(1,251)	-	-	(1,251)
Carrying value	**123,916**	**-**	**-**	**123,916**
Corporate bonds				
- Excellent	560	-	-	560
- Good	85,653	-	-	85,653
- Monitor	6,726	620	-	7,346
Total AC gross carrying amount	92,939	620	-	93,559
Credit loss allowance	(334)	(14)	-	(348)
Fair value adjustment from AC to FV	2,953	36	-	2,989
Carrying value	**95,558**	**642**	**-**	**96,200**
Municipal bonds				
- Good	7,750	-	-	7,750
- Monitor	1,523	-	-	1,523
Total AC gross carrying amount	9,273	-	-	9,273
Credit loss allowance	(45)	-	-	(45)
Fair value adjustment from AC to FV	246	-	-	246
Carrying value	**9,474**	**-**	**-**	**9,474**
Foreign government bonds				
- Good	908	-	-	908
- Monitor	3,119	-	-	3,119
- Sub-standard	494	-	-	494
Total AC gross carrying amount	4,521	-	-	4,521
Credit loss allowance	(66)	-	-	(66)
Fair value adjustment from AC to FV	144	-	-	144
Carrying value	**4,599**	**-**	**-**	**4,599**

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Notes to the Consolidated Financial Statements (Continued)

8 Investments in Securities and Repurchase Receivables (Continued)

1 Investments in securities and repurchase receivables measured at fair value through other comprehensive income (Continued)

The table below contains an analysis of the credit risk exposure of debt securities measured at FVOCI at 31 December 2019, for which an ECL allowance is recognised, based on credit risk grades:

In millions of RR	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im-paired)	Total
Russian government bonds				
- Good	54,471	-	-	54,471
Total AC gross carrying amount	54,471	-	-	54,471
Credit loss allowance	(99)	-	-	(99)
Fair value adjustment from AC to FV	2,010	-	-	2,010
Carrying value	**56,382**	**-**	**-**	**56,382**
Corporate bonds				
- Excellent	411	-	-	411
- Good	61,042	-	-	61,042
- Monitor	8,192	-	-	8,192
Total AC gross carrying amount	69,645	-	-	69,645
Credit loss allowance	(225)	-	-	(225)
Fair value adjustment from AC to FV	2,612	-	-	2,612
Carrying value	**72,032**	**-**	**-**	**72,032**
Municipal bonds				
- Good	5,663	-	-	5,663
- Monitor	422	-	-	422
Total AC gross carrying amount	6,085	-	-	6,085
Credit loss allowance	(21)	-	-	(21)
Fair value adjustment from AC to FV	287	-	-	287
Carrying value	**6,351**	**-**	**-**	**6,351**

Refer to Note 29 for the description of credit risk grading system used by the Group and the approach to ECL measurement, including the definition of default and SICR as applicable to investments in securities and repurchase receivables at FVOCI. The investments at FVOCI are not collateralised. Refer to Note 36 for the disclosure of the fair value.

Securities at FVOCI reclassified to repurchase receivables continue to be carried at fair value in accordance with accounting policies for these categories of assets. Refer to Note 13 for the related liabilities.

The following table explains the changes in the credit loss allowance (including those pledged under repurchase agreements) and gross carrying amount for debt securities at FVOCI for the year ended 31 December 2020:

	Credit loss allowance				Gross carrying amount			
In millions of RR	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im-paired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im-paired)	Total
Russian government bonds								
At 31 December 2019	**99**	**-**	**-**	**99**	**54,471**	**-**	**-**	**54,471**
Movements with impact on credit loss allowance charge:								
New originated or purchased	522	-	-	522	289,955	-	-	289,955
Foreign exchange gains	1	-	-	1	767	-	-	767
Redemption during the year	(160)	-	-	(160)	(89,000)	-	-	(89,000)
Disposal during the year	(233)	-	-	(233)	(129,350)	-	-	(129,350)
Interest income accrued	8	-	-	8	5,318	-	-	5,318
Interest received	(12)	-	-	(12)	(6,739)	-	-	(6,739)
Other movements	30	-	-	30	-	-	-	-
Total movements with impact on credit loss allowance charge	**156**	**-**	**-**	**156**	**70,951**	**-**	**-**	**70,951**
At 31 December 2020	**255**	**-**	**-**	**255**	**125,422**	**-**	**-**	**125,422**
Corporate bonds								
At 31 December 2019	**225**	**-**	**-**	**225**	**69,645**	**-**	**-**	**69,645**
Movements with impact on credit loss allowance charge:								
New originated or purchased	198	-	-	198	70,438	-	-	70,438
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	(3)	3	-	-	(620)	620	-	-
Foreign exchange gains	15	-	-	15	5,061	-	-	5,061
Redemption during the year	(13)	-	-	(13)	(4,171)	-	-	(4,171)
Disposal during the year	(117)	-	-	(117)	(46,924)	-	-	(46,924)
Interest income accrued	14	-	-	14	4,587	45	-	4,632
Interest received	(16)	(1)	-	(17)	(5,077)	(45)	-	(5,122)
Other movements	31	12	-	43	-	-	-	-
Total movements with impact on credit loss allowance charge	**109**	**14**	**-**	**123**	**23,294**	**620**	**-**	**23,914**

Notes to the Consolidated Financial Statements (Continued)

8 Investments in Securities and Repurchase Receivables (Continued)

1 Investments in securities and repurchase receivables measured at fair value through other comprehensive income (Continued)

	Credit loss allowance				Gross carrying amount			
In millions of RR	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
At 31 December 2020	**334**	**14**	**-**	**348**	**92,939**	**620**	**-**	**93,559**
Municipal bonds								
At 31 December 2019	**21**	**-**	**-**	**21**	**6,085**	**-**	**-**	**6,085**
Movements with impact on credit loss allowance charge:								
New originated or purchased	25	-	-	25	7,440	-	-	7,440
Redemption during the year	0	-	-	0	(91)	-	-	(91)
Disposal during the year	(19)	-	-	(19)	(4,140)	-	-	(4,140)
Interest income accrued	3	-	-	3	474	-	-	474
Interest received	(2)	-	-	(2)	(495)	-	-	(495)
Other movements	17	-	-	17	-	-	-	-
Total movements with impact on credit loss allowance charge	**24**	**-**	**-**	**24**	**3,188**	**-**	**-**	**3,188**
At 31 December 2020	**45**	**-**	**-**	**45**	**9,273**	**-**	**-**	**9,273**
Foreign government bonds								
At 31 December 2019	-	-	-	-	-	-	-	-
Movements with impact on credit loss allowance charge:								
New originated or purchased	68	-	-	68	7,516	-	-	7,516
Foreign exchange gains	1	-	-	1	246	-	-	246
Disposal during the year	(11)	-	-	(11)	(3,224)	-	-	(3,224)
Interest income accrued	1	-	-	1	61	-	-	61
Interest received	(1)	-	-	(1)	(78)	-	-	(78)
Other movements	8	-	-	8	-	-	-	-
Total movements with impact on credit loss allowance charge	**66**	**-**	**-**	**66**	**4,521**	**-**	**-**	**4,521**
At 31 December 2020	**66**	**-**	**-**	**66**	**4,521**	**-**	**-**	**4,521**

The following table explains the changes in the credit loss allowance (including those pledged under repurchase agreements) and gross carrying amount for debt securities at FVOCI for the year ended 31 December 2019:

	Credit loss allowance				Gross carrying amount			
In millions of RR	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
Corporate bonds								
At 1 January 2019	**255**	**128**	**-**	**383**	**64,951**	**1,607**	**-**	**66,558**
Movements with impact on credit loss allowance charge:								
New originated or purchased	89	-	-	89	25,936	-	-	25,936
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	24	(26)	-	(2)	1,318	(1,318)	-	-
Foreign exchange losses	(12)	(6)	-	(18)	(2,702)	(96)	-	(2,798)
Redemption during the year	(12)	-	-	(12)	(3,609)	-	-	(3,609)
Disposal during the year	(91)	(40)	-	(131)	(16,348)	(193)	-	(16,541)
Interest income accrued	12	4	-	16	4,074	43	-	4,117
Interest received	(12)	(4)	-	(16)	(3,975)	(43)	-	(4,018)
Other movements	(28)	(56)	-	(84)	-	-	-	-
Total movements with impact on credit loss allowance charge	**(30)**	**(128)**	**-**	**(158)**	**4,694**	**(1,607)**	**-**	**3,087**
At 31 December 2019	**225**	**-**	**-**	**225**	**69,645**	**-**	**-**	**69,645**
Russian government bonds								
At 1 January 2019	66	-	-	66	25,190	-	-	25,190
Movements with impact on credit loss allowance charge:								
New originated or purchased	167	-	-	167	81,179	-	-	81,179
Foreign exchange losses	(2)	-	-	(2)	(833)	-	-	(833)
Redemption during the year	(63)	-	-	(63)	(30,858)	-	-	(30,858)
Disposal during the year	(53)	-	-	(53)	(20,414)	-	-	(20,414)
Interest income accrued	4	-	-	4	2,119	-	-	2,119
Interest received	(4)	-	-	(4)	(1,912)	-	-	(1,912)
Other movements	(16)	-	-	(16)	-	-	-	-
Total movements with impact on credit loss allowance charge	**33**	**-**	**-**	**33**	**29,281**	**-**	**-**	**29,281**
At 31 December 2019	**99**	**-**	**-**	**99**	**54,471**	**-**	**-**	**54,471**

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Notes to the Consolidated Financial Statements (Continued)

8 Investments in Securities and Repurchase Receivables (Continued)

1 Investments in securities and repurchase receivables measured at fair value through other comprehensive income (Continued)

	Credit loss allowance				Gross carrying amount			
In millions of RR	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im-paired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im-paired)	Total
Municipal bonds								
At 1 January 2019	**35**	**-**	**-**	**35**	**5,833**	**-**	**-**	**5,833**
Movements with impact on credit loss allowance charge:								
New originated or purchased	3	-	-	3	968	-	-	968
Redemption during the year	(1)	-	-	(1)	(482)	-	-	(482)
Disposal during the year	(4)	-	-	(4)	(216)	-	-	(216)
Interest income accrued	2	-	-	2	469	-	-	469
Interest received	(3)	-	-	(3)	(487)	-	-	(487)
Other movements	(11)	-	-	(11)	-	-	-	-
Total movements with impact on credit loss allowance charge	**(14)**	**-**	**-**	**(14)**	**252**	**-**	**-**	**252**
At 31 December 2019	**21**	**-**	**-**	**21**	**6,085**	**-**	**-**	**6,085**

2) Securities measured at fair value through profit or loss

The table below discloses investments in securities measured at FVTPL by classes:

In millions of RR	31 December 2020	31 December 2019
Perpetual corporate bonds	4,265	-
Other securities	-	413
Total securities measured at FVTPL	**4,265**	**413**

At 31 December 2019 the other securities were represented by assets of the mutual funds which were controlled by the Group and managed by LLC "Tinkoff Capital". These assets were sold at 30 September 2020.

Investments in securities measured at FVTPL are carried at fair value, which also reflects any credit risk related write-downs and best represents Group's maximum exposure to credit risk. The securities measured at FVTPL are not collateralized. Interest rate, maturity and geographical risk concentration analysis of investment in securities are disclosed in Note 29.

9 Guarantee Deposits with Payment Systems

As at 31 December 2020 and 2019 guarantee deposits were placed in favour of MasterCard with Barclays Bank Plc London (A rated), in favour of Visa with United Overseas Bank Ltd Singapore (AA- rated), and in favour of Russia payment card Mir with Russian National payment card system (NSPK).

As at 31 December 2020 the carrying value of guarantee deposits with payment systems was RR 15,475 million (2019: RR 8,877 million).

The table below discloses the credit quality of guarantee deposits with payment systems balances based on credit risk grades:

In millions of RR	31 December 2020	31 December 2019
- Excellent	14,803	8,376
- Good	672	501
Total guarantee deposits with payment systems	**15,475**	**8,877**

The carrying amount of guarantee deposits with payment systems at 31 December 2020 and 2019 also represents the Group's maximum exposure to credit risk on these assets. Refer to Note 29 for the description of credit risk grading system used by the Group. For the purpose of ECL measurement guarantee deposits with payment systems balances are included in Stage 1. Guarantee deposits with payment systems are unsecured financial assets.

The ECL for these balances represents an immaterial amount, therefore the Group did not create any credit loss allowance for guarantee deposits with payment systems. Refer to Note 29 for the ECL measurement approach. Interest rate, maturity and geographical risk concentration analysis are disclosed in Note 29.

10 Brokerage Receivables and Brokerage Payables

In millions of RR	31 December 2020	31 December 2019
Amounts receivable from brokers and clearing organizations	24,064	2,799
Total brokerage receivables	**24,064**	**2,799**
Amounts payable to brokers and clearing organizations	9,206	1,207
Total brokerage payables	**9,206**	**1,207**

Brokerage receivables represent placements under reverse sale and repurchase agreements made by the Bank with central counterparty to provide customers of the Bank who have brokerage accounts with the Bank with the possibility to acquire securities in case those customers have insufficient own funds to acquire those securities. These balances are fully collateralized by highly liquid securities and have minimal credit risk. As at 31 December 2020 the fair value of collateral of brokerage receivables was RR 24,113 million (31 December 2019: RR 2,239 million). For the purpose of ECL measurement brokerage receivables are included in Stage 1. The ECL for these balances represents an immaterial amount, therefore the Group did not recognise any credit loss allowance for brokerage receivables.

Brokerage payables represent funds attracted under sale and repurchase agreements made by the Bank with central counterparty to provide customers of the Bank who have brokerage accounts with the Bank with the possibility to borrow securities and make a short sale.

As at 31 December 2020 the fair value of collateral of brokerage payables was RR 9,696 million (31 December 2019: RR 1,282 million).

ECL measurement approach, interest rate, maturity and geographical risk concentration analysis are disclosed in Note 29. Refer to Note 32 for the disclosure of the the offsetting assets and liabilities. Refer to Note 36 for the disclosure of the fair value of brokerage receivables and brokerage payables.

Notes to the Consolidated Financial Statements (Continued)

11 Tangible Fixed Assets, Intangible Assets and Right-of-use Assets

In millions of RR	Land	Building	Equip-ment	Leasehold improve-ments	Vehicles	Total tan-gible fixed assets	Intangible assets
Cost							
At 31 December 2018	**396**	**4,219**	**4,341**	**1,536**	**42**	**10,534**	**6,625**
Additions	-	-	1,788	86	46	1,920	2,564
Disposals	-	-	(59)	(2)	-	(61)	(72)
At 31 December 2019	**396**	**4,219**	**6,070**	**1,620**	**88**	**12,393**	**9,117**
Additions	-	-	2,168	2	-	2,170	3,669
Disposals	-	-	(164)	(231)	-	(395)	(73)
At 31 December 2020	**396**	**4,219**	**8,074**	**1,391**	**88**	**14,168**	**12,713**
Depreciation and amortisation							
At 31 December 2018	**-**	**(90)**	**(1,527)**	**(515)**	**(33)**	**(2,165)**	**(2,402)**
Charge for the year (Note 24)	-	(43)	(1,076)	(160)	(8)	(1,287)	(1,331)
Disposals	-	-	9	2	-	11	51
At 31 December 2019	**-**	**(133)**	**(2,594)**	**(673)**	**(41)**	**(3,441)**	**(3,682)**
Charge for the year (Note 24)	-	(43)	(1,421)	(149)	(4)	(1,617)	(1,961)
Disposals	-	-	103	128	-	231	12
At 31 December 2020	**-**	**(176)**	**(3,912)**	**(694)**	**(45)**	**(4,827)**	**(5,631)**
Net book value							
At 31 December 2019	**396**	**4,086**	**3,476**	**947**	**47**	**8,952**	**5,435**
At 31 December 2020	**396**	**4,043**	**4,162**	**697**	**43**	**9,341**	**7,082**

Intangible assets additions in the amount of RR 1,854 million related to capitalised the software developments by Tinkoff Software DC during the year ended 31 December 2020 (2019: RR 1,212 million).

Other intangible assets acquired during the year ended 31 December 2020 and 2019 mainly represent accounting software, retail banking software, insurance software, licenses and development of software.

Right-of-use assets and lease liabilities. Right-of-use-assets relate to the office premises leased by the Group. Rental contracts are typically for fixed periods from 1 to 5 years. The Group does not have extension or termination options of its lease agreements other than lease agreements of low value items.

The right of use assets by class of underlying items is analysed as follows:

In millions of RR	Office premises
Carrying amount at 1 January 2019	**1,671**
Additions	664
Depreciation charge (Note 24)	(727)
Carrying amount at 31 December 2019	**1,608**
Additions	234
Depreciation charge (Note 24)	(702)
Carrying amount at 31 December 2020	**1,140**

Prior to 1 January 2019 Group's leases of premises and equipment were classified as operating leases. From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability from the date when the leased asset becomes available for use by the Group.

Expenses relating to leases of low-value assets and short-term leases in the amount of RR 548 million are included in administrative and other operating expenses (2019: RR 410 million). Refer to Note 24. Total cash outflow for leases during the year ended 31 December 2020 was RR 758 million (2019: RR 1,087 million).

12 Other Financial and Non-financial Assets

In millions of RR	31 December 2020	31 December 2019
Other Financial Assets		
Settlement of operations with plastic cards	23,882	16,384
Other	7,188	5,289
Total Other Financial Assets	**31,070**	**21,673**
Other Non-Financial Assets		
Prepaid expenses	1,478	1,223
Other	1,908	1,287
Total Other Non-Financial Assets	**3,386**	**2,510**

Settlement of operations with plastic cards represents settlements with payment systems and payment channels on operations of the customers with banking cards due to be settled within 3 working days. This amount also includes prepayment to the payment systems for operations during holiday period.

At 31 December 2020, included in other financial assets are receivables, investments in associates and subrogation rights (2019: same).

As at 31 December 2020 and 2019 prepaid expenses consist of prepayments for marketing, IT support, security and ATM-service.

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Notes to the Consolidated Financial Statements (Continued)

12 Other Financial and Non-financial Assets (Continued)

The table below discloses the credit quality of other financial assets based on credit risk grades:

In millions of RR	31 December 2020	31 December 2019
- Excellent	19,683	9,219
- Good	11,387	12,454
Total other financial assets	**31,070**	**21,673**

Refer to Note 29 for the description of the Group's credit risk grading system.

For the purpose of ECL measurement settlement of operations with plastic cards balances and other receivables are included in Stage 1. The ECL for these balances represents an immaterial amount, therefore the Group did not recognise any credit loss allowance. Refer to Note 29 for the ECL measurement approach. Refer to Note 36 for the disclosure of the fair value of other financial assets. The maturity and geographical risk concentration analysis of amounts of other financial assets is disclosed in Note 29.

13 Due to Banks

In millions of RR	31 December 2020	31 December 2019
Correspondent accounts and overnight placements of other banks	4,795	23
Sale and repurchase agreements with other banks	24	-
Total due to banks	**4,819**	**23**

At 31 December 2020, included in the amounts due to other banks are liabilities of RR 24 million (31 December 2019: nil) arising from sale and repurchase agreements with debt securities at FVOCI. Refer to Note 8.

Refer to Note 36 for the disclosure of the fair value of amounts due to banks. Interest rate, maturity and geographical risk concentration analysis of due to banks is disclosed in Note 29. Refer to Notes 32 and 33 for information on the amounts included in due to banks received under sale and repurchase agreements and fair value of securities pledged.

14 Customer Accounts

In millions of RR	31 December 2020	31 December 2019
Individuals		
- Current/demand accounts	323,145	199,408
- Brokerage accounts	73,970	12,253
- Term deposits	135,995	137,292
IE and SME		
- Current/demand accounts	89,199	60,174
- Term deposits	2,213	1,880
Other legal entities		
- Current/demand accounts	2,267	495
- Term deposits	48	112
Total customer accounts	**626,837**	**411,614**

Refer to Note 36 for the disclosure of the fair value of customer accounts. Interest rate, maturity and geographical risk concentration analysis of customer accounts amounts is disclosed in Note 29. Information on related party balances is disclosed in Note 38.

15 Debt Securities in Issue

In millions of RR	Date of maturity	31 December 2020	31 December 2019
RR denominated bonds issued in April 2019	21 March 2029	10,134	10,158
RR denominated bonds issued in September 2019	12 September 2029	10,166	10,157
RR denominated bonds issued in April 2017	22 April 2022	2,492	2,468
RR denominated bonds issued in June 2016	24 June 2021	836	835
Structured debt notes issued in December 2020	5 December 2023	119	-
Structured debt notes issued in October 2020	5 October 2023	89	-
Structured debt notes issued in December 2020	1 December 2023	74	-
EUR denominated ECP issued in December 2019	20 November 2020	-	1,030
EUR denominated ECP issued in February 2019	18 February 2020	-	831
USD denominated ECP issued in December 2019	20 November 2020	-	599
Total debt securities in issue		**23,910**	**26,078**

On 3 April 2019 the Bank issued RR denominated bonds with a nominal value of RR 10,000 million at 9.25% coupon rate maturing on 21 March 2029.

On 25 September 2019 the Bank issued RR denominated bonds with a nominal value of RR 10,000 million at 8.25% coupon rate maturing on 12 September 2029.

On 28 April 2017 the Bank issued RR denominated bonds with a nominal value of RR 5,000 million at 9.65% coupon rate maturing on 22 April 2022.

On 30 June 2016 the Group issued RR denominated bonds with a nominal value of RR 3,000 million at 11.7% coupon rate maturing on 24 June 2021.

During October and December 2020 the Bank issued structured debt notes with the total nominal value of RR 282 million at 0.01% coupon rate maturing in October and December 2023. The structured debt notes are linked to the performance of the underlying assets, such as the gold trust and equity indexes. The derivative instruments embedded in the structured notes were separated and accounted within financial derivatives line in the consolidated statement of financial position.

On 20 December 2019 the Group issued two tranches of ECP denominated in USD and EUR maturing on 20 November 2020. USD denominated ECP has a nominal value of USD 10 million with a discount of 3.6%. EUR denominated ECP has a nominal value of EUR 15 million with a discount of 1.0%.

On 19 February 2019 the Group issued Euro-Commercial Paper (ECP) denominated in EUR maturing on 18 February 2020, which has a nominal value of EUR 12 million with a discount of 1.25%.

The Group redeemed all outstanding ECP at maturity date.

All RR denominated bonds and structured debt notes issued by the Bank are traded on the Moscow Exchange. Refer to Note 36 for the disclosure of the fair value of debt securities in issue. Interest rate, maturity and geographical risk concentration analysis of debt securities in issue are disclosed in Note 29.

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Notes to the Consolidated Financial Statements (Continued)

16 Subordinated Debt

As at 31 December 2020 the carrying value of the subordinated debt was RR 20,755 million (31 December 2019: RR 18,487 million).

On 15 June 2017 the Group issued perpetual subordinated loan participation notes with a nominal value of USD 300 million with zero premium. The notes have no stated maturity. The Group has a right to repay the notes at its discretion starting from 15 September 2022 and they are repayable in case of certain events other than liquidation. The notes bear a fixed interest rate of 9.25% p.a. payable quarterly starting from 15 September 2017. Interest payments may be cancelled by the Group at any time.

The claims of lenders against the Group in respect of the principal and interest on these bonds are subordinated to the claims of other creditors in accordance with the legislation of the Russian Federation.

The perpetual subordinated loan participation notes are traded on the Global Exchange Market. Interest rate, maturity and geographical risk concentration analysis of subordinated debt is disclosed in Note 29. Refer to Note 36 for the disclosure of the fair value of financial instruments.

17 Insurance Provisions

In millions of RR	31 December 2020	31 December 2019
Insurance Provisions		
Provision for unearned premiums	3,907	3,938
Loss provisions	2,160	2,342
Total Insurance Provisions	**6,067**	**6,280**

Movements in provision for unearned premiums for the year ended 31 December 2020 and 2019 are as follows:

	2020			2019		
In millions of RR	Gross provision	Reinsurer's share of provision	Provision net of reinsurance	Gross provision	Reinsurer's share of provision	Provision net of reinsurance
Provision for unearned premiums as at 1 January	**3,938**	**(11)**	**3,927**	**1,760**	**(3)**	**1,757**
Change in provision, gross	(31)	-	(31)	2,178	-	2,178
Change in reinsurers' share of provision	-	-	-	-	(8)	(8)
Provision for unearned premiums as at 31 December	**3,907**	**(11)**	**3,896**	**3,938**	**(11)**	**3,927**

Movements in loss provisions for the year ended 31 December 2020 and 2019 are as follows:

In millions of RR	Note	OCP and IBNR	URP	Provision for claims handling expenses	Total loss provisions
Loss provisions as at 31 December 2018		**965**	**9**	**125**	**1,099**
Losses incurred in the current reporting period		4,026	-	-	4,026
Changes in OCP, IBNR and claims handling provisions related to prior periods		(138)	-	(39)	(177)
Insurance claims paid	23	(2,923)	-		(2,923)
Claims handling expenses accrued		-	-	862	862
Claims handling expenses paid	23	-	-	(733)	(733)
Unexpired risk provision charge		-	253	-	253
Unexpired risk provision written off		-	(65)	-	(65)
Loss provisions as at 31 December 2019		**1,930**	**197**	**215**	**2,342**
Losses incurred in the current reporting period		3,456	-	-	3,456
Changes in OCP, IBNR and claims handling provisions related to prior periods		(119)	-	147	28
Insurance claims paid	23	(3,500)	-		(3,500)
Claims handling expenses accrued		-	-	528	528
Claims handling expenses paid	23	-	-	(497)	(497)
Unexpired risk provision reversal		-	(197)	-	(197)
Loss provisions as at 31 December 2020		**1,767**	**-**	**393**	**2,160**

18 Other Financial and Non-financial Liabilities

In millions of RR	31 December 2020	31 December 2019
Other financial liabilities		
Settlement of operations with plastic cards	23,079	6,427
Trade payables	6,150	4,621
Credit related commitments (Note 31)	3,537	2,242
Other	1,571	1,358
Total other financial liabilities	**34,337**	**14,648**
Other non-financial liabilities		
Accrued administrative expenses	2,171	1,277
Taxes payable other than income tax	1,731	1,321
Lease liabilities	1,340	1,694
Other	663	582
Total other non-financial liabilities	**5,905**	**4,874**

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Notes to the Consolidated Financial Statements (Continued)

18 Other Financial and Non-financial Liabilities (Continued)

Settlements of operations with plastic cards include funds that were spent by customers of the Bank by usage of plastic cards but have not yet been compensated to payment systems by the Bank. Accrued administrative expenses are mainly represented by accrued staff costs.

During 2020 the Group has managed to apply an online posting mechanism which allowed customer accounts to be debited and payment systems to be credited for their transactions at the time of authorisation of the transaction. In prior periods transactions were posted only after their clearing by payment systems which could require another business day.

Movements in the credit loss allowance for credit related commitments were as follows for the year ended 31 December 2020:

In millions of RR	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im-paired)	Gross committed amount
At 31 December 2019	2,228	14	-	2,242
Movements with impact on provision for credit related commitments charge for the year:				
New originated or purchased	920	-	-	920
Transfers:				
- to lifetime (from Stage 1 to Stage 2)	(36)	15	-	(21)
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(59)	(6)	-	(65)
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	7	(15)	-	(8)
Changes to ECL measurement model assumptions and estimates	(637)	(1)	-	(638)
Movements other than transfers and new originated or purchased loans	1,090	17	-	1,107
Total charge to profit or loss for the year	**1,285**	**10**	**-**	**1,295**
At 31 December 2020	**3,513**	**24**	**-**	**3,537**

Movements in the credit loss allowance for credit related commitments were as follows for the year ended 31 December 2019:

In millions of RR	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im-paired)	Gross committed amount
At 31 December 2018	**2,024**	**17**	**-**	**2,041**
Movements with impact on provision for credit related commitments charge for the year:				
New originated or purchased	840	-	-	840
Transfers:				
- to lifetime (from Stage 1 to Stage 2)	(23)	9	-	(14)
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(45)	(7)	-	(52)
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	5	(15)	-	(10)
Changes to ECL measurement model assumptions and estimates	(163)	-	-	(163)
Movements other than transfers and new originated or purchased loans	(410)	10	-	(400)
Total charge to profit or loss for the year	**204**	**(3)**	**-**	**201**
At 31 December 2019	**2,228**	**14**	**-**	**2,242**

The main movements in the table presented above are described as follows:

- new originated or purchased category represents the day one 12-month ECL for the undrawn part of the purchased loans and loans to new borrowers (for this particular product) before the first payment became due;
- transfers between Stage 1, 2 and 3 due to undrawn limits experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and Lifetime ECL. Transfers present the amount of credit loss allowance for loan commitments charged or recovered at the moment of transfer of a loan commitment among the respective stages;
- movements other than transfers and new originated or purchased loans category represents all other movements of ECL for loan commitments in particular related to changes in gross carrying amounts of associated loans, ECL model assumptions and other.

Interest rate, maturity and geographical risk concentration analysis of other financial liabilities is disclosed in Note 29. Refer to Note 36 for disclosure of fair value of other financial liabilities. Refer to Note 31 for analysis of loan commitments by credit risk grades.

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Notes to the Consolidated Financial Statements (Continued)

19 Share Capital, Share Premium and Treasury Shares

In millions of RR except for the number of shares	Number of authorised shares	Number of outstanding shares	Ordinary shares	Share premium	Treasury shares	Total
At 1 January 2019	**191,770,766**	**182,638,825**	**188**	**8,623**	**(3,670)**	**5,141**
Shares issued	18,263,882	16,666,667	42	18,874	-	18,916
Secondary public offering (SPO) costs	-	-	-	(499)	-	(499)
GDRs and shares transferred under MLTIP	-	-	-	-	506	506
At 31 December 2019	**210,034,648**	**199,305,492**	**230**	**26,998**	**(3,164)**	**24,064**
GDRs buy-back	-	-	-	-	(661)	(661)
GDRs and shares transferred under MLTIP	-	-	-	-	587	587
At 31 December 2020	**210,034,648**	**199,305,492**	**230**	**26,998**	**(3,238)**	**23,990**

At 31 December 2020 the total number of outstanding shares is 199,305,492 shares (31 December 2019: 199,305,492 shares) with a par value of USD 0.04 per share (31 December 2019: USD 0.04 per share).

At 31 December 2020 and 2019 treasury shares represent GDRs of the Group repurchased from the market for the purposes permitted by Cyprus law including contribution to MLTIP. Refer to Note 38.

At 31 December 2020 the total number of treasury shares is 3,013,379 (31 December 2019: 4,185,166).

During the year ended 31 December 2020 the Group repurchased 650,000 GDRs at market price for RR 661 million (2019: no GDRs were repurchased by the Group).

During the year ended 31 December 2020 the Group transferred 1,809,681 GDRs (2019: 2,419,187 GDRs), representing 0.91% (2019: 1.21%) of the issued shares, upon vesting under the MLTIP. This resulted in a transfer of RR 587 million (2019: RR 506 million) out of treasury shares to retained earnings.

In June 2019 the Company's shareholders approved a resolution to increase the authorised share capital to USD 8,401,385.92 by the creation of 18,263,882 new undesignated ordinary shares of nominal value USD 0.04 each. At 31 December 2020 the total number of authorised shares is 210,034,648 shares (31 December 2019: 210,034,648 shares) with a par value of USD 0.04 per share (31 December 2019: USD 0.04 per share).

On 2 July 2019 the Group completed a SPO on the London Stock Exchange plc and issued 16,666,667 class A shares of the Company in the form of GDRs at a price of USD 18.00 per GDR, raising aggregate gross proceeds of USD 300 million (RR 18,916 million). All issued ordinary shares are fully paid.

All the incurred SPO costs were primary direct expenses accounted within share premium.

Basic earnings per share are calculated by dividing the profit or loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year, excluding treasury shares. For the purpose of calculating diluted earnings per share the Group considered the dilutive effect of share options granted under MLTIP.

Earnings per share are calculated as follows:

In millions of RR except for the number of shares	2020	2019
Profit for the year attributable to ordinary shareholders of the Company	44,209	36,122
Weighted average number of ordinary shares in issue used for basic earnings per ordinary share calculation (thousands)	195,962	186,559
Weighted average number of ordinary shares in issue used for diluted earnings per ordinary share calculation (thousands)	197,604	190,070
Basic earnings per ordinary share (expressed in RR per share)	**225.60**	**193.62**
Diluted earnings per ordinary share (expressed in RR per share)	**223.73**	**190.05**

Information on dividends is disclosed in Note 27.

Reconciliation of the number of shares used for basic and diluted EPS:

In thousands	Note	2020	2019
Weighted average number of ordinary shares in issue used for basic earnings per ordinary share calculation		**195,962**	**186,559**
Number of shares attributable for MLTIP		15,290	9,940
Number of shares transferred out of treasury shares upon vesting under the MLTIP to retained earnings or forfeited	38	(8,014)	(6,158)
Number of shares that would have been issued at fair value		(5,634)	(271)
Weighted average number of ordinary shares in issue used for diluted earnings per ordinary share calculation		**197,604**	**190,070**

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Notes to the Consolidated Financial Statements (Continued)

20 Net Margin

In millions of RR	2020	2019
Interest income calculated using the effective interest rate method		
Loans and advances to customers, including:		
Credit card loans	89,253	84,325
Cash loans	11,439	11,878
Secured loans	4,950	2,285
POS loans	4,806	3,452
Car loans	3,342	1,512
Loans to IE and SME	529	325
Debt securities and repurchase receivables at FVOCI	10,510	6,705
Brokerage operations	2,629	184
Placements with other banks and non-bank credit organizations with original maturities of less than three months	626	463
Total interest income calculated using the effective interest rate method	**128,084**	**111,129**
Other similar income		
Financial assets at FVTPL	83	118
Total interest income	**128,167**	**111,247**
Interest expense calculated using the effective interest rate method		
Customer accounts, including:		
Individuals		
- Current/demand accounts	9,590	8,988
- Term deposits	6,499	7,006
IE and SME	1,022	1,421
Other legal entities	24	40
RR denominated bonds	2,027	1,282
Subordinated debt	1,948	1,846
Due to banks	439	634
Euro-Commercial Paper	32	100
Total interest expense calculated using the effective interest rate method	**21,581**	**21,317**
Other similar expense		
Lease liabilities	139	134
Total interest expense	**21,720**	**21,451**
Expenses on deposit insurance	1,745	1,870
Net margin	**104,702**	**87,926**

21 Fee and Commission Income and Expense

In millions of RR	2020	2019
Fee and commission income		
Acquiring commission	11,049	8,342
SME services commission	7,437	6,757
Brokerage fee	4,998	635
Fee for selling credit protection	4,657	5,550
Interchange fee	3,963	3,473
SMS fee	3,945	3,244
Foreign currency exchange transactions fee	3,943	3,024
Fee for money transfers	3,117	1,980
Income from MVNO services	1,815	890
Cash withdrawal fee	746	720
Marketing services fee	394	340
Replenishment fee	141	141
Other fees receivable	1,404	762
Total fee and commission income	**47,609**	**35,858**

SME services commission represents commission for services to individual entrepreneurs and small to medium businesses. Fee for selling credit protection represents fee which the Bank receives for selling voluntary credit insurance to borrowers of the Group. Acquiring commission represents commission for processing card payments from online and offline points of sale. Income from MVNO services represents income from providing mobile services such as full coverage across Russia and international roaming, offering a number of value-added options such as virtual numbers, music and video streaming services, etc.

The Group has refined the presentation of the Group's revenue structure by reclassifying the sum of merchant acquiring fee from SME services commission to acquiring commission. The comparative information was amended accordingly.

In millions of RR	2020	2019
Fee and commission expense		
Payment systems	14,684	10,420
Service fees	2,177	2,043
Banking and other fees	2,225	423
Payment channels	1,288	1,327
Costs of MVNO services	1,225	910
Total fee and commission expense	**21,599**	**15,123**

Payment systems fees represent fees for MasterCard, Visa and other payment systems' services. Service fees represent fees for statement printing, mailing service, sms services and others. Payment channels represent fees paid to third parties through whom borrowers make loan repayments. Costs of MVNO services represent expenses for the traffic, telecommunications service and roaming.

Refer to Note 40 that describes the types of revenues recognized on a point in time basis and on the over time basis.

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Notes to the Consolidated Financial Statements (Continued)

22 Customer Acquisition Expense

In millions of RR	2020	2019
Marketing and advertising	10,636	8,106
Staff costs	6,689	5,916
Taxes other than income tax	1,869	1,413
Partnership expenses	1,065	979
Cards issuing expenses	890	411
Credit bureaux	878	697
Telecommunication expenses	284	326
Other acquisition	277	329
Total customer acquisition expenses	**22,588**	**18,177**

Customer acquisition expenses represent expenses paid by the Group on services related to origination of customers which are not directly attributable to the recognised assets and are not incremental. The Group uses a variety of different channels for the acquisition of new customers.

Staff costs represent salary expenses and related costs of employees directly involved in customer acquisition. Included in staff costs are statutory social contributions to the state non-budgetary funds in the amount of RR 1,650 million for the year ended 31 December 2020 (2019: RR 1,561 million).

23 Insurance Premiums Earned and Claims Incurred

In millions of RR	2020	2019
Insurance premiums earned		
Insurance premiums on insurance, co-insurance and reinsurance operations	18,536	16,289
Change in provision for unearned premiums	31	(2,178)
Reinsurers' share	-	(1)
Total Insurance premiums earned	**18,567**	**14,110**
Insurance claims incurred		
Insurance claims on insurance, co-insurance and reinsurance operations	(3,500)	(2,923)
Changes in loss provisions	182	(1,243)
Claims handling expenses	(497)	(733)
Reinsurers' share	1	8
Total Insurance claims incurred	**(3,814)**	**(4,891)**

The Insurance company provides following types of insurance:

Personal accident insurance and collective insurance against accidents, illnesses or loss of work provides compensation and financial protection in the event of injuries, disability, death or loss of loss of work of the borrower. It is different from life insurance and medical and health insurance. In accordance with the terms of individual insurance contracts, the policyholder and beneficiary is an individual who has entered into an insurance contract. In accordance with the terms of the collective insurance contract, the insurer is the Bank that has concluded the collective insurance contract with the Insurance Company, the beneficiary is the insured individual.

Motor vehicle insurance and property insurance provides compensation for damage to a client's vehicle or other property.

Compulsory third party liability insurance (CTP) contracts provide the insured with financial protection from the risk of civil liability of vehicle owners, which may occur as a result of harm to life, health or property of others when using vehicles.

Voluntary third party (VTP) risk insurance contracts provide the insured with financial protection in case of insufficiency of insurance payment for compulsory third party liability insurance of motor vehicle owners (CTP) to compensate for harm caused to life, health and / or property.

Travel insurance provides compensation in case of medical or other unforeseen expenses of the client while being away from their place of permanent residence.

Staff and administrative expenses for insurance operations are included in Note 24.

24 Administrative and Other Operating Expenses

In millions of RR	Note	2020	2019
Staff costs		24,335	19,204
Amortization of intangible assets	11	1,961	1,331
Depreciation of fixed assets	11	1,617	1,287
Taxes other than income tax		1,421	1,473
Information services		1,299	787
Other provisions		1,206	260
Depreciation of right-of-use assets	11	702	727
Professional services		600	773
Short-term and low-value lease	11	548	410
Collection expenses		393	165
Office maintenance and office supplies		391	383
Communication services		275	280
Security expenses		189	167
Other administrative expenses		684	605
Total administrative and other operating expenses		**35,621**	**27,852**

The total fees charged by the Company's statutory auditor for the statutory audit of the annual consolidated and separate financial statements of the Company for the year ended 31 December 2020 amounted to RR 6.9 million (2019: RR 2.8 million). The total fees charged by the Company's statutory auditor for the year ended 31 December 2020 for other assurance services amounted to RR 0.8 million (2019: RR 3.8 million), for tax advisory services amounted to RR 3.4 million (2019: RR 2.3 million) and for other non-assurance services amounted to RR 0.1 million (2019: 2.2 million).

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Notes to the Consolidated Financial Statements (Continued)

24 Administrative and Other Operating Expenses (Continued)

Included in staff costs are statutory social contributions to the non-budget funds and share-based remuneration:

In millions of RR	2020	2019
Statutory social contribution to the non-budget funds	4,223	3,398
Total	**4,223**	**3,398**
Share-based remuneration		
- Management long-term incentive programme	1,092	469
- Key employees retention plan	372	-
Total	**1,464**	**469**

The average number of employees employed by the Group during the reporting year, including those who are working under civil contracts, was 25,970 (2019: 26,780).

25 Other Operating Income

In millions of RR	2020	2019
Subrogation fee	250	218
Reimbursement fee	190	194
Other	1,005	310
Total other operating income	**1,445**	**722**

26 Income Taxes

Income tax expense comprises the following:

In millions of RR	2020	2019
Current tax	10,612	13,844
Deferred tax	1,424	(4,431)
Total income tax expense	**12,036**	**9,413**

The income tax rate applicable to the majority of the Group's income is 20% (2019: 20%). The operations of the Group are subject to multiple tax jurisdictions. The income tax rate applicable to the Russian subsidiaries of the Company is 20%. The income tax rate applicable to the Company registered in Cyprus is 12.5% (2019: 12.5%).

A reconciliation between the expected and the actual taxation charge is provided below.

In millions of RR	2020	2019
Profit before tax	**56,249**	**45,536**
Theoretical tax expense at statutory rate of 20% (2019: 20%)	11,250	9,107
Tax effect of items, which are not deductible or assessable for taxation purposes:		
- Non-deductible expenses	418	272
- Other expenses including dividend tax	709	38
Unrecognised tax losses	109	226
Effects of different tax rates:		
- Income on government and corporate securities taxed at different rates	(448)	(214)
- Results of companies of the Group taxed at different statutory rates	(2)	(16)
Income tax expenses for the year	**12,036**	**9,413**

Differences between IFRS and taxation regulations in Russia and other countries give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. As all of the Group's temporary differences arise in Russia, the tax effect of the movements in these temporary differences is detailed below and is recorded at the rate of 20% (2019: 20%).

In the context of the Group's current structure and Russian tax legislation, tax losses and current tax assets of different group companies may not be offset against current tax liabilities and taxable profits of other group companies and, accordingly, taxes may accrue even where there is a consolidated tax loss.

Therefore, deferred tax assets and liabilities are offset only when they relate to the same taxable entity and the same taxation authority.

The tax effect of the movements in temporary differences for the year ended 31 December 2020 is detailed below.

In millions of RR	31 December 2019	(Charged)/credited to profit or loss	Credited to OCI	31 December 2020
Tax effect of deductible and taxable temporary differences				
Loans and advances to customers	3,515	35	-	3,550
Tangible fixed assets	(604)	98	-	(506)
Right-of-use assets	(322)	136	-	(186)
Intangible assets	(271)	26	-	(245)
Revaluation of debt investments at FVOCI	(1,019)	(1,117)	663	(1,473)
Revaluation of debt investments at FVTPL	-	(34)	-	(34)
Accrued expenses and other temporary differences	(187)	564	-	377
Lease liabilities	339	(108)	-	231
Customer accounts	(44)	(9)	-	(53)
Debt securities in issue	(62)	4	-	(58)
Financial derivatives	40	(1,031)	-	(991)
Insurance provisions	(10)	12	-	2
Net deferred tax assets	**1,375**	**(1,424)**	**663**	**614**

The tax effect of the movements in temporary differences for the year ended 31 December 2019 is detailed below.

Notes to the Consolidated Financial Statements (Continued)

26 Income Taxes (Continued)

In millions of RR	31 December 2018	1 January 2019 (IFRS 16 adoption)	Credited/ (charged) to profit or loss	Charged to OCI	31 December 2019
Tax effect of deductible and taxable temporary differences					
Loans and advances to customers	696	-	2,819	-	3,515
Tangible fixed assets	(601)	-	(3)	-	(604)
Right-of-use assets	-	(334)	12	-	(322)
Intangible assets	(285)	-	14	-	(271)
Revaluation of debt investment at FVOCI	(487)	-	702	(1,234)	(1,019)
Revaluation of debt investment at FVTPL	1	-	(1)	-	-
Accrued expenses and other temporary differences	(773)	-	586	-	(187)
Lease liabilities	-	333	6	-	339
Customer accounts	(21)	-	(23)	-	(44)
Debt securities in issue	(40)	-	(22)	-	(62)
Financial derivatives	(324)	-	364	-	40
Insurance provisions	13	-	(23)	-	(10)
Net deferred tax (liabilities)/assets	**(1,821)**	**(1)**	**4,431**	**(1,234)**	**1,375**

27 Dividends

The movements in dividends during the year ended 31 December 2020 and 2019 are as follows:

In millions of RR	2020	2019
Dividends payable at 1 January	**582**	**760**
Dividends declared	11,563	5,856
Dividends paid	(11,853)	(5,601)
Foreign exchange differences and other movements	364	(433)
Dividends payable at 31 December	**656**	**582**
Dividends per share declared (in USD)	**0.80**	**0.49**

Dividends declared in the tables above represent dividends declared by the Board of directors are reduced by RR 74 million for the year ended 31 December 2020 due to dividends on GDRs acquired by the Company from the market not for the immediate purposes of the existing MLTIP (2019: RR 25 million).

On 11 November 2020 the Board of directors declared an interim dividend in line with the current dividend policy of USD 0.25 (RR 19.10) per share/per GDR with a total amount allocated for dividend payment of around USD 49.8 million (RR 3,807 million). Declared dividends were paid in USD on 30 November 2020.

On 5 August 2020 the Board of directors declared an interim dividend in line with the current dividend policy of USD 0.20 (RR 14.68) per share/per GDR with a total amount allocated for dividend payment of around USD 39.9 million (RR 2,925 million). Declared dividends were paid in USD on 24 August 2020.

On 11 May 2020 the Board of directors declared an interim dividend in line with the current dividend policy of USD 0.14 (RR 10.34) per share/per GDR with a total amount allocated for dividend payment of around USD 28 million (RR 2,061 million). Declared dividends were paid in USD on 1 and 2 June 2020.

On 10 March 2020 the Board of directors declared an interim dividend of USD 0.21 (RR 14.18) per share/per GDR with a total amount allocated for dividend payment of around USD 41.9 million (RR 2,826 million). Declared dividends were paid in USD on 30 March and 1 April 2020.

On 13 May 2019 the Board of directors declared an interim dividend of USD 0.17 (RR 11.09) per share/per GDR amounting to USD 31.05 million (RR 2,026 million). Declared dividends were paid in USD on 28 and 30 May 2019.

On 11 March 2019 the Board of directors declared an interim dividend of USD 0.32 (RR 21.11) per share/per GDR amounting to USD 58.4 million (RR 3,855 million). Declared dividends were paid in USD on 25 and 27 March 2019.

Dividends were declared and paid in USD throughout the years ended 31 December 2020 and 2019. Dividends payable at 31 December 2020 related to treasury shares acquired under MLTIP amounting to RR 656 million are included in other non-financial liabilities (31 December 2019: RR 582 million).

28 Reconciliation of Liabilities Arising from Financing Activities

The table below sets out an analysis of the Group's debt and the movements in the Group's debt for each of the periods presented. The debt items are those that are reported as financing in the consolidated statement of cash flows.

In millions of RR	Debt securities in issue	Perpetual subordinated bonds	Lease liabilities	Total
At 31 December 2018	**9,605**	**20,644**	**-**	**30,249**
Adoption of IFRS 16	-	-	1,665	1,665
Cash flows from repayments	(6,583)	-	(1,087)	(7,670)
Cash flows from proceeds	23,254	46		23,300
Foreign exchange adjustments	(432)	(2,267)	-	(2,699)
Other non-cash movements	234	64	1,116	1,414
At 31 December 2019	**26,078**	**18,487**	**1,694**	**46,259**
Cash flows from repayments	(2,894)	(1,937)	(758)	(5,589)
Cash flows from proceeds	331	710	-	1,041
Foreign exchange adjustments	459	3,609	-	4,068
Other non-cash movements	(64)	(114)	404	226
At 31 December 2020	**23,910**	**20,755**	**1,340**	**46,005**

Notes to the Consolidated Financial Statements (Continued)

29 Financial and Insurance Risk Management

The risk management function within the Group is carried out with respect to financial risks, operational risks and legal risks by the management of the Bank and Insurance Company. Financial risk comprises market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The primary function of financial risk management is to establish risk limits and to ensure that any exposure to risk stays within these limits. The operational and legal risk management functions are intended to ensure the proper functioning of internal policies and procedures in order to minimize operational and legal risks.

Credit risk. The Group exposes itself to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to meet an obligation. Exposure to credit risk arises as a result of the Group's lending and other transactions with counterparties giving rise to financial assets. The Group grants retail loans and SME loans to customers across all regions of Russia, therefore its credit risk is broadly diversified.

The management of the Group takes special measures to mitigate growing credit risk such as decreasing of credit limits for unreliable clients, diversifying of modes of work with overdue borrowers, toughening of scoring for the new borrowers etc., giving rise to financial assets and off-balance sheet credit-related commitments.

The Group's maximum exposure to credit risk is reflected in the carrying amounts of financial assets in the consolidated statement of financial position. For financial guarantees issued, commitments to extend credit, undrawn credit lines, the maximum exposure to credit risk is the amount of the commitment (Note 31).

The Bank created a credit committee, which establishes general principles for lending to individual borrowers. According to these principles, the minimum requirements for potential customers are listed below:

- Citizenship of the Russian Federation;
- Age from 18 to 70 y.o., but not older than 70 y.o. at the time of loan repayment;
- Availability of a cell-phone;
- Permanent employment;
- Permanent income.

For cash loans, minimum requirements are listed below:

- The requested loan term is from 3 to 36 months;
- Cash loan volumes range between RR 50 thousand and RR 2,000 thousand.

For POS loans minimum requirements are listed below:

- The requested loan amount should exceed RR 3 thousand;
- The requested loan term is from 3 to 36 months;
- The amount of one POS loan does not exceed RR 500 thousand.

For secured loans minimum requirements are listed below:

- The requested loan secured with a car amount should be between RR 100 thousand and RR 3,000 thousand, loan term is from 3 months to 5 years. The requirement for the car is in good condition of driving with an age not more than 15 years, availability of a vehicle registration certificate and vehicle passport;
- The requested loan secured with a real estate amount should be between RR 200 thousand and RR 15,000 thousand, loan term is from 3 months to 15 years. The requirement for the real estate is an apartment in the apartment building within the Russian Federation, which is free from any encumbrances.

For car loans minimum requirements are listed below:

- The requested loan term is from 1 to 5 years;
- Car loan volumes up to RR 3,000 thousand;
- The requirement for the car is with an age not more than 18 years and availability of vehicle passport.

For loans to SME minimum requirements are listed below:

- Working capital loan: loan volumes up to RR 10,000 thousand and loan term to 6 months;
- Credit for individual entrepreneurs for any purpose: loan volumes up to RR 2,000 thousand and loan term to 36 months;
- Credit for individual entrepreneurs secured by real estate: loan volumes up to RR 15 million and loan term to 15 years. The requirement for the real estate is an apartment in the apartment building within the Russian Federation, which is free from any encumbrances;
- Investment credit line secured by real estate: loan volumes up to RR 15 million and loan term to 5 years. The requirement for the real estate is an apartment in the apartment building within the Russian Federation, which is free from any encumbrances;
- For SME with a turnover from RR 120 million per year: loan volumes up to RR 60 million and loan term to 5 years.

A credit decision process includes:

- Validation of the application data. The system checks the validity of the data provided (addresses, telephone numbers, age, if the applicant already uses any other products of the Bank);
- Phone verification of the application information about the potential customer, his/her employment, social and property status, etc. This step may be omitted for POS loans;
- Requesting of the previous credit history of the applicant from the three largest credit bureaus in Russia – Equifax, UCB (United Credit Bureau) and NBCH (National Bureau of Credit Histories);
- Based on all available information, the credit score of the applicant is calculated and a final decision is made about the approval of the credit product;
- The approved loan amount, loan term and tariff plan are calculated depending on the score and declared income.

Management of the Group manages the credit risk on unused limits on credit cards in the following way:

a) if the credit card loan is overdue for more than 7 days, its account will be blocked till repayment;

b) if the borrower had lost his/her source of income, then borrower account might be blocked till verification of his/her new employment;

c) if borrower's loan debt burden in other banks is substantially bigger than at the time of loan origination or the credit quality of the borrower decreases significantly then the borrower's limit for credit might be reduced accordingly.

When a customer experiences serious difficulties with his/her current debt servicing, he/she may be offered loan restructuring. In this case the Bank stops accrual of interest, commissions and fines and the debt amount is restructured according to a fixed instalment payment plan with not more than 36 equal monthly payments. Another way of working with overdue loans is initiation of the state court process. This collection option statistically gives greater recovery than the sale of credit-impaired loans. Defaulted clients that could be subject to the court process are chosen by the Bank's Collection Department considering the following criteria:

a) the client's account balance was fixed, accrual of interest stopped;

b) information about the client is considered to be up to date;

c) the client denied restructuring program;

d) term of limitation of court actions has not expired;

e) court process is economically justified.

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Notes to the Consolidated Financial Statements (Continued)

29 Financial and Insurance Risk Management (Continued)

When loans become unrecoverable or not economically viable to pursue further collection efforts, the Collection Department may decide to sell these loans to a debt collection agency. The Collection Department considers the following criteria for credit-impaired loans qualifying for sale to external debt collection agencies:

a) loans remain unpaid after all collection procedures were performed (no payment during last 4-6 months);

b) the debtor cannot be either reached or found for the previous 4 months;

c) the debtor has no assets and there is no expectation he/she will have any in the future;

d) the debtor has died and there is no known estate or guarantor;

e) it is determined that it is not cost effective to continue collection efforts.

Credit risk grading system. For measuring credit risk and grading financial instruments except for loans and advances to customers by the level of credit risk, the Group applies risk grades estimated by external international rating agencies in case these financial instruments have risk grades estimated by external international rating agencies (using Fitch ratings and in case of their absence - Moody's or Standard & Poor's ratings adjusting them to Fitch's categories using a reconciliation table):

Master scale credit risk grade	Corresponding ratings of external international rating agency (Fitch)
Excellent	AAA, AA+ to AA-, A+ to A-
Good	BBB+ to BBB-, BB+
Monitor	BB to B+
Sub-standard	B, B-
Doubtful	CCC+ to CC-
Default	C, D

Each master scale credit risk grade is assigned a specific degree of creditworthiness:

- *Excellent* – high credit quality with lowest or very low expected credit risk;
- *Good* – good credit quality with currently low expected credit risk;
- *Monitor* – adequate credit quality with a moderate credit risk;
- *Sub-standard* – moderate credit quality with a satisfactory credit risk;
- *Doubtful* – facilities that require closer monitoring and remedial management; and
- *Default* – facilities in which a default has occurred.

For measuring credit risk and grading loans and advances to customers, credit related commitments and those financial instruments which do not have risk grades estimated by external international rating agencies, the Group applies risk grades and the corresponding range of probabilities of default (PD):

Master scale credit risk grade	Corresponding interval
Excellent	For credit cards: non-overdue with PD < 5%; for other types of loans: non-overdue for the last 12 months with PD < 5% or with early repayments
Good	all other non-overdue loans
Monitor	1-30 days overdue for all types of loans or without first due date for credit card loans
Sub-standard	31-90 days overdue or restructured loans 0-90 days overdue
NPL	90+ days overdue

The condition of early repayments is satisfied, as described in the table above, if cumulative amount of early repayments exceed 5% of the gross carrying amount at the date of recognition of the loan.

Each master scale credit risk grade is assigned a specific degree of creditworthiness:

- *Excellent* – strong credit quality with minimum expected credit risk;
- *Good* – adequate credit quality with low expected credit risk;
- *Monitor* – adequate credit quality with a moderate credit risk and credit cards loans before the first due date;
- *Sub-standard* – low credit quality with a substantial credit risk, includes restructured loans that are less than 90 days overdue;
- *NPL* – non-performing loans, credit-impaired loans more than 90 days overdue.

The rating models are regularly reviewed by the Credit Risk Department, backtested on actual default data and updated if necessary. Despite the method used, the Group regularly validates the accuracy of ratings estimates and appraises the predictive power of the models.

Expected credit loss (ECL) measurement – definitions and description of estimation techniques. *ECL* is a probability-weighted estimate of the present value of future cash shortfalls (i.e., the weighted average of credit losses, with the respective risks of default occurring in a given time period used as weights). ECL measurement is based on the following components used by the Group:

Default occurs when a financial asset is 90 days past due or less than 90 days overdue but with the final statement issued, i.e. the limit is closed, the balance is fixed, interest and commissions are no longer accrued.

Probability of Default (PD) – an estimate of the likelihood of default to occur over a given time period.

Exposure at Default (EAD) – an estimate of exposure at a future default date, taking into account expected changes in exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities.

Loss Given Default (LGD) – an estimate of the loss arising on default as a percentage of the EAD. It is based on the difference between the contractual cash flows due and those that the Group would expect to receive.

Discount Rate – a rate to discount an expected loss to its present value at the reporting date. The discount rate represents the effective interest rate (EIR) for the financial instrument or an approximation thereof.

Lifetime period – the maximum period over which ECL should be measured. For loans with fixed maturity, the lifetime period is equal to 20 months. For revolving facilities, it is based on statistics of the average period between the moment of the loan falling into the Stage 2 until the write-off or attrition. Currently the Group estimates that this period equals to 4 years, though it is subject to periodical reassessment.

Lifetime ECL – losses that result from all possible default events over the remaining lifetime period of the financial instrument.

12-month ECL – the portion of lifetime ECLs that represent the ECLs resulting from default events on a financial instrument that are possible within 12 months after the reporting date that are limited by the remaining contractual life of the financial instrument.

Forward looking information – the information that includes the key macroeconomic variables impacting credit risk and expected credit losses for each portfolio segment. A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information.

Credit Conversion Factor (CCF) – a coefficient that shows that the probability of conversion of an off-balance sheet amount to exposure on the consolidated statement of financial position within a defined period. It can be calculated for a 12-month or lifetime period. Based on the analysis performed, the Group considers that 12-month and lifetime CCFs are the same.

Purchased or originated credit-impaired (POCI) financial assets - financial assets that are credit-impaired upon initial recognition.

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Notes to the Consolidated Financial Statements (Continued)

29 Financial and Insurance Risk Management (Continued)

Default and credit-impaired assets – assets for which a default event has occurred.

The default definition stated above should be applied to all types of financial assets of the Group.

An instrument is considered to no longer be in default (i.e. to have "cured") when it no longer meets any of the default criteria.

Significant increase in credit risk (SICR) – the SICR assessment is performed on an individual basis for all financial assets by monitoring the triggers stated below. The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by the Group's Risk Management Department.

The Group considers a financial instrument to have experienced a SICR when one or more of the following quantitative, qualitative or backstop criteria have been met.

For interbank operations, bonds issued by banks and bonds issued by corporates and sovereigns:

- 30 days past due;
- award of risk grade "Doubtful";
- decrease of assigned external rating by 2 notches, which corresponds to an approximate increase of PD by 2.5 times.

For credit card loans:

- 30 days past due; or
- threshold defined on an individual basis using existing scoring models: increase of the 12-month PD compared to 12-month PD estimated 18 months ago or as of the date of initial recognition (if it occurred less than 18 months ago) by 3 times or PD reaching 50% and above. 18-month period was determined as the weighted average period of the most recent date where the credit limit was revised by at least 25%, which is considered to be a substantial revision.

For all other loans:

- 30 days past due; or
- if the loans were past due for more than 30 days during the last 6 months or if the loans fell past due during the last 4 months more than once.

If the SICR criteria are no longer met, the instrument will be transferred back to Stage 1.

General principle of techniques applied

For non-POCI financial assets, ECLs are generally measured based on the risk of default over one of two different time periods, depending on whether or not the credit risk of the borrower has increased significantly since initial recognition.

This approach can be summarised in a three-stage model for ECL measurement:

- Stage 1 – a financial instrument that is not credit-impaired on initial recognition and its credit risk has not increased significantly since initial recognition, the loss allowance is based on 12-month ECLs;
- Stage 2 – if since the date, which was assumed to be the date of initial recognition is identified a SICR, the financial instrument is moved to Stage 2 but is not yet deemed to be credit-impaired, the loss allowance is based on lifetime ECLs;
- Stage 3 – if the financial instrument is credit-impaired or restructured, the financial instrument is then moved to Stage 3 and the loss allowance is based on lifetime ECLs.

ECL for POCI financial assets is always measured on a lifetime basis (Stage 3), so at the reporting date, the Group only recognises the cumulative changes in lifetime expected credit losses.

The Group carries out two separate approaches for ECL measurement:

- for loans and advances to customers: assessment on a portfolio basis: internal ratings are estimated on an individual basis but the same credit risk parameters (e.g. PD, LGD) are applied during the process of ECL calculations for the same credit risk ratings and homogeneous segments of the loan portfolio;
- for all other financial assets except FVTPL: assessment based on external ratings.

The Group performs an assessment on a portfolio basis for the retail loans. This approach incorporates aggregating the portfolio into homogeneous segments based on borrower-specific information, such as delinquency, the historical data on losses and other.

Principles of assessment on portfolio basis – to assess the staging of exposure and to measure a loss allowance on a collective basis, the Group combines its exposures into segments on the basis of shared credit risk characteristics, such as that exposures to risk within a group are homogeneous.

Examples of shared characteristics include type of customer, product type, credit risk rating, date of initial recognition, overdue level and repayment statistics.

The different segments reflect differences in PD. The appropriateness of groupings is monitored and reviewed on a periodic basis by the Risk Management Department.

In general, ECL is the multiplication of the following credit risk parameters: EAD, PD and LGD (definitions of the parameters are provided above). The general approach used for ECL calculation is stated below.

$$ECL = PD_{t_i} \cdot EAD_{t_i} \sum_{i=0}^{N-1} \frac{LGD_{t_i}}{(1+EIR)^{t_i}})$$

where:

PD_{t_i} – probability of default in moment t_i (can't be higher than 100%);

EAD_{t_i} – exposure at default in moment t_i;

LGD_{t_i} – loss given default in moment t_i;

t_i – number of months in the loan's lifetime;

EIR – effective interest rate;

N – remaining amount of payments.

The ECL is determined by predicting credit risk parameters (EAD, PD and LGD) for each future month during the lifetime period for each exposure or segment. These three components are multiplied together. This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed up. The discount rate used in the ECL calculation is the effective interest rate or an approximation thereof.

Notes to the Consolidated Financial Statements (Continued)

29 Financial and Insurance Risk Management (Continued)

The EADs are determined based on the expected payment profile, on an individual basis. For revolving products, the EAD is predicted by taking the current withdrawn balance and adding a "credit conversion factor" that accounts for the expected drawdown of the remaining limit of utilised loans by the time of default. These assumptions vary by product type, current limit utilisation and other borrower-specific behavioural characteristics. For other products EAD is equal to current exposure as there is no credit limit to utilize.

Two types of PDs are used for calculating ECLs: 12-month and lifetime PD:

- 12-month PDs – the estimated probability of a default occurring within the next 12 months. This parameter is used to calculate 12-month ECLs. An assessment of a 12-month PD is based on the latest available historic default data using borrower-specific behavioural characteristics and adjusted for forward-looking information when appropriate. Based on borrower-specific PDs the exposures are allocated to segments to which average PD for the segment is applied.
- Lifetime PDs – the estimated probability of a default occurring over the remaining life of the financial instrument. This parameter is used to calculate lifetime ECLs for Stage 2 and Stage 3 exposures. An assessment of a lifetime PD is based on the latest available historic default data using product specific lifetime periods defined above. To calculate Lifetime PD, the Group developed lifetime PD curves based on the 12-month PD data.

LGD represents the Group's expectation of the extent of loss on a defaulted exposure. For credit card loans, cash loans and POS loans LGDs are calculated on portfolio basis based on recovery statistics of defaulted loans over the period of 24 or 36 months. For secured loans, car loans and loans to SME LGDs are calculated using current market data in relation to the expected recoveries.

ECL measurement for loan commitments. The ECL measurement for these instruments includes the same steps as described above for on-balance sheet exposures and differs with respect to EAD calculation. The EAD is a product of credit conversion factor ("CCF") and amount of the commitment. CCF for undrawn credit limits of credit cards and overdrafts is defined based on statistical analysis of exposures at default.

Principles of assessment based on external ratings – the principles of ECL calculations based on external ratings are the same as for their assessment on a portfolio basis. Credit risk parameters (PD and LGD) are taken from the default and recovery statistics published by international rating agencies (Fitch and in case of their absence - Moody's or Standard & Poor's).

Forward-looking information incorporated in the ECL models. The calculation of ECLs incorporates forward-looking information. The Group has performed historical analysis and identified the key economic variables impacting credit risk and ECLs for each portfolio. The list of variables:

- Russian stock market index MOEX;
- Moscow Prime Offered Rate;
- Debt load of Russian population based on statistics from bureaus of credit history.

The impact of these economic variables on the ECL has been determined by performing statistical regression analysis in order to understand the way how changes in these variables historically impacted default rates. Three different scenarios are used: base, optimistic and pessimistic. The scenarios are weighted accordingly with base scenario having the 71.1% (2019: 90.8%) weight, optimistic scenario having the 0.1% (2019: 1.3%) weight and pessimistic scenario having the 28.8% (2019: 7.9%) weight.

Backtesting – the Group regularly reviews its methodology and assumptions to reduce any difference between the estimates and the actual loss of credit. Such backtesting is performed on a quarterly basis.

The results of backtesting the ECL measurement methodology are communicated to Group Management and further steps for refining models and assumptions are defined after discussions between authorised persons.

Market risk. The Group takes on exposure to market risks. Market risks of the Group arise from open positions in (a) currency and (b) interest rate, both of which are exposed to general and specific market movements. The priority goal of market risk management is to maintain the risks assumed by the Group at a level determined by the Group in accordance with its own strategic objectives. Management sets limits on the value of risk that may be accepted, which is monitored on a daily basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

Currency risk. In respect of currency risk, the management sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily.

The table below summarizes the Group's exposure to foreign currency exchange rate risk at the end of the year:

	31 December 2020				At 31 December 2019			
In millions of RR	**Non-derivative monetary financial assets**	**Non-derivative monetary financial liabilities**	**Derivatives**	**Net position**	**Non-derivative monetary financial assets**	**Non-derivative monetary financial liabilities**	**Derivatives**	**Net position**
RR	674,171	(545,395)	(24,276)	104,500	491,635	(390,010)	(12,995)	88,630
USD	116,693	(140,851)	29,207	5,049	46,930	(62,098)	13,422	(1,746)
Euro	35,019	(31,909)	(5)	3,105	18,902	(20,261)	(595)	(1,954)
GBP	1,405	(1,414)	-	(9)	677	(675)	(32)	(30)
Others	1,942	(2,455)	-	(513)	87	(788)	-	(701)
Total	**829,230**	**(722,024)**	**4,926**	**112,132**	**558,231**	**(473,832)**	**(200)**	**84,199**

Derivatives presented above are monetary financial assets or monetary financial liabilities but are presented separately in order to show the Group's gross exposure. Amounts disclosed in respect of derivatives represent the fair value, at the end of the reporting period, of the respective currency that the Group agreed to buy (positive amount) or sell (negative amount) before netting of positions and payments with the counterparty. The amounts by currency are presented gross as stated in Note 35.

The net total represents the fair value of the currency derivatives. The above analysis includes only monetary assets and liabilities.

The following table presents sensitivities of profit or loss and equity to reasonably possible changes in exchange rates applied at the end of the reporting period, with all other variables held constant:

	31 December 2020		At 31 December 2019	
In millions of RR	**Impact on profit for the year**	**Impact on total equity**	**Impact on profit for the year**	**Impact on total equity**
USD strengthening by 20% (2019: by 20%)	794	794	(277)	(277)
USD weakening by 20% (2019: by 20%)	(794)	(794)	277	277
Euro strengthening by 20% (2019: by 20%)	488	488	(310)	(310)
Euro weakening by 20% (2019: by 20%)	(488)	(488)	310	310
GBP strengthening by 20% (2019: by 20%)	(1)	(1)	(5)	(5)
GBP weakening by 20% (2019: by 20%)	1	1	5	5

The exposure was calculated only for monetary balances denominated in currencies other than the functional currency of the respective entity of the Group.

Interest rate risk. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. Management monitors on a daily basis and sets limits on the level of mismatch of interest rate repricing that may be undertaken.

Notes to the Consolidated Financial Statements (Continued)

29 Financial and Insurance Risk Management (Continued)

The Group is exposed to prepayment risk through providing fixed rate loans, which give the borrower the right to repay the loans early. The Group's current year profit and equity at the end of the current reporting period would not have been significantly impacted by changes in prepayment rates because such loans are carried at amortised cost and the prepayment right is at or close to the amortised cost of the loans and advances to customers (2019: no material impact).

The table below summarizes the Group's exposure to interest rate risks. The table presents the aggregated amounts of the Group's financial assets and liabilities at carrying amounts, categorized by the earlier of contractual interest repricing or maturity dates:

In millions of RR	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**From 1 to 3 years**	**More than 3 years**	**Total**
31 December 2020						
Total financial assets	249,316	149,031	77,988	138,248	219,682	834,265
Total financial liabilities	(379,481)	(165,961)	(75,564)	(90,975)	(10,152)	(722,133)
Net interest sensitivity gap at 31 December 2020	**(130,165)**	**(16,930)**	**2,424**	**47,273**	**209,530**	**112,132**
31 December 2019						
Total financial assets	136,773	153,392	66,962	121,755	80,306	559,188
Total financial liabilities	(200,447)	(155,323)	(62,923)	(44,109)	(12,187)	(474,989)
Net interest sensitivity gap at 31 December 2019	**(63,674)**	**(1,931)**	**4,039**	**77,646**	**68,119**	**84,199**

The Group has no significant risk associated with variable interest rates on loans and advances provided to customers or loans received.

The aim of interest rate risk management is to maintain the risks assumed by the Group within the limits determined by the Group in accordance with its own strategic objectives. The interest rate risk is managed by setting caps and floors in relation to interest rates on financial assets and liabilities depending on their types and maturities and balancing the assets and liabilities which are sensitive to changes in interest rates.

The assessment of the magnitude of interest rate risk is carried out by performing a sensitivity analysis which imply assessment of impact on net interest income of a shift in interest rates by 200 basis points. At 31 December 2020, if interest rates at that date had been 200 basis points lower/higher (2019: 200 basis points), with all other variables held constant, profit for the year would have been RR 2,243 million (2019: RR 1,684 million) lower/higher, equity would have been RR 2,243 million (2019: RR 1,684 million) lower/higher.

The Group monitors interest rates for its financial instruments. The table below summarizes interest rates for the years 2020 and 2019 based on reports reviewed by key management personnel. For securities, the interest rates represent yields to maturity based on market quotations at the reporting date:

	31 December 2020					**At 31 December 2019**				
In % p.a.	**RR**	**USD**	**EURO**	**GPB**	**Other**	**RR**	**USD**	**EURO**	**GPB**	**Other**
Assets										
Cash and cash equivalents	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans and advances to customers	33.5	-	1.7	-	-	37.2	-	-	-	-
Due from banks	3.2	-	-	-	-	5.3	1.6	-	-	-
Investments in securities	6.9	2.6	1.3	-	-	7.9	4.3	2.4	-	-
Repurchase receivables	6.9	3.3	-	-	-	6.5	4.3	3.1	-	-
Brokerage receivables	15.5	15.4	13.5	-	-	15.4	14.7	13.7	-	-
Liabilities										
Due to banks	4.4	0.0	-	-	-	6.2	0.0	-	-	-
Customer accounts	3.3	0.5	0.1	0.1	0.0	5.1	1	0.1	0.1	0.0
Debt securities in issue	8.6	-	-	-	-	9.0	3.8	1.2	-	-
Brokerage payables	15.6	15.6	-	-	-	15.8	15.3	-	-	-
Subordinated debt	-	10.0	-	-	-	-	10.0	-	-	-

The sign "-" in the table above means that the Group does not have the respective assets or liabilities in the corresponding currency.

Notes to the Consolidated Financial Statements (Continued)

29 Financial and Insurance Risk Management (Continued)

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

In millions of RR	Russia	OECD	Other Non-OECD	Listed	Total
Financial assets					
Cash and cash equivalents	128,536	7,815	-	-	136,351
Mandatory cash balances with the CBRF	5,379	-	-	-	5,379
Due from other banks	1,887	-	-	-	1,887
Loans and advances to customers	374,629	-	1,892	-	376,521
Financial derivatives	5,035		-	-	5,035
Investments in securities	231,872	-	6,582	-	238,454
Repurchase receivables	29	-	-	-	29
Brokerage receivables	24,064	-	-	-	24,064
Guarantee deposits with payment systems	672	14,803	-	-	15,475
Other financial assets	30,912	-	158	-	31,070
Total financial assets	**803,015**	**22,618**	**8,632**	**-**	**834,265**
Financial liabilities					
Due to banks	4,819	-	-	-	4,819
Customer accounts	626,837	-	-	-	626,837
Debt securities in issue	-	-	-	23,910	23,910
Financial derivatives	109	-	-	-	109
Brokerage payables	9,206	-	-	-	9,206
Subordinated debt	-	-	-	20,755	20,755
Insurance provisions	2,160	-	-	-	2,160
Other financial liabilities	34,291	-	46	-	34,337
Total financial liabilities	**677,422**	**-**	**46**	**44,665**	**722,133**
Credit related commitments (Note 31)	**204,868**	**-**	**-**		**204,868**

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

In millions of RR	Russia	OECD	Other Non-OECD	Listed	Total
Financial assets					
Cash and cash equivalents	52,661	2,903	-	-	55,564
Mandatory cash balances with the CBRF	3,448	-	-	-	3,448
Due from other banks	2,084	-	-	-	2,084
Loans and advances to customers	329,175	-	-	-	329,175
Financial derivatives	390		-	-	390
Investments in securities	134,765	413	-	-	135,178
Brokerage receivables	2,799	-	-	-	2,799
Guarantee deposits with payment systems	501	8,376	-	-	8,877
Other financial assets	21,673	-	-	-	21,673
Total financial assets	**547,496**	**11,692**	**-**	**-**	**559,188**
Financial liabilities					
Due to banks	23	-	-		23
Customer accounts	411,504	-	110	-	411,614
Debt securities in issue	2,460	-	-	23,618	26,078
Financial derivatives	590	-	-	-	590
Brokerage payables	1,207	-	-	-	1,207
Subordinated debt	-	-	-	18,487	18,487
Insurance provisions	2,342				2,342
Other financial liabilities	14,589	59	-	-	14,648
Total financial liabilities	**432,715**	**59**	**110**	**42,105**	**474,989**
Credit related commitments (Note 31)	**168,059**	**-**	**-**		**168,059**

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

Other risk concentrations. Management monitors and discloses concentrations of credit risk by obtaining reports listing exposures to borrowers with aggregated loan balances in excess of 10% of net assets. The Group did not have any such significant risk concentrations at 31 December 2020 and 2019.

Liquidity risk. Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group is exposed to daily calls on its available cash resources from unused limits on issued credit cards, retail deposits from customers, current accounts and due to banks. The Group does not maintain cash resources to meet all of these needs as experience shows that only a certain level of calls will take place and it can be predicted with a high level of certainty. Liquidity risk is managed by the Financial Committee of the Bank. The Group seeks to maintain a stable funding base primarily consisting of amounts due to institutional investors, corporate and retail customer deposits and debt securities. The Group keeps all available cash in diversified portfolios of liquid instruments such as a correspondent account with CBRF and overnight placements in high-rated commercial banks, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements. The available cash at all times exceeds all accrued financing costs falling due within half a year plus two months of regular operating costs.

Notes to the Consolidated Financial Statements (Continued)

29 Financial and Insurance Risk Management (Continued)

The liquidity management of the Group requires consideration of the level of liquid assets necessary to settle obligations as they fall due; maintaining access to a range of funding sources; maintaining funding contingency plans; and monitoring liquidity ratios against regulatory requirements.

The liquidity analysis takes into account the covenant requirements and ability of the Group to waive any potential breaches within the grace period. The Bank calculates liquidity ratios on a daily basis in accordance with the requirements of the CBRF. The Bank has complied with these ratios throughout 2020 and 2019. The CFO receives information about the liquidity profile of the financial assets and liabilities. This includes daily, weekly, monthly and quarterly updates on the level of credit card transactions and repayments, statistics on credit card issuance and credit card limit utilisation, inflow and outflow of retail deposits, changes in the investment securities portfolio, level of expected outflows such as operating costs and financing activities. The CFO then ensures the availability of an adequate portfolio of short-term liquid assets, made up of an amount on the correspondent account with the CBRF and overnight deposits with banks, to ensure that sufficient liquidity is maintained within the Group as a whole. Regular liquidity stress testing under a variety of scenarios covering both normal and more severe market conditions and credit card portfolio behaviour is reviewed by the CFO.

The table below shows liabilities at 31 December 2020 by their remaining contractual maturity. The amounts of liabilities disclosed in the maturity table are the contractual undiscounted cash flows and gross loan commitments. Such undiscounted cash flows differ from the amount included in the consolidated statement of financial position because the consolidated statement of financial position amount is based on discounted cash flows. When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the reporting date. Foreign currency payments are translated using the spot exchange rate at the end of the reporting period.

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

In millions of RR	**Demand and less than 1 month**	**From 1 to 3 months**	**From 3 to 6 months**	**From 6 to 12 months**	**More than 1 year**	**Total**
Liabilities						
Due to banks	-	-	-	-	4,819	4,819
Customer accounts	335,710	84,412	80,149	80,306	49,184	629,761
Debt securities in issue	173	316	515	1,930	23,245	26,179
Financial derivatives	51	198	251	501	25,842	26,843
Brokerage payables	9,206	-	-	-	-	9,206
Subordinated debt	168	322	496	998	22,126	24,110
Insurance provisions	345	207	953	358	297	2,160
Other financial liabilities	34,337	-	-	-	-	34,337
Lease liabilities	64	102	166	330	686	1,348
Credit related commitments (Note 31)	204,868	-	-	-	-	204,868
Total potential future payments for financial obligations	**584,922**	**85,557**	**82,530**	**84,423**	**126,199**	**963,631**

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

In millions of RR	**Demand and less than 1 month**	**From 1 to 3 months**	**From 3 to 6 months**	**From 6 to 12 months**	**More than 1 year**	**Total**
Liabilities						
Due to banks	23	-	-	-	-	23
Customer accounts	189,176	84,108	70,530	60,627	11,605	416,046
Debt securities in issue	168	338	487	2,082	23,795	26,870
Financial derivatives	-	199	203	399	19,833	20,634
Brokerage payables	1,207	-	-	-	-	1,207
Subordinated debt	149	291	440	891	18,541	20,312
Insurance provisions	463	917	438	296	228	2,342
Other financial liabilities	14,648	-	-	-	-	14,648
Lease liabilities	11	109	111	209	1,254	1,694
Credit related commitments (Note 31)	168,059	-	-	-	-	168,059
Total potential future payments for financial obligations	**373,904**	**85,962**	**72,209**	**64,504**	**75,256**	**671,835**

Financial derivatives receivable and payable are disclosed in the Note 35. The tables above present only the gross payables.

Insurance provisions are disclosed in the table above based on their expected maturities.

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

The Group takes on exposure to liquidity risk, which is the risk of cash surplus in case of assets-liabilities cash-flow profile mismatch. Exposure to liquidity risk arises as a result of the Group's borrowing and operational activities that assume cash payment obligations. The Group uses daily, short-term and long-term reporting, stress-testing and forecasting practices to monitor and prevent potential liquidity problems. The Group is actively increasing the number of counterparties for interbank lending, looks for new wholesale markets, improves and creates additional debit and credit products to have more instruments over cash-flow management. The recent economic situation has resulted in increased liquidity risk.

In response the management of the Group preserves cash safety cushions for possible cash outflows and has planned Group's liquidity position for the next year to ensure it can cover all upcoming payment obligations.

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Notes to the Consolidated Financial Statements (Continued)

29 Financial and Insurance Risk Management (Continued)

The expected maturity analysis of financial instruments at carrying amounts as monitored by management at 31 December 2020 is presented in the table below.

In millions of RR	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years	Total
Assets							
Cash and cash equivalents	136,351	-	-	-	-	-	136,351
Mandatory cash balances with the CBRF	2,756	546	454	531	1,092	-	5,379
Due from other banks	-	-	-	-	1,887	-	1,887
Loans and advances to customers	52,623	67,843	69,011	72,407	98,002	16,635	376,521
Financial derivatives	82	-	-	-	4,953	-	5,035
Investments in securities	238,454	-	-	-	-	-	238,454
Repurchase receivables	29	-	-	-	-	-	29
Brokerage receivables	24,064						24,064
Guarantee deposits with payment systems	2,163	2,788	2,836	2,976	4,028	684	15,475
Other financial assets	30,820	44	21	12	173	-	31,070
Total financial assets	**487,342**	**71,221**	**72,322**	**75,926**	**110,135**	**17,319**	**834,265**
Liabilities							
Due to banks	-	-	-	-	4,819	-	4,819
Customer accounts	321,104	63,601	52,958	61,899	127,275	-	626,837
Debt securities in issue	-	870	944	981	11,281	9,834	23,910
Financial derivatives	76	-	-	-	33	-	109
Brokerage payables	9,206	-	-	-	-	-	9,206
Subordinated debt	-	481	481	961	18,832	-	20,755
Insurance provisions	345	207	953	358	297	-	2,160
Other financial liabilities	34,337	-	-	-	-	-	34,337
Total financial liabilities	**365,068**	**65,159**	**55,336**	**64,199**	**162,537**	**9,834**	**722,133**
Net liquidity gap at 31 December 2020	**122,274**	**6,062**	**16,986**	**11,727**	**(52,402)**	**7,485**	**112,132**
Cumulative liquidity gap at 31 December 2020	**122,274**	**128,336**	**145,322**	**157,049**	**104,647**	**112,132**	**-**

Provision for unearned premiums in the amount of RR 3,907 million is not included in the insurance provisions stated above. Refer to Note 17.

The expected maturity analysis of financial instruments at carrying amounts as monitored by management at 31 December 2019 is presented in the table below.

In millions of RR	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years	Total
Assets							
Cash and cash equivalents	55,564	-	-	-	-	-	55,564
Mandatory cash balances with the CBRF	1,508	510	346	513	571	-	3,448
Due from other banks	-	-	46	-	2,038	-	2,084
Loans and advances to customers	48,391	63,640	63,466	61,884	79,105	12,689	329,175
Financial derivatives	-	-	-	-	390	-	390
Investments in securities	135,178	-	-	-	-	-	135,178
Brokerage receivables	2,799						2,799
Guarantee deposits with payment systems	1,304	1,717	1,712	1,669	2,133	342	8,877
Other financial assets	21,569	63	20	10	11	-	21,673
Total financial assets	**266,313**	**65,930**	**65,590**	**64,076**	**84,248**	**13,031**	**559,188**
Liabilities							
Due to banks	23	-	-	-	-	-	23
Customer accounts	180,017	60,879	41,259	61,298	68,161	-	411,614
Debt securities in issue	-	411	599	1,008	12,463	11,597	26,078
Financial derivatives	-	-	-	-	590	-	590
Brokerage payables	1,207						1,207
Subordinated debt	-	158	-	-	18,329	-	18,487
Insurance provisions	463	917	438	296	228	-	2,342
Other financial liabilities	14,648	-	-	-	-	-	14,648
Total financial liabilities	**196,358**	**62,365**	**42,296**	**62,602**	**99,771**	**11,597**	**474,989**
Net liquidity gap at 31 December 2019	**69,955**	**3,565**	**23,294**	**1,474**	**(15,523)**	**1,434**	**84,199**
Cumulative liquidity gap at 31 December 2019	**69,955**	**73,520**	**96,814**	**98,288**	**82,765**	**84,199**	**-**

Provision for unearned premiums in the amount of RR 1,760 million is not included in the insurance provisions stated above. Refer to Note 17.

As at the 31 December 2020 all the investment in debt securities are classified within demand and less than one month as they are easy repoable in CBR or on the open market securities and can provide immediate liquidity to the Group. All current accounts of individuals are classified within demand and less than one month (2019: the same).

The allocation of deposits of individuals considers the statistics of autoprolongations and top-ups of longer deposits with the funds from shorter deposits after their expiration in case when the customers have more than one active deposit. The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Group. It is unusual for banks ever to be completely matched since business transacted is often of an uncertain term and of different types.

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Notes to the Consolidated Financial Statements (Continued)

29 Financial and Insurance Risk Management (Continued)

An unmatched position potentially enhances profitability but can also increase the risk of losses. The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Group and its exposure to changes in interest and exchange rates.

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

Insurance risk. Insurance risk is the risk associated with insurance contracts, consisting in the possibility of the occurrence of an insurance event and the uncertainty of the amount and time of occurrence of the loss associated with it.

The insurance risk management process covers all stages, from the stage of development of insurance rates to the settlement of losses.

The main steps in the insurance risk management process include:

- Underwriting and regulation of tariff policy;
- Efficiency of the loss settlement process;
- Diversification of the insurance portfolio.

Tariff policy. The process of underwriting and regulation of the tariff policy includes the formation of tariffs for certain areas of activity based on the analysis of results for previous periods, existing market conditions and the Insurance Company's strategy.

The insurance tariff is set on the basis of the analysis of the expected loss ratio based on Group's insurance portfolio and similar products on the market, the commission ratio based on the analysis of product profitability and commission rates for similar products on the market, and the analysis of the average market rate. When developing tariffs, factors such as expected inflation and changes in the legislation of the Russian Federation are also taken into account.

The Insurance Company monitors the correctness of the calculation of the insurance premium under the insurance contract by analyzing, on a regular basis, the deviations of the actual received premiums from the estimated premiums.

Loss settlement process. In accordance with the insurance contract, the policyholder is obliged to notify the insurance company of a loss within a certain period of time. Losses are settled by specialized units, other than selling business units. The insurance claims will be paid only after receiving all the necessary documents confirming the fact of the insured event. Also, if necessary, economic security department and legal department are involved in checking documents for settlement of losses. If at the time of payment of the insurance claims the policyholder had outstanding debt of the insurance premium, the unpaid part is deducted from the amount of compensation.

If there is a third party that caused an insurance loss to the insured client, the Group has a right to pursue third parties responsible for loss for payment of some or all costs related to the claims settlement process of the Group.

Diversification of the insurance portfolio. To reduce insurance risk, the Group also uses the diversification of its insurance portfolio - it insures a large number of small risks, which, in particular, is achieved through the remote provision of insurance services almost throughout the Russian Federation. The company does not operate outside the Russian Federation and is exposed to risks associated with the geographical features of the regions of the Russian Federation.

Sensitivity analysis. The following analyses the possible changes in the key assumptions used in the calculation of insurance liabilities under contracts other than life insurance, provided that the other assumptions are constant. This analysis reflects the impact on gross and net liabilities, profit before tax and equity of the Group.

Effect of changes in the key assumptions as at 31 December 2020:

In millions of RR except for the number of claims	Change in assumptions	Effect on insurance obligations other than life insurance	Effect on the reinsurers' share in insurance obligations other than life insurance	Effect on profit before tax	Effect on equity
The average cost of insurance claims	– 10%	(180)	1	179	143
	+ 10%	180	(1)	(179)	(143)
The average number of claims	– 10%	(180)	1	179	143
	+ 10%	180	(1)	(179)	(143)

Effect of changes in the key assumptions as at 31 December 2019:

In millions of RR except for the number of claims	Change in assumptions	Effect on insurance obligations other than life insurance	Effect on the reinsurers' share in insurance obligations other than life insurance	Effect on profit before tax	Effect on equity
The average cost of insurance claims	– 10%	(193)	1	193	154
	+ 10%	193	(1)	(193)	(154)
The average number of claims	– 10%	(193)	1	(193)	154
	+ 10%	193	(1)	193	(154)

30 Management of Capital

The Group's objectives when managing capital are (i) for the Bank to comply with the capital requirements set by the Central Bank of Russian Federation (CBRF), (ii) for the Insurance Company to comply with the capital requirements set by the legislation of the Russian Federation, (iii) for the Group to comply with the financial covenants set by the terms of securities issued; (iv) to safeguard the Group's ability to continue as a going concern.

The Group considers total capital under management to be equity attributable to shareholders of the Company as shown in the consolidated statement of financial position. The amount of capital that the Group managed as of 31 December 2020 was RR 127,016 million (31 December 2019: RR 96,082 million).

Compliance with capital adequacy ratios set by the CBRF is monitored daily and submitted to the CBRF monthly with reports outlining their calculation reviewed and signed by the Bank's Chief Executive Officer and Chief Accountant. Other objectives of capital management are evaluated annually. The amount of regulatory capital of Tinkoff Bank calculated in accordance with the methodology set by CBRF as at 31 December 2020 was RR 121,350 million, and the equity capital adequacy ratio (N1.0) was 13.07% (31 December 2019: RR 99,731 million and 12.12%). Minimum required statutory equity capital adequacy ratio (N1.0) was 8% as at 31 December 2020 (31 December 2019: 8%).

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Notes to the Consolidated Financial Statements (Continued)

30 Management of Capital (Continued)

The Group also monitors capital requirements including capital adequacy ratio under the Basel III methodology of the Basel Committee on Banking Supervision: global regulatory framework for more resilient banks and banking systems (hereinafter “Basel III”). The composition of the Group’s capital calculated in accordance with the methodology set by Basel Committee with capital adjustments as set out in Basel III is as follows:

In millions of RR	31 December 2020	31 December 2019
Share capital	230	230
Share premium	26,998	26,998
Treasury shares	(3,238)	(3,164)
Share-based payment reserve	1,548	1,039
Retained earnings	99,540	66,880
Revaluation reserve for investments in debt securities	1,849	3,996
Less intangible assets	(7,082)	(5,435)
Non-controlling interest	89	103
Common Equity Tier 1 (CET1)	**119,934**	**90,647**
Additional Tier 1	20,755	18,487
Tier 1 capital	**140,689**	**109,134**
Total capital	**140,689**	**109,134**
Risk weighted assets (RWA)		
Credit risk	562,918	412,741
Operational risk	199,184	152,881
Market risk	24,707	12,170
Total risk weighted assets (RWA)	**786,809**	**577,792**
Common equity Tier 1 capital adequacy ratio (CET1/ Total RWA), %	**15.24%**	**15.69%**
Tier 1 capital adequacy ratio (Tier 1 capital / Total RWA), %	**17.88%**	**18.89%**
Total capital adequacy ratio (Total capital / Total RWA), %	**17.88%**	**18.89%**

The Group and the Bank have complied with all externally imposed capital requirements throughout the years ended 31 December 2020 and 2019.

The Insurance Company has complied with all capital requirements set by the legislation of the Russian Federation throughout the years ended 31 December 2020 and 2019.

31 Contingencies and Commitments

Legal proceedings. From time to time and in the normal course of business, claims against the Group may be received. On the basis of its own estimates and internal professional advice, management is of the opinion that no material unprovided losses will be incurred in respect of claims.

Tax contingencies. Russian tax legislation which was enacted or substantively enacted at the end of the reporting period, is subject to varying interpretations when being applied to the transactions and activities of the Group. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be challenged tax authorities. Russian tax administration is gradually strengthening, including the fact that there is a higher risk of review of tax transactions without a clear business purpose or with tax incompliant counterparties. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year when decision about review was made. Under certain circumstances reviews may cover longer periods. The Russian transfer pricing legislation is generally aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD), although it has specific features. This legislation provides for the possibility of additional tax assessment for controlled transactions (transactions between related parties and certain transactions between unrelated parties), if such transactions are not on an arm's length.

Tax liabilities arising from controlled transactions are determined based on their actual transaction prices. It is possible, with the evolution of the interpretation of transfer pricing rules, that such transfer prices could be challenged. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Group.

The Group includes companies incorporated outside of Russia. The tax liabilities of the Group are determined on the assumption that these companies are not subject to Russian profits tax, because they do not have a permanent establishment in Russia. The Company is a tax resident of Cyprus only and full beneficial owner of the Bank and Insurance Company. This interpretation of relevant legislation may be challenged but the impact of any such challenge cannot be reliably estimated currently; however, it may be significant to the financial position and/or the overall operations of the Group.

The Controlled Foreign Company (CFC) legislation introduced Russian taxation of profits of foreign companies and non-corporate structures (including trusts) controlled by Russian tax residents (controlling parties). The CFC income is subject to a 20% tax rate if the CFC is controlled by a legal entity and a rate of 13% if it is controlled by an individual. As a result, management reassessed the Group’s tax positions and recognised current tax expense as well as deferred taxes that arose from the expected taxable manner of recovery of the relevant Group’s operations to which the CFC legislation applies to and to the extent that the Group (rather than its owners) is obliged to settle such taxes.

In third quarter 2020 amendments to Russia-Cyprus double tax treaty were made. The Group is currently assessing the impact of those amendments.

As Russian tax legislation does not provide definitive guidance in certain areas, the Group adopts, from time to time, interpretations of such uncertain areas that reduce the overall tax rate of the Group. While management currently estimates that the tax positions and interpretations that it has taken can probably be sustained, there is a possible risk that outflow of resources will be required should such tax positions and interpretations be challenged by the tax authorities. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Group. As at 31 December 2020 and 2019 no material tax risks were identified.

Future lease payments related to leases where leased asset is of low value The future cash outflows to which the Group is exposed and which are not reflected in the lease liabilities amounted to RR 233 million at 31 December 2020 and relate primarily to leases of assets which are of low value (31 December 2019: RR 268 million).

Compliance with covenants. The Group is subject to certain covenants related primarily to its subordinated perpetual debt. Non-compliance with such covenants may result in negative consequences for the Group. Management believes that the Group was in compliance with all such covenants as at 31 December 2020 and 31 December 2019.

Credit related commitments and performance guarantees issued. The primary purpose of these instruments is to ensure that funds are available to a customer as required. Commitments to extend credit represent unused portions of authorizations to extend credit in the form of credit card loans, guarantees. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments, if the unused amounts were to be drawn down. Most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit related commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

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Notes to the Consolidated Financial Statements (Continued)

31 Contingencies and Commitments (Continued)

Performance guarantees are contracts that provide compensation if another party fails to perform a contractual obligation. Such contracts do not transfer credit risk. The risk under performance guarantee contracts is the possibility that the insured event (i.e. the failure to perform the contractual obligation by another party) occurs. The key risks the Group faces are significant fluctuations in the frequency and severity of payments incurred on such contracts relative to expectations. The Group uses a scoring model to predict levels of such payments. Claims must be made before the contract matures and most claims are settled within short term. This allows the Group to achieve a high degree of certainty about the estimated payments and therefore future cash flows.

Outstanding credit related commitments and performance guarantees are as follows:

In millions of RR	31 December 2020	31 December 2019
Unused limits on credit card loans	208,405	168,059
Credit loss allowance	(3,537)	(2,242)
Total credit related commitments, net of credit loss allowance	**204,868**	**165,817**
Performance guarantees issued	498	660
Provisions	(4)	(3)
Total performance guarantees issued, net of provisions	**494**	**657**

The total outstanding contractual amount of unused limits on contingencies and commitments liability does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded. In accordance with credit card service conditions the Group has a right to refuse the issuance, activation, reissuing or unblocking of a credit card, and is providing a credit card limit at its own discretion and without explaining its reasons.

The following table contains an analysis of credit related commitments by credit quality at 31 December 2020 based on credit risk grades.

In millions of RR	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
Credit related commitments				
- Excellent	180,619	-	-	180,619
- Good	14,905	84	-	14,989
- Monitor	12,546	251	-	12,797
Unrecognised gross amount	**208,070**	**335**	**-**	**208,405**
Credit loss allowance	(3,513)	(24)	-	(3,537)
Unrecognised net amount	**204,557**	**311**	**-**	**204,868**

The following table contains an analysis of credit related commitments by credit quality at 31 December 2019 based on credit risk grades.

In millions of RR	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
Credit related commitments				
- Excellent	145,154	-	-	145,154
- Good	12,285	84	-	12,369
- Monitor	10,360	176	-	10,536
Unrecognised gross amount	167,799	260	-	168,059
Credit loss allowance	(2,228)	(14)	-	(2,242)
Unrecognised net amount	165,571	246	-	165,817

Also, the Group may decide to increase or decrease a credit card limit using a scoring model, which is based on the client's behaviour model. Therefore, the fair value of the contractual amount of revocable unused limits on contingencies and commitments is close to zero. Credit related commitments are denominated in RR.

The following table contains an analysis of performance guarantees issued by credit quality based on credit risk grades.

	31 December 2020	31 December 2019
	Stage 1	Stage 1
In millions of RR	(12-months ECL)	(12-months ECL)
Performance guarantees issued		
- Excellent	310	415
- Good	188	245
Unrecognised gross amount	**498**	**660**
Provisions	(4)	(3)
Unrecognised net amount	**494**	**657**

Mandatory cash balances with the CBRF of RR 5,379 million as at 31 December 2020 (31 December 2019: RR 3,448 million) represent mandatory reserve deposits which are not available to finance the Bank's day to day operations.

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Notes to the Consolidated Financial Statements (Continued)

32 Offsetting Financial Assets and Financial Liabilities

Financial instruments subject to offsetting, enforceable master netting and similar arrangements are as follows at 31 December 2020:

In millions of RR	Gross amounts before offsetting	Gross amounts set off in the consolidated statement of financial position	Net amount after offsetting in the consolidated statement of financial position	Amounts subject to master netting and similar arrangements not set off in the consolidated statement of financial position: Financial instruments	Cash collateral	Net amount of exposure
ASSETS						
Reverse repurchase agreements	33,210	-	33,210	34,527	-	(1,317)
Brokerage receivables	24,064	-	24,064	24,113	-	(49)
Financial derivatives	4,920	-	4,920	-	4,795	125
Total assets subject to offsetting, master netting and similar arrangement	**62,194**	**-**	**62,194**	**58,640**	**4,795**	**(1,241)**
LIABILITIES						
Due to banks	4,819	-	4,819	4,949	-	(130)
Brokerage payables	9,206	-	9,206	9,696	-	(490)
Total liabilities subject to offsetting, master netting and similar arrangement	**14,025**	**-**	**14,025**	**14,645**	**-**	**(620)**

Financial instruments subject to offsetting, enforceable master netting and similar arrangements are as follows at 31 December 2019:

In millions of RR	Gross amounts before offsetting	Gross amounts set off in the consolidated statement of financial position	Net amount after offsetting in the consolidated statement of financial position	Amounts subject to master netting and similar arrangements not set off in the consolidated statement of financial position: Financial instruments	Cash collateral	Net amount of exposure
ASSETS						
Reverse repurchase agreements	18,449	-	18,449	20,130	-	(1,681)
Brokerage receivables	2,799	-	2,799	2,239	-	560
Due from banks	204	-	204	227	-	(23)
Financial derivatives	20	-	20	-	23	(3)
Total assets subject to offsetting, master netting and similar arrangement	**21,472**	**-**	**21,472**	**22,596**	**23**	**(1,147)**
LIABILITIES						
Due to banks	23	-	23	20	-	3
Brokerage payables	1,207	-	1,207	1,282	-	(75)
Financial derivatives	227	-	227	-	204	23
Total liabilities subject to offsetting, master netting and similar arrangement	**1,457**	**-**	**1,457**	**1,302**	**204**	**(49)**

As at 31 December 2020 the Group has master netting arrangements with counterparty banks, which are enforceable in case of default. The Group also made margin deposits with clearing house counterparty as collateral for its outstanding derivative positions. The counterparty may set off the Group's liabilities with the margin deposit in case of default (2019: same). The disclosure does not apply to loans and advances to customers and related customer deposits.

33 Transfers of Financial Assets

The Group transferred financial assets in transactions that did not qualify for derecognition in the current periods.

The table below shows the amount of operations under sale and repurchase agreements which the Group enters into in the normal course of business:

In millions of RR	Notes	31 December 2020: Carrying amount of the assets	31 December 2020: Carrying amount of the associated liabilities	31 December 2019: Carrying amount of the assets	31 December 2019: Carrying amount of the associated liabilities
Debt securities at FVOCI pledged under repurchase agreements	13	29	24	-	-
Total		**29**	**24**	**-**	**-**

In the normal course of business, the Group makes borrowings on interbank market using different financial instruments as collateral to support its everyday operations in terms of liquidity.

The Group also enters into reverse sale and repurchase agreements. The summary of such operations is provided in the table below:

In millions of RR	Notes	31 December 2020: Amounts granted under repo agreements	31 December 2020: Fair value of securities received as collateral	31 December 2019: Amounts granted under repo agreements	31 December 2019: Fair value of securities received as collateral
Cash and cash equivalents	5	33,210	34,527	18,449	20,130
Brokerage receivables	10	24,064	24,113	2,799	2,239
Total		**57,274**	**58,640**	**21,248**	**22,369**

34 Non-Controlling Interest

The following table provides information about each subsidiary that has non-controlling interest:

In millions of RR	Place of business (and country of incor-po-ration if different)	Proportion of non-controlling interest	Proportion of non-controlling interest's voting rights held	Profit or loss attribu-table to non-controlling interest	Accumu-lated non-controlling interest in the subsidiary	Dividends paid to non-controlling interest during the year
Year ended 31 December 2020						
LLC "Cloudpayments"	Russia	5%	5%	4	89	18
Year ended 31 December 2019						
LLC "Cloudpayments"	Russia	5%	5%	1	103	-

Notes to the Consolidated Financial Statements (Continued)

34 Non-Controlling Interest (Continued)

The summarised financial information of these subsidiaries was as follows:

In millions of RR	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenue	Profit	Total compre-hensive income	Cash flows
Year ended 31 December 2020								
LLC "Cloudpayments"	389	277	105	-	1,226	606	606	(13)
Year ended 31 December 2019								
LLC "Cloudpayments"	329	301	136	-	512	91	91	2

35 Financial Derivatives

The table below sets out fair values, at the end of the reporting period, of currencies receivable or payable under foreign exchange forwards and swap contracts entered into by the Group. The table reflects gross positions before the netting of any counterparty positions (and payments) and covers the contracts with settlement dates after the end of the respective reporting period.

	31 December 2020		31 December 2019	
In millions of RR	Contracts with positive fair value	Contracts with negative fair value	Contracts with positive fair value	Contracts with negative fair value
Foreign exchange forwards and swaps: discounted notional amounts, at the end of the reporting period, of				
- USD receivable on settlement (+)	29,311	-	8,768	8,888
- USD payable on settlement (-)	-	(104)	(1,570)	(2,664)
- RR receivable on settlement (+)	75	-	1,896	2,971
- RR payable on settlement (-)	(24,351)	-	(8,388)	(9,474)
- EUR payable on settlement (-)	-	(5)	(301)	(294)
- GBP payable on settlement (-)	-	-	(15)	(17)
Fair value of foreign exchange forwards and swaps	**5,035**	**(109)**	**390**	**(590)**

36 Fair Value of Financial Instruments

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuation techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs).

(a) Recurring fair value measurements

Recurring fair value measurements are those that the accounting standards require or permit in the consolidated statement of financial position at the end of each reporting period. The levels in the fair value hierarchy into which the recurring fair value measurements are categorised are as follows:

	31 December 2020				31 December 2019			
In millions of RR	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
ASSETS AT FAIR VALUE								
Loans and advances to customers	-	-	1,892	1,892	-	-	-	-
Financial derivatives	-	5,035	-	5,035	-	390	-	390
Investments in securities	232,198	6,256	-	238,454	133,239	1,939	-	135,178
Repurchase receivables	29	-	-	29	-	-	-	-
Total assets recurring fair value measurements	**232,227**	**11,291**	**1,892**	**245,410**	**133,239**	**2,329**	**-**	**135,568**
LIABILITIES AT FAIR VALUE								
Other financial liabilities	-	-	-	-	161	-	-	161
Financial derivatives	-	109	-	109	-	590	-	590
Total liabilities recurring fair value measurements	**-**	**109**	**-**	**109**	**161**	**590**	**-**	**751**

Investments in securities categorised in level 2 are represented by liquid debt securities classified in "Good" credit risk grade.

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Notes to the Consolidated Financial Statements (Continued)

36 Fair Value of Financial Instruments (Continued)

The description of valuation techniques and the description of the inputs used in the fair value measurement for level 2 and level 3 measurements at 31 December 2020 are as follows:

In millions of RR	Fair value	Valuation technique	Inputs used
Assets AT FAIR VALUE			
Investments in securities	6,256	Observable quotes for comparable securities adjusted by multiplicator depending on the degree of the market activity	Quotes from the automated fair value system for financial instruments of NSD Price Center*
Foreign exchange swaps and forwards	5,035	Discounted cash flows adjusted for counterparty credit risk	Russian rouble curve. USD Dollar Swaps Curve. EUR Swaps Curve. CDS quotes assessment of counterparty credit risk or reference entities.
Total recurring fair value measurements at level 2	**11,291**		
Loans and advances to customers	1,892	Revaluation of the convertible loan based on the Incantus Holding Limited's share price as per its most recent sale purchase transactions with shares of Incantus Holding Limited (Note 38)	Share price as per the most recent sale purchase transaction
Total recurring fair value measurements at level 3	**1,892**		
Liabilities AT FAIR VALUE			
Foreign exchange swaps and forwards	109	Discounted cash flows adjusted for counterparty credit risk	Russian rouble curve. USD Dollar Swaps Curve. EUR Swaps Curve. CDS quotes assessment of counterparty credit risk or reference entities.
Total recurring fair value measurements at level 2	**109**		

The description of valuation techniques and the description of the inputs used in the fair value measurement for level 2 measurements at 31 December 2019 are as follows:

In millions of RR	Fair value	Valuation technique	Inputs used
Assets AT FAIR VALUE			
Investments in securities	1,939	Observable quotes for comparable securities adjusted by multiplicator depending on the degree of the market activity	Quotes from the automated fair value system for financial instruments of NSD Price Center*
Foreign exchange swaps and forwards	390	Discounted cash flows adjusted for counterparty credit risk	Russian rouble curve. USD Dollar Swaps Curve. EUR Swaps Curve. CDS quotes assessment of counterparty credit risk or reference entities.
Total recurring fair value measurements at level 2	**2,329**		
Liabilities AT FAIR VALUE			
Foreign exchange swaps and forwards	590	Discounted cash flows adjusted for counterparty credit risk	Russian rouble curve. USD Dollar Swaps Curve. EUR Swaps Curve. CDS quotes assessment of counterparty credit risk or reference entities.
Total recurring fair value measurements at level 2	**590**		

There were no changes in the valuation techniques for level 2 recurring fair value measurements during the year ended 31 December 2020 and 2019. Level 2 derivatives comprise foreign exchange forwards and swaps.

The foreign exchange forwards have been fair valued using forward exchange rates that are quoted in an active market. Foreign exchange swaps are fair valued using forward interest rates extracted from observable yield curves. The effects of discounting are generally insignificant for level 2 derivatives.

Changes of the fair value measurements at Level 3 for the year ended 31 December 2020 are as follows:

In millions of RR	Loans and advances to customers
Fair value at the date of recognition	1,374
Other interest income	8
Net gains from foreign exchange translation	16
Net gains from revaluation of convertible loan	494
Fair value as at 31 December 2020 - Level 3	**1,892**

As at 31 December 2020, if the share price had been 10% lower/higher, fair value of loans and advances to customers carried at fair value would have been RR 64 million lower/higher.

* NSD Valuation Center is a fair value measurement service for bonds and other financial instruments, accredited by the CBRF.

Notes to the Consolidated Financial Statements (Continued)

36 Fair Value of Financial Instruments (Continued)

(b) Assets and liabilities not measured at fair value but for which fair value is disclosed

Fair values analysed by level in the fair value hierarchy and carrying value of assets not measured at fair value are as follows:

	31 December 2020				31 December 2019			
In millions of RR	Level 1	Level 2	Level 3	Carrying value	Level 1	Level 2	Level 3	Carrying value
FINANCIAL ASSETS CARRIED AT AMORTISED COST								
Cash and cash equivalents								
- Cash on hand	21,069	-	-	21,069	11,118	-	-	11,118
- Cash balances with the CBRF (other than mandatory reserve deposits)	-	38,646	-	38,646	-	16,599	-	16,599
- Placements with other banks and non-bank credit organizations with original maturities of less than three months	-	76,636	-	76,636	-	27,847	-	27,847
Mandatory cash balances with the CBRF	-	5,379	-	5,379	-	3,448	-	3,448
Due from other banks	-	1,887	-	1,887	-	2,084	-	2,084
Loans and advances to customers	-	-	374,996	374,629	-	-	329,340	329,175
Guarantee deposits with payment systems	-	-	15,475	15,475	-	-	8,877	8,877
Brokerage receivables	-	24,064	-	24,064	-	2,799	-	2,799
Other financial assets								
Settlement of operations with plastic cards receivable	-	23,882	-	23,882	-	16,384	-	16,384
Other receivables	-	7,188	-	7,188	-	5,289	-	5,289
Total financial assets carried at amortised cost	**21,069**	**177,682**	**390,471**	**588,855**	**11,118**	**74,450**	**338,217**	**423,620**

Fair values analysed by level in the fair value hierarchy and carrying value of liabilities not measured at fair value are as follows:

	31 December 2020				31 December 2019			
In millions of RR	Level 1	Level 2	Level 3	Carrying value	Level 1	Level 2	Level 3	Carrying value
FINANCIAL LIABILITIES CARRIED AT AMORTISED COST								
Due to banks	-	4,819	-	4,819	-	23	-	23
Brokerage payables	-	9,206	-	9,206	-	1,207	-	1,207
Customer accounts								
Individuals								
-*Current*/demand accounts	-	323,145	-	323,145	-	199,408	-	199,408
- Brokerage accounts	-	73,970	-	73,970	-	12,253	-	12,253
-Term deposits	-	138,971	-	135,995	-	139,114	-	137,292
SME								
-Current/demand accounts	-	89,199	-	89,199	-	60,174	-	60,174
-Term deposits	-	1,915	-	2,213	-	1,879	-	1,880
Other legal entities								
-Current/demand accounts	-	2,267	-	2,267	-	495	-	495
-Term deposits	-	48	-	48	-	112	-	112
Debt securities in issue								
RR Bonds issued on domestic market	24,824	-	-	23,910	24,442	-	-	23,618
Euro-Commercial Paper	-	-	-	-	-	2,460	-	2,460
Subordinated debt								
Perpetual subordinated bonds	22,174	-	-	20,755	19,604	-	-	18,487
Other financial liabilities								
Settlement of operations with plastic cards	-	23,079	-	23,079	-	6,427	-	6,427
Trade payables	-	6,150	-	6,150	-	4,621	-	4,621
Credit related commitments	-	-	-	3,537	-	-	-	2,242
Other financial liabilities	-	1,571	-	1,571	-	1,358	-	1,358
Total financial liabilities carried at amortised cost	**46,998**	**674,340**	**-**	**719,864**	**44,046**	**429,531**	**-**	**472,057**

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by an active quoted market price. Where quoted market prices are not available, the Group used valuation techniques. The fair value of floating rate instruments that are not quoted in an active market was estimated to be equal to their carrying amount. The fair value of unquoted fixed interest rate instruments was estimated based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

As at 31 December 2020 and 2019 the fair value of the debt securities in issue and subordinated debt has been calculated based on quoted prices from the Moscow Exchange MICEX-RTS, St. Petersburg Exchange and Global Exchange Market, where the Group's debt securities are listed and traded.

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Notes to the Consolidated Financial Statements (Continued)

36 Fair Value of Financial Instruments (Continued)

Weighted average discount rates used in determining fair value as of 31 December 2020 and 2019 are disclosed below:

In % p.a.	31 December 2020	31 December 2019
Assets		
Cash and cash equivalents	0.0	0.0
Due from other banks	3.2	5.2
Loans and advances to customers	33.5	37.2
Investments in securities	5.4	7.1
Repurchase receivables	5.1	4.7
Brokerage receivables	15.4	15.2
Liabilities		
Due to banks	4.4	7.2
Customer accounts	2.2	3.9
Debt securities in issue	6.1	7.5
Brokerage payables	15.6	15.5
Subordinated debt	5.3	6.8

37 Presentation of Financial Instruments by Measurement Category

For the purposes of measurement, IFRS 9 "Financial Instruments" classifies financial assets into the following categories: (a) financial assets at FVTPL; (b) financial assets at FVOCI and (c) financial assets at AC. Financial assets at FVTPL have two sub-categories: (i) assets measured at FVTPL mandatorily, and (ii) assets designated as such upon initial recognition.

The following table provides a reconciliation of classes of financial assets with these measurement categories as of 31 December 2020:

In millions of RR	AC	FVTPL	FVOCI	Total
Cash and cash equivalents				
- Cash on hand	21,069	-	-	21,069
- Cash balances with the CBRF (other than mandatory reserve deposits)	38,646	-	-	38,646
- Placements with other banks and non-bank credit organizations with original maturities of less than three months	76,636	-	-	76,636
Mandatory cash balances with the CBRF	5,379	-	-	5,379
Due from other banks	1,887			1,887
Loans and advances to customers	374,629	1,892	-	376,521
Financial derivatives	-	5,035	-	5,035
Guarantee deposits with payment systems	15,475	-	-	15,475
Investments in securities	-	4,265	234,189	238,454
Repurchase receivables	-	-	29	29
Brokerage receivables	24,064	-	-	24,064
Other financial assets				
- Settlement of operations with plastic cards receivable	23,882	-	-	23,882
- Other receivables	7,188	-	-	7,188
TOTAL FINANCIAL ASSETS	**588,855**	**11,192**	**234,218**	**834,265**

The following table provides a reconciliation of classes of financial assets with these measurement categories as of 31 December 2019:

In millions of RR	AC	FVTPL	FVOCI	Total
Cash and cash equivalents				
- Cash on hand	11,118	-	-	11,118
- Cash balances with the CBRF (other than mandatory reserve deposits)	16,599	-	-	16,599
- Placements with other banks and non-bank credit organizations with original maturities of less than three months	27,847	-	-	27,847
Mandatory cash balances with the CBRF	3,448	-	-	3,448
Due from other banks	2,084			2,084
Loans and advances to customers	329,175	-	-	329,175
Financial derivatives	-	390	-	390
Guarantee deposits with payment systems	8,877	-	-	8,877
Investments in securities	-	413	134,765	135,178
Brokerage receivables	2,799	-	-	2,799
Other financial assets				
- Settlement of operations with plastic cards receivable	16,384	-	-	16,384
- Other receivables	5,289	-	-	5,289
TOTAL FINANCIAL ASSETS	**423,620**	**803**	**134,765**	**559,188**

As of 31 December 2020 and 2019 all of the Group's financial liabilities except derivatives were carried at amortised cost.

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Notes to the Consolidated Financial Statements (Continued)

38 Related Party Transactions

Parties are generally considered to be related if the parties are under common control or one party has the ability to control the other party or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. Other related parties (excluding associates and joint ventures) in the tables below are represented by entities which are under the control of the Group's ultimate controlling party Oleg Tinkov. The outstanding balances with related parties were as follows:

	31 December 2020		31 December 2019	
In millions of RR	Key management personnel	Associates, joint ventures and other related parties	Key management personnel	Associates, joint ventures and other related parties
ASSETS				
Gross amounts of loans and advances to customers (contractual interest rate: 1.7-16.5% p.a. (31 December 2019: 11.7-25.7% p.a.))	422	1,892	437	150
Other financial assets	-	158	-	843
TOTAL ASSETS	**422**	**2,050**	**437**	**993**
LIABILITIES				
Customer accounts (contractual interest rate: 0.8-3.7% p.a. (31 December 2019: 0.5-7.2% p.a.))	1,221	2,086	1,779	227
Debt securities in issue (yield: 1.0-3.6% p.a. (31 December 2019: 1.0-3.6% p.a.))	-	-	-	2,460
Other non-financial liabilities	584	-	521	-
TOTAL LIABILITIES	**1,805**	**2,086**	**2,300**	**2,687**
EQUITY				
Share-based payment reserve				
- Management long-term incentive program	1,378	-	930	-
TOTAL EQUITY	**1,378**	**-**	**930**	**-**

At 31 August 2020 the Group acquired 22.15% shareholding in Incantus Holding Limited, which is a group of fintech start-ups launched in 2020 to provide a range of services to retail customers in Europe (excluding CIS). The investment in Incantus Holding Limited was classified as an investment in associates and accounted for using the equity method. Also the Group provided a convertible loan to Incantus Holding Limited in the amount of EUR 15.4 million (RR 1,374 million) at 1.7% p.a. with a maturity date of 31 August 2025. The convertible loan agreement implies that the Group may convert the loan into the borrower's shares at the price of initial acquisition of shares of Incantus Holding Limited by the Group subject to compliance with a number of conversion requirements including a cap in relation to overall shareholding of the Group in Incantus Holding Limited of 24.5%.

As at 31 December 2020 the shareholding of the Group in Incantus Holding Limited is equal to 16.32%, and the carrying value of the convertible loan is equal to RR 1,892 million. The Company has extended rights under the Shareholder Agreement at the board meeting level (Board Reserved matters) and at the shareholder meeting level (Shareholder Reserved matters) in Incantus Holding Limited which provides the Company significant influence over it and allows to treat it as associate.

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

	2020		2019	
In millions of RR	Key management personnel	Associates, joint ventures and other related parties	Key management personnel	Associates, joint ventures and other related parties
Interest income calculated using the effective interest rate method	18	32	2	27
Other similar income	-	8	-	-
Interest expense calculated using effective interest rate method	(29)	(33)	(64)	(101)
Net (losses)/gains from foreign exchange translation	-	(40)	-	31
Net gains from financial assets at FVTPL	-	494	-	-
Administrative and other operating expenses	(2,895)	(248)	(1,913)	(173)
Other operating income	-	447	-	49

Key management compensation is presented below:

In millions of RR	2020	2019
Short-term benefits:		
- Salaries	1,086	906
- Short-term bonuses	921	586
Long-term benefits:		
- Management long-term incentive programme	862	421
- Key employees retention plan	26	-
Total	**2,895**	**1,913**

Key employees retention plan (KERP). On 14 April 2020 the Group launched a new long term incentive program for more than 250 senior and middle management level employees. The purpose of the program is to retain and motivate key employees with high potential. This is a performance-based cash-settled program linked to the market price of GDRs. The expenses related to those participants who are considered to be key management personnel are disclosed in the table above.

Management long-term incentive program. On 31 March 2016 the Group introduced a MLTIP as both a long-term incentive and a retention tool for the management of the Group. Total number of GDRs attributable to the management is 15,290 thousand as at 31 December 2020 (31 December 2019: 9,940 thousand).

Participants of the program receive the vested parts of their grants provided that they remain employed by the Group throughout the vesting period. Participants are entitled to the dividends, if any. Participants who leave the Group lose their right for the unvested parts of the grants.

The fair value of the awards as at grant dates (31 March 2016, 8 February 2017, 22 February 2018, 15 January 2019, 5 June 2020 and 11 December 2020) is determined on the basis of market quotes of GDRs as at those dates.

Each grant before 2020 is divided into 4 equal awards. Each award vests over 4 years in equal tranches. The delivery dates as of which the GDRs are allowed to be sold by the participants correspond to the vesting dates 31 March, as well as each subsequent 31 March (with the exception of 2019 when the vesting date for all participants was 31 January 2019) until 2022 for participants joining in 2016, until 2023 for participants joining in 2017, until 2024 for participants joining in 2018, until 2025 for participants joining in 2019.

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Notes to the Consolidated Financial Statements (Continued)

38 Related Party Transactions (Continued)

Each grant provided in 2020 is divided into 5 equal tranches. The delivery dates as of which the GDRs are allowed to be sold by the participants correspond to the vesting dates 31 August, as well as each subsequent 31 August until 2025.

The following table discloses the changes in the numbers of GDRs attributable to the MLTIP:

In thousands	**Number of GDRs attributable to the MLTIP**
At 31 December 2018	**6,178**
Granted	91
Vested	(2,419)
Forfeited	(68)
At 31 December 2019	**3,782**
Granted	5,350
Vested	(1,810)
Forfeited	(46)
At 31 December 2020	**7,276**

39 Events after the End of the Reporting Period

On 10 March 2021 the Board of directors declared an interim dividend in line with the current dividend policy of USD 0.24 per share/per GDR with a total amount allocated for dividend payment of approximately USD 47.8 million.

On 7 January 2021 all 69,914,043 class B shares (35.08% of the total number of issued shares) held by the Rigi Trust and the Bernina Trust were converted to class A shares and on the same date all isued shares were reclassified and redesignated as ordinary shares. Following the conversion, each share carries a single vote, and the total number of votes capable of being exercised are equal to the total number of issued shares (currently 199,305,492 shares following the class B share conversion). As a result of the conversion, Mr. Oleg Tinkov's voting rights in the Group decreased from 84.38% to 35.08%. As a result his control over the Group was ceased.

40 Significant Accounting Policies

Basis of preparation. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law Cap. 113.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value, and by revaluation of financial instruments categorised at fair value through profit or loss ("FVTPL") and at fair value through other comprehensive income ("FVOCI"). The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. Refer to Note 41. Management prepared these consolidated financial statements on a going concern basis.

Consolidated financial statements. Subsidiaries are those investees, including structured entities, that the Group controls because the Group (i) has power to direct relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of investor's returns. The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity. For a right to be substantive, the holder must have practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The Group may have power over an investee even when it holds less than majority of voting power in an investee.

In such a case, the Group assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee. Protective rights of other investors, such as those that relate to fundamental changes of investee's activities or apply only in exceptional circumstances, do not prevent the Group from controlling an investee. Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are deconsolidated from the date on which control ceases.

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

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

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

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

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

Non-controlling interest is that part of the net results and of the equity of a subsidiary attributable to interests which are not owned, directly or indirectly, by the Group. Non-controlling interest forms a separate component of the Group's equity.

When the Group acquires a dormant company with no business operations holding an asset and this asset is the main reason of acquisition of the company such transaction is treated as an asset acquisition. No goodwill is recognized as a result of such acquisition.

Purchases and sales of non-controlling interests. The Group applies the economic entity model to account for transactions with owners of non-controlling interest. Any difference between the purchase consideration and the carrying amount of non-controlling interest acquired is recorded as a capital transaction directly in equity. The Group recognises the difference between sales consideration and carrying amount of non-controlling interest sold as a capital transaction in the consolidated statement of changes in equity.

Associates. Associates are entities over which the Group has significant influence (directly or indirectly), but not control, generally accompanying a shareholding of between 20 and 50 percent of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The carrying amount of associates includes goodwill identified on acquisition less accumulated credit losses, if any. Dividends received from associates reduce the carrying value of the investment in associates. Other post-acquisition changes in Group's share of net assets of an associate are recognised as follows: (i) the Group's share of profits or losses of associates is recorded in the consolidated profit or loss for the year as share of result of associates, (ii) the Group's share of other comprehensive income is recognised in other comprehensive income and presented separately, (iii); all other changes in the Group's share of the carrying value of net assets of associates are recognised in profit or loss within the share of result of associates.

However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. Otherwise the Group continue to recognise further losses if it has commitments to fund the associate's operations.

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Notes to the Consolidated Financial Statements (Continued)

40 Significant Accounting Policies (Continued)

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

The Group applies the impairment requirements in IFRS 9 to long-term loans and similar long-term interest that in substance form part of the investment in associate before reducing the carrying value of the investment by a share of a loss of the investee that exceeds the amount of the Group's interest in the ordinary shares.

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

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the quantity held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

The price within the bid-ask spread which management considers to be the most representative of fair value for quoted financial assets and liabilities is the last bid price of the business day. A portfolio of financial derivatives or other financial assets and liabilities that are not traded in an active market is measured at the fair value of a group of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position (an asset) for a particular risk exposure or paid to transfer a net short position (a liability) for a particular risk exposure in an orderly transaction between market participants at the measurement date.

This is applicable for assets carried at fair value on a recurring basis if the Group: (a) manages the group of financial assets and financial liabilities on the basis of the entity's net exposure to a particular market risk (or risks) or to the credit risk of a particular counterparty in accordance with the entity's documented risk management or investment strategy; (b) it provides information on that basis about the group of assets and liabilities to the entity's key management personnel; and (c) the market risks, including duration of the entity's exposure to a particular market risk (or risks) arising from the financial assets and financial liabilities is substantially the same.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees, are used to measure fair value of certain financial instruments for which external market pricing information is not available.

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period. Refer to Note 36.

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

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

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the gross carrying amount of a financial asset or to the amortised cost of a financial liability.

The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or secured that are integral to the effective interest rate such as origination fees.

The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount, which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

For assets that are purchased or originated credit impaired ("POCI") at initial recognition, the effective interest rate is adjusted for credit risk, i.e. it is calculated based on the expected cash flows on initial recognition instead of contractual payments.

Financial instruments – initial recognition. Financial instruments at FVTPL are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs that are incremental and directly attributable to the acquisition or the issue of the financial asset or financial liability. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

After the initial recognition, an ECL allowance is recognised for financial assets measured at AC and investments in debt instruments measured at FVOCI, resulting in an immediate accounting loss.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date on which the Group commits to deliver a financial asset.

The Group uses discounted cash flow valuation techniques to determine the fair value of currency swaps, foreign exchange forwards that are not traded in an active market. Differences may arise between the fair value at initial recognition, which is considered to be the transaction price, and the amount determined at initial recognition using a valuation technique. The differences are immediately recognised in profit or loss if the valuation uses only level 1 or level 2 inputs.

Financial assets – classification and subsequent measurement – measurement categories. The Group classifies financial assets in the following measurement categories: FVTPL, FVOCI and AC. The classification and subsequent measurement of debt financial assets depends on:

- the Group's business model for managing the related assets portfolio and
- the cash flow characteristics of the asset.

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Notes to the Consolidated Financial Statements (Continued)

40 Significant Accounting Policies (Continued)

Financial assets – classification and subsequent measurement – business model. The business model reflects how the Group manages the assets in order to generate cash flows – whether the Group's objective is:

- solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows"); or
- to collect both the contractual cash flows and the cash flows arising from the sale of assets ("hold to collect contractual cash flows and sell");
- if neither of i) and ii) is applicable, the financial assets are classified as part of "other" business model and measured at FVTPL.

Business model is determined for a group of assets (on a portfolio level) based on all relevant evidence about the activities that the Group undertakes to achieve the objective set out for the portfolio available at the date of the assessment. Factors considered by the Group in determining the business model include the purpose and composition of a portfolio, past experience on how the cash flows for the respective assets were collected, how risks are assessed and managed, how the assets' performance is assessed and how managers are compensated.

Based on the analysis performed the Group included the following financial instruments in the business model "hold to collect contractual cash flows" since the Group manages these financial instruments solely to collect contractual cash flows: cash and cash equivalents, mandatory cash balances with the CBRF, due from other banks, loans and advances to customers, guarantee deposits with payment systems, brokerage receivables and other financial assets. The Group included debt securities at FVOCI in the business model "hold to collect contractual cash flows and sell" since the Group manages these financial instruments to collect both the contractual cash flows and the cash flows arising from the sale of assets. The Group included debt securities measured at FVTPL and financial derivatives in the business model "other".

Financial assets – classification and subsequent measurement – cash flow characteristics. Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Group assesses whether the cash flows represent solely payments of principal and interest (the SPPI test). Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are consistent with the SPPI feature.

In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for credit risk, time value of money, other basic lending risks and profit margin.

Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the financial asset is classified and measured at FVTPL. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed. However, if the contractual terms of the asset are modified, the Group considers if the contractual cash flows continue to be consistent with a basic lending arrangement in assessing whether the modification is substantial. See below for "Financial assets – modification".

Financial assets – reclassification. Financial instruments are reclassified only when the business model for managing the portfolio as a whole changes. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows after the change in the business model. The Group did not change its business model during the current and comparative period and did not make any reclassifications.

Financial assets – impairment – credit loss allowance for ECL. The Group assesses on a forward-looking basis the ECL for debt instruments (including loans) measured at AC and FVOCI and for the exposure arising from loan commitments and financial guarantee contracts. The Group measures ECL and recognises credit loss allowance at each reporting date.

The measurement of ECL reflects:

1) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes;
2) the time value of money; and
3) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

Debt instruments measured at AC are presented in the consolidated statement of financial position net of the allowance for ECL.

For loan commitments (where those components can be separated from the loan) and financial guarantees, a separate provision for ECL is recognised as a financial liability in the consolidated statement of financial position. For debt instruments at FVOCI, changes in amortised cost, net of allowance for ECL, are recognised in profit or loss and other changes in carrying value are recognised in OCI as gains less losses on debt instruments at FVOCI.

The Group applies a "three stage" model for impairment in accordance with IFRS 9, based on changes in credit quality since initial recognition:

1) A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 months ECL").
2) If the Group identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("lifetime ECL"). Refer to Note 29 for a description of how the Group determines when a SICR has occurred.
3) If the Group determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a lifetime ECL. Refer to Note 29 for a description of how the Group defines credit-impaired assets and default.

For financial assets that are purchased or originated credit-impaired ("POCI Assets"), the ECL is always measured at a lifetime ECL. Note 29 provides information about inputs, assumptions and estimation techniques used in measuring ECL, including an explanation of how the Group incorporates forward-looking information in the ECL models.

As an exception, for certain financial instruments, such as credit cards, that may include both a loan and an undrawn commitment component, the Group measures expected credit losses over the period that the Group is exposed to credit risk, that is, until the expected credit losses would be mitigated by credit risk management actions, even if that period extends beyond the maximum contractual period. This is because contractual ability to demand repayment and cancel the undrawn commitment does not limit the exposure to credit losses to such contractual notice period. Refer to Note 3 for critical judgements applied by the Group in determining the period for measuring ECL.

Financial assets – write-off. Uncollectible assets are partly written-off against the related credit loss allowance usually after one year since they become overdue. The amount of uncollectible part of loan is estimated on a loan portfolio basis taking into account defaulted loans recovery statistics. The Group writes-off financial assets that are mostly still subject to enforcement activity, however, there is no reasonable expectation of recovery. If credit-impaired loans are sold to third parties, the Group remeasures the amount of ECL prior to sale taking into consideration the expected sales proceeds so that there are no gains or losses on derecognition upon sale.

Repayments of written-off loans. Recovery of amounts previously written-off as uncollectible is credited directly to the credit loss allowance line in the consolidated statement of profit or loss and other comprehensive income. Cash flows related to repayments of written-off loans are separately presented within recoveries from written-off loan in the consolidated statement of cash flows.

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

Financial assets – modification. The Group sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Group assesses whether the modification of contractual cash flows is substantial considering, among other, the following factors: any new contractual terms that substantially affect the risk profile of the asset, significant change in interest rate, change in the currency denomination, new collateral or credit enhancement that significantly affects the credit risk associated with the asset, or a significant extension of a loan when the borrower is not in financial difficulties.

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Group derecognises the original financial asset and recognises a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a SICR has occurred.

Notes to the Consolidated Financial Statements (Continued)

40 Significant Accounting Policies (Continued)

The Group also assesses whether the new loan or debt instrument meets the SPPI criterion. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss, unless the substance of the difference is attributed to a capital transaction with owners.

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Group compares the original and revised expected cash flows to assets whether the risks and rewards of the asset are substantially different as a result of the contractual modification. If the risks and rewards do not change, the modified asset is not substantially different from the original asset and the modification does not result in derecognition.

The Group recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets) and recognises a modification gain or loss in profit or loss. Usually modifications of stage 3 loans do not result in derecognition since they do not change the expected cash flows substantially and represent the way of collection of past due balances.

Financial liabilities – measurement categories. Financial liabilities are classified as subsequently measured at AC, except for financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities).

Financial liabilities – derecognition. Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

An exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability.

In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in loan covenants are also considered. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch up method, with any gain or loss recognised in profit or loss, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners.

Cash and cash equivalents. Cash and cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents include all interbank placements and reverse sale and repurchase agreements with other banks with original maturities of less than three months. Funds restricted for a period of more than three months on origination are excluded from cash and cash equivalents. Cash and cash equivalents are carried at amortised cost as: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

The payments or receipts presented in the consolidated statement of cash flows represent transfers of cash and cash equivalents by the Group, including amounts charged or credited to current accounts of the Group's counterparties held with the Group, such as loan interest income or principal collected by charging the customer's current account or interest payments or disbursement of loans credited to the customer's current account, which represents cash or cash equivalent from the customer's perspective.

Brokerage receivables and brokerage payables. Brokerage receivables represent placements under reverse sale and repurchase agreements made by the Bank with central counterparty to provide customers of the Bank who have brokerage accounts with the Bank with possibility to acquire securities in case those customers have insufficient own funds to acquire those securities. Brokerage payables represent funds attracted under sale and repurchase agreements made by the Bank with central counterparty to provide customers of the Bank who have brokerage accounts with the Bank with the possibility to borrow securities and make a short sale. Brokerage receivables and payables are short-term and accounted at amortised cost.

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

Due from other banks. Amounts due from other banks are recorded when the Group advances money to counterparty banks with no intention of trading the resulting unquoted non-derivative receivable due on fixed or determinable dates. Amounts due from other banks are carried at amortised cost as: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

Certain bank deposits are subject to the "bail-in" legislation that permits or requires a national resolving authority to impose losses on holders in particular circumstances. Where the bail-in clauses are included in the contractual terms of the instrument and would apply even if legislation subsequently changes, the SPPI test is not met and such instruments are mandatorily measured at FVTPL. The Group did not identify such balances due from other banks. Where such clauses in the contract merely acknowledge the existence of the legislation and do not create any additional rights or obligation for the Group, the SPPI criterion is met and the respective instruments are carried at AC.

Investments in debt securities. Based on the business model and the contractual cash flow characteristics, the Group classifies investments in debt securities as carried at AC, FVOCI or FVTPL.

Debt securities are carried at AC if they are held for collection of contractual cash flows and where those cash flows represent SPPI, and if they are not voluntarily designated at FVTPL in order to significantly reduce an accounting mismatch.

Debt securities are carried at FVOCI if they are held for collection of contractual cash flows and for selling, where those cash flows represent SPPI, and if they are not designated at FVTPL. Interest income from these assets is calculated using the effective interest method and recognised in profit or loss. An impairment allowance estimated using the expected credit loss model is recognised in profit or loss for the year. All other changes in the carrying value are recognised in OCI except for foreign exchange translation gains/(losses) and interest income calculated using the effective interest rate method. When the debt security is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from OCI to profit or loss.

Investments in debt securities are carried at FVTPL if they do not meet the criteria for AC or FVOCI. The Group may also irrevocably designate investments in debt securities at FVTPL on initial recognition if applying this option significantly reduces an accounting mismatch between financial assets and liabilities being recognised or measured on different accounting bases.

Loans and advances to customers. Loans and advances to customers are recorded when the Group advances money to purchase or originate a loan due from a customer.

Based on the business model and the cash flow characteristics, the Group classifies loans and advances to customers into one of the following measurement categories:

1) AC: loans that are held for collection of contractual cash flows and those cash flows represent SPPI and loans that are not voluntarily designated at FVTPL;
2) FVTPL: loans that do not meet the criteria for AC or FVOCI are measured at FVTPL (mandatory FVTPL).

Impairment allowances of the loans measured at AC are determined based on the forward-looking ECL model. Note 29 provides information about inputs, assumptions and estimation techniques used in measuring ECL, including an explanation of how the Group incorporates forward-looking information in the ECL models.

Notes to the Consolidated Financial Statements (Continued)

40 Significant Accounting Policies (Continued)

Credit related commitments. The Group issues commitments to provide loans. Commitments to provide loans are initially recognised at their fair value, which is normally evidenced by the amount of fees received. Such loan commitment fees are deferred and included in the carrying value of the loan on initial recognition. At the end of each reporting period, the commitments are measured at the amount of the loss allowance determined based on the expected credit loss model. For loan commitments (where those components can be separated from the loan), a separate provision for ECL is recognised as a liability in the consolidated statement of financial position.

Performance guarantees. Performance guarantees are contracts that provide compensation if another party fails to perform a contractual obligation. Such contracts transfer non-financial performance risk in addition to credit risk. Performance guarantees are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the contract. At the end of each reporting period, the performance guarantee contracts are measured at the higher of (i) the unamortised balance of the amount at initial recognition and (ii) the best estimate of expenditure required to settle the contract at the end of each reporting period, discounted to present value. Where the Group has the contractual right to revert to its customer for recovering amounts paid to settle the performance guarantee contracts, such amounts will be recognised as an asset upon transfer of the loss compensation to the guarantee's beneficiary. These fees are recognised within fee and commission income in profit or loss.

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

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

Securities lent to counterparties for a fixed fee are retained in the consolidated financial statements in their original category in the consolidated statement of financial position unless the counterparty has the right by contract or custom to sell or repledge the securities, in which case they are reclassified and presented separately.

Securities borrowed for a fixed fee are not recorded in the consolidated financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded in profit or loss for the year within gains less losses arising from trading securities. The obligation to return the securities is recorded at fair value in other borrowed funds.

Based on classification of securities sold under the sale and repurchase agreements, the Group classifies repurchase receivables into one of the following measurement categories: AC, FVOCI, FVTPL.

Guarantee deposits with payment systems. Amounts of guarantee deposits with payment systems are recorded when the Group advances money to payment systems with no intention of trading the resulting unquoted non-derivative receivable. Amounts of guarantee deposits with payment systems are carried at amortised cost.

Tangible fixed assets. Tangible fixed assets are stated at cost less accumulated depreciation and provision for impairment, where required.

Costs of minor repairs and day-to-day maintenance are expensed when incurred. Costs of replacing major parts or components of premises and equipment items are capitalised, and the replaced part is retired.

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

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in profit or loss for the year (within other operating income or expenses).

Depreciation. Depreciation of each item of tangible fixed assets is calculated using the straight-line method to allocate its cost to its residual value over its estimated useful life as follows:

	Useful lives in years
Building	99
Equipment	3 to 10
Vehicles	5 to 7
Leasehold improvements	Shorter of their useful economic life and the term of the underlying lease
Others (safes, fireproof cabinets)	20

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

Intangible assets. Intangible assets are stated at cost less accumulated amortization. The Group's intangible assets other than insurance license have definite useful life and include capitalised acquired computer software and internally developed software. Development costs that are directly associated with identifiable and unique software controlled by the Group are recorded as intangible assets if the inflow of incremental economic benefits exceeding costs is probable. Capitalised costs include staff costs of the software development team and an appropriate portion of relevant overheads.

Computer software licenses acquired are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. All other costs associated with computer software, e.g. its maintenance, are expensed when incurred. Capitalised computer software is amortised on a straight line basis over expected useful lives of 1 to 10 years.

At each reporting date management assesses whether there is any indication of impairment of intangible assets with an indefinite useful life. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use.

The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit or loss. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell. Intangible assets including goodwill with indefinite useful life are tested annually for impairment.

Accounting for leases by the Group as a lessee. Leases, where the Group is the lessee, are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Notes to the Consolidated Financial Statements (Continued)

40 Significant Accounting Policies (Continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable under cancellable and non-cancellable operating leases;
- variable lease payments that are based on an index or a rate and that are initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease term includes any non-cancellable and optional extension periods which have been assessed as reasonably certain to be exercised. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- dismantling and restoration costs.

As an exception to the above, the Group accounts for short-term leases and leases of low value assets by recognising the lease payments as an operating expense on a straight line basis. Short-term leases are leases with a lease term of 12 months or less, and the lease does not provide for the possibility of repurchase of the asset at the end of the contract. Low value assets are assets with a value of RR 300,000 or less at the date of conclusion of the contract.

Right-of-use assets are included in tangible fixed assets, lease liabilities are included in other non-financial liabilities in the consolidated statement of financial position. Depreciation of right-of-use assets are recognised in administrative and other operating expenses in the consolidated statement of profit or loss and other comprehensive income. Finance cost is recognised within other similar expense line of the consolidated statement of profit or loss and other comprehensive income. Repayment of principal of lease liabilities is disclosed within cash flows from financing activities of the consolidated statement of cash flows.

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

Customer accounts. Customer accounts are non-derivative liabilities to corporate entities and individuals and are carried at amortised cost.

Debt securities in issue. Debt securities are stated at amortised cost. If the Group purchases its own debt securities in issue, they are removed from the consolidated statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in a separate line of consolidated statement of profit or loss and other comprehensive income.

Subordinated debt. Subordinated debt can only be paid in the event of a liquidation after the claims of other higher priority creditors have been met. Subordinated debt is carried at AC.

Financial derivatives. Financial derivatives represented by forwards and foreign currency swaps are carried at their fair value. Derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of financial derivatives are recorded in profit or loss within Net gains/(losses) from derivatives revaluation. The Group does not apply hedge accounting.

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

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

Deferred income tax is provided using the liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of reporting period which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets and liabilities are netted only within the individual companies of the Group. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

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

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

Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

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

Levies and charges, such as taxes other than income tax or regulatory fees based on information related to a period before the obligation to pay arises, are recognised as liabilities when the obligating event that gives rise to pay a levy occurs, as identified by the legislation that triggers the obligation to pay the levy. If a levy is paid before the obligating event, it is recognised as a prepayment.

Other liabilities. Other liabilities are accrued when the counterparty has performed its obligations under the contract and are carried at amortised cost.

Share capital. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds and debited against share premium.

Share premium. Share premium is the difference between the fair value of the consideration receivable for the issue of shares and the nominal value of the shares. The share premium account can only be resorted to for limited purposes, which do not include the distribution of dividends, and is otherwise subject to the provisions of the Cyprus Companies Law on reduction of share capital.

Treasury shares. Where the Company or its subsidiaries purchase the Company's equity instruments, the consideration paid, including any directly attributable incremental external costs, net of income taxes, is deducted from equity attributable to the owners of the Company until the equity instruments are reissued, disposed of or cancelled. Where such shares are subsequently disposed of or reissued, any consideration received is included in equity. The value of GDRs transferred out of treasury shares for the purposes of the long-term incentive programme for management of the Group are determined based on the weighted average cost.

Notes to the Consolidated Financial Statements (Continued)

40 Significant Accounting Policies (Continued)

Dividends. Dividends are recorded in equity in the period in which they are declared. Any dividends declared after the end of the reporting period and before the consolidated financial statements are authorised for issue, are disclosed in the Note 39. The accounting reports of the Group entities are the basis for profit distribution and other appropriations. The separate financial statements of the Company prepared in accordance with IFRS as adopted by the EU and in accordance with Cyprus Companies Law is the basis of available reserves for distribution.

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's consolidated financial statements in the year in which the dividends are appropriately authorised and are no longer at the discretion of the Company. More specifically, interim dividends are recognised as a liability in the period in which these are authorised by the Board of directors and in the case of final dividends, these are recognised in the period in which these are approved by the Company's shareholders.

Interest income and expense recognition. Interest income and expense calculated using effective interest method are recorded for all debt instruments, other than those at FVTPL, on an accrual basis using the effective interest method. This method defers, as part of interest income or expense, all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Fees integral to the effective interest rate include origination fees (e.g. interchange fee on credit card loans) received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability.

Commitment fees (e.g. annual fee on credit card loans) received by the Group to originate loans at market interest rates are integral to the effective interest rate if it is probable that the Group will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination. The Group does not designate loan commitments as financial liabilities at FVTPL.

For financial assets that are originated or purchased credit-impaired, the effective interest rate is the rate that discounts the expected cash flows (including the initial expected credit losses) to the fair value on initial recognition (normally represented by the purchase price). As a result, the effective interest is credit-adjusted.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:

i) financial assets that have become credit-impaired (Stage 3), for which interest revenue is calculated by applying the effective interest rate to their AC (net of the ECL provision); and

ii) financial assets that are purchased or originated credit-impaired, for which the original credit-adjusted effective interest rate is applied to the AC.

Customer acquisition expense recognition. Customer acquisition expenses are represented by the costs incurred by the Group on services related to attraction of the client, mailing of advertising materials, processing of responses etc. Those costs, which can be directly attributed to the acquisition of a particular client, are included in the effective interest rate of the originated financial instruments; the remaining costs are expensed on the basis of the actual services provided.

Other income and expense recognition. All other income is generally recorded on an accrual basis by reference to completion of the specific performance obligation assessed on the basis of measurement of the Group's progress towards complete satisfaction of that performance obligation.

All other expenses are generally recorded on an accrual basis by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Other similar income. Other similar income represents interest income recorded for debt instruments measured at fair value through profit or loss ("FVTPL") and is recognised on an accrual basis using nominal interest rate.

Other similar expense. Other similar expense represents finance cost related to the discounted lease payments using the incremental borrowing rate.

Fee and commission income and expense. Fee and commission income is recognised over time as the services are rendered, when the customer simultaneously receives and consumes the benefits provided by the Group's performance. Such income includes SMS fee, part of SME services commission, part of brokerage fee and income from MVNO services which represents fixed monthly payments.

Variable fees are recognised only to the extent that management determines that it is highly probable that a significant reversal will not occur.

Other fee and commission income is recognised at a point in time when the Group satisfies its performance obligation, usually upon execution of the underlying transaction. The amount of fee or commission received or receivable represents the transaction price for the services identified as distinct performance obligations. Such income includes acquiring commission, part of SME services commission, brokerage fee and income from MVNO services, which represents payments for each transaction, fee for selling credit protection, interchange fee, cash withdrawal fee, foreign currency exchange transactions fee, fee for money transfers and other.

All fee and commission expenses are generally recorded on an accrual basis by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Customer loyalty program. The group operates loyalty programs where retail clients accumulate points, which entitle them to reimbursement of purchases made with credit and debit cards.

A financial liability is recognised for the amount of fair value of points expected to be redeemed until they are actually redeemed or expire with the corresponding entries to interest income calculated using the effective interest rate method or commission expenses depending on whether the points were accumulated by credit card clients or debit card clients respectively.

Insurance contracts. Insurance contracts are those contracts that transfer significant insurance risk. Insurance risk exists when the Group has uncertainty in respect of at least one of the following matters at inception of the contract: occurrence of insurance event, date of occurrence of the insurance event, and the claim value in respect of the occurred insurance event. Such contracts may also transfer financial risk.

Non-life insurance (short-term insurance). The below items from the consolidated statement of financial position of the Group are accounted within Other financial assets and Other financial liabilities lines, the below items from the consolidated statement of profit or loss and other comprehensive income of these consolidated financial statements are accounted within Income from insurance operations and Insurance claims incurred lines.

- ***Premiums written.*** Premiums (hereafter – "premiums" or "insurance premiums") under insurance contracts are recorded as written upon inception of a contract and are earned on a pro-rata basis over the term of the related contract coverage. Reduction of premium written in subsequent periods (under amendments to the signed original contacts, for example) is accounted by debiting of premiums written in current period.
- ***Claims.*** Claims are charged to the consolidated statement of profit or loss and other comprehensive income as compensation is paid to policyholders (beneficiaries) or third parties.
- ***Claims handling expenses.*** Claims handling expenses are recognised in profit or loss for the period as incurred and include direct expenses related to negotiations and subsequent claims handling, as well as indirect expenses, including expenses of claims handling department and administrative expenses directly related to activities of this department.
- ***Reinsurance.*** The Group assumes and cedes reinsurance in the normal course of business. Ceded reinsurance contracts do not relieve the Group from its obligations to the policyholders under insurance contract. Amounts due from reinsurers are measured consistently with the amounts associated with the direct insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance assets arising from outward reinsurance contracts include reinsurers share in paid claims, including claims handling expenses. Liabilities under outward reinsurance operations are obligations of the Group for payment of premiums to reinsurers. Reinsurance assets include premiums ceded to the Group under inward reinsurance contracts. The Group's liabilities under inward reinsurance contracts are obligations to compensate the Group's share in paid claims, including claims handling expenses to reinsurers.
  The Group assesses its reinsurance assets for impairment on a regular basis. If there is objective evidence that the reinsurance asset is impaired, the Group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the consolidated statement of profit or loss and other comprehensive income. The Group gathers the evidence that a reinsurance asset is impaired using the same process adopted for financial assets carried at amortised cost. The impairment loss is also calculated following the same method used for the financial assets carried at amortised cost.

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Notes to the Consolidated Financial Statements (Continued)

40 Significant Accounting Policies (Continued)

- ***Subrogation income.*** The Group has a right to pursue third parties responsible for loss for payment of some or all costs related to the claims settlement process of the Group (subrogation). Reimbursements are recognised as income only if the Group is confident in receipt of these amounts from these third parties. Under inward reinsurance contracts, amounts of reimbursement due to the Group as a result of settlement of reinsurer's subrogation claims are treated as the Group's income as at the date of acceptance of the invoice received from the reinsurer and including calculation of the Group's share in the subrogation claim.
- ***Deferred acquisition costs.*** Deferred acquisition costs ("DAC") are calculated (for non-life insurance contracts) separately for each insurance product. Acquisition costs include remuneration to agents for concluding agreements with corporate clients and individuals and brokerage fees for underwriting of assumed reinsurance agreements. They vary with and fully depend on the premium earned under acquired or renewed insurance policies. These acquisition costs are deferred and amortised over the period in which the related written premiums are earned.

  They are reviewed by line of business at the time of the policy issue and at the end of each accounting period to ensure they are recoverable based on future estimates. For the insurance contracts with duration of less than one month and with automatic prolongation condition amortisation of one-off acquisition costs occurs over the period determined based on statistical assessment of duration of the insurance contract taking into account all of the expected future prolongations.

Insurance provisions

- ***Provision for unearned premiums.*** Provision for unearned premiums ("UEPR") represents the proportion of premiums written that relate to the unexpired term of policies in force as at the reporting date, calculated on a time apportionment basis. UEPR is recognised within liabilities on a gross basis.
- ***Loss provisions.*** Loss provisions represent the accumulation of estimates for ultimate losses and include outstanding claims provision ("OCP") and provision for losses incurred but not yet reported ("IBNR"). Loss provisions are recognised within liabilities on a gross basis. Estimates of claims handling expenses are included in both OCP and IBNR. OCP is provided in respect of claims reported, but not settled as at the reporting date. The estimation is made on the basis of information received by the Group during settlement of the insured event, including information received after the reporting date. IBNR is determined by the Group by line of business using actuarial methods, and includes assumptions based on prior years' claims and claims handling experience. IBNR is calculated for each occurrence period as the difference between the projected maximum amount of future payments resulting from the events that occurred during the period and the amount of future payments resulting from the event already reported but not settled at the reporting date within the same period. The methods of determining such estimates and establishing the resulting provisions are continually reviewed and updated. Resulting adjustments are reflected in the consolidated statement of profit or loss and other comprehensive income as they arise. Loss provisions are estimated on an undiscounted basis due to relatively quick pattern of claims notification and payment.
- ***Unexpired risk provision.*** Unexpired risk provision ("URP") is recorded when unearned premiums are insufficient to meet claims and expenses, which may be incurred after the end of the financial year. To estimate the unexpired risk provision the Group uses historical experience and forward looking assumptions of ultimate loss ratios (including claims handling expenses) and the level of in-force portfolio maintenance expenses. The expected claims are calculated having regard to events that have occurred prior to the reporting date. For the purposes of final presentation of consolidated financial statements unexpired risk provision is written off against deferred acquisition costs.
- ***Liability adequacy testing.*** As at each reporting date the adequacy of the insurance reserves is tested. Testing of insurance reserves for non-life insurance is performed to ensure adequacy of contract liabilities. In performing these tests, current estimates of future contractual cash flows, claims handling and administration expenses are used. As a result of liability adequacy testing for non-life insurance, the Group sets up its URP.

Foreign currency translation and operations. The functional currency of the Company and each of the Group's consolidated entities is the Russian Rouble ("RR"), which is the currency of the primary economic environment in which each entity operates. Monetary assets and liabilities are translated into each entity's functional currency at the official exchange rate of the CBRF at the end of the respective reporting period.

Foreign exchange gains and losses resulting from the translation of monetary assets and liabilities into each entity's functional currency at year-end official exchange rates of the CBRF are recognised in profit or loss for the year as Net (losses)/gains from foreign exchange translation.

Foreign exchange gains and losses resulting from the settlement of transactions with foreign currencies are recognised in profit or loss for the year as net gains/(losses) from operations with foreign currencies (except for clients' foreign currency exchange transactions fee, which is recognised in profit or loss as fee and commission income).

Translation at year-end rates does not apply to non-monetary items that are measured at historical cost.

At 31 December 2020 the rate of exchange used for translating foreign currency balances was USD 1 = RR 73.8757 (31 December 2019: USD 1 = RR 61.9057), and the average rate of exchange was USD 1 = RR 72.1464 (2019: USD 1 = RR 64.7362).

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

Earnings per share. Earnings per share are determined by dividing the profit or loss attributable to owners of the Company by the weighted average number of participating shares outstanding during the reporting year, excluding treasury shares. For the purpose of diluted earnings per share calculation the Group considers dilutive effects of shares granted under employee share option plans.

Staff costs and related contributions. Wages, salaries, contributions to the Russian Federation state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Group. The Group has no legal or constructive obligation to make pension or similar benefit payments beyond the payments to the statutory defined contribution scheme.

Segment reporting. Segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker. Segments whose revenue, result or assets are ten percent or more of all the segments are reported separately.

Equity-settled share-based payment. The expense is recognized over the vesting period and is measured at the fair value of the award determined at the grant date, which is amortized over the service (vesting) period. The fair value of the equity award is estimated only once at the grant date and is trued up to the estimated number of instruments that are expected to vest. Dividends declared during the vesting period accrue and are paid to the employee together with the sale proceeds of the vested shares upon a liquidity event. Expected dividends (including those expected during the vesting period) are therefore included in the determination of fair value of the share-based payment.

Cash-settled share-based program. The expense is recognized gradually over the vesting period and is measured at the fair value of the liability at each end of the reporting period. The fair value of the liability reflects all vesting conditions, except for the requirement of the employee to stay in service which is reflected through the amortization schedule. The liability is measured, initially and at the end of each reporting period until settled, at fair value, taking into account the terms and conditions on which the instruments were granted and the extent to which the employees have rendered service to date.

Amendments of the consolidated financial statements after issue. The Board of directors of the Company has the power to amend the consolidated financial statements after issue.

Changes in presentation. In 2020 because of significant growth in the brokerage operations and the related balances and volumes of transactions, the Group made a detailed review of the relevant accounting policies to achieve more relevant and reliable presentation. As a result of such review and because of significantly increased balances the Group reclassified brokerage receivables and brokerage payables from cash and cash equivalents and due to banks, respectively, into separate line items in the Consolidated statement of financial position. Also the Group identifed that certain portion of brokerage operations fee and commission income related to margin trading of Group's clients has more characteristics of being interest income rather than fee and commission income. Hence the Group made relevant reclassification from fee and commission income into interest income in the Consolidated statement of profit or loss and other comprehensive income. Similar reclassifications were made in the Consolidated statement of cash flows. Management considers that the above reclassifications will result in a more reliable and relevant presentation of the financial information which is more consistent with the market practice of many other banks.

Notes to the Consolidated Financial Statements (Continued)

40 Significant Accounting Policies (Continued)

In September 2020 as a result of a detailed review of the marketing agreements with the payment systems the Group changed its accounting policy in relation to income received under these agreements by reclassifying it from Other operating income to reduce the Payment System fees accounted for in Interest income and Fee and commission expenses. Part of the net payment system fees which relates to the borrowers' transactions is included in the effective interest income of the loans. Another part which relates to the customer's transactions was reclassified to Fee and commission expenses and presented on a net basis within the payment systems. Management considers that this reclassification results in a more reliable and relevant presentation of the substance of these agreements since such income from payment systems primarily represents volume rebates, hence it could be offset against related expenses.

In December 2020 given the increase in the related amounts the Group refined its accounting policy in relation to recoveries received in excess of gross carrying amount of purchased loans and reclassified them from Other operating income line to Credit loss allowance for loans and advances to customers and credit related commitments line of consolidated statement of profit or loss and other comprehensive income.

The effect of changes described above on the consolidated statement of financial position for the year ended 31 December 2019 is as follows:

In millions of RR	**As originally presented**	**Reclassification**	**As reclassified**
Cash and cash equivalents	57,796	(2,232)	55,564
Due to banks	663	(640)	23
Brokerage receivables	-	2,799	2,799
Brokerage payables	-	1,207	1,207

The effect of changes described above on the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019 is as follows:

In millions of RR	**As originally presented**	**Reclassification**	**As reclassified**
Interest income calculated using the effective interest rate method	109,972	1,157	111,129
Credit loss allowance for loans and advances to customers and credit related commitments	(27,244)	693	(26,551)
Fee and commission income	36,042	(184)	35,858
Fee and commission expense	(17,448)	2,325	(15,123)
Other operating income	4,713	(3,991)	722

The effect of changes described above on the consolidated statement of cash flows for the year ended 31 December 2019 is as follows:

In millions of RR	**As originally presented**	**Reclassification**	**As reclassified**
Interest income received calculated using the effective interest rate method	106,975	879	107,854
Fees and commissions received	35,986	(184)	35,802
Fees and commissions paid	(17,492)	1,499	(15,993)
Recoveries from the purchased loans received	-	693	693
Other operating income received	4,024	(2,887)	1,137
Net increase in cash and cash equivalents	23,994	(2,232)	21,762
Net increase in brokerage receivables	-	(2,799)	(2,799)
Net decrease in due to banks	(2,045)	(640)	(2,685)
Net increase in brokerage payables	-	1,207	1,207

41 Adoption of New or Revised Standards and Interpretations

The following amended standards became effective from 1 January 2020, but did not have any material impact on the Group:

- Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020).
- Definition of a business – Amendments to IFRS 3 (issued on 22 October 2018 and effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020).
- Definition of material - Amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020).
- Interest rate benchmark reform – Amendments to IFRS 9, IAS 39 and IFRS 7 (issued on 26 September 2019 and effective for annual periods beginning on or after 1 January 2020).

42 New Accounting Pronouncements

Certain new amendments have been issued that are mandatory for the annual periods beginning on or after 1 January 2021, which the Group has not early adopted:

IFRS 17 "Insurance Contracts" (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2023)*. IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. As a consequence, it was difficult for investors to compare and contrast the financial performance of otherwise similar insurance companies. IFRS 17 is a single principle-based standard to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The standard requires recognition and measurement of groups of insurance contracts at: (i) a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset) (ii) an amount representing the unearned profit in the group of contracts (the contractual service margin). Insurers will be recognising the profit from a group of insurance contracts over the period they provide insurance coverage, and as they are released from risk. If a group of contracts is or becomes loss-making, an entity will be recognising the loss immediately. The Group is currently assessing the impact of IFRS 17 on the insurance contracts issued by the Insurance Company as well as the impact for credit cards and similar loan products which may include insurance component.

* Denotes standards, interpretations and amendments which have not yet been endorsed by the European Union.

Notes to the Consolidated Financial Statements (Continued)

42 New Accounting Pronouncements (Continued)

Amendments to IFRS 17 and an amendment to IFRS 4 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023)*. The amendments relate to eight areas of IFRS 17, and they are not intended to change the fundamental principles of the standard. The following amendments to IFRS 17 were made: effective date, expected recovery of insurance acquisition cash flows, contractual service margin attributable to investment services, reinsurance contracts held – recovery of losses and other amendments.

The following other new pronouncements are not expected to have any material impact on the Group when adopted:

(a) Sale or contribution of assets between an Investor and its associate or joint venture - Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB)*.

(b) Classification of liabilities as current or non-current – Amendments to IAS 1 (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2022)*.

(c) Classification of liabilities as current or non-current, deferral of effective date – Amendments to IAS 1 (issued on 15 July 2020 and effective for annual periods beginning on or after 1 January 2023)*.

(d) Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022)*.

(e) Interest rate benchmark (IBOR) reform – phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (issued on 27 August 2020 and effective for annual periods beginning on or after 1 January 2021).

(f) Covid-19-Related Rent Concessions – Amendments to IFRS 16 (issued on 28 May 2020 and effective for annual periods beginning on or after 1 June 2020).

* Denotes standards, interpretations and amendments which have not yet been endorsed by the European Union.

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TCS Group Holding PLC

International Financial Reporting Standards Separate Financial Statements and Independent Auditor's Report

Contents

Board of Directors and other officers

Board of Directors

Constantinos Economides, Chairman
Alexios Ioannides
Mary Trimithiotou
Jacques Der Megreditchian
Martin Robert Cocker

The above all served throughout 2020 and through to the date of these separate financial statements.

The Company's Articles of Association include regulations for the retirement by rotation of Directors at each annual general meeting. These regulations will operate in 2021 on the basis of the composition of the Board at the relevant date.

Company Secretary
Caelion Secretarial Limited

25 Spyrou Araouzou
Berengaria 25, 5th floor,
3036, Limassol, Cyprus

Registered office

25 Spyrou Araouzou
Berengaria 25, 5th floor,
3036, Limassol, Cyprus

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Management Report

The Board of directors presents its report together with the audited separate financial statements of TCS Group Holding PLC (the "Company") for the year ended 31 December 2020.

Principal activities and nature of operations of the Company

1. The principal activities of the Company are holding of investments in subsidiary companies operating in the Russian Federation and offering call center services to customers and potential customers in the Russian Federation following the launch of Cyprus based home call center. The main subsidiaries are JSC "Tinkoff Bank" (the "Bank"), JSC "Tinkoff Insurance" (the "Insurance company"), LLC "Phoenix", LLC "CloudPayments", LLC "Tinkoff Mobile", LLC "Tinkoff Software DC", LLC "Tinkoff Invest Lab" and LLC "Tinkoff Capital" (the Company and its subsidiaries collectively the "Group"). Refer to Note 1.
2. The Bank specialises in retail banking for individuals, individual entrepreneurs ("IE"), small and medium-sized enterprises ("SME") and brokerage services. The Bank, which is fully licensed by the Central Bank of Russia, launched its operations in the summer of 2007 and is a member of the Russian Deposit Insurance System. The Insurance Company specialises in providing non-life insurance coverage such as accident, property, travel, credit protection and auto insurance. LLC "Phoenix" is a debt collection agency. LLC "CloudPayments" is a developer of online payment solutions whose core business is online merchant acquiring in Russia. LLC "Tinkoff Mobile" is a mobile virtual network operator providing mobile services. LLC "Tinkoff Software DC" provides software development services to the Company. LLC "Tinkoff Invest Lab" is an infrastructure company to support and optimize the Group's investment services. The founder of the Company is Oleg Tinkov who was also the controlling shareholder throughout 2020.

Review of developments, position and performance of the Company's business

3. During 2020 the Company actively continued the development of its call-center and software development services in Cyprus, providing training so that these employees might provide a wider range of services to the Bank and, indirectly, its customers.
4. The Group operates a flexible business model. Its virtual network enables it to quickly and easily increase business or slow down customer acquisition depending upon the availability of funding and market conditions. The Bank's primary customer acquisition channels are Internet and Mobile, but it also uses Direct Sales Agents and partnerships (co-brands) to acquire new customers. These customer acquisition models, combined with the Bank's virtual network, afford it a geographic reach across all of Russia's regions resulting in a highly diversified portfolio.
5. The key offerings of JSC "Tinkoff Insurance" are personal accident insurance, collective insurance against accidents and illnesses, travel insurance, motor vehicle insurance and property insurance, compulsory third party liability insurance (CTP) and voluntary third party liability insurance (VTP). The Insurance Company focuses on online sales.
6. The profit of the Company for the year ended 31 December 2020 was RR 16,890 million (2019: RR 15,816 million). This result is driven by receipt of dividends from the Company's subsidiaries and primarily from the Bank and the Insurance Company. The increased profits of those subsidiaries are driven by two major continuing trends: the ongoing growth of the Company's consumer finance business and a growing contribution from the non-credit fees-and-commission business lines. Thus the Company continues to demonstrate an active growth of income from acquiring services. At 31 December 2020 the total assets of the Company were RR 481,030 million (2019: RR 263,567 million) and the net assets were RR 480,328 million (2019: RR 260,273 million).

Environmental matters

7. As the Group is an online-only financial institution, the management of the Group believes none of the Group's business relationships, products or services are likely to have any significant actual or potential significant environmental impacts and do not believe its operations are exposed to any material environmental risks. Management, in reaching this view, have taken into account the risk of adverse impacts that may stem from the Company's own activities as well as its business relationships including its supply and subcontracting chains. This belief is based on continuous scrutiny of the business. The Group is continuously reviewing its processes to identify opportunities to reduce their environmental impact.

Human resources

8. Empowerment is an important ingredient in the success of our organization. To achieve this, decision-making is delegated to levels deep below the management team, discussion, idea generation and exchange and transparency are actively promoted and encouraged and an open leadership style ensures that information can move freely. The Company utilizes all types of forums to promote continual dialogue – such as email, online chat rooms, flash meetings, as well as formalized meeting structures. The Company offers clear far-reaching career path for its employees, a unique work environment and fair and transparent compensation.
9. Clear performance evaluation processes and fair compensation are essential. Compensation is a combination of fixed rate salary and supplemental bonuses and is based on employee performance. Employees are evaluated on a regular basis in order to monitor their achievement against their Key Performance Indicators as well as to provide feedback which can be used for their career development and to determine incentive compensation.
10. Prior to its IPO in 2013, the Company set up share-based management long term incentive plans as retention and motivational tools for key and senior managers. In March 2016, the Company announced a consolidated long-term management incentive and retention plan, covering around 50 key, senior and middle managers (MLTIP). Since then the Company has announced the expansion of MLTIP. The total size of the MLTIP pool was 8.13% of the Company's share capital as at 31 December 2020. The plan is designed to align more closely managers' interests with those of shareholders to grow the Group's value. Current MLTIP is awarded over four years with each such annual award vesting over the subsequent three years. The Company believes that participation in its share capital is an effective motivation and retention tool. The management incentive and retention plan embraces more managers, for two main reasons: firstly, internal promotions as some employees were promoted to key managerial positions; and, secondly, as part of its expansion and transformation into a financial marketplace, the Company has hired a significant number of new managers to develop and manage new business lines and to strengthen internal controls, including cyber security.

Non-Financial Information and Diversity Statement

11. The Company's policies and other information that provide an understanding of the development, performance, position and impact of the Company's activities in the areas of environmental, social and employee matters, respect for human rights, anti-corruption and bribery matters can be found in the Company's most recently published Non-Financial Information and Diversity Statement (Sustainability Report). The Company will publish its Sustainability Report for the year ended 2020, on the Company's website, www.tcsgh.com.cy (and www.tinkoff.ru/eng) no later than 30 June 2021.

Principal risks and uncertainties

12. The Company's business and financial results are impacted by the uncertainties and volatilities in the Russian economic environment which can be impacted by global factors and/or by national factors.
13. The Company's subsidiaries and the Company on its own are subject to a number of principal risks which might adversely impact its performance. The principal activities of the Company through its subsidiaries are banking and insurance operations and so it is within this area that the principal risks occur. Management considers that those principal risks are: financial risks, operational risks and legal risks. Financial risks comprise market risks (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.
14. The Board has put in place arrangements to identify, evaluate and manage the principal risks and uncertainties faced by the Company. The Company has an established risk management program that focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. This is overseen by a dedicated Risk Management function, which works with senior management of the operating companies in Russia as well as the Board of directors in this area. The primary objectives of the financial risk management function are to establish acceptable risk limits, and then ensure that the exposures remain within these limits. The operational and legal risk management functions are intended to ensure the proper functioning of internal policies and procedures that minimize operational and legal risks. The risk management strategy is established so as to identify, assess, monitor and manage the risks arising from Company's and subsidiaries' activities. These risks as well as other risks and uncertainties, which affect the Company and how these are managed, are presented in Notes 18 and 19 of the separate financial statements.
15. Analysis of impact of COVID-19 pandemic on the Company is disclosed in Note 2 to the separate financial statements.

Contingencies

16. The Company's contingencies are disclosed in Note 19 to the separate financial statements.

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Management Report (Continued)

Future developments

17. The strategic objective of the Company and so, by extension, of the Company and its subsidiaries is to be a full service, online financial and lifestyle ecosystem with a broad range of financial, insurance and quasi-financial products, serving customers through a high-tech online and mobile platform that offers premium quality service and convenience, while maintaining high growth rates, profitability and effective data-driven risk management.

Results

18. The Company's results for the year are set out on page 2 of the separate financial statements. Information on distribution of profits is presented in Note 16.

Any important events for the Company that have occurred after the end of the financial year

19. Important events for the Company that have occurred after the end of the financial year are presented in Note 23.

Share capital, redesignation and conversion of class B and class A shares

20. As at 31 December 2020 the issued share capital of the Company was 199,305,492 shares (2019: same). Of these 129,391,449 were class A shares (2019: 119,291,268) and 69,914,043 class B shares (2019: 80,014,224) with a par value of USD 0.04 per share. In December 2020 10,100,181 class B shares in the Company held by the Rigi Trust were converted to class A shares. As a result of the conversion, Mr. Oleg Tinkov's voting rights decreased from 87.03% to 84.38% as at 31 December 2020.
21. On 7 January 2021 all 69,914,043 issued class B shares (35.08% of the total number of issued shares) held by the Rigi Trust and the Bernina Trust were converted to class A shares, and on the same date all issued shares were reclassified and redesignated as ordinary shares. Following the conversion, each share carries a single vote, and the total number of votes capable of being exercised is equal to the total number of issued shares (currently 199,305,492 shares following the class B share conversion). As a result of the conversion, Mr. Oleg Tinkov's voting rights in the Company decreased from 84.38% to 35.08%. As a result his ability to exercise control over the Company and the Group was ceased.

Treasury shares

22. At 31 December 2020 the Company held 3,013,379 (2019: 4,185,166) of its own GDRs, equivalent to approximately RR 3,238 million (2019: RR 3,164 million) and which represent 1.5% (2019: 2.1%) of the issued shares.
23. Treasury shares are GDRs of the Company that are held by a special purpose trust which has been specifically created for the long-term incentive programme for the management of the Company's subsidiaries (MLTIP) (see Note 22 for further information).
24. During 2020 the Company repurchased 650,000 GDRs at market price for RR 661 million (2019: no GDRs were repurchased).
25. During 2020 the Company transferred 1,809,681 GDRs (2019: 2,419,187 GDRs), representing 0.91% (2019: 1.21%) of the issued shares, upon vesting under the MLTIP. This resulted in a transfer of RR 587 million (2019: RR 506 million) out of treasury shares to retained earnings.

Research and development activities

26. The Company has not undertaken any significant research and development activities during the year ended 31 December 2020 though it continues to identify opportunities and ways to further develop its business in line with its strategic objective as set out above.

Board of directors

27. The members of the Board of directors as of 31 December 2020 and at the date of this report are presented above. All served throughout the year ended 31 December 2020 and through to the date of these separate financial statements.
28. There were no significant changes in the assignment of responsibilities or remuneration of the Board of directors.

Branches

29. The Company did not operate through any branches during the year.

Independent auditor

30. The Independent Auditor, PricewaterhouseCoopers Limited, has expressed its willingness to continue in office. A resolution giving authority to the Board of directors to fix its remuneration will be proposed at the Annual General Meeting (AGM).

Going concern

31. Directors have access to all information necessary to exercise their duties. The Directors continue to adopt the going concern basis in preparing the separate financial statements based on the fact that, after making enquiries and following a review of the Company's budget for 2021, including cash flows and funding facilities, the Directors consider that the Company has adequate resources to continue in operation for the foreseeable future. This assessment was made with the available information to the Company as at the date of approving the financial statements.

Corporate Governance Statement

GDRs of TCS Group Holding PLC (a Cyprus incorporated company), with each GDR issued under a deposit agreement dated on or about 24 October 2013 with JPMorganChase Bank N.A. as depositary representing one ordinary (formerly class A) share, are listed on the London Stock Exchange. The Company's GDRs are also listed on the Moscow Exchange. No shares of TCS Group Holding PLC are directly listed on any exchange.

The Company is required to comply with the UK corporate governance regime to the extent it applies to foreign issuers of GDRs listed on the London Stock Exchange. The Company has not adopted corporate governance measures of the same standard in all respects as those adopted by UK incorporated companies or companies with a premium listing on the London Stock Exchange.

As the shares themselves are not listed on the Cyprus Stock Exchange (or elsewhere), the Cypriot corporate governance regime, which only relates to companies that are listed on the Cyprus Stock Exchange, does not apply to the Company and accordingly the Company does not monitor its compliance with that regime.

From the IPO in 2013 until 7 January 2021, the Company maintained a capital structure with two classes of shares, class A and class B. On 7 January 2021, all class B shares were converted to class A and simultaneously all shares were reclassified and redesignated as ordinary shares all ranking pari passu for all purposes and in all respects with the other existing shares, with the provisions in the Articles of Association of the Company relating to class B shares deemed deleted.

The Company's Home State is Cyprus.

A description of the terms and conditions of the GDRs can be found at "Terms and Conditions of the Global Depositary Receipts", "Summary of the Provisions relating to the GDRs whilst still in Master Form" and "Description of Arrangements to Safeguard the Rights of the Holders of the GDRs" in the Prospectus issued by the Company dated 22 October 2013 and on the website at www.tinkoff.ru/eng.

Copies of the Articles of Association of the Company adopted on 21 October 2013, the terms of reference of the Committees, and other corporate governance related as well as investor relations related materials can also be found on the website www.tinkoff.ru/eng, at the Company's main website (www.tcsgh.com.cy), on the Company's page on the London Stock Exchange website (www.londonstockexchange.com/exchange/prices-and-markets/stocks/summary) and at the official site of the Department of Registrar of Companies, Cyprus (http://www.mcit.gov.cy/).

The Board of directors

The role of the Board is to provide entrepreneurial leadership to the Company within a framework of prudent and effective controls which enable risk to be assessed and managed. The Board sets the Company's strategic objectives, ensures that the necessary financial and human resources are in place for the Company to meet its objectives and reviews management's performance. The Board also sets the Company's values and standards and ensures that its obligations towards the shareholders and other stakeholders are understood and met.

The Board operates under a formal schedule of matters reserved to the Board for its decision, approved by shareholders in 2013.

The authorities of the members of the Board are specified by the Articles of Association of the Company and by law. The current five strong Board of directors is comprised of three executive directors including the chairman, and two non-executive directors both of whom are independent. There was no change in the composition of the Board or status of the directors in 2020.

The longest serving director is Mr. Constantinos Economides who became a director in 2008, and later took over the role of Chairman of the Board of directors in June 2015. The names of the people who served on the Board during 2020 are listed at the Board of directors and other officers.

The Company has established two Committees of the Board. Specific responsibilities have been delegated to those committees as described below.

The Board is required to undertake a formal and rigorous review annually of its own performance, that of its commit-

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Management Report (Continued)

tees and of its individual directors. That review was recently carried out, in-house, in relation to 2020, looking at overall performance. All directors completed detailed questionnaires on the Board's, the committees' and individual director's performance. The role of appraising the Chairman of the Board for 2020 was performed by the Chairman of the Audit Committee. Analysis of the resultant feedback will be discussed at a meeting of the Board of directors on 10 March 2021 and no changes are expected to be made in the performance of the Board, its committees or individual directors.

The Board has not appointed a senior independent director. There are only two independent directors of whom at least one will retire each year.

Number of directors

Unless and until otherwise determined by the Company in general meeting, the number of directors shall be no less than four, of whom two must be non-executive, and until 7 January 2021 was not permitted to exceed seven, when class B shares were in issue. From 7 January 2021, there is no maximum number of directors.

The Articles of Association of the Company provide for the retirement by rotation of certain directors at each Annual General Meeting (AGM). At the AGM on 24 August 2020 the director who retired by rotation was Mr. Jacques Der Megreditchian who was duly reappointed that day by vote of all the shareholders.

Committees of the Board of directors

The Company has established two Committees of the Board of directors: the Audit Committee and the Remuneration Committee. Their terms of reference are summarized below. Both Committees were formed in October 2013. The Board reserves the right to amend their terms of reference and arranges a periodic review of each Committee's role and activities and considers the appropriateness of additional committees.

Committees-current composition

The Audit Committee is chaired by an independent non-executive director Mr Martin Cocker, and had, until 16 August 2019, two other members both non-executive directors, one of whom was independent. From 16 August 2019 the Audit Committee has comprised its chairman Mr Martin Cocker and one independent non-executive director.

The Remuneration Committee is also chaired by an independent non-executive director, Mr Jacques Der Megreditchian, and had until 16 August 2019 two other members both non-executive directors, one of whom was independent. From 16 August 2019 the Remuneration Committee has comprised its chairman Mr Jacques Der Megreditchian and one independent non-executive director.

The current terms of reference of both Committees are available to the public and can be found on the Company's websites. A short summary of both is set out below.

Role of the Audit Committee

The Audit Committee's primary purpose and responsibility is to assist the Board in its oversight responsibilities. In executing this role the Audit Committee monitors the integrity of the separate financial statements of the Company prepared under International Financial Reporting Standards ("IFRS") as adopted by the European Union (EU) and any formal announcements relating to the Group's and the Company's financial performance, reviewing significant financial reporting judgments contained in them, oversees the financial reporting controls and procedures implemented by the Company and monitors and assesses the effectiveness of the Company's internal financial controls, risk management systems, internal audit function, the independence and qualifications of the independent auditor and the effectiveness of the external audit process. The Audit Committee is required to meet at appropriate times in the reporting and audit cycle but in practice meets more often as required.

Under its terms of reference, the Audit Committee is required, at least once each year, to review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and to recommend any changes it considers necessary for Board approval. The Audit Committee met this obligation through members participating in the main Board review described above. After consideration of the review, no changes were proposed to the committee's terms of reference. The Audit Committee operates a structured framework around the extensive work it does on non-financial statements related matters holding at least two additional meetings annually, at least one of which would typically be held at the Bank's head office in Moscow, to consider specific, non-financial statements related areas within its terms of reference. No such meeting was held in 2020 due to COVID-19 travel restrictions but at least two are planned for 2021.

The Audit Committee has developed a risk matrix which constantly evolves to reflect new risks, the perceived impact of, and the Company's appetite for, any given risk and the measures taken to mitigate those risks. This matrix is run in conjunction with the internal audit function.

Role of the Remuneration Committee

The Remuneration Committee is responsible for determining and reviewing among other things the framework of remuneration of the executive directors, senior management and its overall cost and the Company's remuneration policies. The objective is to ensure that the executive management of the Company are provided with appropriate incentives to encourage enhanced performance and are in a fair and responsible manner rewarded for their individual contributions to the success of the Company. The Remuneration Committee's terms of reference include reviewing the design and determining targets for any performance related pay schemes and reviewing the design of all share incentive plans for approval by the Board. The Remuneration Committee is required to meet at least twice a year but in practice meets far more often.

The Remuneration Committee continued with its work into 2020 on its ongoing review of the operation of the Company's MLTIP which launched in 2016 and in considering additional awards to both existing and new participants for this and subsequent years.

The Committee has also been working on plans for an incentive and compensation arrangement within MLTIP for when, in the period 2022 to 2024, existing awards made to MLTIP joiners in 2016-2017 start to go into run off. The Remuneration Committee recommended in June 2020 and December 2020 7 and 8 members of key management respectively be granted new awards under MLTIP in Q3 2021.

Under its terms of reference the Remuneration Committee is required at least once each year to review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and to recommend any changes it considers necessary for Board approval. The Remuneration Committee met this obligation through members participating in the main Board review (described above) under which detailed questionnaires were completed by all directors assessing the operation of the Board and both committees as well as individual directors. Although earlier reviews had resulted in certain minor changes to the Remuneration Committee's terms of reference, no further changes were felt required based on the most recent review. The Committee continues to meet as required.

Appointment, retirement, rotation and removal of directors

The directors of the Company are appointed by the general meeting of shareholders with the sanction of an ordinary resolution. Such an appointment may be made to fill a vacancy or as an additional director. But no director may be appointed unless nominated by the Board of directors or by a committee duly authorized by the Board of directors or by a shareholder or shareholders together holding or representing shares which in aggregate constitute or represent at least 5% in number of votes carried or conferred by the shares giving a right to vote at a general meeting.

The Board of directors may at any time appoint any person to the office of director either to fill a vacancy or as an additional director and every such director shall hold office only until the next following annual general meeting and shall not be taken into account in determining the directors who are to retire by rotation.

One third of the directors (or if their number is not a multiple of three, the number nearest to three but not exceeding one-third) shall retire by rotation at every annual general meeting. Directors holding an executive office are excluded from retirement by rotation.

Directors may be removed from office by the shareholders at a general meeting with the sanction of an ordinary resolution, subject to giving 28 days' notice to that director in accordance with the Articles of Association.

The office of director shall be vacated if the director:

- becomes bankrupt or makes any arrangement or composition with his creditors generally; or
- becomes prohibited from being a director by reason of any court order made under Section 180 (disqualification from holding the position of director on the basis of fraudulent or other conduct) of the Cyprus Companies Law; or
- becomes, or may be, of unsound mind; or
- resigns his office by notice in writing to the Company left at the registered office; or
- is absent from meetings of the board for six consecutive months without permission of the Board of directors and his alternative director (if any) does not attend in his place and the Board of directors resolves that his office be vacated.

At any time when class B Shares cease to exist by virtue of conversion into class A Shares, each Director B shall thereby become (undesignated) a director and shall remain in office until the next annual general meeting and such director will not be taken into account in determining the directors who are to retire by rotation at such meeting.

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Management Report (Continued)

Significant direct/indirect holdings

For the significant direct and indirect shareholdings held in the share capital of the Company, please refer to Note 1 of the separate financial statements.

Internal control and risk management systems in relation to the financial reporting process

Policies, procedures and controls exist around financial reporting. Management is responsible for executing and assessing the effectiveness of these controls.

Financial reporting process

The Board of Directors is responsible for the preparation of the separate financial statements in accordance with IFRS as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap.113, and for such internal control as the Board of directors determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error. In preparing the separate financial statements, the Board of directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board has delegated to the Audit Committee the responsibility for reviewing the separate financial statements to ensure that they are in compliance with the applicable framework and legislation and for recommending these to the Board for approval. The Audit Committee is responsible for overseeing the Company's financial reporting process.

Internal Controls and Risk Management

Management is responsible for setting the principles in relation to risk management. The risk management organisation is divided between Policy Making Bodies and Policy Implementation Bodies. Policy Making Bodies are responsible for establishing risk management policies and procedures, including the establishment of limits. The main Policy Making Bodies are the Board of directors, the Management Board, the Finance Committee, the Credit Committee and the Business Development Committee.

The policy implementation level of the Group's risk management organisation consists of the Finance Department, the Risk Management Department, the Collections Department and the Internal Control Service.

In addition the Company has implemented an online analytical processing management system based on a common SAS data warehouse that is updated on a daily basis. The set of daily reports includes but is not limited to sales reports, application processing reports, reports on the risk characteristics of the card portfolios, vintage reports, transition matrix (roll rates) reports, reports on the pre-, early and late collections activities, reports on compliance with CBR requirements, capital adequacy and liquidity reports, operational liquidity forecast reports and information on intra-day cash flows.

Diversity policy

The Company is committed to offering equal opportunity to all current and prospective employees, such that no applicant or employee is discriminated in favour of or against on the grounds of sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation in recruitment, training, promotion or any other aspect of employment. Recruitment, training and promotion are exclusively based on merit. All the Company's and the Company's employees involved in the recruitment and management of staff are responsible for ensuring the policy is fairly applied within their areas of responsibility. The Company applies this approach throughout, at all levels. This includes its administrative, management and supervisory bodies, including the Board of directors of the Company.

The composition and diversity information of the Board of directors of the Company for the year ended and as at 31 December 2020 is set out below:

Name	Age	Male/Female	Educational/professional background
Constantinos Economides	45	Male	ICAEW, MSc in Management Sciences, experience in 'Big Four' professional services firms
Alexios Ioannides	44	Male	ICAEW, ICPAC, BSc in Business Administration, experience in 'Big Four' professional services firms
Mary Trimithiotou	43	Female	ICPAC, FCCA, Licensed insolvency practitioner, experience in 'Big Four' professional services firms
Martin Robert Cocker	61	Male	ICAEW, BSc in Mathematics and Economics, experience in 'Big Four' professional services firms
Jacques Der Megreditchian	61	Male	BSc in Business Administration and in Financial Analysis, banking and finance experience

Further details of the corporate governance regime of the Company can be found on the website: https://www.tinkoff.ru/eng/investor-relations/corporate-governance/.

By Order of the Board

Constantinos Economides
Chairman of the Board
Limassol

23 March 2021

Independent Auditor's Report

To the Members of TCS Group Holding PLC

Report on the Audit of the Separate Financial Statements

Our opinion

In our opinion, the accompanying separate financial statements of parent company TCS Group Holding PLC (the "Company") give a true and fair view of the financial position of the Company as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

What we have audited

We have audited the separate financial statements which are presented in pages 1 to 41 and comprise:

- the separate statement of financial position as at 31 December 2020;
- the separate statement of profit or loss and other comprehensive income for the year then ended;
- the separate statement of changes in equity for the year then ended;
- the separate statement of cash flows for the year then ended; and
- the notes to the separate financial statements, which include a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the separate financial statements is International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Separate Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Company throughout the period of our appointment in accordance with the *International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)* together with the ethical requirements that are relevant to our audit of the separate financial statements in Cyprus and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our audit approach

Overview

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the separate financial statements. In particular, we considered where the Board of Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality	• Overall materiality: Russian Roubles ("RR") 2 402 million, which represents approximately 0.5% of total equity.
Key audit matters	We have identified the following key audit matter: • Valuation of investments in subsidiaries.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the separate financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the separate financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the separate financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the separate financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the separate financial statements as a whole.

Overall materiality	RR 2 402 million
How we determined it	Approximately 0.5% of total equity
Rationale for the materiality benchmark applied	The Company is a holding company with limited operations. It elects to measure its investments in subsidiaries at fair value. Therefore, we chose total equity as the benchmark because, in our view, it is the benchmark against which the performance of the Company is most commonly measured by users. We chose 0.5%, which in our experience is an acceptable quantitative materiality threshold for this benchmark.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above RR 120 million as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters incorporating the most significant risks of material misstatements, including assessed risk of material misstatements due to fraud

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of investments in subsidiaries	
We focused on this area because the management makes judgements in determining the fair value of investments in subsidiaries. The estimated fair value of investments in subsidiaries recognises that the majority of the value of TCS Group Holding PLC resides in its main operating subsidiaries: JSC "Tinkoff Bank", JSC "Tinkoff Insurance", LLC "Phoenix" and LLC "Tinkoff Software DC". In estimating the total fair value of the subsidiaries, the primary input is the market quote of the Company's GDRs which are traded on the London and Moscow Stock Exchanges. Other inputs include the estimated fair value of the assets and liabilities held by the Company other than its investments in the subsidiaries. Note 3, Significant Accounting Policies, Note 4, Critical Accounting Estimates and Judgements in Applying Accounting Policies, Note 9, Investments in Equity Securities, and Note 20, Fair Value of Financial Instruments, included in the separate financial statements, provide detailed information on the valuation of investments in subsidiaries.	We assessed the reasonableness of the valuation technique applied by the management in estimating the total fair value of the investments in subsidiaries. We tested the accuracy of the inputs used in the valuation, with the main input being the market quote of the GDRs of the Company. We also assessed the sensitivity of the valuation to the key inputs used. We also reviewed the appropriateness of the disclosures included in the separate financial statements in respect of this valuation. Based on the evidence obtained we found the valuation technique and inputs used to be appropriate and the outputs to be reasonable.

Reporting on other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Management Report, including the Corporate Governance Statement, which we obtained prior to the date of this auditor's report, and the Company's complete Annual Report, which is expected to be made available to us after that date. Other information does not include the separate financial statements and our auditor's report thereon.

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

In connection with our audit of the separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Company's complete Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and if not corrected, we will bring the matter to the attention of the members of the Company at the Company's Annual General Meeting and we will take such other action as may be required.

Responsibilities of the Board of Directors and those charged with governance for the Separate Financial Statements

The Board of Directors is responsible for the preparation of the separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate 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 separate financial statements.

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

- Identify and assess the risks of material misstatement of the separate 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company'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 separate 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters.

Report on Other Legal and Regulatory Requirements

Pursuant to the requirements of Article 10(2) of the EU Regulation 537/2014 we provide the following information in our Independent Auditor's Report, which is required in addition to the requirements of International Standards on Auditing.

Appointment of the Auditor and Period of Engagement

We were first appointed as auditors of the Company in 2008 by the members of the Company for the audit of the separate financial statements for the year ended 31 December 2007. Our appointment has been renewed annually, since then, by shareholder resolution. In December 2008 the Company listed Euro denominated bonds on the Swedish Stock Exchange (NASDAQ OMX Stockholm) and accordingly the first financial year the Company qualified as a a European Union Public Interest Entity was the year ended 31 December 2008. Since then, the total period of uninterrupted engagement appointment was 13 years.

Consistency of the Additional Report to the Audit Committee

We confirm that our audit opinion on the separate financial statements expressed in this report is consistent with the additional report to the Audit Committee of the Company, which we issued on 23 March 2021 in accordance with Article 11 of the EU Regulation 537/2014.

Provision of Non-audit Services

We declare that no prohibited non-audit services referred to in Article 5 of the EU Regulation 537/2014 and Section 72 of the Auditors Law of 2017 were provided. In addition, there are no non-audit services which were provided by us to the Company and which have not been disclosed in the separate financial statements or the management report.

Other Legal Requirements

Pursuant to the additional requirements of the Auditors Law of 2017, we report the following:

- In our opinion, based on the work undertaken in the course of our audit, the management report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and the information given is consistent with the separate financial statements.
- In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the management report. We have nothing to report in this respect.
- In our opinion, based on the work undertaken in the course of our audit, the information included in the corporate governance statement in accordance with the requirements of subparagraphs (iv) and (v) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113, and which is included as a specific section of the management report, have been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and is consistent with the separate financial statements.
- In our opinion, based on the work undertaken in the course of our audit, the corporate governance statement includes all information referred to in subparagraphs (i), (ii), (iii), (vi) and (vii) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113.
- In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the corporate governance statement in relation to the information disclosed for items (iv) and (v) of subparagraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113. We have nothing to report in this respect.

Other Matters

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Article 10(1) of the EU Regulation 537/2014 and Section 69 of the Auditors Law of 2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

We have reported separately on the consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2020.

The engagement partner on the audit resulting in this independent auditor's report is George C. Kazamias.

George C. Kazamias

George C. Kazamias
Certified Public Accountant and Registered Auditor
for and on behalf of

PricewaterhouseCoopers Limited
Certified Public Accountants and Registered Auditors

PwC Central, 43 Demostheni Severi Avenue,
CY-1080 Nicosia, Cyprus

23 March 2021

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Separate Statement of Financial Position

In millions of RR	Note	31 December 2020	31 December 2019
ASSETS			
Cash and cash equivalents	7	777	598
Loans and deposit placements with related parties	8	7,664	5,594
Investments in equity securities	9	472,395	257,293
Other financial assets		164	64
Other non-financial assets		30	18
TOTAL ASSETS		**481,030**	**263,567**
LIABILITIES			
Debt securities in issue	10	-	2,460
Deferred income tax liabilities		-	168
Other financial liabilities	11	46	81
Other non-financial liabilities	11	656	585
TOTAL LIABILITIES		**702**	**3,294**
EQUITY			
Share capital	12	230	230
Share premium	12	26,998	26,998
Treasury shares	12	(3,238)	(3,164)
Share-based payment reserve		1,548	1,039
Accumulated losses		(5,556)	(10,901)
Revaluation reserve		460,346	246,071
TOTAL EQUITY		**480,328**	**260,273**
TOTAL LIABILITIES AND EQUITY		**481,030**	**263,567**

Approved for issue and signed on behalf of the Board of Directors on 23 March 2021.

Constantinos Economides
Director

Mary Trimithiotou
Director

The notes № 1-23 are an integral part of these Separate Financial Statements.

Separate Statement of Profit or Loss and Other Comprehensive Income

In millions of RR	Note	2020	2019
Interest income calculated using the effective interest rate method	13	53	272
Other similar income	13	8	28
Interest expense calculated using the effective interest rate method	13	(32)	(732)
Net interest income/ (expense)		**29**	**(432)**
Dividend income	9	17,954	17,158
Net losses from derivatives revaluation		(3)	(678)
Net gains from foreign exchange translation		183	477
Net (losses)/gains from operations with foreign currencies		(45)	111
Net gains from financial assets at FVTPL		494	31
Share of result of associates and joint ventures		(926)	-
Administrative and other operating expenses	14	(500)	(251)
Other operating income		603	284
Profit before tax		**17,789**	**16,700**
Income tax expense	15	(899)	(884)
Profit for the year		**16,890**	**15,816**
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss:			
Net gains arising during the year on investments in equity securities at fair value through other comprehensive income		214,111	37,362
Income tax credit recorded directly in other comprehensive income		168	1,019
Other comprehensive income for the year net of tax		**214,279**	**38,381**
Total comprehensive income for the year		**231,169**	**54,197**

The notes № 1-23 are an integral part of these Separate Financial Statements.

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Separate Statement of Changes in Equity

In millions of RR	Note	Share capital	Share premium	Revaluation reserve	Share-based payment	Accumulated (losses)/ income	Treasury shares	Total
Balance at 31 December 2018		**188**	**8,623**	**207,534**	**1,232**	**(20,861)**	**(3,670)**	**193,046**
Profit for the year		-	-	-	-	15,816	-	15,816
Other comprehensive income:								
Investments in equity securities at FVOCI		-	-	37,362	-	-	-	37,362
Income tax credit recorded directly in other comprehensive income		-	-	1,019	-	-	-	1,019
Total comprehensive income for the year		**-**	**-**	**38,381**	**-**	**15,816**	**-**	**54,197**
Shares issued	12	42	18,874	-	-	-	-	18,916
Secondary public offering costs	12	-	(499)	-	-	-	-	(499)
Share-based payment reserve	12	-	-	156	(193)	-	506	469
Dividends	16	-	-	-	-	(5,856)	-	(5,856)
Balance at 31 December 2019		**230**	**26,998**	**246,071**	**1,039**	**(10,901)**	**(3,164)**	**260,273**
Profit for the year		-	-	-	-	16,890	-	16,890
Other comprehensive income:								
Investments in equity securities at FVOCI		-	-	214,111	-	-	-	214,111
Income tax credit recorded directly in other comprehensive income		-	-	168	-	-	-	168
Total comprehensive income for the period		**-**	**-**	**214,279**	**-**	**16,890**	**-**	**231,169**
GDRs buy-back	12	-	-	-	-	-	(661)	(661)
Share-based payment reserve	12	-	-	(4)	509	-	587	1,092
Dividends	16	-	-	-	-	(11,545)	-	(11,545)
Balance at 31 December 2020		**230**	**26,998**	**460,346**	**1,548**	**(5,556)**	**(3,238)**	**480,328**

The notes № 1-23 are an integral part of these Separate Financial Statements.

Separate Statement of Cash Flows

In millions of RR	Note	2020	2019
Cash flows used in operating activities			
Interest income calculated using the effective interest rate method received		60	248
Interest expense calculated using the effective interest rate method paid		-	(741)
Administrative and other operating expenses paid		(485)	(456)
Income tax paid		(2)	(26)
Cash paid from operations with financial derivatives		(10)	(651)
Cash received from trading in foreign currencies		-	111
Other operating income received		180	300
Cash flows from operating activities before changes in operating assets and liabilities		**(257)**	**(1,215)**
Changes in operating assets and liabilities			
Net increase in loans and deposit placement with related parties		(1,552)	(5,215)
Net decrease in other non-financial liabilities		(39)	(373)
Net increase in investments in debt securities at FVTPL		-	410
Net cash used in operating activities		**(1,848)**	**(6,393)**
Cash flows from/(used in) investing activities			
Dividend received from subsidiaries		17,056	17,583
Acquisition of investments in equity securities at FVOCI		(575)	(416)
Acquisition of debt securities at FVOCI		-	(21,317)
Proceeds from sale and redemption of debt securities at FVOCI		-	21,312
Proceeds from investments in equity securities at FVOCI		-	206
Net cash from investing activities		**16,481**	**17,368**
Cash flows (used in)/from financing activities			
Dividends paid	16	(11,835)	(5,601)
Repayment of debt securities in issue	17	(2,938)	(3,418)
GDRs buy-back	12	(661)	-
Proceeds from secondary public offering	12	-	18,916
Proceeds from debt securities in issue	17	-	2,527
Loans repaid	17	-	(23,092)
Secondary public offering costs paid	12	-	(499)
Repayment of principal of lease liabilities		-	(3)
Net cash used in financing activities		**(15,434)**	**(11,170)**
Effect of exchange rate changes on cash and cash equivalents		980	32
Net increase/(decrease) in cash and cash equivalents		**179**	**(163)**
Cash and cash equivalents at the beginning of the year	**7**	**598**	**761**
Cash and cash equivalents at the end of the year	**7**	**777**	**598**

The notes № 1-23 are an integral part of these Separate Financial Statements.

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Notes to the Separate Financial Statements

1 Introduction

These separate financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") for the year ended 31 December 2020 for TCS Group Holding PLC (the "Company"), and in accordance with the requirements of the Cyprus Companies Law, Cap.113.

The Company has also prepared consolidated financial statements in accordance with IFRS as adopted by the EU and the requirements of the Cyprus Companies Law Cap. 113 for the Company and its subsidiaries ("the Group") for the year ended 31 December 2020. These are available to view on https://tinkoffgroup.com/financials/quarterly-earnings/.

The Company was incorporated, and is domiciled, in Cyprus in accordance with the provisions of the Companies Law, Cap.113.

The Board of directors of the Company at the date of authorisation of these separate financial statements consists of: Constantinos Economides, Alexios Ioannides, Mary Trimithiotou, Jacques Der Megreditchian and Martin Robert Cocker.

The Company Secretary is Caelion Secretarial Limited, 25 Spyrou Araouzou, 25 Berengaria, 5th floor, Limassol, Cyprus.

At 31 December 2020 and 2019 the share capital of the Company is comprised of class A shares and class B shares. A "class A" share is an ordinary share with a nominal value of USD 0.04 per share and carrying one vote. A "class B" share is an ordinary share with a nominal value of USD 0.04 per share and carrying 10 votes. As at 31 December 2020 the number of issued class A shares is 129,391,449 (2019: 119,291,268) and issued class B shares is 69,914,043 (2019: 80,014,224). Refer to Note 12 for further information on the share capital. On 25 October 2013 the Company completed an initial public offering of its class A ordinary shares in the form of global depository receipts (GDRs) listed on the London Stock Exchange plc. On 2 July 2019 the Company completed a secondary public offering (SPO) of its class A shares in the form of GDRs. On 28 October 2019 the Company's GDRs started trading also on the Moscow Exchange.

As at 31 December 2020 and 2019 the entities and the individuals holding either class A or class B shares of the Company were:

	Class of shares	31 December 2020	31 December 2019	Country of Incorporation
Guaranty Nominees Limited (JP Morgan Chase Bank NA)	Class A	64.92%	59.85%	United Kingdom
Virtue Trustees (Switzerland) AG as Trustee of the Bernina Trust	Class B	18.47%	-	Switzerland
Virtue Trustees (Switzerland) AG as Trustee of the Rigi Trust	Class B	16.61%	-	Switzerland
Ioanna Georgiou	Class A	0.00%	0.00%	Cyprus
Panagiota Charalambous	Class A	0.00%	0.00%	Cyprus
Maria Vyra	Class A	0.00%	0.00%	Cyprus
Antonis Strati	Class A	0.00%	-	Cyprus
Chloi Panagiotou	Class A	0.00%	0.00%	Cyprus
Leonora Chagianni	Class A	0.00%	0.00%	Cyprus
Marios Panayides	Class A	-	0.00%	Cyprus
Altoville Holdings Limited	Class B	-	18.47%	Cyprus
Nemorenti Limited	Class B	-	21.68%	Cyprus
Total		**100.00%**	**100.00%**	

Guaranty Nominees Limited is a company holding class A shares of the Company for which GDRs are issued under a deposit agreement made between the Company and JP Morgan Chase Bank NA signed in October 2013.

On 19 March 2020 Altoville Holdings Limited and Nemorenti Limited transferred all of the Company's class B shares owned by them to two Tinkov family trusts. Russian entrepreneur Mr. Oleg Tinkov, who was the beneficial owner of Altoville Holdings Limited and Nemorenti Limited at 31 December 2019, remained the ultimate beneficiary of these class B shares.

On 14 December 2020 10,100,181 class B shares in the Company held by the Rigi Trust were converted to class A shares. As a result of the conversion, Mr. Oleg Tinkov's voting rights decreased from 87.03% to 84.38% as at 31 December 2020.

As at 31 December 2020 the ultimate controlling party of the Company was Mr. Oleg Tinkov, who controlled approximately 84.38% (2019: 87.03%) of the aggregated voting rights attached to the class A and B shares, excluding voting rights attaching to TCS Group Holding PLC GDRs he holds, if any.

On 7 January 2021 all 69,914,043 class B shares (35.08% of the total number of issued shares) held by the Rigi Trust and the Bernina Trust were converted to class A shares, and on the same date all issued shares were reclassified and redesignated as ordinary shares. Following the conversion, each share carries a single vote, and the total number of votes capable of being exercised are equal to the total number of issued shares (currently 199,305,492 shares following the class B share conversion). The number of GDRs in issue remained unchanged. As a result of the conversion, Mr. Oleg Tinkov's voting rights decreased from 84.38% to 35.08%. As a result his ability to exercise control over the Company and the Group was ceased.

As at 31 December 2020 and 2019 the six individuals listed in the table above each held one share as nominees of Mr. Oleg Tinkov (31 December 2019: as nominees of Altoville Holdings Limited).

The Company owns 100% of the shares and has 100% of the voting rights (directly or indirectly) of the following subsidiaries at 31 December 2020: JSC "Tinkoff Bank" ("the Bank"), LLC "Microfinance company "T-Finans", LLC TCS, LLC "Phoenix", LLC "Tinkoff Software DC", LLC "Tinkoff Mobile", LLC "Tinkoff Capital", ANO "Tinkoff Education" and LLC "Tinkoff Invest Lab" (2019: the Bank, LLC "Microfinance company "T-Finans", LLC TCS, LLC "Phoenix", LLC "Tinkoff Software DC", LLC "Tinkoff Mobile", Goward Group Limited (since February 2018 Goward Group Ltd was in liquidation process, and on 16 April 2019 the company was liquidated), LLC "Fintech DC", LLC "Tinkoff Capital" and ANO "Tinkoff Education").

As at 31 December 2020 the Company owns 88.98% and the Bank owns 11.02% of the shares of the JSC "Tinkoff Insurance" ("the Insurance Company") (2019: the Company owns 80.08% and the Bank owns 9.92%).

At 31 December 2020, the Company owns directly 95% of the shares of LLC "CloudPayments" (2019: directly 55% and indirectly 40% through the shares owned by the Bank). In 2020 the Company acquired 40% of the shares held by the Bank.

The Company and its subsidiaries together referred to as the "Group".

Principal activity. The Company's principal business activities are the holding of investments in Russian subsidiary companies and starting from December 2017 offering Cyprus based home call center services to customers and potential customers outside of Russia. The Bank operates under general banking license No. 2673 issued by the Central Bank of the Russian Federation ("CBRF") since 8 December 2006. The Insurance Company operates under an insurance license issued by the CBRF.

The Bank participates in the state deposit insurance scheme, which was introduced by Federal Law No. 177-FZ "Deposits insurance in banks of the Russian Federation" dated 23 December 2003. The State Deposit Insurance Agency guarantees repayment of insurance compensation up to RR 1.4 million per individual, individual entrepreneur and small enterprise deposits in case of the withdrawal of a licence of a bank or a CBRF-imposed moratorium on payments.

JSC "Tinkoff Insurance" (the "Insurance Company") provides insurance services such as accident, property, travellers, financial risks and auto insurance.

The subsidiary LLC "Microfinance company "T-Finans" provides micro-finance services to clients.

The subsidiary LLC "TCS" provides printing and distribution services to the Bank.

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Notes to the Separate Financial Statements (Continued)

1 Introduction (Continued)

The subsidiary LLC "Tinkoff Mobile" is a mobile virtual network operator set up in 2017 to provide mobile services.

The subsidiary LLC "CloudPayments" is a developer of online payment solutions whose core business is online merchant acquiring in Russia.

The subsidiary LLC "Phoenix" is a debt collection agency.

LLC "Tinkoff Software DC" and LLC "Fintech DC" provide software development services. In August 2020 the Group acquired a 22.15% shareholding in Incantus Holding Limited by transferring its 100% shareholding in LLC "Fintech DC" to Incantus Holding Limited and by providing a convertible loan (Notes 8 and 22). Incantus Holding Limited is a group of fintech start-ups launched in 2020 to provide a range of services to retail customers in Europe (excluding the CIS) through the mobile banking platform Vivid Money. In October 2020 a new venture capital fund invested into the share capital of Incantus Holding Limited. As a result the Company's shareholding in Incantus Holding Limited has decreased to 16.32%.

LLC "Tinkoff Capital" is an asset management company established in June 2019 to manage investment funds, mutual funds and non-state pension funds.

ANO "Tinkoff Education" is a non-commercial organization set up by the Bank as the sole founder.

LLC "Tinkoff Invest Lab" is an infrastructure company created for supporting and optimizing of the Group's investment services.

EBT is a special purpose trust which has been specifically created for the long-term incentive programme for Management of the Company (MLTIP).

Registered address and place of business. The Company's registered address is 25 Spyrou Araouzou, 25 Berengaria, 5th floor, Limassol, Cyprus.

Presentation currency. These separate financial statements are presented in millions of Russian Rubles (RR).

2 Operating Environment of the Company

Russian Federation. The Company's main subsidiaries all operate within the Russian Federation, which displays certain characteristics of an emerging market. There were a number of significant changes in the operating and economic environment during 2020, which had an impact on the Company's business and its subsidiaries including:

- In March 2020 the World Health Organization (WHO) announced that the spread of the COVID-19 virus across the globe is a pandemic. Significant restrictions on travel and movement of individuals and the closure of non-essential businesses have either been imposed in most countries or have happened as a result of the pandemic. This has led to significant declines in GDP in most if not all large economically strong countries. Russia has not been immune to the negative personal and economic hardships arising from this virus and from the response to it trying to limit its spread.
- Oil prices have decreased significantly due to the significant reduction in oil consumption in the current economic climate but demonstrated stable growth during the second quarter of 2020 and the rest of the year. This in turn has led to significant volatility and depreciation of the Russian Rouble exchange rate against the US dollar and the Euro.
- Further, the capital markets (equities and bonds) have seen a substantial volatility in prices in many sectors.

As of the reporting date and subsequently some of the restrictions imposed by government authorities in the Russian Federation due to the COVID-19 pandemic have been lifted and the Company and its subsidiaries observe that business activity in the Russian Federation is recovering. However, the level of ongoing uncertainty in relation to further negative developments around the COVID-19 pandemic and possible impact on the Company and its subsidiaries remain high.

Hence it is practically impossible to make a comprehensive quantitative assessment with a high degree of certainty of the impact of these changes to the economic environment on the Company's and its subsidiaries' financial position, and in particular in considering credit loss allowances on the loan portfolio which requires to consider the probability of default of most borrowers in the next 12 months and for others over the life of their loan.

The Government of the Russian Federation has implemented various support measures for individuals and corporates impacted by the COVID-19 pandemic including their right in certain circumstances to obtain repayment holidays on their loans for up to 6 months and reduced rates of interest in this period.

3 Significant Accounting Policies

Basis of preparation. These separate financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law Cap.113.

The Company has prepared these separate financial statements for compliance with the requirements of the Cyprus Income Tax Law and the Disclosure Rule as issued by the Financial Security Authority of the United Kingdom.

The separate financial statements have been prepared under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value, and by revaluation of financial instruments categorised at fair value through profit or loss ("FVTPL") and at fair value through other comprehensive income ("FVOCI"). The principal accounting policies applied in the preparation of these separate financial statements are set out below.

Management prepared these separate financial statements on a going concern basis.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is the quoted price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the quantity held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

The price within the bid-ask spread which management considers to be the most representative of fair value for quoted financial assets and liabilities is the last bid price of the business day. A portfolio of financial derivatives or other financial assets and liabilities that are not traded in an active market is measured at the fair value of a group of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position (an asset) for a particular risk exposure or paid to transfer a net short position (a liability) for a particular risk exposure in an orderly transaction between market participants at the measurement date.

This is applicable for assets carried at fair value on a recurring basis if the Company: (a) manages the group of financial assets and financial liabilities on the basis of the entity's net exposure to a particular market risk (or risks) or to the credit risk of a particular counterparty in accordance with the entity's documented risk management or investment strategy; (b) it provides information on that basis about the group of assets and liabilities to the entity's key management personnel; and (c) the market risks, including duration of the entity's exposure to a particular market risk (or risks) arising from the financial assets and financial liabilities is substantially the same.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees, are used to measure fair value of certain financial instruments for which external market pricing information is not available.

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Notes to the Separate Financial Statements (Continued)

3 Significant Accounting Policies (Continued)

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period. Refer to Note 20.

Associates. Associates are entities over which the Company has significant influence (directly or indirectly), but not control, generally accompanying a shareholding of between 20 and 50 percent of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The carrying amount of associates includes goodwill identified on acquisition less accumulated credit losses, if any. Dividends received from associates reduce the carrying value of the investment in associates. Other post-acquisition changes in Company's share of net assets of an associate are recognised as follows: (i) the Company's share of profits or losses of associates is recorded in the profit or loss for the year as share of result of associates, (ii) the Company's share of other comprehensive income is recognised in other comprehensive income and presented separately, (iii); all other changes in the Company's share of the carrying value of net assets of associates are recognised in profit or loss within the share of result of associates.

However, when the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. Otherwise the Company continue to recognise further losses if it has commitments to fund the associate's operations.

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

The Company applies the impairment requirements in IFRS 9 to long-term loans and similar long-term interest that in substance form part of the investment in associate before reducing the carrying value of the investment by a share of a loss of the investee that exceeds the amount of the Company's interest in the ordinary shares.

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

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

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

Amortised cost ("AC") is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any allowance for expected credit losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method.

Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the separate statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the gross carrying amount of a financial asset or to the amortised cost of a financial liability.

The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or secured that are integral to the effective interest rate such as origination fees.

The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount, which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate. For assets that are purchased or originated credit impaired ("POCI") at initial recognition, the effective interest rate is adjusted for credit risk, i.e. it is calculated based on the expected cash flows on initial recognition instead of contractual payments.

Financial instruments – initial recognition. Financial instruments at FVTPL are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs that are incremental and directly attributable to the acquisition or the issue of the financial asset or financial liability. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. After the initial recognition, an ECL allowance is recognised for financial assets measured at AC and investments in debt instruments measured at FVOCI, resulting in an immediate accounting loss.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date on which the Company commits to deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.

The Company uses discounted cash flow valuation techniques to determine the fair value of currency swaps, foreign exchange forwards that are not traded in an active market. Differences may arise between the fair value at initial recognition, which is considered to be the transaction price, and the amount determined at initial recognition using a valuation technique. The differences are immediately recognised in profit or loss if the valuation uses only level 1 or level 2 inputs.

Financial assets – classification and subsequent measurement – measurement categories. The Company classifies financial assets in the following measurement categories: FVTPL, FVOCI and AC. The classification and subsequent measurement of debt financial assets depends on:

- the Company's business model for managing the related financial assets portfolio; and
- the cash flow characteristics of the financial asset.

Financial assets – classification and subsequent measurement – business model. The business model reflects how the Company manages the assets in order to generate cash flows – whether the Company's objective is:

- solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows"); or
- to collect both the contractual cash flows and the cash flows arising from the sale of assets ("hold to collect contractual cash flows and sell");
- if neither of i) and ii) is applicable, the financial assets are classified as part of "other" business model and measured at FVTPL.

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Notes to the Separate Financial Statements (Continued)

3 Significant Accounting Policies (Continued)

Business model is determined for a group of assets (on a portfolio level) based on all relevant evidence about the activities that the Company undertakes to achieve the objective set out for the portfolio available at the date of the assessment. Factors considered by the Company in determining the business model include the purpose and composition of a portfolio, past experience on how the cash flows for the respective assets were collected, how risks are assessed and managed, how the assets' performance is assessed and how managers are compensated.

Based on the analysis performed the Company included the following financial instruments in the business model "hold to collect contractual cash flows" since the Company manages these financial instruments solely to collect contractual cash flows: cash and cash equivalents, loans and deposit placements with related parties and other financial assets. The Company included debt securities at FVOCI in the business model "hold to collect contractual cash flows and sell" since the Company manages these financial instruments to collect the contractual cash flows.). The Company included debt securities measured at FVTPL and financial derivatives in the business model "other".

Financial assets – classification and subsequent measurement – cash flow characteristics. Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Company assesses whether the cash flows represent solely payments of principal and interest (the SPPI test). Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are consistent with the SPPI feature.

In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for credit risk, time value of money, other basic lending risks and profit margin.

Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the financial asset is classified and measured at FVTPL. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed. However, if the contractual terms of the asset are modified, the Company considers if the contractual cash flows continue to be consistent with a basic lending arrangement in assessing whether the modification is substantial. See below for "Financial assets – modification".

Financial assets – reclassification. Financial instruments are reclassified only when the business model for managing the portfolio as a whole changes. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows after the change in the business model. The Company did not change its business model during the current and comparative period and did not make any reclassifications.

Financial assets – impairment – credit loss allowance for ECL. The Company assesses on a forward-looking basis the ECL for debt instruments (including loans) measured at AC and FVOCI and for the exposure arising from loan commitments and financial guarantee contracts. The Company measures ECL and recognises credit loss allowance at each reporting date.

The measurement of ECL reflects:

1) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes;
2) the time value of money; and
3) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

Debt instruments measured at AC are presented in the separate statement of financial position net of the allowance for ECL.

For financial guarantees a separate provision for ECL is recognised as a financial liability in the separate statement of financial position. For debt instruments at FVOCI, changes in amortised cost, net of allowance for ECL, are recognised in profit or loss and other changes in carrying value are recognised in OCI as gains less losses on debt instruments at FVOCI.

The Company applies a "three stage" model for impairment in accordance with IFRS 9, based on changes in credit quality since initial recognition:

1) A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 months ECL").
2) If the Company identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("lifetime ECL"). Refer to Note 18 for a description of how the Company determines when a SICR has occurred.
3) If the Company determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a lifetime ECL. Refer to Note 18 for a description of how the Company defines credit-impaired assets and default.

Note 18 provides information about inputs, assumptions and estimation techniques used in measuring ECL.

Financial assets – write-off. Financial assets are written-off, in whole or in part, when the Company exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Company may write-off financial assets that are still subject to enforcement activity when the Company seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

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

Financial assets – modification. The Company sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Company assesses whether the modification of contractual cash flows is substantial considering, among other, the following factors: any new contractual terms that substantially affect the risk profile of the asset, significant change in interest rate, change in the currency denomination, new collateral or credit enhancement that significantly affects the credit risk associated with the asset, or a significant extension of a loan when the borrower is not in financial difficulties.

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Company derecognises the original financial asset and recognises a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a SICR has occurred.

The Company also assesses whether the new loan or debt instrument meets the SPPI criterion. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss, unless the substance of the difference is attributed to a capital transaction with owners.

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Company compares the original and revised expected cash flows to assets whether the risks and rewards of the asset are substantially different as a result of the contractual modification. If the risks and rewards do not change, the modified asset is not substantially different from the original asset and the modification does not result in derecognition. The Company recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate, and recognises a modification gain or loss in profit or loss.

Financial liabilities – measurement categories. Financial liabilities are classified as subsequently measured at AC, except for financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities).

Financial liabilities – derecognition. Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

Notes to the Separate Financial Statements (Continued)

3 Significant Accounting Policies (Continued)

An exchange between the Company and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability.

In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in loan covenants are also considered. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch up method, with any gain or loss recognised in profit or loss, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners.

Cash and cash equivalents. Cash and cash equivalents include deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at AC because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

Loans and deposit placements with related parties. Loans and deposit placement with related parties are recorded when the Company advances money to purchase or originate receivable from related party due on fixed or determinable dates and has no intention of trading the receivable. Loans and deposit placement with related parties are classified within held to collect business model and carried at amortised cost using effective interest rate if they pass SPPI test. Otherwise loans and deposit placement with related parties are classified within other business model and carried at fair value through profit or loss. Refer to Note 8 for details of ECL measurement for loans and deposit placements with related parties.

Financial derivatives. Financial derivatives represented by foreign exchange swaps and forwards are carried at their fair value. Derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of financial derivatives are recorded within Net losses from derivatives revaluation. The Company does not apply hedge accounting.

Tangible fixed assets. Tangible fixed assets are stated at cost less accumulated depreciation and provision for impairment, where required.

Costs of minor repairs and day-to-day maintenance are expensed when incurred. Costs of replacing major parts or components of premises and equipment items are capitalised, and the replaced part is retired.

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

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in profit or loss for the year (within other operating income or expenses).

Depreciation. Depreciation of each item of tangible fixed assets is calculated using the straight-line method to allocate its cost to its residual value over its estimated useful life as follows:

	Useful lives in years
Equipment	3 to 10

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

Accounting for leases by the Company as a lessee. Leases, where the Company is the lessee, are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable under cancellable and non-cancellable operating leases;
- variable lease payments that are based on an index or a rate and that are initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease term includes any non-cancellable and optional extension periods which have been assessed as reasonably certain to be exercised. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the Company's incremental borrowing rate is used, being the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms, security and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- dismantling and restoration costs.

As an exception to the above, the Company accounts for short-term leases and leases of low value assets by recognising the lease payments as an operating expense in profit or loss on a straight line basis. Short-term leases are leases with a lease term of 12 months or less, and the lease does not provide for the possibility of repurchase of the asset at the end of the contract. Low value assets are assets with a value of RR 300,000 or less at the date of conclusion of the contract.

Right-of-use assets are included in other non-financial assets, lease liabilities are included in other non-financial liabilities in the separate statement of financial position. Depreciation of right-of-use assets are recognised in administrative and other operating expenses in the separate statement of profit or loss and other comprehensive income. Finance cost is recognised within interest expense of the separate statement of profit or loss and other comprehensive income. Repayment of principal of lease liabilities is disclosed within cash flows from financing activities of the separate statement of cash flows.

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Notes to the Separate Financial Statements (Continued)

3 Significant Accounting Policies (Continued)

Right-of-use asset are reviewed for impairment in accordance with the Company's accounting policy for impairment of non-financial assets.

Investments in debt securities. Based on the business model and the contractual cash flow characteristics, the Company classifies investments in debt securities as carried at AC, FVOCI or FVTPL.

Debt securities are carried at AC if they are held for collection of contractual cash flows and where those cash flows represent SPPI, and if they are not voluntarily designated at FVTPL in order to significantly reduce an accounting mismatch. Debt securities are carried at FVOCI if they are held for collection of contractual cash flows and for selling, where those cash flows represent SPPI, and if they are not designated at FVTPL. Interest income from these assets is calculated using the effective interest method and recognised in profit or loss. An impairment allowance estimated using the expected credit loss model is recognised in profit or loss for the year. All other changes in the carrying value are recognised in OCI except for net results from operations with foreign currencies and interest income calculated using the effective interest rate method. When the debt security is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from OCI to profit or loss.

Investments in debt securities are carried at FVTPL if they do not meet the criteria for AC or FVOCI. The Company may also irrevocably designate investments in debt securities at FVTPL on initial recognition if applying this option significantly reduces an accounting mismatch between financial assets and liabilities being recognised or measured on different accounting bases.

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

Securities purchased under agreements to resell ("reverse repo agreements"), which effectively provide a lender's return to the Company, are recorded as loans received. The difference between the sale and repurchase price, adjusted by interest and dividend income collected by the counterparty, is treated as interest income and accrued over the life of reverse repo agreements using the effective interest method.

Securities lent to counterparties for a fixed fee are retained in the separate financial statements in their original category in the separate statement of financial position unless the counterparty has the right by contract or custom to sell or repledge the securities, in which case they are reclassified and presented separately.

Securities borrowed for a fixed fee are not recorded in the separate financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded in profit or loss for the year within gains less losses arising from trading securities. The obligation to return the securities is recorded at fair value in other borrowed funds.

Based on classification of securities sold under the sale and repurchase agreements, the Company classifies repurchase receivables into one of the following measurement categories: AC, FVOCI or FVTPL.

Investments in equity securities. Financial assets that meet the definition of equity from the issuer's perspective, i.e. instruments that do not contain a contractual obligation to pay cash and that evidence a residual interest in the issuer's net assets, are considered as investments in equity securities by the Company. Investments in equity securities are measured at FVTPL, except where the Company elects at initial recognition to irrevocably designate an equity investment at FVOCI. The Company's policy is to designate equity investments (including Invesments in subsidiaries) as FVOCI when those investments are held for strategic purposes other than solely to generate investment returns.

When the FVOCI election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses and their reversals, if any, are not measured separately from other changes in fair value. Dividends continue to be recognised in profit or loss when the Company's right to receive payments is established except when they represent a recovery of an investment rather than a return on such investment.

Investments in equity securities include investments in subsidiaries. Subsidiaries are all entities (including structured entities) over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In cases of acquisitions of subsidiaries from entities under common control or subsidiaries of the Company, the cost of acquisition is determined to be the fair value of the investment acquired as opposed to the transaction price.

Any differences between the transaction price and the fair value of the investment acquired reflect notional contributions/distributions from entities under common control or subsidiaries and are recognised as such, i.e. directly in equity in cases of transactions with common control entities and as an additional contribution to or distribution from the subsidiary transferring the investment to the Company.

Debt securities in issue. Debt securities are stated at amortised cost. If the Company purchases its own debt securities in issue, they are removed from the separate statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in a separate line of the separate statement of profit or loss and other comprehensive income.

Other liabilities. Other liabilities are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Other liabilities are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

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

Current tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxes other than on income are recorded within administrative and other operating expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

Deferred income tax is not recognised on post-acquisition retained earnings and other post acquisition movements in reserves of subsidiaries where the Company controls the subsidiary's dividend policy, and it is probable that the difference will not reverse through dividends or otherwise in the foreseeable future. Provision for deferred tax on the undistributed profits of the Company's subsidiaries is made when the dividend payment is probable to be made out of economic resources of the subsidiaries at the reporting date and is recognised in other comprehensive income. Withholding taxes incurred on actual dividend distributions by subsidiaries are recognised in profit or loss once the right of dividend income is established.

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

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Notes to the Separate Financial Statements (Continued)

3 Significant Accounting Policies (Continued)

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

Levies and charges, such as taxes other than income tax or regulatory fees based on information related to a period before the obligation to pay arises, are recognised as liabilities when the obligating event that gives rise to pay a levy occurs, as identified by the legislation that triggers the obligation to pay the levy. If a levy is paid before the obligating event, it is recognised as a prepayment.

Share capital. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds and debited against share premium.

Share premium. Share premium is the difference between the fair value of the consideration receivable for the issue of shares and the nominal value of the shares. The share premium account can only be resorted to for limited purposes, which do not include the distribution of dividends, and is otherwise subject to the provisions of the Cyprus Companies Law on reduction of share capital.

Treasury shares. Where the Company purchases the Company's equity instruments, the consideration paid, including any directly attributable incremental external costs, net of income taxes, is deducted from equity attributable to the owners of the Company until the equity instruments are reissued, disposed of or cancelled. Where such shares are subsequently disposed of or reissued, any consideration received is included in equity. The value of GDRs transferred out of treasury shares for the purposes of the long-term incentive programme for management of the Company are determined based on the weighted average cost.

The Company's equity instruments acquired by employee share trust entity are treated as treasury shares when the Company retains the majority of the risks and rewards relating to the funding arrangement for the trust entity.

Share-based payments. The Company grants equity settled share based payments to employees of its subsidiary. No share-based payment charge is recognised as no employees are providing services to the Company. The Company records a debit to the investment in the subsidiaries as a capital contribution from the parent to the subsidiary and a credit to share-based payment reserve within equity. When the rewards granted under share-based payment programs vest the Company reclassifies accumulated share based payment reserve to revaluation reserve.

Dividends. Dividends are recorded in equity in the period in which they are declared. Any dividends declared after the end of the reporting period and before the separate financial statements are authorised for issue, are disclosed in the Note 23. The separate financial statements of the Company prepared in accordance with IFRS as adopted by the EU and in accordance with Cyprus Companies Law is the basis of available reserves for distribution. Management considers the Revaluation Reserve to be a distributable reserve. Dividend distribution to the Company's shareholders is recognised as a liability in the Company's separate financial statements in the year in which the dividends are appropriately authorised and are no longer at the discretion of the Company. More specifically, interim dividends are recognised as a liability in the period in which these are authorised by the Board of directors and in the case of final dividends, these are recognised in the period in which these are approved by the Company's shareholders.

Interest income and expense recognition. Interest income and expense are recorded for all debt instruments, other than those at FVTPL, on an accrual basis using the effective interest method. This method defers, as part of interest income or expense, all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Fees integral to the effective interest rate include origination fees received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability. Commitment fees received by the Company to originate loans at market interest rates are integral to the effective interest rate if it is probable that the Company will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination. The Company does not designate loan commitments as financial liabilities at FVTPL.

For financial assets that are originated or purchased credit-impaired, the effective interest rate is the rate that discounts the expected cash flows (including the initial expected credit losses) to the fair value on initial recognition (normally represented by the purchase price). As a result, the effective interest is credit-adjusted.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:

i) financial assets that have become credit-impaired (Stage 3), for which interest revenue is calculated by applying the effective interest rate to their AC (net of the ECL provision); and

ii) financial assets that are purchased or originated credit-impaired, for which the original credit-adjusted effective interest rate is applied to the AC.

Other income and expense recognition. All other income is generally recorded on an accrual basis by reference to completion of the specific performance obligation assessed on the basis of measurement of the Company's progress towards complete satisfaction of that performance obligation.

All other expenses are generally recorded on an accrual basis by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Other similar income. Other similar income represents interest income recorded for debt instruments measured at fair value through profit or loss ("FVTPL") and is recognised on an accrual basis using nominal interest rate.

Other similar expense. Other similar expense represents finance cost related to the discounted lease payments using the incremental borrowing rate.

Foreign currency translation. Functional currency is the currency of the primary economic environment in which the entity operates. The Company's results are dependent upon the receipt of dividends from and the valuation of its primary subsidiaries which operate in the Russian Federation. Therefore the functional currency of the Company is the national currency of the Russian Federation, Russian Rouble ("RR"). The Russian Rouble is also the presentation currency of the Company.

Foreign exchange gains and losses resulting from the translation of monetary assets and liabilities into each entity's functional currency at year-end official exchange rates of the CBRF are recognised in profit or loss for the year as Net gains/(losses) from foreign exchange translation.

Foreign exchange gains and losses resulting from the settlement of transactions with foreign currencies are recognised in profit or loss for the year as Net gains from operations with foreign currencies.

At 31 December 2020 the rate of exchange used for translating foreign currency balances was USD 1 = RR 73.8757 (31 December 2019: USD 1 = RR 61.9057), and the average rate of exchange was USD 1 = RR 72.1464 (2019: USD 1 = RR 64.7362).

Offsetting. Financial assets and liabilities are offset and the net amount reported in the separate statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) the event of default and (iii) the event of insolvency or bankruptcy.

Amendments of the separate financial statements after issue. The Board of directors of the Company has the power to amend the separate financial statements after issue.

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Notes to the Separate Financial Statements (Continued)

4 Critical Accounting Estimates and Judgements in Applying Accounting Policies

The Company makes estimates and assumptions that affect the amounts recognised in the separate financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the separate financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Investments in subsidiaries. The estimated fair value of investments in subsidiaries recognises that the majority of the value of the Company resides in its main operating subsidiaries. Thus in estimating the fair value of the subsidiaries the primary input is the market quote of the Company's GDRs which are traded on the London and Moscow Stock Exchanges. Other inputs include the estimated fair value of the assets and liabilities held by the Company other than its investment in the subsidiaries. Refer to Note 20.

Perpetual subordinated bonds. The Company from time to time invests in perpetual subordinated bonds issued by third parties. The Company has taken into consideration that there are genuine contingent settlement provisions that could arise and as such has classified the investments in perpetual subordinated bonds as investments in debt securities on the basis of terms of issue which stipulate the possible redemption of the instrument in several cases other than liquidation of the issuer.

The investments in these instruments are classified as debt investment securities measured at FVTPL since the analysis of the contractual cash flow characteristics resulted in acquired perpetual bonds not passing SPPI test. If the Company had recognized this instrument as equity instrument, then it could have been measured at FVTPL or FVOCI as the Company does not hold it for trading purposes.

Initial recognition of related party transactions. In the normal course of business the Company enters into transactions with its related parties. IFRS 9 requires initial recognition of financial instruments based on their fair values. Judgement is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties and effective interest rate analysis. Terms and conditions of related party balances are disclosed in Note 22.

Determination of functional currency. The Company follows the guidance of IAS 21 "The Effects of Changes in Foreign Exchange Rates" for the determination of the functional currency of the Company. The Company's functional currency is RR.

Tax legislation. Cypriot and Russian tax, currency and customs legislation are subject to varying interpretations. Refer to Note 19.

5 Adoption of New or Revised Standards and Interpretations

The following amended standards became effective from 1 January 2020, but did not have any material impact on the Company:

- Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020).
- Definition of a business – Amendments to IFRS 3 (issued on 22 October 2018 and effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020).
- Definition of material - Amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020).
- Interest rate benchmark reform – Amendments to IFRS 9, IAS 39 and IFRS 7 (issued on 26 September 2019 and effective for annual periods beginning on or after 1 January 2020).

6 New Accounting Pronouncements

Certain new amendments have been issued that are mandatory for the annual periods beginning on or after 1 January 2021, which the Company has not early adopted:

IFRS 17 "Insurance Contracts"(issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2023)*. IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. As a consequence, it was difficult for investors to compare and contrast the financial performance of otherwise similar insurance companies. IFRS 17 is a single principle-based standard to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The standard requires recognition and measurement of groups of insurance contracts at: (i) a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset) (ii) an amount representing the unearned profit in the group of contracts (the contractual service margin). Insurers will be recognising the profit from a group of insurance contracts over the period they provide insurance coverage, and as they are released from risk. If a group of contracts is or becomes loss-making, an entity will be recognising the loss immediately. The Company is currently assessing the impact of IFRS 17 on the insurance contracts issued by the Insurance Company as well as the impact for credit cards and similar loan products which may include insurance component.

Amendments to IFRS 17 and an amendment to IFRS 4 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023)*. The amendments relate to eight areas of IFRS 17, and they are not intended to change the fundamental principles of the standard. The following amendments to IFRS 17 were made: effective date, expected recovery of insurance acquisition cash flows, contractual service margin attributable to investment services, reinsurance contracts held – recovery of losses and other amendments.

The following other new pronouncements are not expected to have any material impact on the Company when adopted:

(a) Sale or contribution of assets between an Investor and its associate or joint venture - Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB)*.

(b) Classification of liabilities as current or non-current – Amendments to IAS 1 (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2022)*.

(c) Classification of liabilities as current or non-current, deferral of effective date – Amendments to IAS 1 (issued on 15 July 2020 and effective for annual periods beginning on or after 1 January 2023)*.

(d) Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022)*.

(e) Interest rate benchmark (IBOR) reform – phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (issued on 27 August 2020 and effective for annual periods beginning on or after 1 January 2021).

(f) Covid-19-Related Rent Concessions – Amendments to IFRS 16 (issued on 28 May 2020 and effective for annual periods beginning on or after 1 June 2020).

7 Cash and Cash Equivalents

In millions of RR	31 December 2020	31 December 2019
Placements with other banks with original maturities of less than three months		
- placements with UK Bank (A+ rated)	705	596
- placements with European bank (B- rated)	72	-
- placements with European bank (CCC+ rated)	-	2
Total cash and cash equivalents	**777**	**598**

* Denotes standards, interpretations and amendments which have not yet been endorsed by the European Union.

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Notes to the Separate Financial Statements (Continued)

7 Cash and Cash Equivalents (Continued)

The table below discloses the credit quality of cash and cash equivalents balances based on credit risk grades at 31 December 2020. The gross carrying amount of cash and cash equivalents at 31 December 2020 below also represents the Company's maximum exposure to credit risk on these assets:

In millions of RR	31 December 2020	31 December 2019
Placements with other banks with original maturities of less than three months		
Excellent	705	596
Sub-standard	72	-
Doubtful	-	2
Total cash and cash equivalents	**777**	**598**

Refer to Note 18 for the description of the Company's credit risk grading system.

For the purpose of ECL measurement cash and cash equivalents balances are included in Stage 1. The ECL for these balances represents an immaterial amount, therefore the Company did not recognise any credit loss allowance for cash and cash equivalents. Amounts of cash and cash equivalents are not collateralised. Refer to Note 18 for the ECL measurement approach. Interest rate, maturity and geographical risk concentration analysis of cash and cash equivalents is disclosed in Note 18. Refer to Note 20 for the disclosure of the fair value of cash and cash equivalents.

8 Loans and Deposit Placements with Related Parties

In millions of RR	31 December 2020	31 December 2019
Deposit placements with subsidiary Bank	5,772	5,594
Loans and advances to related parties at FVTPL	1,892	-
Total loans and deposit placements with related parties	**7,664**	**5,594**

At 31 December 2020 the deposit placements with subsidiary Bank are represented by three deposits: deposit placement in USD with a nominal value of RR 30 million at 0.90% per annum maturing on 10 August 2021, deposit placement in EUR with a nominal value of RR 13 million at 0.29% per annum maturing on 4 August 2021, deposit placement in RR with a nominal value of RR 5,729 million at 4.50% per annum maturing on 24 December 2021.

Loans and advances to customers at FVTPL represent a loan that does not meet SPPI requirement and that was issued to a related party (refer to Note 22) in EUR with a nominal value of RR 1,892 million at 1.70% per annum maturing on 31 August 2025.

At 31 December 2019 the deposit placements with subsidiary Bank are represented by three deposits: deposit placement in USD with a nominal value of RR 2,114 million at 2.5% per annum matured on 10 August 2020, deposit placement in EUR with a nominal value of RR 1,806 million at 0.35% per annum matured on 7 February 2020, deposit placement in RR with a nominal value of RR 1,674 million at 7.5% per annum matured on 25 December 2020.

For the purpose of ECL measurement deposit placements with subsidiary Bank balances are included in Stage 1. The ECL for these balances represents an immaterial amount, therefore the Company did not create any credit loss allowance for deposit placements with subsidiary Bank. Refer to Note 18 for the ECL measurement approach.

As at 31 December 2020 for the purpose of credit risk measurement loans and deposit placements with related parties balances are included in "Monitor" credit risk grade based on credit risk grade master scale (31 December 2019: same). Refer to Note 18 for the description of the credit risk grading system.

Refer to Note 20 for the disclosure of the fair value of loans and deposit placements with related parties. Interest rate, maturity and geographical risk concentration analysis are disclosed in Note 18. Information on related party balances is disclosed in Note 22.

9 Investments in Equity Securities

In millions of RR	31 December 2020	31 December 2019
Investments in subsidiaries including:	472,221	256,443
- Investments in financial institutions	443,921	231,535
- Investments in non-financial institutions	28,300	24,908
Other investments in equity securities	174	850
Total investments in securities	**472,395**	**257,293**

As at 31 December 2020 investments in financial institutions include investments in share capital of JSC "Tinkoff Bank", JSC "Tinkoff Insurance", LLC "Microfinance company "T-Finans", LLC "Tinkoff Capital" and LLC "Tinkoff Invest Lab" (2019: JSC "Tinkoff Bank", JSC "Tinkoff Insurance", LLC "Microfinance company "T-Finans", LLC "Tinkoff Capital").

As at 31 December 2020 investments in non-financial institutions include investments in share capital of LLC "CloudPayments", LLC "Tinkoff Mobile", LLC "Phoenix", LLC "Tinkoff Software DC", LLC "TCS" and ANO "Tinkoff Education" (2019: LLC "CloudPayments", LLC "Tinkoff Mobile", LLC "Phoenix", LLC "Tinkoff Software DC", LLC "TCS", LLC "Fintech DC" and ANO "Tinkoff Education"). On 16 April 2019 Goward Group Limited was liquidated.

The Bank is registered in the Russian Federation and was acquired by the Company in November 2006 (Note 1). The Bank is 100% owned and controlled by the Company.

The Insurance Company is registered in the Russian Federation and was acquired by the Company in August 2013 (Note 1). In June 2019 the Company sold 10% in the Insurance Company to the Bank for cash consideration of RR 206 million, there were no transfers of any cumulative gain or loss within equity relating to these changes. As at 31 December 2020 the Company owns 88.98% of the shares of the Insurance Company and controls it, the Bank owns 11.02% of the shares of the Insurance Company (2019: the Company owns 80.08%, the Bank owns 9.92%).

In October 2017 the Company acquired a 55% shareholding in LLC "CloudPayments". During 2019 the Bank acquired a 40% shareholding in LLC "CloudPayments", and thus the Company owns directly and indirectly a 95% holding in the shares of LLC "CloudPayments". As at 31 December 2020 the Company owns 95% shares of LLC "CloudPayments".

Investments in subsidiaries are stated at fair value at the end of each reporting period (Notes 3, 4 and 20). The movements in investments in subsidiaries for the period ended 31 December 2020 are as follows:

In millions of RR	2020
Carrying amount at 1 January	**256,443**
Investments in subsidiaries	575
Revaluation of investment in subsidiaries	214,111
Share-based payment	1,092
Carrying amount at 31 December	**472,221**

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Notes to the Separate Financial Statements (Continued)

9 Investments in Equity Securities (Continued)

The movements in investments in subsidiaries for the period ended 31 December 2019 are as follows:

In millions of RR	2019
Carrying amount at 1 January	**218,818**
Investments in subsidiaries	(206)
Revaluation of investment in subsidiaries	37,362
Share-based payment	469
Carrying amount at 31 December	**256,443**

Dividend income from investments in subsidiaries recognised during the year is as follows:

In millions of RR	2020	2019
Investment in JSC "Tinkoff Insurance"	8,185	4,461
Investment in JSC "Tinkoff Bank"	7,998	12,697
Investment in LLC "Phoenix"	1,421	-
Investment in LLC "CloudPayments"	350	-
Total dividend income	**17,954**	**17,158**

Interest rate, maturity and geographical risk concentration analysis of investment in equity securities are disclosed in Note 18. Refer to Note 20 for the disclosure of the fair value of investments in equity securities.

10 Debt Securities in Issue

In millions of RR	Date of maturity	31 December 2019
EUR denominated ECP issued in December 2019	20 November 2020	1,030
EUR denominated ECP issued in February 2019	18 February 2020	831
USD denominated ECP issued in December 2019	20 November 2020	599
Total Debt Securities in Issue		**2,460**

No debt securities were issued during 2020 and none were outstanding as at 31 December 2020.

On 20 December 2019 the Company issued two tranches of Euro-Commercial Paper (ECP) denominated in USD and EUR maturing on 20 November 2020. USD denominated ECP had a nominal value of USD 10 million at 3.6% coupon rate. EUR denominated ECP had a nominal value of EUR 15 million at 1.0% coupon rate.

On 19 February 2019 the Company issued Euro-Commercial Paper (ECP) denominated in EUR maturing on 18 February 2020. EUR denominated ECP had a nominal value of EUR 12 million at 1.25% coupon rate.

The Company redeemed all outstanding ECP at maturity date.

Refer to Note 20 for the disclosure of the fair value of debt securities in issue. Maturity analysis of debt securities in issue are disclosed in Note 18. Reconciliation of liabilities arising from financing activities is disclosed in Note 17.

11 Other Financial and Non-financial Liabilities

In millions of RR	31 December 2020	31 December 2019
Other Financial Liabilities		
Accrued audit and accountancy fees	46	18
Advances payable	-	63
Total Other Financial Liabilities	**46**	**81**
Other Non-financial Liabilities		
Dividends payable under GDRs repurchased for MLTIP purposes	656	582
Other provision	-	3
Total Other Non-financial Liabilities	**656**	**585**

Interest rate, maturity and geographical risk concentration analysis of other financial liabilities are disclosed in Note 18. Refer to Note 20 for disclosure of fair value of other financial liabilities.

12 Share Capital, Share Premium and Treasury Shares

In millions of RR except for the number of shares	Number of authorised shares	Number of outstanding shares	Ordinary shares	Share premium	Treasury shares	Total
At 31 December 2018	**191,770,766**	**182,638,825**	**188**	**8,623**	**(3,670)**	**5,141**
Shares issued	18,263,882	16,666,667	42	18,874	-	18,916
Secondary public offering costs	-	-	-	(499)	-	(499)
GDRs and shares transferred under MLTIP	-	-	-	-	506	506
At 31 December 2019	**210,034,648**	**199,305,492**	**230**	**26,998**	**(3,164)**	**24,064**
GDRs buy-back	-	-	-	-	(661)	(661)
GDRs and shares transferred under MLTIP	-	-	-	-	587	587
At 31 December 2020	**210,034,648**	**199,305,492**	**230**	**26,998**	**(3,238)**	**23,990**

At 31 December 2020 the total number of outstanding shares is 199,305,492 (31 December 2019: 199,305,492 shares) with a par value of USD 0.04 per share (31 December 2019: USD 0.04 per share).

At 31 December 2020 and 2019 treasury shares represent GDRs of the Company repurchased from the market for the purposes permitted by Cyprus law including contribution to MLTIP. Refer to Note 22.

At 31 December 2020 the total number of treasury shares is 3,013,379 (31 December 2019: 4,185,166).

During the year ended 31 December 2020 the Company repurchased 650,000 GDRs at market price for RR 661 million (2019: no GDRs were repurchased by the Company).

During the year ended 31 December 2020 the Company transferred 1,809,681 GDRs (2019: 2,419,187 GDRs), representing 0.91% (2019: 1.21%) of the issued shares, upon vesting under the MLTIP. This resulted in a transfer of RR 587 million (2019: RR 506 million) out of treasury shares to retained earnings.

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Notes to the Separate Financial Statements (Continued)

12 Share Capital, Share Premium and Treasury Shares (Continued)

In June 2019 the Company's shareholders approved a resolution to increase the authorised share capital to USD 8,401,385.92 by the creation of 18,263,882 new undesignated ordinary shares of nominal value USD 0.04 each. At 31 December 2020 the total number of authorised shares is 210,034,648 shares (31 December 2019: 210,034,648 shares) with a par value of USD 0.04 per share (31 December 2019: USD 0.04 per share).

On 2 July 2019 the Company completed a SPO on the London Stock Exchange plc and issued 16,666,667 class A shares of the Company in the form of GDRs at a price of USD 18.00 per GDR, raising aggregate gross proceeds of USD 300 million (RR 18,916 million). All issued ordinary shares are fully paid.

All the incurred SPO costs were primary direct expenses accounted within share premium.

13 Interest income and expense

In millions of RR	2020	2019
Interest income calculated using the effective interest rate method		
Loans and deposit placement with related parties including:		
Deposit placements with subsidiary Bank	53	228
Debt securities and repurchase receivables at FVOCI	-	44
Total Interest income calculated using the effective interest rate method	**53**	**272**
Other similar income		
Financial assets at FVTPL	8	28
Total interest income	**61**	**300**
Interest expense calculated using the effective interest rate method		
Euro-Commercial Papers	32	100
Loans from subsidiary Bank	-	536
Loans from subsidiary company	-	86
Other loans received	-	10
Total Interest expense calculated using the effective interest rate method	**32**	**732**
Net interest income/ (expense)	**29**	**(432)**

14 Administrative and Other Operating Expenses

In millions of RR	2020	2019
Legal and consulting fees	270	110
Staff costs	177	99
Audit and accountancy fees	43	30
Other administrative expenses	5	3
Depreciation of right-of-use assets	4	3
Depreciation of tangible fixed assets	1	1
Taxes other than income tax	-	5
Total administrative and other operating expenses	**500**	**251**

The total fees charged by the Company's statutory auditor for the statutory audit of the annual consolidated and separate financial statements of the Company for the year ended 31 December 2020 amounted to RR 6.9 million (2019: RR 2.8 million). The total fees charged by the Company's statutory auditor for the year ended 31 December 2020 for other assurance services amounted to RR 0.8 million (2019: RR 3.8 million), for tax advisory services amounted to RR 3.4 million (2019: RR 2.3 million) and for other non-assurance services amounted to RR 0.1 million (2019: 2.2 million).

Included in staff costs are statutory social contributions to the non-budget funds:

In millions of RR	2020	2019
Statutory social contribution to the non-budget funds	31	12

At 31 December 2020 there are 50 employees employed by the Company (31 December 2019: 63). The average number of employees employed by the Company during the reporting year was 56 (2019: 53).

15 Income Taxes

Income tax expense comprises the following:

In millions of RR	2020	2019
Corporation tax	2	26
Overseas tax withheld at source	897	858
Income tax expense for the year	**899**	**884**

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the applicable tax rates as follows:

In millions of RR	2020	2019
Profit before income tax	**17,789**	**16,700**
Theoretical tax charge at statutory rate of 12.5% (2019: 12.5%)	2,224	2,088
Tax effect of expenses not deductible for tax purposes	173	111
Tax effect of allowances and income not subject to tax	(2,395)	(2,191)
Overseas tax withheld at source	897	858
Underprovision of tax for prior year	-	18
Income tax expense for the year	**899**	**884**

Gains on disposal of qualifying titles (including shares, bonds, debentures, rights thereon etc.) are exempt from Cyprus income tax. At 31 December 2020 and 2019 the Company had no tax losses carried forward.

Notes to the Separate Financial Statements (Continued)

15 Income Taxes (Continued)

Differences between IFRS and statutory taxation regulations in Cyprus 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 the movements in these temporary differences is detailed below.

In millions of RR	31 December 2019	Credited to OCI	31 December 2020
Investments in subsidiaries	(168)	168	-
Net deferred tax liabilities	**(168)**	**168**	**-**

In millions of RR	31 December 2018	Credited to OCI	31 December 2019
Investments in subsidiaries	(1,187)	1,019	(168)
Income tax expense for the year	**(1,187)**	**1,019**	**(168)**

16 Dividends

The movement in dividends during the year are as follows:

In millions of RR	2020	2019
Dividends payable at 1 January	**582**	**760**
Dividends declared during the year	11,545	5,856
Dividends paid during the year	(11,835)	(5,601)
Foreign exchange differences and other movements	364	(433)
Dividends payable at 31 December	**656**	**582**
Dividends per share declared during the year (in USD)	**0.80**	**0.49**
Dividends per share paid during the year (in USD)	**0.80**	**0.49**

Dividends declared in the tables above represent dividends declared by the Board of directors are reduced by RR 74 million for the year ended 31 December 2020 due to dividends on GDRs acquired by the Company from the market not for the immediate purposes of the existing MLTIP (2019: RR 25 million).

On 11 November 2020 the Board of directors declared an interim dividend in line with the current dividend policy of USD 0.25 (RR 19.10) per share/per GDR with a total amount allocated for dividend payment of around USD 49.8 million (RR 3,807 million). Declared dividends were paid in USD on 30 November 2020.

On 5 August 2020 the Board of directors declared an interim dividend in line with the current dividend policy of USD 0.20 (RR 14.68) per share/per GDR with a total amount allocated for dividend payment of around USD 39.9 million (RR 2,925 million). Declared dividends were paid in USD on 24 August 2020.

On 11 May 2020 the Board of directors declared an interim dividend in line with the current dividend policy of USD 0.14 (RR 10.34) per share/per GDR with a total amount allocated for dividend payment of around USD 28 million (RR 2,061 million). Declared dividends were paid in USD on 1 and 2 June 2020.

On 10 March 2020 the Board of directors declared an interim dividend of USD 0.21 (RR 14.18) per share/per GDR with a total amount allocated for dividend payment of around USD 41.9 million (RR 2,826 million). Declared dividends were paid in USD on 30 March and 1 April 2020.

On 13 May 2019 the Board of directors declared an interim dividend of USD 0.17 (RR 11.09) per share/per GDR amounting to USD 31.05 million (RR 2,026 million). Declared dividends were paid in USD on 28 and 30 May 2019.

On 11 March 2019 the Board of directors declared an interim dividend of USD 0.32 (RR 21.11) per share/per GDR amounting to USD 58.4 million (RR 3,855 million). Declared dividends were paid in USD on 25 and 27 March 2019.

Dividends were declared and paid in USD throughout the years ended 31 December 2020 and 2019. Dividends payable at 31 December 2020 relating to treasury shares acquired under MLTIP amounting to RR 656 million are included in other non-financial liabilities (31 December 2019: RR 582 million).

17 Reconciliation of Liabilities Arising from Financing Activities

The table below sets out an analysis of the Company's debt and the movements in the Company's debt for each of the periods presented. The debt items are those that are reported as financing in the separate statement of cash flows.

	Liabilities from financing activities		
In millions of RR	Debt securities in issue	Loans received	Total
Net debt at 31 December 2018	**3,754**	**23,243**	**26,997**
Cash flows from repayments	(3,418)	(23,092)	(26,510)
Cash flows from proceeds	2,527	-	2,527
Foreign exchange adjustments	(403)	45	(358)
Other non-cash movements	-	(196)	(196)
Net debt at 31 December 2019	**2,460**	**-**	**2,460**
Cash flows from repayments	(2,938)	-	(2,938)
Foreign exchange adjustments	478	-	478
Net debt at 31 December 2020	**-**	**-**	**-**

18 Financial Risk Management

The risk management function within the Company is carried out in respect of financial risks (credit, market, currency, liquidity and interest rate), operational risks and legal risks. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimise operational and legal risks.

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

The Company's maximum exposure to credit risk is reflected in the carrying amounts of financial assets on the separate statement of financial position. The credit risk is controlled by management of the Company, by approving limits on the level of credit risk by borrowers.

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Notes to the Separate Financial Statements (Continued)

18 Financial Risk Management (Continued)

Credit risk grading system. For measuring credit risk and grading financial instruments by the level of credit risk, the Company applies risk grades estimated by external international rating agencies in case these financial instruments have risk grades estimated by external international rating agencies (Fitch and in case of their absence - Moody's or Standard & Poor's ratings adjusting them to Fitch's categories using a reconciliation table):

Master scale credit risk grade	Corresponding ratings of external international rating agency (Fitch)
Excellent	AAA, AA+ to AA-, A+ to A-
Good	BBB+ to BBB-, BB+
Monitor	BB to B+
Sub-standard	B, B-
Doubtful	CCC+ to CC-
Default	C, D

Each master scale credit risk grade is assigned a specific degree of creditworthiness:

- *Excellent* – high credit quality with lowest or very low expected credit risk;
- *Good* – good credit quality with currently low expected credit risk;
- *Monitor* – adequate credit quality with a moderate credit risk;
- *Sub-standard* – moderate credit quality with a satisfactory credit risk;
- *Doubtful* – facilities that require closer monitoring and remedial management; and
- *Default* – facilities in which a default has occurred.

For measuring credit risk and grading those financial instruments which do not have risk grades estimated by external international rating agencies, the Company applies risk grades and the corresponding range of probabilities of default (PD):

Master scale credit risk grade	Corresponding interval
Excellent	non-overdue for the last 12 months with PD < 5% or with early repayments
Good	all other non-overdue loans
Monitor	1-30 days overdue
Sub-standard	31-90 days overdue
NPL	90+ days overdue

Each master scale credit risk grade is assigned a specific degree of creditworthiness:

- *Excellent* – strong credit quality with minimum expected credit risk;
- *Good* – adequate credit quality with low expected credit risk;
- *Monitor* – adequate credit quality with a moderate credit risk;
- *Sub-standard* – low credit quality with a substantial credit risk;
- *NPL* – financial instruments for which a default has occured.

The rating models are regularly reviewed by the Credit Risk Department, backtested on actual default data and updated if necessary.

Expected credit loss (ECL) measurement – definitions and description of estimation techniques. *ECL* is a probability-weighted estimate of the present value of future cash shortfalls (i.e. the weighted average of credit losses, with the respective risks of default occurring in a given time period used as weights). ECL measurement is based on the following components used by the Company:

Default occurs when a financial asset is 90 days past due.

Probability of Default (PD) – an estimate of the likelihood of default to occur over a given time period.

Exposure at Default (EAD) – an estimate of exposure at a future default date, taking into account expected changes in exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities.

Loss Given Default (LGD) – an estimate of the loss arising on default as a percentage of the EAD. It is based on the difference between the contractual cash flows due and those that the Company would expect to receive.

Discount Rate – a rate to discount an expected loss to its present value at the reporting date. The discount rate represents the effective interest rate (EIR) for the financial instrument or an approximation thereof.

Lifetime period – the maximum period over which ECL should be measured. For financial instruments held by the Company the lifetime period is equal to contractual maturity of the respective financial instruments.

Lifetime ECL – losses that result from all possible default events over the remaining lifetime period of the financial instrument.

12-month ECL – the portion of lifetime ECLs that represent the ECLs resulting from default events on a financial instrument that are possible within 12 months after the reporting date that are limited by the remaining contractual life of the financial instrument.

Credit Conversion Factor (CCF) – a coefficient that shows that the probability of conversion of an off-balance sheet amount to exposure on the statement of financial position within a defined period. It can be calculated for a 12-month or lifetime period. Based on the analysis performed, the Company considers that 12-month and lifetime CCFs are the same.

Default and credit-impaired assets – assets for which a default event has occurred.

The default definition stated above should be applied to all types of financial assets of the Company.An instrument is considered to no longer be in default (i.e. to have "cured") when it no longer meets any of the default criteria.

Significant increase in credit risk (SICR) - the SICR assessment is performed on an individual basis for all financial assets by monitoring the triggers stated below. The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by the Company's Risk Management Department.

The Company considers a financial instrument to have experienced a SICR when one or more of the following quantitative, qualitative or backstop criteria have been met:

- 30 days past due;
- award of risk grade "Doubtful";
- decrease of assigned external rating by 2 notches, which corresponds to an approximate increase of PD by 2.5 times.

If the SICR criteria are no longer met, the instrument will be transferred back to Stage 1.

General principle of techniques applied

For financial assets, ECLs are generally measured based on the risk of default over one of two different time periods, depending on whether or not the credit risk of the borrower has increased significantly since initial recognition.

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Notes to the Separate Financial Statements (Continued)

18 Financial Risk Management (Continued)

This approach can be summarised in a three-stage model for ECL measurement:

- Stage 1 – a financial instrument that is not credit-impaired on initial recognition and its credit risk has not increased significantly since initial recognition, the loss allowance is based on 12-month ECLs;
- Stage 2 – if since the date, which was assumed to be the date of initial recognition has identified a SICR, the financial instrument is moved to Stage 2 but is not yet deemed to be credit-impaired, the loss allowance is based on lifetime ECLs;
- Stage 3 – if the financial instrument is credit-impaired or restructured, the financial instrument is then moved to Stage 3 and the loss allowance is based on lifetime ECLs.

The Company carries out the following approach for ECL measurement:

- For financial instruments which have external ratings – assessment based on external ratings;
- For financial instruments which do not have external ratings – assessment based on discounted cash flow technique.

Principles of assessment based on external ratings – the principles of ECL calculations based on external ratings are the same as for their assessment on a portfolio basis. Credit risk parameters (PD and LGD) are taken from the default and recovery statistics published by international rating agencies (Fitch and in case of their absence – Moody's or Standard & Poor's).

Market risk. The Company takes on exposure to market risks. Market risks arise from open positions in (a) currency, (b) interest rate and (c) equity products, all of which are exposed to general and specific market movements. Management sets limits on the value of risk that may be accepted, which are monitored on a daily basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

Currency risk. In respect of currency risk, the management sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily.

The table below summarises the Company's exposure to foreign currency exchange rate risk at the end of the reporting period:

	At 31 December 2020				At 31 December 2019			
In millions of RR	Non-derivative monetary financial assets	Non-derivative monetary financial liabilities	Derivatives	Net balance sheet position	Non-derivative monetary financial assets	Non-derivative monetary financial liabilities	Derivatives	Net balance sheet position
RR	5,732	-	-	5,732	1,738	-	-	1,738
US Dollars	739	-	-	739	2,710	(677)	-	2,033
EUR	2,134	(46)	-	2,088	1,808	(1,864)	-	(56)
Total	**8,605**	**(46)**	**-**	**8,559**	**6,256**	**(2,541)**	**-**	**3,715**

The above analysis includes only monetary assets and liabilities. Non-monetary assets are not considered to give rise to any material currency risk.

The following table presents sensitivities of profit or loss and equity to reasonably possible changes in exchange rates applied at the end of the reporting period, with all other variables held constant:

	At 31 December 2020		At 31 December 2019	
In millions of RR	Impact on profit for the year	Impact on total equity	Impact on profit for the year	Impact on total equity
USD strengthening by 20% (2019: by 20%)	155	155	385	385
USD weakening by 20% (2019: by 20%)	(155)	(155)	(385)	(385)
EUR strengthening by 20% (2019: by 20%)	439	(439)	(11)	(11)
EUR weakening by 20% (2019: by 20%)	(439)	439	11	11

Interest rate risk. The Company takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event of unexpected movements. Management monitors on a daily basis and sets limits on the level of mismatch of interest rate repricing that may be undertaken. The table below summarises the Company's exposure to interest rate risk. The table presents the aggregated amounts of the Company's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual interest repricing or maturity dates.

In millions of RR	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	Non-interest bearing financial instruments	Total
31 December 2020						
Total financial assets	777	164	5,772	1,892	472,395	481,000
Total financial liabilities	-	(46)	-	-	-	(46)
Net interest sensitivity gap at 31 December 2020	**777**	**118**	**5,772**	**1,892**	**472,395**	**480,954**

At 31 December 2020 if interest rates at that date had been 200 basis points higher/lower (2019: 200 basis points higher/lower), with all other variables held constant, profit and equity would have been RR 171 million higher/lower (2019: RR 72 million higher/lower).

In millions of RR	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 5 years	Non-interest bearing financial instruments	Total
31 December 2019						
Total financial assets	598	1,870	3,788	-	257,293	263,549
Total financial liabilities	-	(912)	(1,629)	-	-	(2,541)
Net interest sensitivity gap at 31 December 2019	**598**	**958**	**2,159**	**-**	**257,293**	**261,008**

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Notes to the Separate Financial Statements (Continued)

18 Financial Risk Management (Continued)

The Company monitors interest rates for its financial instruments. The table below summarises effective interest rates set as at 31 December 2020 and 2019 based on reports reviewed by key management personnel:

	2020			2019		
In % p.a.	RR	USD	EUR	RR	USD	EUR
Assets						
Cash and cash equivalents	-	-	-	-	-	-
Loans and deposit placements with related parties						
- Deposit placements with subsidiary Bank	4.5	0.9	0.3	7.5	2.5	0.4
- Convertible loan to subsidiary Bank	-	-	1.7	-	-	-
Liabilities						
Debt securities in issue	-	-	-	-	3.8	1.2

The sign "-" in the table above means that the Company does not have the respective assets or liabilities in the corresponding currency.

Other price risk. The Company has exposure to equity price risk mainly as a result of a decrease in the fair value of investments in subsidiaries. Sensitivity analysis of investments in subsidiaries is disclosed in Note 20.

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

In millions of RR	Russian Federation	OECD	Other Non-OECD	Total
Financial assets				
Cash and cash equivalents	-	705	72	777
Loans and deposit placements with related parties	5,772	-	1,892	7,664
Investments in equity securities	472,395	-	-	472,395
Other financial assets	-	-	164	164
Total financial assets	**478,167**	**705**	**2,128**	**481,000**
Financial liabilities				
Other financial liabilities	-	-	46	46
Total financial liabilities	**-**	**-**	**46**	**46**
Net separate statement of financial position	**478,167**	**705**	**2,082**	**480,954**

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

In millions of RR	Russian Federation	OECD	Other Non-OECD	Total
Financial assets				
Cash and cash equivalents	-	596	2	598
Loans and deposit placements with related parties	5,594	-	-	5,594
Investments in equity securities	257,293	-	-	257,293
Other financial assets	-	-	64	64
Total financial assets	**262,887**	**596**	**66**	**263,549**
Financial liabilities				
Debt securities in issue	2,460	-	-	2,460
Other financial liabilities	15	63	3	81
Total financial liabilities	**2,475**	**63**	**3**	**2,541**
Net separate statement of financial position	**260,412**	**533**	**63**	**261,008**

Assets and liabilities have been based on the country in which the counterparty is located. Cash and cash equivalents have been allocated based on the country in which they are physically held.

Other risk concentrations. Most financial assets are due from the subsidiary Bank.

Liquidity risk. Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The table below shows liabilities at 31 December 2020 by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows. Such undiscounted cash flows differ from the amount included in the separate statement of financial position because the separate statement of financial position amount is based on discounted cash flows. When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the reporting date. Foreign currency payments are translated using the spot exchange rate at the end of the reporting period.

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

In millions of RR	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 5 years	Total
Liabilities					
Other financial liabilities	-	46	-	-	46
Total potential future payments for financial obligations	**-**	**46**	**-**	**-**	**46**

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Notes to the Separate Financial Statements (Continued)

18 Financial Risk Management (Continued)

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

In millions of RR	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 5 years	Total
Liabilities					
Debt securities in issue	4	846	1,671	-	2,521
Other financial liabilities	-	81	-	-	81
Total potential future payments for financial obligations	**4**	**927**	**1,671**	**-**	**2,602**

19 Contingencies and Commitments

Legal proceedings. From time to time and in the normal course of business, claims against the Company may be received. On the basis of its own estimates and internal professional advice management is of the opinion that no material losses will be incurred in respect of any current or potential claims and accordingly no provision has been made in these separate financial statements.

Taxation. Cypriot tax legislation is subject to varying interpretations. There are transactions and calculations for which the ultimate tax determination is uncertain. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made. The Company is incorporated outside Russia. Tax liabilities of the Company are determined on the assumption that it is not subject to Russian profits tax because it does not have a permanent establishment in Russia. The Company is a tax resident of Cyprus only and full beneficial owner of the Bank and Insurance Company. This interpretation of relevant legislation may be challenged but the impact of any such challenge cannot be reliably estimated currently; however, it may be significant to the financial position and/or the overall operations of the Company.

During the third quarter of 2020 amendments to Russia-Cyprus double tax treaty were made. The Company is currently assessing the impact of those amendments.

20 Fair Value of Financial Instruments

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuation techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs).

(a) Recurring fair value measurements

Recurring fair value measurements are those that the accounting standards require or permit in the separate statement of financial position at the end of each reporting period. The levels in the fair value hierarchy into which the recurring fair value measurements are categorised are as follows:

	31 December 2020				31 December 2019			
In millions of RR	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
ASSETS AT FAIR VALUE								
Loans and advances to related parties at FVTPL	-	-	1,892	1,892	-	-	-	-
Investments in subsidiaries	-	472,221	-	472,221	-	256,443	-	256,443
Other investments in equity securities	-	-	174	174	-	-	850	850
Total assets recurring fair value measurements	**-**	**472,221**	**2,066**	**474,287**	**-**	**256,443**	**850**	**257,293**

Investments in subsidiaries are stated at fair value based on market valuation (2019: same).

The description of valuation techniques and the description of the inputs used in the fair value measurement for level 2 measurements at 31 December 2020 are as follows:

In millions of RR	Fair value	Valuation technique	Inputs used
Assets AT FAIR VALUE			
Investments in subsidiaries	472,221	The estimated fair value of investments in subsidiaries recognises that the majority of the value of the Company resides in its main operating subsidiaries. Thus in estimating the fair value of the subsidiaries the primary input is the market quote of the Company's GDRs which are traded on the London and Moscow Stock Exchanges. Other inputs include the estimated fair value of the assets and liabilities held by the Company other than its investment in the subsidiaries	Market quote of USD 32.9 for 1 share at 31 December 2020; Market interest rates
Total recurring fair value measurements at level 2	**472,221**		

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Notes to the Separate Financial Statements (Continued)

20 Fair Value of Financial Instruments (Continued)

The description of valuation techniques and the description of the inputs used in the fair value measurement for level 2 measurements at 31 December 2019 are as follows:

In millions of RR	Fair value	Valuation technique	Inputs used
ASSETS AT FAIR VALUE			
Investments in subsidiaries	256,443	The estimated fair value of investments in subsidiaries recognises that the majority of the value of the Company resides in its main operating subsidiaries. Thus in estimating the fair value of the subsidiaries the primary input is the market quote of the Company's GDRs which are traded on the London and Moscow Stock Exchanges. Other inputs include the estimated fair value of the assets and liabilities held by the Company other than its investment in the subsidiaries	Market quote of USD 21.3 for 1 share at 31 December 2019; Market interest rates
Total recurring fair value measurements at level 2	**256,443**		

There were no changes in the valuation techniques for level 2 recurring fair value measurements during the years ended 31 December 2020 and 2019.

At 31 December 2020 if market quote of GDR of the Company at that date had been 69% higher/lower (2019: 60% higher/lower), with all other variables held constant, the fair value of the investments in equity securities would have been RR 329,192 million higher/lower (2019: RR 154,370 million higher/lower).

The description of valuation techniques and the description of the inputs used in the fair value measurement for level 3 measurements at 31 December 2020 are as follows:

In millions of RR	Fair value	Valuation technique	Inputs used
ASSETS AT FAIR VALUE			
Loans and advances to related parties at FVTPL	1,892	Revaluation of the convertible loan based on the Incantus Holding Limited's share price as per its most recent sale purchase transactions with shares of Incantus Holding Limited (Note 22)	Share price as per the most recent sale purchase transaction
Other investments in equity securities	174	Cost less impairment approach	Cost of acquisition. Share in post-acquisition profit
Total recurring fair value measurements at level 3	**2,066**		

The description of valuation techniques and the description of the inputs used in the fair value measurement for level 3 measurements at 31 December 2019 are as follows:

In millions of RR	Fair value	Valuation technique	Inputs used
ASSETS AT FAIR VALUE			
Other investments in equity securities	850	Cost less impairment approach	Cost of acquisition. Share in post-acquisition profit
Total recurring fair value measurements at level 3	**850**		

Changes of the fair value measurements at Level 3 for the year ended 31 December 2020 are as follows:

In millions of RR	31 December 2020
Loans and advances to related parties at FVTPL	
Fair value at the date of recognition	1,374
Other interest income	8
Net gains from foreign exchange translation	16
Net gains from revaluation of convertible loan	494
Fair value - Level 3	**1,892**

As at 31 December 2020, if the share price had been 10% lower/higher, fair value of loans and advances to related parties at FVTPL would have been RR 64 million lower/higher.

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Notes to the Separate Financial Statements (Continued)

20 Fair Value of Financial Instruments (Continued)

(b) Assets and liabilities not measured at fair value but for which fair value is disclosed

Fair values analysed by level in the fair value hierarchy and carrying value of assets not measured at fair value are as follows:

	31 December 2020				31 December 2019			
In millions of RR	Level 1	Level 2	Level 3	Carrying value	Level 1	Level 2	Level 3	Carrying value
FINANCIAL ASSETS CARRIED AT AMORTISED COST								
Cash and cash equivalents								
- placements with UK Bank (A+ rated)	-	705	-	705	-	596	-	596
- placements with European bank (B- rated)	-	72	-	72	-	2	-	2
Loans and deposit placements with related parties								
Deposit placements with subsidiary Bank	-	-	5,772	5,772	-	-	5,774	5,594
Loans and advances to related parties at FVTPL	-	-	1,892	1,892	-	-	-	-
Other financial assets	-	164	-	164	-	64	-	64
Total financial assets carried at amortised cost	**-**	**941**	**7,664**	**8,605**	**-**	**662**	**5,774**	**6,256**
FINANCIAL LIABILITIES CARRIED AT AMORTISED COST								
Debt securities in issue	-	-	-	-	-	2,460	-	2,460
Other financial liabilities	-	46	-	46	-	81	-	81
Total financial liabilities carried at amortised cost	**-**	**46**	**-**	**46**	**-**	**2,541**	**-**	**2,541**

Weighted average discount rates used in determining fair value as of 31 December 2020 and 31 December 2019 depend on currency:

In % p.a.	31 December 2020	31 December 2019
Assets		
Cash and cash equivalents	-	-
Loans and deposit placements with related parties		
- Loans and advances to related parties at FVTPL	1.7	-
- Deposit placements with subsidiary Bank	4.5	2.8
Liabilities		
Debt securities in issue	-	1.9

The fair values in level 2 and level 3 of the fair value hierarchy were estimated using the discounted cash flows valuation technique. The fair value of floating rate instruments that are not quoted in an active market was estimated to be equal to their carrying amount. The fair value of unquoted fixed interest rate instruments was estimated based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

21 Presentation of Financial Instruments by Measurement Category

For the purposes of measurement, IFRS 9 "Financial Instruments" classifies financial assets into the following categories: (a) financial assets at FVTPL; (b) financial assets at FVOCI and (c) financial assets at AC. Financial assets at FVTPL have two sub-categories: (i) assets measured at FVTPL mandatorily, and (ii) assets designated as such upon initial recognition.

The following table provides a reconciliation of classes of financial assets with these measurement categories as of 31 December 2020:

In millions of RR	AC	FVTPL	FVOCI	Total
Cash and cash equivalents	777	-	-	777
Loans and deposit placements with related parties	5,772	1,892	-	7,664
Investment in equity securities	-	-	472,395	472,395
Other financial assets	157	7	-	164
TOTAL FINANCIAL ASSETS	**6,706**	**1,899**	**472,395**	**481,000**

The following table provides a reconciliation of classes of financial assets with these measurement categories as of 31 December 2019:

In millions of RR	AC	FVTPL	FVOCI	Total
Cash and cash equivalents	598	-	-	598
Loans and deposit placements with related parties:				
Deposit placements with subsidiary Bank	5,594	-	-	5,594
Investment in equity securities	-	-	257,293	257,293
Other financial assets	64	-	-	64
TOTAL FINANCIAL ASSETS	**6,256**	**-**	**257,293**	**263,549**

As of 31 December 2020 and 2019 all of the Company's financial liabilities were carried at amortised cost.

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Notes to the Separate Financial Statements (Continued)

22 Related Party Transactions

Parties are generally considered to be related if the parties are under common control or one party has the ability to control the other party or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. Other related parties (excluding associates and joint ventures) in the tables below are represented by entities which are under the control of the Company's major shareholder Oleg Tinkov, who until 7 January 2021 was the Company's ultimate controlling shareholder (see Note 1). The outstanding balances with related parties were as follows:

	31 December 2020		31 December 2019	
In millions of RR	Subsidiary	Associates, joint ventures and other related parties	Subsidiary	Associates, joint ventures and other related parties
ASSETS				
Investments in equity securities	472,221	174	256,443	850
Loans and advances to related parties (contractual interest rate 2020: from 0.29% to 4.5%; 2019: from 0.35% to 7.5%)	5,772	1,892	5,594	-
Other financial assets	129	-	64	-
TOTAL ASSETS	**478,122**	**2,066**	**262,101**	**850**
LIABILITIES				
Debt securities in issue	-	-	-	2,460
Other non financial liabilities	-	656	-	582
TOTAL LIABILITIES	**-**	**656**	**-**	**3,042**

On 31 August 2020 the Company acquired a 22.15% shareholding in Incantus Holding Limited, which is a group of fintech start-ups launched in 2020 to provide a range of services to retail customers in Europe (excluding the CIS). The investment in Incantus Holding Limited was classified as an investment in associates and accounted for using the equity method. Also, the Company provided a convertible loan to Incantus Holding Limited in the amount of EUR 15.4 million (RR 1,374 million) at 1.7% p.a. with a maturity date of 31 August 2025. The convertible loan agreement implies that the Company may convert the loan into the borrower's shares at the price of initial acquisition of shares of Incantus Holding Limited by the Company subject to compliance with a number of conversion requirements including a cap in relation to overall shareholding of the Company in Incantus Holding Limited of 24.5%.

As at 31 December 2020 the shareholding of the Company in Incantus Holding Limited is equal to 16.32%, and the carrying value of the convertible loan is equal to RR 1,892 million. The Company, in addition to the convertible loan, has extended rights under the Shareholder Agreement at the board meeting level (Board Reserved matters) and at the shareholder meeting level (Shareholder Reserved matters) in Incantus Holding Limited which provides the Company significant influence over it and allows to treat it as associate.

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

	31 December 2020		31 December 2019	
In millions of RR	Subsidiary	Associates, joint ventures and other related parties	Subsidiary	Associates, joint ventures and other related parties
Interest income calculated using the effective interest rate method	53	8	228	-
Interest expense calculated using the effective interest rate method	-	(32)	(622)	(110)
Net gains/(losses) from foreign exchange translation	965	(424)	(94)	403
Net gains from financial assets at FVTPL	-	494	-	-
Dividend income	17,954	-	17,158	-
Net gains from operations with foreign currencies	-	-	111	-
Net losses from derivatives revaluation	-		(678)	-
Other comprehensive income:				
Revaluation of investments in subsidiaries	214,111	-	37,362	-

In 2020 the total remuneration of Directors listed in the Board of directors and other officers amounted to RR 17.4 million (2019: RR 17,3 million).

Management long-term incentive program. On 31 March 2016 the Company introduced a MLTIP as both a long-term incentive and a retention tool for the management of the Company. Total number of GDRs attributable to the management is 15,290 thousand as at 31 December 2020 (31 December 2019: 9,940 thousand).

Participants of the program receive the vested parts of their grants provided that they remain employed by the Company throughout the vesting period. Participants are entitled to the dividends, if any. Participants who leave the Company lose their right for the unvested parts of the grants.

The fair value of the awards as at grant dates (31 March 2016, 8 February 2017, 22 February 2018, 15 January 2019, 5 June 2020 and 11 December 2020) is determined on the basis of market quotes of GDRs as at those dates.

Each grant before 2020 is divided into 4 equal awards. Each award vests over 4 years in equal tranches. The delivery dates as of which the GDRs are allowed to be sold by the participants correspond to the vesting dates 31 March, as well as each subsequent 31 March (with the exception of 2019 when the vesting date for all participants was 31 January 2019) until 2022 for participants joining in 2016, until 2023 for participants joining in 2017, until 2024 for participants joining in 2018, until 2025 for participants joining in 2019.

Each grant provided in 2020 is divided into 5 equal tranches. The delivery dates as of which the GDRs are allowed to be sold by the participants correspond to the vesting dates 31 August, as well as each subsequent 31 August until 2025.

31 DECEMBER 2020

Notes to the Separate Financial Statements (Continued)

22 Related Party Transactions (Continued)

The following table discloses the changes in the numbers of GDRs attributable to the MLTIP:

In thousands	**Number of GDRs attributable to the MLTIP**
At 31 December 2018	**6,178**
Granted	91
Vested	(2,419)
Forfeited	(68)
At 31 December 2019	**3,782**
Granted	5,350
Vested	(1,810)
Forfeited	(46)
At 31 December 2020	**7,276**

23 Events after the End of the Reporting Period

On 10 March 2021 the Board of directors declared an interim dividend in line with the current dividend policy of USD 0.24 per share/per GDR with a total amount allocated for dividend payment of approximately USD 47.8 million. The Board at the same time announced its intent to not pay any further dividends in 2021, but to keep the funds inside the Group to provide for organic and/or inorganic growth opportunities.

On 7 January 2021 all 69,914,043 class B shares (35.08% of the total number of issued shares) held by the Rigi Trust and the Bernina Trust were converted to class A shares and on the same date all issued shares were reclassified and redesignated as ordinary shares. Following the conversion, each share carries a single vote, and the total number of votes capable of being exercised are equal to the total number of issued shares (currently 199,305,492 shares following the class B share conversion). As a result of the conversion, Mr. Oleg Tinkov's voting rights decreased from 84.38% to 35.08%. As a result his ability to exercise control over the Company and the Group was ceased.

GLOSSARY

Active Users	AU	A performance metric for the success of an internet product commonly assessed per month (MAU), per week (WAU), or per day (DAU)
Artificial Intelligence	AI	n/a
Anti-money laundering	AML	Laws regulating money laundering and terrorist financing
Average cost of funding	n/a	Interest expense / Average IEL
Average interest rate on loans	n/a	Core revenue on loans / Average net loan portfolio
Capital adequacy ratio	CAR	Capital/RWA
CBRF	CBRF	Central Bank of the Russian Federation
Charge-off rate	n/a	Loan charge-off / Average gross loans
Charge-offs	n/a	Loans written off the balance
Class A share	n/a	One share in TCSGH PLC having one vote
Class B share	n/a	One share in TCSGH PLC having ten votes
Compound Annnual Growth Rate	CAGR	n/a
Compulsory car insurance programme	OSAGO	n/a
Corporate social responsibility	CSR	n/a
Cost of borrowing	n/a	Interest expense/interest bearing liabilities
Cost of risk	n/a	Loan loss provision / Average gross loans
Cost to income ratio	C/I	Operating and acquisition expense / Core revenue
Cost to income ratio (excl. acquisition costs)	n/a	Operating expense / Core revenue
Country by Country Reporting	CbCR	
CRM	n/a	Online customer relationship management system
Cyprus Securities and Exchange Commission	CySec	Cyprus regulator of financial markets
Days past due	dpd	n/a
Financial Conduct Authority	FCA	UK regulator of financial markets
GIBDD	GIBDD	Law enforcement agency responsible for traffic
Global depositary receipt	GDR	One TCS Group Holding PLC GDR represents an interest in one class A share
Gross portfolio yield	n/a	Core revenue on loans /Average gross loan portfolio
Interest-earning assets	IEA	Gross loans + interbank loans and accounts + securities + interest earning cash equivalents
Interest-earning liabilities	IEL	Deposits + interbank + debt securities + subordinated loans + syndicated loan
International financial reporting standards	IFRS	n/a
IPO	n/a	Initial public offering, in the case of TCSGH plc with listing on the London Stock Exchange in October 2013
KASKO	KASKO	Voluntary car insurance programme
Key performance indicators	KPI	n/a
Loan loss provision	LLP	Allowance for bad loans
London Stock Exchange	LSE	n/a
M&A	-	Mergers and acquisitions activity, consolidation of companies
Management report/consolidated management report	MR/CMR	n/a
Mobile virtual network operator	MVNO	n/a
N1.0	N1.0	Russian statutory capital adequacy ratio
Net charge-offs	n/a	Loan charge-offs less recoveries
Net interest margin	NIM	Net interest income / Average IEA
Net Promoter Score	NPS	n/a
NFC	NFC	Near Field Communication
Non-financial statement/consolidated non-financial statement	NFS/CFNS	n/a
Non-performing loans	NPLs	Loans 90+ days overdue
NPV	NPV	Net present value
Person discharging managerial responsibilities	PDMR	n/a
PIE	Public interest entity	n/a
POS	Point-of-Sale loans	Credit offering at merchant and retail points of sale
Revenue	n/a	Operating income
Return on average assets	ROAA	Net income / Average assets
Return on average equity	ROAE	Net income / Average equity
Risk-adjusted net interest margin	Risk-adjusted NIM	(Net interest income - PL provisions) / Average IEA
Risk-weighted assets	RWA	Assets weighted by risk as per the CBRF methodology
Russian accounting standards	RAS	n/a
Smart Couriers	n/a	The Group's courier network, completing KYC and delivering cards to customers
SMEs	n/a	Small and medium enterprises
The Group's management long term incentive plan	MLTIP	n/a
Treasury portfolio	n/a	Investment securities and repos

INVESTOR INFORMATION

Detailed below are contacts and various addresses investors may find useful.
More up to date investor information, including the Group's current and historic share prices, corporate news, latest operational and financial results, presentations and other updates, is available on the TCS Group corporate websites at www.tinkoff.ru/eng

More up to date information can be found at the TCS Group Holding corporate
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